

City of Circleville
Pickaway County, Ohio

Basic Financial Statements

For the Fiscal Year Ended
December 31, 2015

CITY OF CIRCLEVILLE
PICKAWAY COUNTY, OHIO
Table of Contents

| | <i>Page</i> |
|---|-------------|
| Accountant’s Compilation Report..... | 1 |
| Management’s Discussion and Analysis | 5 |
| Basic Financial Statements: | |
| Government-wide Financial Statements: | |
| Statement of Net Position | 15 |
| Statement of Activities | 16 |
| Fund Financial Statements: | |
| Balance Sheet – Governmental Funds | 17 |
| Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities | 18 |
| Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds | 19 |
| Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities | 20 |
| Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – General Fund | 21 |
| Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – Income Tax Fund | 22 |
| Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – Safety Forces Fund | 23 |
| Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – Safety Forces .1% Income Tax Fund | 24 |
| Statement of Fund Net Position – Proprietary Funds | 25 |
| Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds | 26 |
| Statement of Cash Flows – Proprietary Funds | 27 |
| Statement of Fiduciary Net Position – Fiduciary Funds | 28 |
| Statement of Changes in Fiduciary Net Position – Fiduciary Fund | 29 |
| Notes to the Basic Financial Statements | 30 |
| Required Supplementary Information: | |
| Schedule of the City’s Proportionate Share of the Net Pension Liability | 69 |
| Schedule of City Contributions | 70 |

May 25, 2016

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

Management is responsible for the accompanying basic financial statements of City of Circleville, as of and for the year ended December 31, 2015 and the related notes to the financial statements in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

The management's discussion and analysis and the net pension liability schedules on pages 5 - 14 and 69 - 71, respectively, are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America.

This information is the representation of management. The information was subject to our compilation engagement; however, we have not audited or reviewed the information and, accordingly, do not express an opinion, a conclusion, nor provide any assurance on such information.

Rea & Associates, Inc.

New Philadelphia, Ohio

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City of Circleville
Pickaway County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2015
(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, 2015. 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 2015 are as follows:

- In total, net position increased \$1,739,707, which represents an 4 percent increase from 2014. Net position of governmental activities increased \$1,432,483. Net position of business-type activities increased \$307,224.
- Total capital assets increased \$387,455 during 2015. Capital assets of governmental activities increased \$146,211 and capital assets of business-type activities increased \$241,244.
- Outstanding debt increased from \$6,991,837 to \$7,928,313 due to additional proceeds on the bond anticipation note to be used for construction of the connector.
- The City implemented GASB 68, which reduced beginning net position as previously reported by \$6,213,603.

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 2015 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
For the Year Ended December 31, 2015
(Unaudited)

A question typically asked about the City's finances "How did we do financially during 2015?" The Statement of Net Position and the Statement of Activities answer this question. These statements include *all assets and deferred outflows of resources* and *liabilities and deferred inflows of resources* using the *accrual basis of accounting* similar to the accounting method used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

Reporting the City of Circleville's Most Significant Funds

Fund Financial Statements

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

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

City of Circleville
Pickaway County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2015
(Unaudited)

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 2015 compared to 2014:

Table 1
Net Position

| | Governmental Activities | | Business-Type Activities | | Total | |
|---|-------------------------|----------------------|--------------------------|----------------------|----------------------|----------------------|
| | 2015 | Restated 2014 | 2015 | Restated 2014 | 2015 | Restated 2014 |
| Assets | | | | | | |
| Current and Other Assets | \$ 10,164,707 | \$ 7,851,687 | \$ 6,102,604 | \$ 6,407,222 | \$ 16,267,311 | \$ 14,258,909 |
| Net Pension Asset | 2,350 | 641 | 1,428 | 389 | 3,778 | 1,030 |
| Capital Assets | 24,021,683 | 23,875,472 | 20,701,044 | 20,459,800 | 44,722,727 | 44,335,272 |
| <i>Total Assets</i> | <u>34,188,740</u> | <u>31,727,800</u> | <u>26,805,076</u> | <u>26,867,411</u> | <u>60,993,816</u> | <u>58,595,211</u> |
| Deferred Outflows of Resources | | | | | | |
| Deferred Charges on Refunding | 19,396 | 23,275 | 0 | 0 | 19,396 | 23,275 |
| Pension | 1,022,273 | 672,348 | 169,927 | 128,659 | 1,192,200 | 801,007 |
| <i>Total Deferred Outflows of Resources</i> | <u>1,041,669</u> | <u>695,623</u> | <u>169,927</u> | <u>128,659</u> | <u>1,211,596</u> | <u>824,282</u> |
| Liabilities | | | | | | |
| Current and Other Liabilities | 3,888,959 | 2,507,206 | 263,328 | 462,226 | 4,152,287 | 2,969,432 |
| Long-Term Liabilities | | | | | | |
| Due within One Year | 584,141 | 622,206 | 334,920 | 317,263 | 919,061 | 939,469 |
| Due in More Than One Year: | | | | | | |
| Net Pension Liability | 6,755,277 | 6,390,149 | 639,944 | 625,491 | 7,395,221 | 7,015,640 |
| Other Amounts | 1,778,192 | 2,126,005 | 2,491,453 | 2,664,634 | 4,269,645 | 4,790,639 |
| <i>Total Liabilities</i> | <u>13,006,569</u> | <u>11,645,566</u> | <u>3,729,645</u> | <u>4,069,614</u> | <u>16,736,214</u> | <u>15,715,180</u> |
| Deferred Inflows of Resources | | | | | | |
| Property Taxes | 757,920 | 763,636 | 0 | 0 | 757,920 | 763,636 |
| Pension | 19,216 | 0 | 11,678 | 0 | 30,894 | 0 |
| <i>Deferred Inflows of Resources</i> | <u>777,136</u> | <u>763,636</u> | <u>11,678</u> | <u>0</u> | <u>788,814</u> | <u>763,636</u> |
| Net Position | | | | | | |
| Net Investment in | | | | | | |
| Capital Assets | 22,127,415 | 19,839,090 | 17,997,875 | 17,426,244 | 40,125,290 | 37,265,334 |
| Restricted | 3,599,257 | 1,589,641 | 0 | 0 | 3,599,257 | 1,589,641 |
| Unrestricted | (4,279,968) | (1,414,510) | 5,235,805 | 5,500,212 | 955,837 | 4,085,702 |
| <i>Total Net Position</i> | <u>\$ 21,446,704</u> | <u>\$ 20,014,221</u> | <u>\$ 23,233,680</u> | <u>\$ 22,926,456</u> | <u>\$ 44,680,384</u> | <u>\$ 42,940,677</u> |

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

City of Circleville
Pickaway County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2015
(Unaudited)

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

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

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

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

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

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

As a result of implementing GASB 68, the City is reporting a net pension asset/liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at December 31, 2014, from \$25,731,381 to \$20,014,221 for governmental activities and from \$23,422,899 to \$22,926,456 for business-type activities.

City of Circleville
Pickaway County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2015
(Unaudited)

At year end, capital assets represented 73 percent of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, machinery and equipment, vehicles and infrastructure.

Net investment in capital assets was \$40,125,290 at December 31, 2015, with \$22,127,415 in governmental activities and \$17,997,875 in business-type activities. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the City's net position, \$3,599,257, or 8 percent, represents resources that are subject to external restrictions on how they may be used. The balance of unrestricted net position of \$955,837 may be used to meet the government's ongoing obligations to citizens and creditors.

For governmental activities, the City saw a \$2,534,790 increase in current assets. This was primarily caused by a \$1,115,011 increase in cash and investments with escrow agents for the escrow payment made to ODOT for the Connector project within the City and an \$648,236 increase in intergovernmental receivable which was primarily caused by the Small Cities Block Grant that was granted to the City during 2015. The Clark Drive and Brookhill Lane improvements were finished at the beginning of 2015, causing there to be less cash used for capital projects, which resulted in an increase in pooled cash and cash investments.

There was a \$349,925 increase in deferred outflows for pension that was caused by the implementation of GASB 68.

The City saw a \$1,381,753 increase in current and other liabilities that was primarily caused by an increase in the short term debt note for the Connector project.

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City of Circleville
Pickaway County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2015
(Unaudited)

In order to further understand what makes up the changes in net position for the current year, the following table gives readers further details regarding the results of activities for 2015 and 2014.

Table 2
Changes in Net Position

| | Governmental Activities | | Business-Type Activities | | Total | |
|------------------------------------|-------------------------|---------------------|--------------------------|-------------------|---------------------|---------------------|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| Revenues | | | | | | |
| <i>Program Revenues:</i> | | | | | | |
| Charges for Services | \$ 2,000,989 | \$ 1,970,917 | \$ 4,039,581 | \$ 3,736,571 | \$ 6,040,570 | \$ 5,707,488 |
| Operating Grants and Contributions | 1,659,987 | 757,058 | 0 | 1,384 | 1,659,987 | 758,442 |
| Capital Grants and Contributions | 39,055 | 50,821 | 164,527 | 135,473 | 203,582 | 186,294 |
| <i>General Revenues:</i> | | | | | | |
| Property Taxes | 825,167 | 826,863 | 0 | 0 | 825,167 | 826,863 |
| Income Taxes | 6,327,384 | 5,305,890 | 0 | 0 | 6,327,384 | 5,305,890 |
| Other Taxes | 117,336 | 103,845 | 0 | 0 | 117,336 | 103,845 |
| Grants and Entitlements | 506,918 | 451,055 | 0 | 0 | 506,918 | 451,055 |
| Unrestricted Contributions | 915 | 12,337 | 0 | 0 | 915 | 12,337 |
| Investment Earnings | 67,565 | 101,256 | 0 | 0 | 67,565 | 101,256 |
| Miscellaneous | 96,990 | 142,767 | 36,312 | 134,336 | 133,302 | 277,103 |
| <i>Total Revenues</i> | <u>11,642,306</u> | <u>9,722,809</u> | <u>4,240,420</u> | <u>4,007,764</u> | <u>15,882,726</u> | <u>13,730,573</u> |
| Program Expenses | | | | | | |
| General Government | 2,834,696 | 2,949,620 | 0 | 0 | 2,834,696 | 2,949,620 |
| Security of Persons and Property | 4,966,255 | 4,782,823 | 0 | 0 | 4,966,255 | 4,782,823 |
| Public Health | 182,914 | 185,164 | 0 | 0 | 182,914 | 185,164 |
| Leisure Time Services | 215,607 | 214,158 | 0 | 0 | 215,607 | 214,158 |
| Community Development | 175,205 | 151,876 | 0 | 0 | 175,205 | 151,876 |
| Transportation | 1,733,775 | 2,089,178 | 0 | 0 | 1,733,775 | 2,089,178 |
| Debt Issuance Costs | 17,825 | 12,198 | 0 | 0 | 17,825 | 12,198 |
| Interest and Fiscal Charges | 83,546 | 102,203 | 0 | 0 | 83,546 | 102,203 |
| <i>Enterprise Operations:</i> | | | | | | |
| Waterworks Operating | 0 | 0 | 1,702,706 | 1,580,189 | 1,702,706 | 1,580,189 |
| Sanitary Sewer Operating | 0 | 0 | 2,230,490 | 2,149,331 | 2,230,490 | 2,149,331 |
| <i>Total Program Expenses</i> | <u>10,209,823</u> | <u>10,487,220</u> | <u>3,933,196</u> | <u>3,729,520</u> | <u>14,143,019</u> | <u>14,216,740</u> |
| <i>Change in Net Position</i> | <u>\$ 1,432,483</u> | <u>\$ (764,411)</u> | <u>\$ 307,224</u> | <u>\$ 278,244</u> | <u>\$ 1,739,707</u> | <u>\$ (486,167)</u> |

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$801,007 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of \$872,410. Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

City of Circleville
Pickaway County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2015
(Unaudited)

| | Governmental Activities | Business-Type Activities | Total |
|--|----------------------------|-----------------------------|---------------|
| Total 2015 program expenses under GASB 68 | \$ 10,209,823 | \$ 3,933,196 | \$ 14,143,019 |
| Pension expense under GASB 68 | (752,892) | (119,518) | (872,410) |
| 2015 contractually required contribution | 720,182 | 135,694 | 855,876 |
| Adjusted 2015 program expenses | 10,177,113 | 3,949,372 | 14,126,485 |
| Total 2014 program expenses under GASB 27 | 10,487,220 | 3,729,520 | 14,216,740 |
| Increase (Decrease) in program expenses not related to pension | \$ (310,107) | \$ 219,852 | \$ (90,255) |

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 \$1,919,497 increase in governmental revenue and a \$232,656 increase business-type revenue. Governmental activities saw increases in income taxes due to the levy that was passed in May of 2014 and intergovernmental revenue due to additional CDBG grants awarded in 2015.

