

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

*Basic Financial Statements*

For the Fiscal Year Ended  
December 31, 2013

**CITY OF CIRCLEVILLE  
PICKAWAY COUNTY, OHIO**

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May 16, 2014

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

#### INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

We have compiled the accompanying basic financial statements of the City of Circleville as of and for the year ended December 31, 2013. We have not audited or reviewed the accompanying basic financial statements and accordingly, do not express an opinion or provide any assurance about whether the basic financial statements are in accordance with accounting principles generally accepted in the United States of America.

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

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

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

*Rea & Associates, Inc.*

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**City of Circleville**  
**Pickaway County, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2013*  
*(Unaudited)*

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The discussion and analysis of the City of Circleville's (the "City") financial performance provides an overall review of the City's financial activities for the year ended December 31, 2013. 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 2013 are as follows:

- In total, net position increased \$1,073,391, which represents a 2 percent increase from 2012. Net position of governmental activities increased \$563,988. Net position of business-type activities increased \$509,403.
- Total capital assets increased \$2,488,475 during 2013. Capital assets of governmental activities increased \$1,141,981 and capital assets of business-type activities increased \$1,346,494.
- Outstanding debt decreased from \$8,297,487 to \$8,140,615 due to principal payments made during the year.

***Using this Annual Financial Report***

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

The Statement of Net Position and the Statement of Activities provide information from a summary perspective showing the effects of the operations for the year 2013 and how they affected the operations of the City as a whole.

***Reporting the City of Circleville as a Whole***

*Statement of Net Position and the Statement of Activities*

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

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A question typically asked about the City's finances "How did we do financially during 2013?" The Statement of Net Position and the Statement of Activities answer this question. These statements include *all assets and deferred outflows of resources* and *liabilities and deferred inflows of resources* using the *accrual basis of accounting* similar to the accounting method used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

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

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

***Fund Financial Statements***

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



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

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

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

**The City of Circleville as a Whole**

Recall that the Statement of Net Position provides the perspective of the City as a whole. Table 1 provides a summary of the City's net position for 2013 compared to 2012:

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

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
<b>Assets</b>						
Current and Other Assets	\$ 9,435,786	\$ 10,300,232	\$ 6,778,228	\$ 7,394,647	\$ 16,214,014	\$ 17,694,879
Capital Assets	24,097,273	22,955,292	19,891,116	18,544,622	43,988,389	41,499,914
<i>Total Assets</i>	<u>33,533,059</u>	<u>33,255,524</u>	<u>26,669,344</u>	<u>25,939,269</u>	<u>60,202,403</u>	<u>59,194,793</u>
Deferred Outflows of Resources	27,154	31,033	0	0	27,154	31,033
<b>Liabilities</b>						
Long-Term Liabilities	3,483,216	3,707,947	3,174,720	3,017,119	6,657,936	6,725,066
Other Liabilities	2,785,140	2,842,889	349,969	286,898	3,135,109	3,129,787
<i>Total Liabilities</i>	<u>6,268,356</u>	<u>6,550,836</u>	<u>3,524,689</u>	<u>3,304,017</u>	<u>9,793,045</u>	<u>9,854,853</u>
Deferred Inflows of Resources	796,065	803,917	0	0	796,065	803,917
<b>Net Position</b>						
Net Investment in Capital Assets	20,504,290	20,409,644	16,842,146	15,627,842	37,346,436	36,037,486
Restricted	1,860,243	2,183,627	0	0	1,860,243	2,183,627
Unrestricted	4,131,259	3,338,533	6,302,509	7,007,410	10,433,768	10,345,943
<i>Total Net Position</i>	<u>\$ 26,495,792</u>	<u>\$ 25,931,804</u>	<u>\$ 23,144,655</u>	<u>\$ 22,635,252</u>	<u>\$ 49,640,447</u>	<u>\$ 48,567,056</u>

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.

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Net investment in capital assets was \$37,346,436 at December 31, 2013, with \$20,504,290 in governmental activities and \$16,842,146 in business-type activities. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the City's net position, \$1,860,243 or 4 percent, represents resources that are subject to external restrictions on how they may be used. The balance of unrestricted net position of \$10,433,768 may be used to meet the government's ongoing obligations to citizens and creditors.

For governmental activities, the City saw an \$864,446 decrease in current assets and an \$1,141,981 increase in capital assets as cash was used for capital.

Table 2 shows the changes in net position for fiscal year 2013 and 2012.