The increase in business-type revenue was caused by an increase in revenue for water and sewer services.

Police and fire represent the largest expense of the Governmental Activities. Security of Persons and Property expense of \$4,966,255 represents 49 percent of the total governmental activities expenses. The police and fire departments operate out of the general fund, the safety forces tax fund and the safety forces .1% income tax fund.

The 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 \$1,733,775, or 17 percent of total governmental activities expenses, during 2015.

The City also maintains a park (leisure time services) within the City. The park had expenses of \$215,607 in 2015 equaling 2 percent of the total governmental services expenses. All other governmental operations had expenses of \$3,294,186, 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 2015, charges for services of \$4,039,581 accounted for 95 percent of the business type revenues. The total expenses for the utilities were \$3,933,196, thus leaving an increase in net position of \$307,224 for the business-type activities.

City of Circleville
Pickaway County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2015
(Unaudited)

The City's Funds

Governmental Funds

Information about the City's governmental funds begins on page 17. These funds are accounted for using the modified accrual method of accounting. All governmental funds had revenues of \$11,124,195 and expenditures of \$10,786,088. The funds are monitored consistently with adjustments made throughout the year in budgets to accommodate yearly revenues.

The general fund's net change in fund balance for 2015 was a decrease of \$281,230.

The fund balance of the income tax fund increased by \$788.

The safety forces tax fund's net change in fund balance for 2015 was a decrease of \$55,467, as expenditures exceeded income tax revenues.

The safety forces .1% income tax fund's net change in fund balance for 2015 was an increase of \$48,383, as income tax revenues exceeded expenditures.

The general obligation bond retirement fund balance increased \$38,128.

The capital improvement fund decreased \$484,597 due to the timing of income tax revenues versus expenditures for construction projects throughout the City.

The capital improvement .4% income tax fund's net change in fund balance for 2015 was an increase of \$810,874, as income tax revenues exceeded expenditures.

Proprietary Funds

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

Unrestricted net position of the waterworks operating fund at the end of the year amounted to \$3,179,702, which is a decrease of \$58,329 after the restatement for GASB 68. The unrestricted net position of the sanitary sewer operating fund was \$2,056,103, which is a decrease of \$206,078 after the restatement for GASB 68. 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 2015, 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.

City of Circleville
Pickaway County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2015
(Unaudited)

For the general fund, the actual budget basis revenue was \$4,596,025, representing an increase of \$65,845 over the final budget estimate of \$4,530,180. Most of this difference was attributable to an underestimation of income tax revenue.

Final expenditure appropriations of \$5,049,538 were \$232,155 higher than the actual expenditures of \$4,817,383, as cost savings were recognized in all departments throughout the year.

Capital Assets and Debt Administration

Capital Assets

At the end of year 2015, the City had \$44,722,727 invested in capital assets. A total of \$24,021,683 of this was for governmental activities and \$20,701,044 being attributable to business-type activities. See Note 8 for additional details. Table 3 shows 2015 balances compared with 2014.

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

| | Governmental Activities | | Business-Type Activities | | Total | |
|----------------------------|-------------------------|----------------------|--------------------------|----------------------|----------------------|----------------------|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| Land | \$ 1,156,910 | \$ 1,156,910 | \$ 149,180 | \$ 149,180 | \$ 1,306,090 | \$ 1,306,090 |
| Infrastructure | 16,316,998 | 15,957,533 | 15,526,200 | 14,545,122 | 31,843,198 | 30,502,655 |
| Land Improvements | 300,018 | 306,242 | 8,748 | 9,262 | 308,766 | 315,504 |
| Buildings and Improvements | 4,550,042 | 4,672,728 | 4,284,353 | 4,301,872 | 8,834,395 | 8,974,600 |
| Machinery and Equipment | 861,811 | 863,078 | 361,541 | 394,515 | 1,223,352 | 1,257,593 |
| Vehicles | 458,905 | 306,210 | 260,112 | 285,182 | 719,017 | 591,392 |
| Construction in Progress | 376,999 | 612,771 | 110,910 | 774,667 | 487,909 | 1,387,438 |
| <i>Total</i> | <u>\$ 24,021,683</u> | <u>\$ 23,875,472</u> | <u>\$ 20,701,044</u> | <u>\$ 20,459,800</u> | <u>\$ 44,722,727</u> | <u>\$ 44,335,272</u> |

Debt

The outstanding debt for the City as of December 31, 2015 was \$7,928,313. 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 | |
|--------------------------|-------------------------|---------------------|--------------------------|---------------------|---------------------|---------------------|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| General Obligation Bonds | \$ 1,570,000 | \$ 1,830,000 | \$ 2,205,000 | \$ 2,340,000 | \$ 3,775,000 | \$ 4,170,000 |
| OWDA Loans | 0 | 0 | 189,408 | 249,114 | 189,408 | 249,114 |
| OPWC Loans | 0 | 0 | 94,437 | 0 | 94,437 | 0 |
| Bond Anticipation Notes | 3,409,000 | 1,994,000 | 0 | 0 | 3,409,000 | 1,994,000 |
| Capital Leases | 305,038 | 367,603 | 155,430 | 211,120 | 460,468 | 578,723 |
| <i>Total</i> | <u>\$ 5,284,038</u> | <u>\$ 4,191,603</u> | <u>\$ 2,644,275</u> | <u>\$ 2,800,234</u> | <u>\$ 7,928,313</u> | <u>\$ 6,991,837</u> |

City of Circleville
Pickaway County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2015
(Unaudited)

Current Issues

On a cash basis, the City of Circleville's municipal income tax base increased 20.0 percent in 2015. The major contributor to the increase in municipal income tax receipts was an increase in the rate by .5 percent. The .5 percent income tax was a voter approved levy that is designated for specific municipal services. The Capital Improvement .4 percent income tax is for the purpose of capital improvements for the development and construction of street improvements and storm sewers; for parks and playgrounds; and for all city street lighting necessary. The Safety .1 percent Income Tax is for the purpose of operating and maintaining the safety forces. The combined rate for safety forces operations is .6 percent when the .5 percent income levy from 1988 is applied. Municipal income tax provides 39.27 percent of the safety forces operating budget. The remaining 1 percent income tax provides for the general operating expenditures of the City including Municipal Court. The income tax receipts for general operations fell by 1.27 percent from 2014 to 2015. The main factor for this decrease is the completion of the large construction projects that were ongoing in prior years. The overall employment base remains steady with minimal growth. The municipal income tax provides 55.06 percent of the general operating dollars of the city. Since 2005 the City has experienced a 55.22 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 revenues 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, 2015

| | Primary Government | | |
|---|----------------------------|-----------------------------|----------------------|
| | Governmental Activities | Business-Type Activities | Total |
| Assets | | | |
| Equity in Pooled Cash and Investments | \$ 4,479,904 | \$ 5,370,041 | \$ 9,849,945 |
| Cash and Investments with Fiscal Agents | 34,831 | 0 | 34,831 |
| Cash and Investments with Escrow Agents | 1,281,447 | 0 | 1,281,447 |
| Accounts Receivable | 126,504 | 632,185 | 758,689 |
| Accrued Interest Receivable | 13,783 | 0 | 13,783 |
| Intergovernmental Receivable | 1,226,841 | 0 | 1,226,841 |
| Property Taxes Receivable | 800,717 | 0 | 800,717 |
| Income Taxes Receivable | 2,010,694 | 0 | 2,010,694 |
| Loans Receivable | 347 | 0 | 347 |
| Prepaid Items | 44,273 | 16,041 | 60,314 |
| Materials and Supplies Inventory | 145,366 | 84,337 | 229,703 |
| Non-Depreciable Capital Assets | 1,533,909 | 260,090 | 1,793,999 |
| Depreciable Capital Assets, Net | 22,487,774 | 20,440,954 | 42,928,728 |
| Net Pension Asset (See Note 12) | 2,350 | 1,428 | 3,778 |
| <i>Total Assets</i> | <u>34,188,740</u> | <u>26,805,076</u> | <u>60,993,816</u> |
| Deferred Outflows of Resources | | | |
| Deferred Charges on Refunding | 19,396 | 0 | 19,396 |
| Pension | 1,022,273 | 169,927 | 1,192,200 |
| <i>Total Deferred Outflows of Resources</i> | <u>1,041,669</u> | <u>169,927</u> | <u>1,211,596</u> |
| Liabilities | | | |
| Accounts Payable | 187,615 | 47,978 | 235,593 |
| Accrued Wages | 145,646 | 39,516 | 185,162 |
| Contracts Payable | 4,677 | 58,891 | 63,568 |
| Intergovernmental Payable | 95,886 | 23,497 | 119,383 |
| Matured Interest Payable | 14,831 | 0 | 14,831 |
| Matured Bonds Payable | 20,000 | 0 | 20,000 |
| Refundable Deposits | 0 | 85,608 | 85,608 |
| Accrued Interest Payable | 11,304 | 7,838 | 19,142 |
| Notes Payable | 3,409,000 | 0 | 3,409,000 |
| Long-Term Liabilities: | | | |
| Due Within One Year | 584,141 | 334,920 | 919,061 |
| Net Pension Liability (See Note 12) | 6,755,277 | 639,944 | 7,395,221 |
| Other Amounts Due in More Than One Year | 1,778,192 | 2,491,453 | 4,269,645 |
| <i>Total Liabilities</i> | <u>13,006,569</u> | <u>3,729,645</u> | <u>16,736,214</u> |
| Deferred Inflows of Resources | | | |
| Property Taxes Levied for the Next Year | 757,920 | 0 | 757,920 |
| Pension | 19,216 | 11,678 | 30,894 |
| <i>Total Deferred Inflows of Resources</i> | <u>777,136</u> | <u>11,678</u> | <u>788,814</u> |
| Net Position | | | |
| Net Investment in Capital Assets | 22,127,415 | 17,997,875 | 40,125,290 |
| Restricted for: | | | |
| Capital Outlay | 1,101,247 | 0 | 1,101,247 |
| Safety Services | 232,258 | 0 | 232,258 |
| Streets | 552,210 | 0 | 552,210 |
| Community Development | 642,164 | 0 | 642,164 |
| Other Purposes | 1,071,378 | 0 | 1,071,378 |
| Unrestricted | (4,279,968) | 5,235,805 | 955,837 |
| <i>Total Net Position</i> | <u>\$ 21,446,704</u> | <u>\$ 23,233,680</u> | <u>\$ 44,680,384</u> |

See accompanying notes and accountant's compilation report.

City of Circleville
Pickaway County, Ohio
Statement of Activities
For the Year Ended December 31, 2015

| | | | | | Net (Expense) Revenue and Changes in Net Position | | |
|--|--------------------------------------|--|--|----------------------------|---|----------------------|----------------------|
| Expenses | Program Revenues | | | | Primary Government | | |
| | Charges for Services and Sales | Operating Grants, Contributions and Interest | Capital Grants and Contributions | Governmental Activities | Business-Type Activities | Total | |
| Governmental Activities | | | | | | | |
| General Government | \$ 2,834,696 | \$ 1,290,694 | \$ 191,124 | \$ 0 | \$ (1,352,878) | \$ 0 | \$ (1,352,878) |
| Security of Persons and Property | 4,966,255 | 679,343 | 21,501 | 0 | (4,265,411) | 0 | (4,265,411) |
| Public Health | 182,914 | 0 | 0 | 0 | (182,914) | 0 | (182,914) |
| Leisure Time Services | 215,607 | 16,860 | 14,738 | 1,000 | (183,009) | 0 | (183,009) |
| Community Development | 175,205 | 0 | 800,009 | 0 | 624,804 | 0 | 624,804 |
| Transportation | 1,733,775 | 14,092 | 632,615 | 38,055 | (1,049,013) | 0 | (1,049,013) |
| Debt Issuance Costs | 17,825 | 0 | 0 | 0 | (17,825) | 0 | (17,825) |
| Interest and Fiscal Charges | 83,546 | 0 | 0 | 0 | (83,546) | 0 | (83,546) |
| <i>Total Governmental Activities</i> | <u>10,209,823</u> | <u>2,000,989</u> | <u>1,659,987</u> | <u>39,055</u> | <u>(6,509,792)</u> | <u>0</u> | <u>(6,509,792)</u> |
| Business-Type Activities | | | | | | | |
| Waterworks Operating | 1,702,706 | 1,758,334 | 0 | 0 | 0 | 55,628 | 55,628 |
| Sanitary Sewer Operating | 2,230,490 | 2,281,247 | 0 | 164,527 | 0 | 215,284 | 215,284 |
| <i>Total Business-Type Activities</i> | <u>3,933,196</u> | <u>4,039,581</u> | <u>0</u> | <u>164,527</u> | <u>0</u> | <u>270,912</u> | <u>270,912</u> |
| <i>Total Primary Government</i> | <u>\$ 14,143,019</u> | <u>\$ 6,040,570</u> | <u>\$ 1,659,987</u> | <u>\$ 203,582</u> | <u>(6,509,792)</u> | <u>270,912</u> | <u>(6,238,880)</u> |
| General Revenues: | | | | | | | |
| Property Taxes Levied for: | | | | | | | |
| General Purposes | | | | | 713,704 | 0 | 713,704 |
| Police, Fire and Community Operations | | | | | 111,463 | 0 | 111,463 |
| Income Taxes Levied for: | | | | | | | |
| General Purposes | | | | | 2,352,942 | 0 | 2,352,942 |
| Police, Fire and Community Operations | | | | | 1,911,733 | 0 | 1,911,733 |
| Capital Projects | | | | | 1,830,616 | 0 | 1,830,616 |
| Debt Service | | | | | 232,093 | 0 | 232,093 |
| Other Taxes | | | | | 117,336 | 0 | 117,336 |
| Grants and Entitlements not Restricted to Specific Programs | | | | | 506,918 | 0 | 506,918 |
| Unrestricted Contributions | | | | | 915 | 0 | 915 |
| Investment Earnings | | | | | 67,565 | 0 | 67,565 |
| Miscellaneous | | | | | 96,990 | 36,312 | 133,302 |
| <i>Total General Revenues</i> | | | | | <u>7,942,275</u> | <u>36,312</u> | <u>7,978,587</u> |
| <i>Change in Net Position</i> | | | | | 1,432,483 | 307,224 | 1,739,707 |
| <i>Net Position Beginning of Year (Restated, See Note 2V.)</i> | | | | | <u>20,014,221</u> | <u>22,926,456</u> | <u>42,940,677</u> |
| <i>Net Position End of Year</i> | | | | | <u>\$ 21,446,704</u> | <u>\$ 23,233,680</u> | <u>\$ 44,680,384</u> |

See accompanying notes and accountant's compilation report.

City of Circleville
Pickaway County, Ohio
Balance Sheet
Governmental Funds
December 31, 2015

| | General | Income Tax Fund | Safety Forces Tax Fund | Safety Forces .1% Income Tax Fund | General Obligation Bond Retirement Fund | Capital Improvement Fund | Capital Improvement .4% Income Tax Fund | All Other Governmental Funds | Total Governmental Funds |
|---|---------------------|------------------|------------------------|-----------------------------------|---|--------------------------|---|------------------------------|--------------------------|
| Assets | | | | | | | | | |
| Equity in Pooled Cash and Investments | \$ 477,128 | \$ 7,683 | \$ 466,498 | \$ 25,685 | \$ 13,252 | \$ 1,091,542 | \$ 720,082 | \$ 1,678,034 | \$ 4,479,904 |
| Cash and Investments with Fiscal Agents | 0 | 0 | 0 | 0 | 34,831 | 0 | 0 | 0 | 34,831 |
| Cash and Investments with Escrow Agents | 0 | 0 | 0 | 0 | 0 | 1,281,447 | 0 | 0 | 1,281,447 |
| Accounts Receivable | 109,279 | 0 | 0 | 0 | 0 | 0 | 0 | 17,225 | 126,504 |
| Accrued Interest Receivable | 13,783 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 13,783 |
| Intergovernmental Receivable | 273,774 | 0 | 2,400 | 0 | 36,517 | 0 | 0 | 914,150 | 1,226,841 |
| Property Taxes Receivable | 683,045 | 0 | 0 | 0 | 0 | 0 | 0 | 117,672 | 800,717 |
| Income Taxes Receivable | 784,765 | 66,902 | 504,833 | 95,132 | 135,671 | 42,863 | 380,528 | 0 | 2,010,694 |
| Loans Receivable | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 347 | 347 |
| Prepaid Items | 15,587 | 0 | 21,746 | 0 | 0 | 4,427 | 0 | 2,513 | 44,273 |
| Materials and Supplies Inventory | 23,655 | 0 | 0 | 0 | 0 | 0 | 0 | 121,711 | 145,366 |
| <i>Total Assets</i> | <u>\$ 2,381,016</u> | <u>\$ 74,585</u> | <u>\$ 995,477</u> | <u>\$ 120,817</u> | <u>\$ 220,271</u> | <u>\$ 2,420,279</u> | <u>\$ 1,100,610</u> | <u>\$ 2,851,652</u> | <u>\$ 10,164,707</u> |
| Liabilities | | | | | | | | | |
| Accounts Payable | \$ 9,290 | \$ 0 | \$ 24,299 | \$ 0 | \$ 0 | \$ 20,545 | \$ 0 | \$ 133,481 | \$ 187,615 |
| Accrued Wages | 92,046 | 608 | 39,809 | 0 | 0 | 0 | 0 | 13,183 | 145,646 |
| Contracts Payable | 0 | 0 | 0 | 0 | 0 | 4,677 | 0 | 0 | 4,677 |
| Intergovernmental Payable | 35,129 | 448 | 51,151 | 0 | 0 | 0 | 0 | 9,158 | 95,886 |
| Matured Interest Payable | 0 | 0 | 0 | 0 | 14,831 | 0 | 0 | 0 | 14,831 |
| Matured Bonds Payable | 0 | 0 | 0 | 0 | 20,000 | 0 | 0 | 0 | 20,000 |
| Accrued Interest Payable | 0 | 0 | 0 | 0 | 0 | 7,530 | 0 | 0 | 7,530 |
| Notes Payable | 0 | 0 | 0 | 0 | 0 | 3,409,000 | 0 | 0 | 3,409,000 |
| <i>Total Liabilities</i> | <u>136,465</u> | <u>1,056</u> | <u>115,259</u> | <u>0</u> | <u>34,831</u> | <u>3,441,752</u> | <u>0</u> | <u>155,822</u> | <u>3,885,185</u> |
| Deferred Inflows of Resources | | | | | | | | | |
| Property Taxes Levied for the Next Year | 646,668 | 0 | 0 | 0 | 0 | 0 | 0 | 111,252 | 757,920 |
| Unavailable Revenue | 992,827 | 51,908 | 376,536 | 72,434 | 97,643 | 10,149 | 289,736 | 736,262 | 2,627,495 |
| <i>Total Deferred Inflows of Resources</i> | <u>1,639,495</u> | <u>51,908</u> | <u>376,536</u> | <u>72,434</u> | <u>97,643</u> | <u>10,149</u> | <u>289,736</u> | <u>847,514</u> | <u>3,385,415</u> |
| Fund Balances | | | | | | | | | |
| Nonspendable | 39,242 | 0 | 21,746 | 0 | 0 | 4,427 | 0 | 124,224 | 189,639 |
| Restricted | 0 | 0 | 0 | 48,383 | 0 | 0 | 810,874 | 1,589,887 | 2,449,144 |
| Committed | 1,662 | 21,621 | 481,936 | 0 | 87,797 | 0 | 0 | 134,205 | 727,221 |
| Assigned | 564,152 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 564,152 |
| Unassigned | 0 | 0 | 0 | 0 | 0 | (1,036,049) | 0 | 0 | (1,036,049) |
| <i>Total Fund Balances</i> | <u>605,056</u> | <u>21,621</u> | <u>503,682</u> | <u>48,383</u> | <u>87,797</u> | <u>(1,031,622)</u> | <u>810,874</u> | <u>1,848,316</u> | <u>2,894,107</u> |
| <i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i> | <u>\$ 2,381,016</u> | <u>\$ 74,585</u> | <u>\$ 995,477</u> | <u>\$ 120,817</u> | <u>\$ 220,271</u> | <u>\$ 2,420,279</u> | <u>\$ 1,100,610</u> | <u>\$ 2,851,652</u> | <u>\$ 10,164,707</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, 2015

| | | |
|--|-------------|----------------------|
| Total Governmental Fund Balances | | \$ 2,894,107 |
| <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. | | 24,021,683 |
| Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds: | | |
| Delinquent Property Taxes | \$ 42,797 | |
| Income Tax | 1,518,106 | |
| Intergovernmental | 948,708 | |
| Investment Earnings | 10,777 | |
| Charges for Services | 107,107 | 2,627,495 |
| Accrued interest payable is not due and payable in the current period and therefore not reported in the funds. | | (3,774) |
| Unamortized gain/loss on refunding represents deferred outflows, which do not provide current financial resources and, therefore, are not reported in the funds. | | 19,396 |
| The net pension liability is not due and payable in the current period, and the net pension asset is not available for spending in the current period; therefore, the asset, liability and related deferred inflows/outflows are not reported in governmental funds. | | |
| Net Pension Asset | 2,350 | |
| Deferred Outflows - Pension | 1,022,273 | |
| Deferred Inflows - Pension | (19,216) | |
| Net Pension Liability | (6,755,277) | (5,749,870) |
| Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds: | | |
| General Obligation Bonds | (1,570,000) | |
| Bond Premium | (38,627) | |
| Capital Leases | (305,038) | |
| Compensated Absences | (448,668) | (2,362,333) |
| <i>Net Position of Governmental Activities</i> | | \$ 21,446,704 |

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, 2015

| | General | Income Tax Fund | Safety Forces Tax Fund | Safety Forces .1% Income Tax Fund | General Obligation Bond Retirement Fund | Capital Improvement Fund | Capital Improvement .4% Income Tax Fund | All Other Governmental Funds | Total Governmental Funds |
|---|-------------------|------------------|------------------------|-----------------------------------|---|--------------------------|---|------------------------------|--------------------------|
| Revenues | | | | | | | | | |
| Property Taxes | \$ 714,448 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 111,594 | \$ 826,042 |
| Income Taxes | 2,145,287 | 213,444 | 1,749,998 | 254,288 | 309,234 | 591,364 | 1,017,151 | 0 | 6,280,766 |
| Other Local Taxes | 117,336 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 117,336 |
| Charges for Services | 386,101 | 0 | 450,775 | 0 | 0 | 5,148 | 0 | 27,724 | 869,748 |
| Licenses and Permits | 117,387 | 0 | 0 | 0 | 0 | 0 | 0 | 68,719 | 186,106 |
| Fines and Forfeitures | 507,182 | 0 | 0 | 0 | 0 | 0 | 0 | 435,145 | 942,327 |
| Intergovernmental | 486,100 | 0 | 2,400 | 0 | 36,517 | 1,000 | 0 | 1,206,444 | 1,732,461 |
| Interest | 62,444 | 0 | 0 | 0 | 20,945 | 157 | 0 | (9,518) | 74,028 |
| Rent | 6 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 6 |
| Contributions and Donations | 915 | 0 | 10 | 0 | 0 | 6,616 | 0 | 7,904 | 15,445 |
| Other | 33,586 | 0 | 33,722 | 0 | 0 | 6,881 | 0 | 5,741 | 79,930 |
| Total Revenues | 4,570,792 | 213,444 | 2,236,905 | 254,288 | 366,696 | 611,166 | 1,017,151 | 1,853,753 | 11,124,195 |
| Expenditures | | | | | | | | | |
| Current: | | | | | | | | | |
| General Government | 2,202,924 | 212,656 | 0 | 0 | 0 | 53,380 | 0 | 477,971 | 2,946,931 |
| Security of Persons and Property | 2,043,744 | 0 | 2,292,372 | 205,905 | 0 | 0 | 0 | 155,060 | 4,697,081 |
| Public Health | 182,914 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 182,914 |
| Leisure Time Services | 128,640 | 0 | 0 | 0 | 0 | 0 | 0 | 180 | 128,820 |
| Community Development | 13,518 | 0 | 0 | 0 | 0 | 0 | 0 | 160,632 | 174,150 |
| Transportation | 277,957 | 0 | 0 | 0 | 0 | 0 | 206,277 | 655,930 | 1,140,164 |
| Capital Outlay | 0 | 0 | 0 | 0 | 0 | 1,008,815 | 0 | 0 | 1,008,815 |
| Debt Service: | | | | | | | | | |
| Principal Retirement | 1,737 | 0 | 0 | 0 | 260,000 | 84,598 | 0 | 56,541 | 402,876 |
| Interest and Fiscal Charges | 588 | 0 | 0 | 0 | 50,743 | 29,281 | 0 | 5,900 | 86,512 |
| Bond Issuance Costs | 0 | 0 | 0 | 0 | 17,825 | 0 | 0 | 0 | 17,825 |
| Total Expenditures | 4,852,022 | 212,656 | 2,292,372 | 205,905 | 328,568 | 1,176,074 | 206,277 | 1,512,214 | 10,786,088 |
| Excess of Revenues Over (Under) Expenditures | (281,230) | 788 | (55,467) | 48,383 | 38,128 | (564,908) | 810,874 | 341,539 | 338,107 |
| Other Financing Sources (Uses) | | | | | | | | | |
| Inception of Capital Lease | 0 | 0 | 0 | 0 | 0 | 80,311 | 0 | 0 | 80,311 |
| Net Change in Fund Balance | (281,230) | 788 | (55,467) | 48,383 | 38,128 | (484,597) | 810,874 | 341,539 | 418,418 |
| Fund Balance (Deficit) Beginning of Year | 886,286 | 20,833 | 559,149 | 0 | 49,669 | (547,025) | 0 | 1,506,777 | 2,475,689 |
| Fund Balance (Deficit) End of Year | \$ 605,056 | \$ 21,621 | \$ 503,682 | \$ 48,383 | \$ 87,797 | \$ (1,031,622) | \$ 810,874 | \$ 1,848,316 | \$ 2,894,107 |