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

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
<b>Revenues</b>						
<i>Program Revenues:</i>						
Charges for Services	\$ 2,122,476	\$ 2,023,027	\$ 3,806,771	\$ 3,723,314	\$ 5,929,247	\$ 5,746,341
Operating Grants	687,738	1,467,530	3,554	4,272	691,292	1,471,802
Capital Grants	567,878	166,699	454,000	0	1,021,878	166,699
<i>General Revenues:</i>						
Property Taxes	896,909	812,757	0	0	896,909	812,757
Income Taxes	4,980,344	4,776,061	0	0	4,980,344	4,776,061
Other Taxes	106,381	247,220	0	0	106,381	247,220
Grants and Entitlements	719,641	669,536	0	0	719,641	669,536
Unrestricted Contributions	65,101	16,875	0	0	65,101	16,875
Gain on Sales of Capital Assets	0	14,200	0	9,550	0	23,750
Investment Earnings	26,095	129,489	0	0	26,095	129,489
Miscellaneous	810,412	60,160	29,956	87,529	840,368	147,689
<i>Total Revenues</i>	<u>10,982,975</u>	<u>10,383,554</u>	<u>4,294,281</u>	<u>3,824,665</u>	<u>15,277,256</u>	<u>14,208,219</u>
<b>Program Expenses</b>						
General Government	2,818,388	2,919,138	0	0	2,818,388	2,919,138
Security of Persons and Property	4,558,491	4,596,030	0	0	4,558,491	4,596,030
Public Health	182,914	182,914	0	0	182,914	182,914
Leisure Time Services	210,560	207,551	0	0	210,560	207,551
Community Development	434,467	194,652	0	0	434,467	194,652
Transportation	2,074,146	2,024,595	0	0	2,074,146	2,024,595
Debt Issuance Costs	12,490	0	0	0	12,490	0
Interest and Fiscal Charges	127,531	186,414	0	0	127,531	186,414
<i>Enterprise Operations:</i>						
Waterworks Operating	0	0	1,528,372	1,724,909	1,528,372	1,724,909
Sanitary Sewer Operating	0	0	2,256,506	2,277,895	2,256,506	2,277,895
<i>Total Program Expenses</i>	<u>10,418,987</u>	<u>10,311,294</u>	<u>3,784,878</u>	<u>4,002,804</u>	<u>14,203,865</u>	<u>14,314,098</u>
<i>Change in Net Position</i>	563,988	72,260	509,403	(178,139)	1,073,391	(105,879)
<i>Net Position Beginning of Year</i>	<u>25,931,804</u>	<u>25,859,544</u>	<u>22,635,252</u>	<u>22,813,391</u>	<u>48,567,056</u>	<u>48,672,935</u>
<i>Net Position End of Year</i>	<u>\$ 26,495,792</u>	<u>\$ 25,931,804</u>	<u>\$ 23,144,655</u>	<u>\$ 22,635,252</u>	<u>\$ 49,640,447</u>	<u>\$ 48,567,056</u>

**City of Circleville**  
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**Governmental Activities**

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

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

Overall, there was a \$599,421 increase in revenues. Program revenues included a \$779,792 decrease in operating grants due to the a decrease in revenue received for the Clean Ohio Forward, Moving Ohio Forward and EPA grants in 2013, a \$401,179 increase in capital grants that was due to the donation of capital assets and receiving the remaining balance on a street improvement grant. General revenues saw a \$750,252 in other revenues, primarily due to contributions received from the School and local businesses for the repayment of the Clark Road debt.

Police and fire represent the largest expense of the Governmental Activities. Security of Persons and Property expense of \$4,558,491 represents 44 percent of the total governmental activities expenses. The police and fire departments operate out of the general fund and the safety forces tax fund.

The City's Street Maintenance and Repair Department provides the City and its citizens many services that include public road salting, leaf and debris pickup, paint striping and alley profiling. Transportation expenses totaled \$2,074,146, or 20 percent of total governmental activities expenses, during 2013.

The City also maintains a park (leisure time services) within the City. The park had expenses of \$210,560 in 2013 equaling 2 percent of the total governmental services expenses. All other governmental operations had expenses of \$3,575,790, which represents 34 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 2013, charges for services of \$3,806,771 accounted for 89 percent of the business type revenues. The total expenses for the utilities were \$3,784,878, thus leaving an increase in net position of \$509,403 for the business-type activities.

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

***The City's Funds***

***Governmental Funds***

Information about the City's governmental funds begins on page 15. These funds are accounted for using the modified accrual method of accounting. All governmental funds had revenues of \$11,099,792 and expenditures of \$11,839,874. The funds are monitored consistently with adjustments made throughout the year in budgets to accommodate yearly revenues.

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The general fund's net change in fund balance for 2013 was an increase of \$88,444.

The fund balance of the income tax fund increased by \$3,520.