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, 2015*

Net Change in Fund Balances - Total Governmental Funds \$ 418,418

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

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

| | | |
|---------------------------|--------------------|---------|
| Capital Asset Additions | \$ 1,424,199 | |
| Current Year Depreciation | <u>(1,277,988)</u> | 146,211 |

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

| | | |
|---------------------------|--------------|---------|
| Delinquent Property Taxes | (875) | |
| Income Tax | 46,618 | |
| Intergovernmental | 466,316 | |
| Charges for Services | 2,799 | |
| Investment Earnings | <u>3,252</u> | 518,110 |

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 | 260,000 | |
| Capital Lease | <u>142,876</u> | 402,876 |

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

| | | |
|---|----------------|-------|
| Accrued Interest Payable | 455 | |
| Amortization of Premium on Bonds | 6,390 | |
| Amortization of Deferred Charges on Refunding | <u>(3,879)</u> | 2,966 |

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

720,182

Except for amount reported as deferred inflows/outflows, changes in the net pension asset/liability are reported as pension expense in the statement of activities.

(752,892)

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

(80,311)

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>56,923</u> |
|----------------------|--|---------------|

Change in Net Position of Governmental Activities

\$ 1,432,483

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, 2015

| | Budgeted Amounts | | | Variance with Final Budget Over (Under) |
|---------------------------------------|------------------|-------------------|-------------------|--|
| | Original | Final | Actual | |
| Revenues | | | | |
| Property Taxes | \$ 717,083 | \$ 740,400 | \$ 714,448 | \$ (25,952) |
| Income Taxes | 2,029,754 | 2,100,000 | 2,151,390 | 51,390 |
| Other Local Taxes | 101,171 | 105,000 | 117,336 | 12,336 |
| Charges for Services | 332,196 | 358,114 | 366,704 | 8,590 |
| Licenses and Permits | 99,669 | 103,500 | 117,387 | 13,887 |
| Fines and Forfeitures | 551,476 | 568,000 | 506,312 | (61,688) |
| Intergovernmental | 465,661 | 481,700 | 491,433 | 9,733 |
| Interest | 67,015 | 70,150 | 96,050 | 25,900 |
| Rent | 0 | 0 | 6 | 6 |
| Contributions and Donations | 0 | 316 | 915 | 599 |
| Other | 1,889 | 3,000 | 34,044 | 31,044 |
| <i>Total Revenues</i> | <u>4,365,914</u> | <u>4,530,180</u> | <u>4,596,025</u> | <u>65,845</u> |
| Expenditures | | | | |
| Current: | | | | |
| General Government | 2,255,793 | 2,268,743 | 2,156,053 | 112,690 |
| Security of Persons and Property | | | | |
| Police | 1,375,080 | 1,373,480 | 1,281,046 | 92,434 |
| Fire | 693,506 | 698,506 | 694,480 | 4,026 |
| Other | 80,044 | 82,644 | 80,426 | 2,218 |
| Public Health | 183,664 | 183,664 | 182,914 | 750 |
| Leisure Time Services | | | | |
| Parks and Recreation | 81,261 | 81,261 | 80,310 | 951 |
| Swimming Pool | 20,000 | 20,316 | 20,315 | 1 |
| Other | 28,000 | 28,000 | 27,980 | 20 |
| Community Development | 14,739 | 14,739 | 13,518 | 1,221 |
| Transportation | 301,849 | 298,185 | 280,341 | 17,844 |
| <i>Total Expenditures</i> | <u>5,033,936</u> | <u>5,049,538</u> | <u>4,817,383</u> | <u>232,155</u> |
| <i>Net Change in Fund Balance</i> | (668,022) | (519,358) | (221,358) | 298,000 |
| <i>Fund Balance Beginning of Year</i> | 630,076 | 630,076 | 630,076 | 0 |
| Prior Year Encumbrances Appropriated | <u>53,212</u> | <u>53,212</u> | <u>53,212</u> | <u>0</u> |
| <i>Fund Balance End of Year</i> | <u>\$ 15,266</u> | <u>\$ 163,930</u> | <u>\$ 461,930</u> | <u>\$ 298,000</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
Income Tax Fund
For the Year Ended December 31, 2015

| | Budgeted Amounts | | | Variance with Final Budget Over (Under) |
|---------------------------------------|------------------|------------|------------|--|
| | Original | Final | Actual | |
| Revenues | | | | |
| Income Taxes | \$ 220,728 | \$ 208,528 | \$ 211,413 | \$ 2,885 |
| Expenditures | | | | |
| Current: | | | | |
| General Government | 229,264 | 217,064 | 212,952 | 4,112 |
| <i>Net Change in Fund Balance</i> | (8,536) | (8,536) | (1,539) | 6,997 |
| <i>Fund Balance Beginning of Year</i> | 8,986 | 8,986 | 8,986 | 0 |
| Prior Year Encumbrances Appropriated | 236 | 236 | 236 | 0 |
| <i>Fund Balance End of Year</i> | \$ 686 | \$ 686 | \$ 7,683 | \$ 6,997 |

See accompanying notes and accountant's compilation report.

City of Circleville
Pickaway County, Ohio
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Safety Forces Tax Fund
For the Year Ended December 31, 2015

| | Budgeted Amounts | | | Variance with Final Budget Over (Under) |
|---------------------------------------|------------------|------------------|-------------------|--|
| | Original | Final | Actual | |
| Revenues | | | | |
| Income Taxes | \$ 1,535,000 | \$ 1,535,000 | \$ 1,765,008 | \$ 230,008 |
| Charges for Services | 441,800 | 451,758 | 450,775 | (983) |
| Intergovernmental | 0 | 31,077 | 0 | (31,077) |
| Contributions and Donations | 0 | 0 | 10 | 10 |
| Other | 2,500 | 2,500 | 33,722 | 31,222 |
| <i>Total Revenues</i> | <u>1,979,300</u> | <u>2,020,335</u> | <u>2,249,515</u> | <u>229,180</u> |
| Expenditures | | | | |
| Current: | | | | |
| Security of Persons and Property | | | | |
| Police | 1,217,025 | 1,228,738 | 1,195,354 | 33,384 |
| Fire | 1,180,098 | 1,199,847 | 1,117,490 | 82,357 |
| Other | 32,451 | 42,851 | 42,007 | 844 |
| <i>Total Expenditures</i> | <u>2,429,574</u> | <u>2,471,436</u> | <u>2,354,851</u> | <u>116,585</u> |
| <i>Net Change in Fund Balance</i> | (450,274) | (451,101) | (105,336) | 345,765 |
| <i>Fund Balance Beginning of Year</i> | 534,099 | 534,099 | 534,099 | 0 |
| Prior Year Encumbrances Appropriated | <u>6,658</u> | <u>6,658</u> | <u>6,658</u> | <u>0</u> |
| <i>Fund Balance End of Year</i> | <u>\$ 90,483</u> | <u>\$ 89,656</u> | <u>\$ 435,421</u> | <u>\$ 345,765</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 .1% Income Tax Fund
For the Year Ended December 31, 2015

| | Budgeted Amounts | | Actual | Variance with Final Budget Over (Under) |
|---------------------------------------|------------------|------------|------------|--|
| | Original | Final | | |
| Revenues | | | | |
| Income Taxes | \$ 231,348 | \$ 224,348 | \$ 231,590 | \$ 7,242 |
| Expenditures | | | | |
| Current: | | | | |
| Security of Persons and Property | | | | |
| Police | 115,000 | 110,000 | 95,000 | 15,000 |
| Fire | 115,000 | 113,000 | 110,905 | 2,095 |
| <i>Total Expenditures</i> | 230,000 | 223,000 | 205,905 | 17,095 |
| <i>Net Change in Fund Balance</i> | 1,348 | 1,348 | 25,685 | 24,337 |
| <i>Fund Balance Beginning of Year</i> | 0 | 0 | 0 | 0 |
| <i>Fund Balance End of Year</i> | \$ 1,348 | \$ 1,348 | \$ 25,685 | \$ 24,337 |

See accompanying notes and accountant's compilation report.

City of Circleville
Pickaway County, Ohio
Statement of Fund Net Position
Proprietary Funds
December 31, 2015

| | Enterprise Funds | | |
|---|-------------------------|--------------------------------|-------------------|
| | Waterworks Operating | Sanitary Sewer Operating | Total |
| Assets | | | |
| <i>Current Assets:</i> | | | |
| Equity in Pooled Cash and Investments | \$ 3,181,771 | \$ 2,102,662 | \$ 5,284,433 |
| Accounts Receivable | 272,116 | 360,069 | 632,185 |
| Prepaid Items | 12,065 | 3,976 | 16,041 |
| Materials and Supplies Inventory | 80,917 | 3,420 | 84,337 |
| <i>Total Current Assets</i> | <u>3,546,869</u> | <u>2,470,127</u> | <u>6,016,996</u> |
| <i>Non-Current Assets:</i> | | | |
| <i>Restricted Assets:</i> | | | |
| Equity in Pooled Cash and Investments | 42,804 | 42,804 | 85,608 |
| Non-Depreciable Capital Assets | 140,389 | 119,701 | 260,090 |
| Depreciable Capital Assets, Net | 7,932,844 | 12,508,110 | 20,440,954 |
| Net Pension Asset (See Note 12) | 667 | 761 | 1,428 |
| <i>Total Non-Current Assets</i> | <u>8,116,704</u> | <u>12,671,376</u> | <u>20,788,080</u> |
| <i>Total Assets</i> | <u>11,663,573</u> | <u>15,141,503</u> | <u>26,805,076</u> |
| Deferred Outflows of Resources | | | |
| Pension | 79,373 | 90,554 | 169,927 |
| Liabilities | | | |
| <i>Current Liabilities:</i> | | | |
| Accounts Payable | 21,344 | 26,634 | 47,978 |
| Accrued Wages | 19,202 | 20,314 | 39,516 |
| Contracts Payable | 30,539 | 28,352 | 58,891 |
| Intergovernmental Payable | 10,939 | 12,558 | 23,497 |
| Accrued Interest Payable | 3,341 | 4,497 | 7,838 |
| Compensated Absences Payable | 37,898 | 38,723 | 76,621 |
| Capital Leases Payable | 28,543 | 28,544 | 57,087 |
| OPWC Loans Payable | 0 | 4,843 | 4,843 |
| OWDA Loans Payable | 61,369 | 0 | 61,369 |
| General Obligation Bonds Payable | 55,000 | 80,000 | 135,000 |
| Refundable Deposits | 42,804 | 42,804 | 85,608 |
| <i>Total Current Liabilities</i> | <u>310,979</u> | <u>287,269</u> | <u>598,248</u> |
| <i>Long-Term Liabilities:</i> | | | |
| Compensated Absences Payable - Net of Current Portion | 50,109 | 55,368 | 105,477 |
| Capital Leases Payable - Net of Current Portion | 49,172 | 49,171 | 98,343 |
| OPWC Loans Payable - Net of Current Portion | 0 | 89,594 | 89,594 |
| OWDA Loans Payable - Net of Current Portion | 128,039 | 0 | 128,039 |
| General Obligation Bonds Payable - Net of Current Portion | 885,000 | 1,185,000 | 2,070,000 |
| Net Pension Liability (See Note 12) | 298,919 | 341,025 | 639,944 |
| <i>Total Long-Term Liabilities</i> | <u>1,411,239</u> | <u>1,720,158</u> | <u>3,131,397</u> |
| <i>Total Liabilities</i> | <u>1,722,218</u> | <u>2,007,427</u> | <u>3,729,645</u> |
| Deferred Inflows of Resources | | | |
| Pension | 5,455 | 6,223 | 11,678 |
| Net Position | | | |
| Net Investment in Capital Assets | 6,835,571 | 11,162,304 | 17,997,875 |
| Unrestricted | 3,179,702 | 2,056,103 | 5,235,805 |
| <i>Total Net Position</i> | <u>\$ 10,015,273</u> | <u>\$ 13,218,407</u> | <u>23,233,680</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, 2015

| | Enterprise Funds | | |
|--|-------------------------|--------------------------------|----------------------|
| | Waterworks Operating | Sanitary Sewer Operating | Totals |
| Operating Revenues | | | |
| Charges for Services | \$ 1,758,334 | \$ 2,281,247 | \$ 4,039,581 |
| Operating Expenses | | | |
| Personal Services | 586,235 | 688,795 | 1,275,030 |
| Fringe Benefits | 227,886 | 253,765 | 481,651 |
| Contractual Services | 441,758 | 617,081 | 1,058,839 |
| Materials and Supplies | 116,657 | 144,564 | 261,221 |
| Depreciation | 267,990 | 428,252 | 696,242 |
| Other | 6,538 | 4,483 | 11,021 |
| <i>Total Operating Expenses</i> | <u>1,647,064</u> | <u>2,136,940</u> | <u>3,784,004</u> |
| <i>Operating Income</i> | <u>111,270</u> | <u>144,307</u> | <u>255,577</u> |
| Non-Operating Revenues (Expense) | | | |
| Loss on Disposal of Capital Assets | (5,141) | (34,200) | (39,341) |
| Other Non-Operating Revenues | 6,211 | 30,101 | 36,312 |
| Interest and Fiscal Charges | (50,840) | (59,011) | (109,851) |
| <i>Total Non-Operating Revenues (Expense)</i> | <u>(49,770)</u> | <u>(63,110)</u> | <u>(112,880)</u> |
| <i>Income (Loss) Before Capital Contributions</i> | 61,500 | 81,197 | 142,697 |
| Capital Contributions | <u>0</u> | <u>164,527</u> | <u>164,527</u> |
| <i>Change in Net Position</i> | 61,500 | 245,724 | 307,224 |
| <i>Net Position Beginning of Year (Restated, See Note 2V.)</i> | <u>9,953,773</u> | <u>12,972,683</u> | <u>22,926,456</u> |
| <i>Net Position End of Year</i> | <u>\$ 10,015,273</u> | <u>\$ 13,218,407</u> | <u>\$ 23,233,680</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, 2015

| | Enterprise Funds | | |
|--|-------------------------|-----------------------------|---------------------|
| | Waterworks Operating | Sanitary Sewer Operating | Totals |
| Cash Flows from Operating Activities | | | |
| Cash Received from Customers | \$ 1,723,408 | \$ 2,259,134 | \$ 3,982,542 |
| Cash Payments to Suppliers for Goods and Services | (117,236) | (128,537) | (245,773) |
| Cash Payments to Employees for Services and Benefits | (825,627) | (968,189) | (1,793,816) |
| Cash Payments for Contractual Services | (441,987) | (610,048) | (1,052,035) |
| Other Cash Payments | (6,538) | (4,483) | (11,021) |
| <i>Net Cash Provided by Operating Activities</i> | <u>332,020</u> | <u>547,877</u> | <u>879,897</u> |
| Cash Flows from Noncapital Financing Activities | | | |
| Other Non-Operating Receipts | 6,211 | 30,101 | 36,312 |
| Cash Flows from Capital and Related Financing Activities | | | |
| Capital Grants | 0 | 300,000 | 300,000 |
| Proceeds of OPWC Loans | 0 | 96,858 | 96,858 |
| Acquisition of Capital Assets | (250,409) | (900,850) | (1,151,259) |
| Principal Payments on Debt | (142,551) | (110,266) | (252,817) |
| Interest Payments on Debt | (51,011) | (59,261) | (110,272) |
| <i>Net Cash Used for Capital and Related Financing Activities</i> | <u>(443,971)</u> | <u>(673,519)</u> | <u>(1,117,490)</u> |
| <i>Net Decrease in Cash and Cash Investments</i> | (105,740) | (95,541) | (201,281) |
| <i>Cash and Investments Beginning of Year</i> | 3,330,315 | 2,241,007 | 5,571,322 |
| <i>Cash and Investments End of Year</i> | <u>\$ 3,224,575</u> | <u>\$ 2,145,466</u> | <u>\$ 5,370,041</u> |
| Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities | | | |
| Operating Income | \$ 111,270 | \$ 144,307 | \$ 255,577 |
| Adjustments: | | | |
| Depreciation | 267,990 | 428,252 | 696,242 |
| (Increase) Decrease in Assets and Deferred Outflows: | | | |
| Accounts Receivable | (32,807) | (19,994) | (52,801) |
| Prepaid Items | 2,694 | 3,351 | 6,045 |
| Materials and Supplies Inventory | 1,281 | 13,339 | 14,620 |
| Net Pension Asset | (485) | (554) | (1,039) |
| Deferred Outflows - Pension | (19,276) | (21,992) | (41,268) |
| Increase (Decrease) in Liabilities and Deferred Inflows: | | | |
| Accounts Payable | (6,798) | 4,337 | (2,461) |
| Accrued Wages | 468 | 1,377 | 1,845 |
| Refundable Deposits | (2,119) | (2,119) | (4,238) |
| Compensated Absences Payable | 4,681 | (4,245) | 436 |
| Intergovernmental Payable | (7,085) | (12,107) | (19,192) |
| Deferred Inflows - Pension | 5,455 | 6,223 | 11,678 |
| Net Pension Liability | 6,751 | 7,702 | 14,453 |
| <i>Net Cash Provided by (Used For) Operating Activities</i> | <u>\$ 332,020</u> | <u>\$ 547,877</u> | <u>\$ 879,897</u> |

Noncash Capital Financing Activities:

The City purchased \$58,891 and \$233,322 of capital assets on account in 2015 and 2014, including retainage, respectively.

See accompanying notes and accountant's compilation report.

City of Circleville
Pickaway County, Ohio
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2015

| | Private Purpose Trust | Agency Funds |
|---|--------------------------|--------------|
| Assets | | |
| Equity in Pooled Cash and Investments | \$ 242 | \$ 16,626 |
| Cash and Investments in Segregated Accounts | 10,000 | 59,700 |
| <i>Total Assets</i> | 10,242 | \$ 76,326 |
| Liabilities | | |
| Intergovernmental Payable | 0 | \$ 3,121 |
| Undistributed Monies | 0 | 73,205 |
| <i>Total Liabilities</i> | 0 | \$ 76,326 |
| Net Position | | |
| Held in Trust for Private Purposes | \$ 10,242 | |

See accompanying notes and accountant's compilation report.

City of Circleville
Pickaway County, Ohio
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Year Ended December 31, 2015

| | Private Purpose Trust |
|--|--------------------------|
| Additions | |
| Interest | \$ 135 |
| Deductions | |
| Payments in Accordance with Trust Agreements | 1,400 |
| <i>Change in Net Position</i> | (1,265) |
| <i>Net Position Beginning of Year</i> | 11,507 |
| <i>Net Position End of Year</i> | \$ 10,242 |

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, 2015

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 City has no component units.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

City of Circleville
Pickaway County, Ohio
Notes To The Basic Financial Statements
For the Year Ended December 31, 2015

A. Basis of Presentation

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

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

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

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

B. Fund Accounting

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

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

City of Circleville
Pickaway County, Ohio
Notes To The Basic Financial Statements
For the Year Ended December 31, 2015

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.

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

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

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

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

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.

City of Circleville
Pickaway County, Ohio

Notes To The Basic Financial Statements
For the Year Ended December 31, 2015

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

C. Measurement Focus

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

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

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

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

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

City of Circleville
Pickaway County, Ohio
Notes To The Basic Financial Statements
For the Year Ended December 31, 2015

D. Basis of Accounting

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

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

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

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

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

City of Circleville
Pickaway County, Ohio
Notes To The Basic Financial Statements
For the Year Ended December 31, 2015

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the City, deferred inflows of resources include property taxes, pension, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2015, but which were levied to finance 2016 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City, unavailable revenue includes delinquent property taxes, intergovernmental grants and miscellaneous revenues. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide statement of net position. (See Note 12).

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

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

E. Cash and Investments

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

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

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 2015 amounted to \$62,444, which includes \$58,319 assigned from other funds.

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

City of Circleville
Pickaway County, Ohio
Notes To The Basic Financial Statements
For the Year Ended December 31, 2015

F. Materials and Supplies Inventory

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

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2015, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

H. Restricted Assets

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

I. Capital Assets

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

Capital assets are capitalized at cost (or estimated historical cost, which is determined by indexing the current replacement cost back to the year of acquisition) and updated for additions and reductions during the year. Donated capital assets are recorded at their 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:

City of Circleville
Pickaway County, Ohio
Notes To The Basic Financial Statements
For the Year Ended December 31, 2015

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

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

J. Compensated Absences

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

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

K. Accrued Liabilities and Long-term Obligations

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

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

L. Pensions

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

City of Circleville
Pickaway County, Ohio
Notes To The Basic Financial Statements
For the Year Ended December 31, 2015

M. Unamortized Bond Premium

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

N. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. At December 31, 2015, there was no net position restricted by enabling legislation.

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

O. Fund Balance

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

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

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

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

City of Circleville
Pickaway County, Ohio

Notes To The Basic Financial Statements
For the Year Ended December 31, 2015

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

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

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

P. Operating Revenues and Expenses

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

Q. Internal Activity

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

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

City of Circleville
Pickaway County, Ohio
Notes To The Basic Financial Statements
For the Year Ended December 31, 2015

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Administration and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2015.

S. Estimates

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

T. Budgetary Process

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

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

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

U. Contributions of Capital

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

City of Circleville
Pickaway County, Ohio
Notes To The Basic Financial Statements
For the Year Ended December 31, 2015

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

For the year ended December 31, 2015, the City has implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68*.

GASB Statement No. 68 requires recognition of the entire net pension liability and a more comprehensive measure of pension expense for defined benefit pensions and defined contribution pensions provided to the employees of state and local governmental employers through pension plans that are administered through trusts or equivalent arrangements. The implementation of GASB Statement No. 68 resulted in the inclusion of net pension liability and pension expense components on the full-accrual financial statements. See below for the effect on net position as previously reported.

GASB Statement No. 71 amends paragraph 137 of GASB Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68. See below for the effect on net position as previously reported.

| | Governmental Activities | Business-Type Activities | | |
|--|----------------------------|--------------------------|-----------------------------|---------------|
| | | Waterworks Operating | Sanitary Sewer Operating | Total |
| Net Position December 31, 2014 | \$ 25,731,381 | \$ 10,185,662 | \$ 13,237,237 | \$ 23,422,899 |
| Adjustments: | | | | |
| Net Pension Asset | 641 | 182 | 207 | 389 |
| Net Pension Liability | (6,390,149) | (292,168) | (333,323) | (625,491) |
| Deferred Outflow - Payments | | | | |
| Subsequent to Measurement Date | 672,348 | 60,097 | 68,562 | 128,659 |
| Restated Net Position, January 1, 2015 | \$ 20,014,221 | \$ 9,953,773 | \$ 12,972,683 | \$ 22,926,456 |

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

W. Accountability and Compliance – Fund Deficit

The fund deficit at December 31, 2015 of \$1,031,622 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.

City of Circleville
Pickaway County, Ohio
Notes To The Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 3: BUDGETARY BASIS OF ACCOUNTING

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

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

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

| | General | Income Tax | Safety Forces Tax | Safety Forces .1% Income Tax |
|---|---------------------|-------------------|----------------------|------------------------------------|
| GAAP Basis | \$ (281,230) | \$ 788 | \$ (55,467) | \$ 48,383 |
| Net Adjustment for Revenue Accruals | 25,785 | (2,031) | 12,610 | (22,698) |
| Net Adjustment for Expenditure Accruals | (46,361) | (296) | (31,402) | 0 |
| Funds Budgeted Elsewhere * | 80,448 | 0 | 0 | 0 |
| Adjustment for Encumbrances | <u>0</u> | <u>0</u> | <u>(31,077)</u> | <u>0</u> |
| Budget Basis | <u>\$ (221,358)</u> | <u>\$ (1,539)</u> | <u>\$ (105,336)</u> | <u>\$ 25,685</u> |

* 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.

City of Circleville
Pickaway County, Ohio
Notes To The Basic Financial Statements
For the Year Ended December 31, 2015

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above, provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
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;

City of Circleville
Pickaway County, Ohio
Notes To The Basic Financial Statements
For the Year Ended December 31, 2015

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

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

Deposits with Financial Institutions

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

At year-end, the carrying amount of the City’s deposits was \$7,535,366, including \$355 cash on hand. Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, as of December 31, 2015, \$5,577,002 of the City’s bank balance of \$7,706,678 was exposed to custodial risk as discussed above, while \$2,129,676 was covered by the Federal Deposit Insurance Corporation.

Investments

Investments: As of December 31, 2015, the City had the following investments:

| Investment | Fair Value | Investment Maturity | | | Total Investments |
|---|---------------------|---------------------|-------------------|---------------------|-------------------|
| | | Less than 6 Months | 13 to 18 Months | More than 24 Months | |
| Federal Home Loan Bank Bonds | \$ 542,460 | \$ 0 | \$ 542,460 | \$ 0 | 14.59% |
| Federal Home Loan Mortgage | 249,428 | 0 | 0 | 249,428 | 6.71% |
| Federal National Mortgage Association Notes | 1,872,167 | 0 | 0 | 1,872,167 | 50.36% |
| Federal Farm Credit Bank Consolidation System Bonds | 993,220 | 0 | 0 | 993,220 | 26.72% |
| Money Market | 60,150 | 60,150 | 0 | 0 | 1.62% |
| | <u>\$ 3,717,425</u> | <u>\$ 60,150</u> | <u>\$ 542,460</u> | <u>\$ 3,114,815</u> | <u>100.00%</u> |

City of Circleville
Pickaway County, Ohio
Notes To The Basic Financial Statements
For the Year Ended December 31, 2015

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.

NOTE 5: RECEIVABLES

Receivables at December 31, 2015, 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.

NOTE 6: MUNICIPAL INCOME TAX

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

City of Circleville
Pickaway County, Ohio
Notes To The Basic Financial Statements
For the Year Ended December 31, 2015

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 2015, the proceeds were allocated to the General Fund, the Income Tax Fund, the Safety Forces Tax Fund, the Safety Forces .1% Tax Fund, the General Obligation Bond Retirement Fund, the Capital Improvement .4% Tax Fund and the Capital Improvement Fund.

NOTE 7: PROPERTY TAX

Property taxes include amounts levied against all real and public utility property located in the City. Property tax revenue received during 2015 for real and public utility property taxes represents collections of the 2014 taxes.

2015 real property taxes were levied after October 1, 2015 on the assessed value as of January 1, 2015, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2015 real property taxes are collected in and intended to finance 2016.

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

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

The full tax rate for all City operations for the year ended December 31, 2015, was \$4.00 per \$1,000 of assessed valuation. The assessed values of real property and public utility tangible property upon which 2015 property tax receipts were based are as follows:

| <u>Category</u> | <u>Assessed Value</u> |
|-----------------------------------|-----------------------|
| <i>Real Property</i> | |
| Agricultural/Residential | \$ 143,831,590 |
| Commerical/Industrial/Mineral | 48,947,810 |
| Public Utility Real | 84,060 |
| <i>Tangible Personal Property</i> | |
| Public Utility | 10,267,760 |
| Total Assessed Value | \$ 203,131,220 |

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, 2015, and for which there was an enforceable legal claim. In governmental funds, the portion of the receivable not levied to finance 2015 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.

City of Circleville
Pickaway County, Ohio
Notes To The Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 8: CAPITAL ASSETS

A summary of changes in capital assets during 2015 follows:

| | <u>Balance</u> 12/31/2014 | <u>Additions</u> | <u>Deletions</u> | <u>Balance</u> 12/31/2015 |
|--|------------------------------|--------------------|---------------------|------------------------------|
| Governmental Activities: | | | | |
| <i>Capital Assets Not Being Depreciated:</i> | | | | |
| Land | \$ 1,156,910 | \$ 0 | \$ 0 | \$ 1,156,910 |
| Construction in Progress | <u>612,771</u> | <u>215,660</u> | <u>(451,432)</u> | <u>376,999</u> |
| <i>Total Capital Assets, Not Being Depreciated</i> | <u>1,769,681</u> | <u>215,660</u> | <u>(451,432)</u> | <u>1,533,909</u> |
| <i>Capital Assets, Being Depreciated:</i> | | | | |
| Land Improvements | 1,283,234 | 26,418 | 0 | 1,309,652 |
| Buildings and Improvements | 8,437,794 | 62,972 | 0 | 8,500,766 |
| Machinery and Equipment | 2,132,780 | 144,106 | 0 | 2,276,886 |
| Vehicles | 2,030,479 | 246,931 | (69,509) | 2,207,901 |
| Infrastructure | <u>37,164,473</u> | <u>1,179,544</u> | <u>(50,585)</u> | <u>38,293,432</u> |
| <i>Total Capital Assets, Being Depreciated</i> | <u>51,048,760</u> | <u>1,659,971</u> | <u>(120,094)</u> | <u>52,588,637</u> |
| <i>Less Accumulated Depreciation:</i> | | | | |
| Land Improvements | (976,992) | (32,642) | 0 | (1,009,634) |
| Buildings and Improvements | (3,765,066) | (185,658) | 0 | (3,950,724) |
| Machinery and Equipment | (1,269,702) | (145,373) | 0 | (1,415,075) |
| Vehicles | (1,724,269) | (94,236) | 69,509 | (1,748,996) |
| Infrastructure | <u>(21,206,940)</u> | <u>(820,079)</u> | <u>50,585</u> | <u>(21,976,434)</u> |
| <i>Total Accumulated Depreciation</i> | <u>(28,942,969)</u> | <u>(1,277,988)</u> | <u>120,094</u> | <u>(30,100,863)</u> |
| <i>Total Capital Assets Being Depreciated, Net</i> | <u>22,105,791</u> | <u>381,983</u> | <u>0</u> | <u>22,487,774</u> |
| <i>Total Governmental Activities Capital Assets, Net</i> | <u>\$23,875,472</u> | <u>\$ 597,643</u> | <u>\$ (451,432)</u> | <u>\$24,021,683</u> |

Depreciation expense was charged to governmental functions as follows:

| | |
|----------------------------------|---------------------|
| General Government | \$ 125,082 |
| Security of Persons and Property | 194,342 |
| Transportation | 870,722 |
| Community Development | 1,055 |
| Leisure Time Services | <u>86,787</u> |
| Total Depreciation Expense | <u>\$ 1,277,988</u> |

City of Circleville
Pickaway County, Ohio
Notes To The Basic Financial Statements
For the Year Ended December 31, 2015

| | Balance 12/31/2014 | Additions | Deletions | Balance 12/31/2015 |
|---|-----------------------|--------------------|---------------------|-----------------------|
| Business-Type Activities: | | | | |
| <i>Capital Assets Not Being Depreciated:</i> | | | | |
| Land | \$ 149,180 | \$ 0 | \$ 0 | \$ 149,180 |
| Construction in Progress | 774,667 | 94,410 | (758,167) | 110,910 |
| <i>Total Capital Assets, Not Being Depreciated</i> | <u>923,847</u> | <u>94,410</u> | <u>(758,167)</u> | <u>260,090</u> |
| <i>Capital Assets, Being Depreciated:</i> | | | | |
| Land Improvements | 333,039 | 0 | 0 | 333,039 |
| Buildings and Improvements | 13,573,286 | 302,407 | (5,713) | 13,869,980 |
| Machinery and Equipment | 894,346 | 14,000 | 0 | 908,346 |
| Vehicles | 492,367 | 0 | 0 | 492,367 |
| Infrastructure | 21,498,396 | 1,324,178 | (60,140) | 22,762,434 |
| <i>Total Capital Assets, Being Depreciated</i> | <u>36,791,434</u> | <u>1,640,585</u> | <u>(65,853)</u> | <u>38,366,166</u> |
| <i>Less Accumulated Depreciation:</i> | | | | |
| Land Improvements | (323,777) | (514) | 0 | (324,291) |
| Buildings and Improvements | (9,271,414) | (314,784) | 571 | (9,585,627) |
| Machinery and Equipment | (499,831) | (46,974) | 0 | (546,805) |
| Vehicles | (207,185) | (25,070) | 0 | (232,255) |
| Infrastructure | (6,953,274) | (308,900) | 25,940 | (7,236,234) |
| <i>Total Accumulated Depreciation</i> | <u>(17,255,481)</u> | <u>(696,242)</u> | <u>26,511</u> | <u>(17,925,212)</u> |
| <i>Total Capital Assets Being Depreciated, Net</i> | <u>19,535,953</u> | <u>944,343</u> | <u>(39,342)</u> | <u>20,440,954</u> |
| <i>Total Business-Type Activities Capital Assets, Net</i> | <u>\$20,459,800</u> | <u>\$1,038,753</u> | <u>\$ (797,509)</u> | <u>\$20,701,044</u> |

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City of Circleville
Pickaway County, Ohio
Notes To The Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 9: LONG-TERM OBLIGATIONS

Changes in long-term obligations of the City during the year ended December 31, 2015, were as follows:

| | Restated Balance <u>12/31/2014</u> | <u>Additions</u> | <u>(Reductions)</u> | Balance <u>12/31/2015</u> | Due in One Year |
|--|--|-------------------|---------------------|------------------------------|-----------------------|
| Governmental Activities: | | | | | |
| <i>General Obligation Bonds</i> | | | | | |
| 2008 - Various Purpose Bonds \$355,000 | | | | | |
| Term Bonds 4.125% - 4.50% | \$ 210,000 | \$ 0 | \$ 0 | \$ 210,000 | \$ 0 |
| Serial Bonds 3.00% - 4.25% | 60,000 | 0 | (15,000) | 45,000 | 15,000 |
| Premium on Bonds Issues | 11,684 | 0 | (835) | 10,849 | 0 |
| 2011 - Various Purpose Refunding | | | | | |
| Bonds \$2,475,000 | | | | | |
| Serial Bonds 2.00% - 3.00% | 1,560,000 | 0 | (245,000) | 1,315,000 | 250,000 |
| Premium on Bonds Issues | 33,333 | 0 | (5,555) | 27,778 | 0 |
| Compensated Absences | 505,591 | 130,927 | (187,850) | 448,668 | 213,910 |
| Capital Leases | 367,603 | 80,311 | (142,876) | 305,038 | 105,231 |
| Net Pension Liability - OPERS and OPF | 6,390,149 | 365,128 | 0 | 6,755,277 | 0 |
| <i>Total Governmental Activities</i> | <u>\$ 9,138,360</u> | <u>\$ 576,366</u> | <u>\$ (597,116)</u> | <u>\$ 9,117,610</u> | <u>\$ 584,141</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% | 540,000 | 0 | (135,000) | 405,000 | 135,000 |
| OWDA Water Treatment Plant Loan - 2.80% | 249,114 | 0 | (59,706) | 189,408 | 61,369 |
| OPWC Force Lift Station Loan | 0 | 96,858 | (2,421) | 94,437 | 4,843 |
| Compensated Absences | 181,663 | 121,180 | (120,745) | 182,098 | 76,621 |
| Capital Leases | 211,120 | 0 | (55,690) | 155,430 | 57,087 |
| Net Pension Liability - OPERS | 625,491 | 14,453 | 0 | 639,944 | 0 |
| <i>Total Business-Type Activities</i> | <u>\$ 3,607,388</u> | <u>\$ 232,491</u> | <u>\$ (373,562)</u> | <u>\$ 3,466,317</u> | <u>\$ 334,920</u> |

General Obligation Bonds

2008 Various Purpose Bonds

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

City of Circleville
Pickaway County, Ohio
Notes To The Basic Financial Statements
For the Year Ended December 31, 2015

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

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

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

2011 Various Purpose Refunding Bonds

On August 30, 2011, the City issued \$2,475,000 in general obligation bonds for the purpose of financing a current refunding of the remaining balances on the Capital Facilities Improvement Safety Services Building Bonds and the Capital Facilities Improvement City Services Building Bonds. The difference between the amount of the refunding bond issue and the total of the outstanding principal on the debt issue refunded was used to pay for issuance costs, interest due at the time of refunding, and the amount paid to the escrow agent above the principal outstanding. The refunding resulted in a difference of \$38,791 between the net carrying amount of the old bonded debt and the acquisition price. This difference, reported in the accompanying financial statements as deferred outflows of resources – deferred charges on refunding, is being amortized to interest expense over the life of the bonds using the straight-line method. The unamortized deferred outflow amount at December 31, 2015, was \$19,396.

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

2012 Ohio Water Development Authority Loan

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

City of Circleville
Pickaway County, Ohio
Notes To The Basic Financial Statements
For the Year Ended December 31, 2015

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 in 2034. The City drew down the remaining \$164,527 of this grant in 2015, which is recorded as contributions. The City also drew down \$96,858 of the loan in 2015, which is recorded as loan proceeds. 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 |
| 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 | 275,000 | 8,250 | 20,000 | 8,424 | 295,000 | 16,674 |
| 2021-2025 | 0 | 0 | 100,000 | 29,564 | 100,000 | 29,564 |
| 2026-2028 | 0 | 0 | 75,000 | 6,719 | 75,000 | 6,719 |
| Totals | <u>\$ 1,360,000</u> | <u>\$ 143,540</u> | <u>\$ 210,000</u> | <u>\$ 53,750</u> | <u>\$ 1,570,000</u> | <u>\$ 197,290</u> |

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

| | Business-Type Activities | | | | | | | | |
|-----------|--------------------------|-------------------|-------------------|-----------------|--------------------------|-------------------|------------------|---------------------|-------------------|
| | Waterworks Operating | | | | Sewer Operating | | | | |
| | General Obligation Bonds | | OWDA Loan | | General Obligation Bonds | | OPWC | Total | Total |
| | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Principal | Interest |
| 2016 | \$ 55,000 | \$ 40,086 | \$ 61,389 | \$ 4,877 | \$ 80,000 | \$ 53,958 | \$ 4,843 | \$ 201,232 | \$ 98,921 |
| 2017 | 60,000 | 37,886 | 63,120 | 3,146 | 75,000 | 50,757 | 4,843 | 202,963 | 91,789 |
| 2018 | 60,000 | 35,486 | 64,899 | 1,366 | 75,000 | 47,758 | 4,843 | 204,742 | 84,610 |
| 2019 | 65,000 | 32,936 | 0 | 0 | 85,000 | 44,570 | 4,843 | 154,843 | 77,506 |
| 2020 | 65,000 | 30,255 | 0 | 0 | 90,000 | 41,064 | 4,843 | 159,843 | 71,319 |
| 2021-2025 | 370,000 | 107,727 | 0 | 0 | 500,000 | 146,703 | 24,215 | 894,215 | 254,430 |
| 2026-2030 | 265,000 | 23,969 | 0 | 0 | 360,000 | 27,081 | 24,215 | 649,215 | 51,050 |
| 2031-2035 | 0 | 0 | 0 | 0 | 0 | 0 | 21,792 | 21,792 | - |
| Totals | <u>\$ 940,000</u> | <u>\$ 308,345</u> | <u>\$ 189,408</u> | <u>\$ 9,389</u> | <u>\$ 1,265,000</u> | <u>\$ 411,891</u> | <u>\$ 94,437</u> | <u>\$ 2,488,845</u> | <u>\$ 729,625</u> |

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. The City pays obligations related to employee compensation from the fund benefitting from their service.

City of Circleville
Pickaway County, Ohio
Notes To The Basic Financial Statements
For the Year Ended December 31, 2015

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, 2015, is \$22,650,000.

NOTE 10: SHORT-TERM OBLIGATIONS

The City has the following short-term obligations outstanding at December 31, 2015:

| | Balance 12/31/2014 | Issued | Retired | Balance 12/31/2015 |
|---|-----------------------|--------------|--------------|-----------------------|
| <i>Bond Anticipation Notes:</i> | | | | |
| 2014 - Capital Facilities Bond Anticipation Notes \$1,994,000, 1.25% | \$ 1,994,000 | \$ 0 | \$ 1,994,000 | \$ 0 |
| 2015 - Capital Facilities Bond Anticipation Notes \$3,409,000, 1.25% | 0 | 3,409,000 | 0 | 3,409,000 |
| | \$ 1,994,000 | \$ 3,409,000 | \$ 1,994,000 | \$ 3,409,000 |

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

On September 10, 2015, the City issued a Capital Facilities Bond Anticipation Note in the amount of \$3,409,000 to retire the 2014 Capital Facilities Bond Anticipation Note and to pay for the Connector project. The note has an interest rate of 1.25% and is due to mature September 8, 2016. The note was issued for the purpose of paying the costs of roadway improvements for the City.

NOTE 11: CAPITAL LEASES – LESSEE DISCLOSURE

In 2015 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.

City of Circleville
Pickaway County, Ohio
Notes To The Basic Financial Statements
For the Year Ended December 31, 2015

Capital assets acquired by lease were initially capitalized in the amount of \$695,644 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 2015 totaled \$142,876 in the governmental funds and \$55,690 in the business-type activities.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2015:

| | | Governmental Activities | Business-Type Activities |
|---|------|----------------------------|-----------------------------|
| Year ending December 31, | 2016 | \$ 113,384 | \$ 60,296 |
| | 2017 | 113,458 | 60,296 |
| | 2018 | 58,793 | 40,195 |
| | 2019 | 36,013 | 0 |
| Minimum lease payments | | 321,648 | 160,787 |
| Less: amount representing interest | | (16,610) | (5,357) |
| Present value of net minimum lease payments | | \$ 305,038 | \$ 155,430 |

NOTE 12: DEFINED BENEFIT PENSION PLANS

Net Pension Asset/Liability

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

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

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

City of Circleville
Pickaway County, Ohio

Notes To The Basic Financial Statements
For the Year Ended December 31, 2015

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

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

Plan Description – Ohio Public Employees Retirement System (OPERS)

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

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional and combined plans. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional and combined plans as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

City of Circleville
Pickaway County, Ohio
Notes To The Basic Financial Statements
For the Year Ended December 31, 2015

| Group A | Group B | Group C |
|---|---|---|
| Eligible to retire prior to January 7, 2013 or five years after January 7, 2013 | 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013 | Members not in other Groups and members hired on or after January 7, 2013 |
| State and Local | State and Local | State and Local |
| Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit | Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit | Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit |
| Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30 | Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30 | Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35 |

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

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

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

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

| | <u>State and Local</u> |
|--|----------------------------|
| 2015 Statutory Maximum Contribution Rates | |
| Employer | 14.00 % |
| Employee | 10.00 % |
| 2015 Actual Contribution Rates | |
| Employer: | |
| Pension | 12.00 % |
| Post-employment Health Care Benefits | 2.00 |
| Total Employer | <u>14.00 %</u> |
| Employee | <u>10.00 %</u> |

City of Circleville
Pickaway County, Ohio

Notes To The Basic Financial Statements
For the Year Ended December 31, 2015

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$358,964 for 2015. Of this amount, \$17,443 is reported as an intergovernmental payable.

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

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

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

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

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

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

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

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

City of Circleville
Pickaway County, Ohio
Notes To The Basic Financial Statements
For the Year Ended December 31, 2015

| | <u>Police</u> | <u>Firefighters</u> |
|--|----------------|---------------------|
| 2015 Statutory Maximum Contribution Rates | | |
| Employer | 19.50 % | 24.0 % |
| Employee: | | |
| January 1, 2015 through July 1, 2015 | 11.50 % | 11.50 % |
| July 2, 2015 through December 31, 2015 | 12.25 % | 12.25 % |
| 2015 Actual Contribution Rates | | |
| Employer: | | |
| Pension | 19.00 % | 23.50 % |
| Post-employment Health Care Benefits | 0.50 | 0.50 |
| Total Employer | <u>19.50 %</u> | <u>24.00 %</u> |
| Employee: | | |
| January 1, 2015 through July 1, 2015 | 11.50 % | 11.50 % |
| July 2, 2015 through December 31, 2015 | 12.25 % | 12.25 % |

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OPF was \$496,912 for 2015. Of this amount \$12,930 is reported as an intergovernmental payable.

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

The net pension asset/liability for OPERS was measured as of December 31, 2014, and the total pension asset/liability used to calculate the net pension asset/liability was determined by an actuarial valuation as of that date. OPF's total pension liability was measured as of December 31, 2014, and was determined by rolling forward the total pension liability as of January 1, 2014, to December 31, 2014. The City's proportion of the net pension asset/liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

| | <u>OPERS Traditional Plan</u> | <u>OPERS Combined Plan</u> | <u>OPF</u> | <u>Total</u> |
|--|-----------------------------------|--------------------------------|--------------|--------------|
| Proportionate Share of the Net Pension Asset | \$ 0 | \$ 3,778 | \$ 0 | \$ 3,778 |
| Proportionate Share of the Net Pension Liability | \$ 1,692,898 | \$ 0 | \$ 5,702,323 | \$ 7,395,221 |
| Proportion of the Net Pension Asset/Liability | 0.01403600% | 0.00981200% | 0.11007460% | |
| Pension Expense | \$ 301,600 | \$ 14,575 | \$ 556,235 | \$ 872,410 |

City of Circleville
Pickaway County, Ohio
Notes To The Basic Financial Statements
For the Year Ended December 31, 2015

At December 31, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | OPERS Traditional Plan | OPERS Combined Plan | OPF | Total |
|--|---------------------------|------------------------|-------------------|---------------------|
| Deferred Outflows of Resources | | | | |
| Net difference between projected and actual earnings on pension plan investments | \$ 90,328 | \$ 231 | \$ 245,765 | \$ 336,324 |
| City contributions subsequent to the measurement date | <u>342,683</u> | <u>16,281</u> | <u>496,912</u> | <u>855,876</u> |
| Total Deferred Outflows of Resources | <u>\$ 433,011</u> | <u>\$ 16,512</u> | <u>\$ 742,677</u> | <u>\$ 1,192,200</u> |
| Deferred Inflows of Resources | | | | |
| Differences between expected and actual experience | <u>\$ 29,741</u> | <u>\$ 1,153</u> | <u>\$ 0</u> | <u>\$ 30,894</u> |

\$855,876 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability or addition of the net pension asset in the year ending December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

| Year Ending December 31: | OPERS Traditional Plan | OPERS Combined Plan | OPF | Total |
|--------------------------|---------------------------|------------------------|-------------------|-------------------|
| 2016 | \$ 8,859 | \$ (79) | \$ 61,441 | \$ 70,221 |
| 2017 | 8,859 | (79) | 61,441 | 70,221 |
| 2018 | 20,287 | (79) | 61,441 | 81,649 |
| 2019 | 22,582 | (80) | 61,442 | 83,944 |
| 2020 | 0 | (137) | 0 | (137) |
| Thereafter | <u>0</u> | <u>(468)</u> | <u>0</u> | <u>(468)</u> |
| | <u>\$ 60,587</u> | <u>\$ (922)</u> | <u>\$ 245,765</u> | <u>\$ 305,430</u> |

Actuarial Assumptions - OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension asset/liability in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

**City of Circleville
Pickaway County, Ohio**

*Notes To The Basic Financial Statements
For the Year Ended December 31, 2015*

| <u>Actuarial Information</u> | <u>Traditional Pension Plan</u> | <u>Combined Pension Plan</u> |
|---|--|---|
| Wage Inflation | 3.75 percent | 3.75 percent |
| Future Salary Increases, including inflation | 4.25 percent to 10.05 percent, including wage inflation | 4.25 percent to 8.05 percent, including wage inflation |
| COLA or Ad Hoc COLA | 3.00 percent, simple | 3.00 percent |
| Investment Rate of Return | 8.00 percent | 8.00 percent |
| Actuarial Cost Method | Individual Entry Age | Individual Entry Age |

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

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

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

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 6.95 percent for 2014.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2014 and the long-term expected real rates of return:

**City of Circleville
Pickaway County, Ohio**

*Notes To The Basic Financial Statements
For the Year Ended December 31, 2015*

| Asset Class | Target Allocation | Weighted Average Long-Term Expected Real Rate of Return (Arithmetic) |
|------------------------|----------------------|--|
| Fixed Income | 23.00 % | 2.31 % |
| Domestic Equities | 19.90 | 5.84 |
| Real Estate | 10.00 | 4.25 |
| Private Equity | 10.00 | 9.25 |
| International Equities | 19.10 | 7.40 |
| Other Investments | 18.00 | 4.59 |
| Total | 100.00 % | 5.28 % |

Discount Rate The discount rate used to measure the total pension asset/liability was 8 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension asset/liability.

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

| | 1% Decrease (7.00%) | Current Discount Rate (8.00%) | 1% Increase (9.00%) |
|--|------------------------|-------------------------------------|------------------------|
| City's proportionate share of the net pension (asset)/liability: | | | |
| Traditional Plan | \$ 3,114,448 | \$ 1,692,898 | \$ 495,611 |
| Combined Plan | 491 | (3,778) | (7,163) |

Actuarial Assumptions – OPF

OPF's total pension liability as of December 31, 2014 is based on the results of an actuarial valuation date of January 1, 2014, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OPF's actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

City of Circleville
Pickaway County, Ohio
Notes To The Basic Financial Statements
For the Year Ended December 31, 2015

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2014, are presented below:

| | |
|----------------------------|-------------------------------|
| Valuation Date | January 1, 2014 |
| Actuarial Cost Method | Entry Age Normal |
| Investment Rate of Return | 8.25 percent |
| Projected Salary Increases | 4.25 percent to 11.00 percent |
| Payroll Increases | 3.75 percent |
| Inflation Assumptions | 3.25 percent |
| Cost of Living Adjustments | 2.60 percent and 3.00 percent |

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OPF's target asset allocation as of December 31, 2014 are summarized below:

| Asset Class | Target Allocation | Long Term Expected Real Rate of Return |
|-----------------------------|----------------------|---|
| Cash and Cash Equivalents | 0.00 % | (0.25) % |
| Domestic Equity | 16.00 | 4.47 |
| Non-US Equity | 16.00 | 4.47 |
| Core Fixed Income* | 20.00 | 1.62 |
| Global Inflation Protected* | 20.00 | 1.33 |
| High Yield | 15.00 | 3.39 |
| Real Estate | 12.00 | 3.93 |
| Private Markets | 8.00 | 6.98 |
| Timber | 5.00 | 4.92 |
| Master Limited Partnerships | 8.00 | 7.03 |
| Total | 120.00 % | |

* levered 2x

**City of Circleville
Pickaway County, Ohio**

*Notes To The Basic Financial Statements
For the Year Ended December 31, 2015*

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

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

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

| | 1% Decrease (7.25%) | Current Discount Rate (8.25%) | 1% Increase (9.25%) |
|--|------------------------|-------------------------------------|------------------------|
| City's proportionate share of the net pension liability: | \$ 7,887,176 | \$ 5,702,323 | \$ 3,852,418 |

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 two cost-sharing multiple-employer defined benefit post-employment health care trusts, which fund multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage.

City of Circleville
Pickaway County, Ohio

Notes To The Basic Financial Statements
For the Year Ended December 31, 2015

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined plans must have 20 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Postemployment Benefit (OPEB) as described in GASB Statement 45. Please see the Plan Statement in the OPERS 2014 CAFR details.

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

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

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

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2015, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

OPERS maintains three health care trusts. The two cost-sharing, multiple-employer trusts, the 401(h) Health Care Trust and the 115 Health Care Trust, work together to provide health care funding to eligible retirees of the Traditional Pension and Combined plans. The third trust is a Voluntary Employee's Beneficiary Association (VEBA) that provides funding for a Retiree Medical Account for Member-Directed Plan members. Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2015. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2016 remained at 2.0 percent for both plans. The Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited to the VEBA for participants in the Member-Directed Plan for 2015 was 4.5 percent.

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2015, 2014, and 2013 were \$59,827, \$56,325 and \$31,919, respectively. For 2015, 95 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2014 and 2013.

City of Circleville
Pickaway County, Ohio

Notes To The Basic Financial Statements
For the Year Ended December 31, 2015

B. Ohio Police and Fire Pension Fund

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

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

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

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

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

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. The portion of employer contribution allocated to health care was 0.5 percent of covered payroll from January 1, 2015 through December 31, 2015. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

The OPF Board of Trustees 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, 2015

The City's contributions to OPF, which were allocated to fund post-employment health care benefits, for police and firefighters were \$6,644 and \$5,201 for the year ended December 31, 2015, \$40,144 and \$28,231 for the year ended December 31, 2014, and \$33,789 and \$25,356 for the year ended December 31, 2013. 97 percent has been contributed for police and 98 percent has been contributed for firefighters for 2015. The full amount has been contributed for 2014 and 2013.

NOTE 14: RISK MANAGEMENT

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

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

NOTE 15: OTHER EMPLOYEE BENEFITS

A. Compensated Absences

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

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

B. Insurance Benefits

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

City of Circleville
Pickaway County, Ohio
Notes To The Basic Financial Statements
For the Year Ended December 31, 2015

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, 2015, the City had the following outstanding contractual commitments:

| Project | Contract Amount | Expended | Outstanding Commitment |
|---|--------------------|------------------|---------------------------|
| Booster Pump Repairs | \$ 7,454 | \$ 3,386 | \$ 4,068 |
| Wastewater Treatment Plant Engineering Influent Pump | 96,400 | 17,546 | 78,854 |
| Wastewater Treatment Plant Hot Water Circulation Pump | 9,027 | 7,927 | 1,100 |
| Engineering 23 Connector | 31,500 | 8,125 | 23,375 |
| | <u>\$ 144,381</u> | <u>\$ 36,984</u> | <u>\$ 107,397</u> |

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> | |
| Street Construction | \$ 281 |
| Safety Forces | 31,077 |
| Capital Improvement | 40,490 |
| | <u>71,848</u> |
| <i>Enterprise Funds</i> | |
| Waterworks Operating | 290,180 |
| Sewer Operating | 111,121 |
| | <u>401,301</u> |
| Total Encumbrances | <u>\$ 473,149</u> |

City of Circleville
Pickaway County, Ohio
Notes To The Basic Financial Statements
For the Year Ended December 31, 2015

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, 2015.

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 \$67,200 in support payments and provided office facilities to P³ during the year.

NOTE 19: FUND BALANCE

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

City of Circleville
Pickaway County, Ohio
Notes To The Basic Financial Statements
For the Year Ended December 31, 2015

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 | Safety Forces .1% Income Tax Fund | General Obligation Bond Retirement Fund | Capital Improvement Fund | Capital Improvement .4% Income Tax Fund | Other Governmental Funds | Total |
|--------------------------------|-------------------|------------------|------------------------|-----------------------------------|---|--------------------------|---|--------------------------|---------------------|
| Nonspendable for: | | | | | | | | | |
| Inventory | \$ 23,655 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 121,711 | \$ 145,366 |
| Prepaid Items | 15,587 | 0 | 21,746 | 0 | 0 | 4,427 | 0 | 2,513 | 44,273 |
| Total Nonspendable | <u>39,242</u> | <u>0</u> | <u>21,746</u> | <u>0</u> | <u>0</u> | <u>4,427</u> | <u>0</u> | <u>124,224</u> | <u>189,639</u> |
| Restricted for: | | | | | | | | | |
| Road Improvements | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 218,410 | 218,410 |
| Safety Forces | 0 | 0 | 0 | 48,383 | 0 | 0 | 0 | 97,183 | 145,566 |
| Legal Computer Maintenance | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 812,728 | 812,728 |
| Municipal Court | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 236,897 | 236,897 |
| Leisure Time Services | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 27,096 | 27,096 |
| Community Development | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 196,936 | 196,936 |
| Capital Improvements | 0 | 0 | 0 | 0 | 0 | 0 | 810,874 | 637 | 811,511 |
| Total Restricted | <u>0</u> | <u>0</u> | <u>0</u> | <u>48,383</u> | <u>0</u> | <u>0</u> | <u>810,874</u> | <u>1,589,887</u> | <u>2,449,144</u> |
| Committed for: | | | | | | | | | |
| Future Severance Payments | 1,662 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1,662 |
| Income Tax Administration | 0 | 21,621 | 0 | 0 | 0 | 0 | 0 | 0 | 21,621 |
| Safety Forces | 0 | 0 | 481,936 | 0 | 0 | 0 | 0 | 0 | 481,936 |
| Debt Service Payments | 0 | 0 | 0 | 0 | 87,797 | 0 | 0 | 0 | 87,797 |
| Cable Franchise Operations | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 134,205 | 134,205 |
| Total Committed | <u>1,662</u> | <u>21,621</u> | <u>481,936</u> | <u>0</u> | <u>87,797</u> | <u>0</u> | <u>0</u> | <u>134,205</u> | <u>727,221</u> |
| Assigned: | | | | | | | | | |
| Subsequent Year Appropriations | 564,152 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 564,152 |
| Unassigned | 0 | 0 | 0 | 0 | 0 | (1,036,049) | 0 | 0 | (1,036,049) |
| Total Fund Balance | <u>\$ 605,056</u> | <u>\$ 21,621</u> | <u>\$ 503,682</u> | <u>\$ 48,383</u> | <u>\$ 87,797</u> | <u>\$ (1,031,622)</u> | <u>\$ 810,874</u> | <u>\$ 1,848,316</u> | <u>\$ 2,894,107</u> |

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

| | <u>2014</u> | <u>2013</u> |
|--|--------------|--------------|
| <i>Ohio Public Employees' Retirement System (OPERS) - Traditional Plan</i> | | |
| City's Proportion of the Net Pension Liability (Asset) | 0.0140360% | 0.0140360% |
| City's Proportionate Share of the Net Pension Liability (Asset) | \$ 1,692,898 | \$ 1,654,662 |
| City's Covered-Employee Payroll | \$ 2,699,592 | \$ 3,047,154 |
| City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll | 62.71% | 54.30% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 86.45% | 86.36% |
| <i>Ohio Public Employees' Retirement System (OPERS) - Combined Plan</i> | | |
| City's Proportion of the Net Pension Liability (Asset) | 0.0098120% | 0.0098120% |
| City's Proportionate Share of the Net Pension Liability (Asset) | \$ (3,778) | \$ (1,030) |
| City's Covered-Employee Payroll | \$ 136,675 | \$ 144,769 |
| City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll | 0.027642217 | 0.007114772 |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Asset | 114.83% | 104.56% |
| <i>Ohio Police and Fire Pension Fund (OPF)</i> | | |
| City's Proportion of the Net Pension Liability (Asset) | 0.1100746% | 0.1100746% |
| City's Proportionate Share of the Net Pension Liability (Asset) | \$ 5,702,323 | \$ 5,360,978 |
| City's Covered-Employee Payroll | \$ 2,125,829 | \$ 1,719,308 |
| City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll | 268.24% | 311.81% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 72.20% | 73.00% |

(1) Information prior to 2013 is not available.

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

| | <u>2015</u> | <u>2014</u> | <u>2013</u> |
|---|------------------|------------------|------------------|
| <i>Ohio Public Employees' Retirement System (OPERS) - Traditional Plan</i> | | | |
| Contractually Required Contribution | \$ 342,683 | \$ 323,951 | \$ 396,130 |
| Contributions in Relation to the Contractually Required Contribution | <u>(342,683)</u> | <u>(323,951)</u> | <u>(396,130)</u> |
| Contribution deficiency (excess) | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> |
| City's covered-employee payroll | \$ 2,855,692 | \$ 2,699,592 | \$ 3,047,154 |
| Contributions as a percentage of covered-employee payroll | 12.00% | 12.00% | 13.00% |
| <i>Ohio Public Employees' Retirement System (OPERS) - Combined Plan</i> | | | |
| Contractually Required Contribution | \$ 16,281 | \$ 16,401 | \$ 18,820 |
| Contributions in Relation to the Contractually Required Contribution | <u>(16,281)</u> | <u>(16,401)</u> | <u>(18,820)</u> |
| Contribution deficiency (excess) | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> |
| City's covered-employee payroll | \$ 135,675 | \$ 136,675 | \$ 144,769 |
| Contributions as a percentage of covered-employee payroll | 12.00% | 12.00% | 13.00% |
| <i>Ohio Police and Fire Pension Fund (OPF)</i> | | | |
| Contractually Required Contribution | \$ 496,912 | \$ 460,655 | \$ 303,447 |
| Contributions in relation to the contractually required contribution | <u>(496,912)</u> | <u>(460,655)</u> | <u>(303,447)</u> |
| Contribution deficiency (excess) | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> |
| City's covered-employee payroll | \$ 2,368,956 | \$ 2,125,829 | \$ 1,719,308 |
| Contributions as a percentage of covered-employee payroll | 20.98% | 21.67% | 17.65% |

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

| <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> | <u>2008</u> | <u>2007</u> | <u>2006</u> |
|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| \$ 291,995 | \$ 304,382 | \$ 315,822 | \$ 334,051 | \$ 319,274 | \$ 317,591 | \$ 295,112 |
| <u>(291,995)</u> | <u>(304,382)</u> | <u>(315,822)</u> | <u>(334,051)</u> | <u>(319,274)</u> | <u>(317,591)</u> | <u>(295,112)</u> |
| <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> |
| \$ 1,978,008 | \$ 2,087,590 | \$ 2,167,251 | \$ 2,311,316 | \$ 2,181,458 | \$ 2,194,621 | \$ 2,191,047 |
| 14.76% | 14.58% | 14.57% | 14.45% | 14.64% | 14.47% | 13.47% |