The safety forces tax fund's net change in fund balance for 2013 was an increase of \$184,083, as income tax revenues continued to exceed expenditures.

The general obligation bond retirement fund balance increased \$514,213. This is due to contributions received from the School and local businesses to be used to repay the debt for the Clark Road construction project.

The capital improvement fund decreased \$1,333,971 due to an increase in capital outlay used for construction projects throughout the city.

***Proprietary Funds***

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

Unrestricted net position of the waterworks operating fund at the end of the year amounted to \$3,506,838 and the unrestricted net position of the sanitary sewer operating fund were \$2,795,672. The total growth in net position for both funds was \$467,296 and \$42,107, respectively. Other factors concerning the finances of these two funds have already been addressed in the discussion of the business-type activities.

***General Fund Budgeting Highlights***

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

During the course of 2013, the City amended its general fund budget on various occasions. All recommendations for appropriation changes come to Council from the City Auditor. The Finance Committee of Council reviews them, and they make their recommendation to the Council as a whole.

For the general fund, the actual budget basis revenue was \$4,856,493, representing an increase of \$341,257 over the final budget estimate of \$4,515,236. Most of this difference was attributable to an underestimation of intergovernmental revenues.

Final expenditure appropriations of \$5,229,494 were \$467,228 higher than the actual expenditures of \$4,762,266, as cost savings were recognized in all departments throughout the year.

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**Capital Assets and Debt Administration**

**Capital Assets**

At the end of year 2013, the City had \$43,988,389 invested in capital assets. A total of \$24,097,273 of this was for governmental activities and \$19,891,116 being attributable to business-type activities. Table 3 shows fiscal year 2013 balances compared with 2012.

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

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 1,156,910	\$ 1,156,910	\$ 149,180	\$ 149,180	\$ 1,306,090	\$ 1,306,090
Construction in Progress	884,102	0	853,243	416,942	1,737,345	416,942
Infrastructure	15,535,589	15,299,532	13,962,862	13,756,523	29,498,451	29,056,055
Land Improvements	317,929	234,225	10,033	3	327,962	234,228
Buildings and Improvements	4,827,778	4,986,063	4,474,004	4,155,226	9,301,782	9,141,289
Machinery and Equipment	965,904	810,251	130,654	46,269	1,096,558	856,520
Vehicles	409,061	468,311	311,140	20,479	720,201	488,790
<i>Total</i>	<u>\$ 24,097,273</u>	<u>\$ 22,955,292</u>	<u>\$ 19,891,116</u>	<u>\$ 18,544,622</u>	<u>\$ 43,988,389</u>	<u>\$ 41,499,914</u>

The \$1,141,981 increase in capital assets of governmental activities was attributable to additional purchases exceeding current year depreciation and disposals. Capital asset additions in the governmental activities included citywide roadway base and surfacing projects, a storm sewer project and construction in progress for the Clark Drive and Brookhill Lane improvements. The \$1,346,494 increase in capital assets of business-type activities was attributable to additional purchases exceeding current year depreciation and disposals. Capital asset additions in the business-type activities included a Jet Vac truck, a citywide waterline project, water treatment plant upgrade, and construction in progress for the SCADA project and additional water line improvement projects. See Note 8 for additional information about the capital assets of the City.

**Debt**

The outstanding debt for the City as of December 31, 2013 was \$8,140,615. 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	
	2013	2012	2013	2012	2013	2012
General Obligation Bonds	\$ 2,660,000	\$ 3,035,000	\$ 2,450,000	\$ 2,560,000	\$ 5,110,000	\$ 5,595,000
OWDA Loans	0	0	293,233	295,249	293,233	295,249
Bond Anticipation Notes	2,160,000	2,210,000	0	0	2,160,000	2,210,000
Capital Leases	311,935	197,238	265,447	0	577,382	197,238
<i>Total</i>	<u>\$ 5,131,935</u>	<u>\$ 5,442,238</u>	<u>\$ 3,008,680</u>	<u>\$ 2,855,249</u>	<u>\$ 8,140,615</u>	<u>\$ 8,297,487</u>

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***Current Issues***

On a cash basis, the City of Circleville's municipal income tax base increased 0.45 percent in 2013. The major contributor to the increase in municipal income tax receipts was business withholding taxes which demonstrated a .73 percent increase. Business withholding accounts continue to remain steady with minimal growth in their employment base. Individual filing receipts increased by 2.1 percent reflecting the decline in the unemployment rates in Pickaway County. However, Pickaway County's unemployment rate continues to remain the highest in the Columbus Metropolitan Area. Revenues from the reduced credit increased by 1.21 percent reflecting the improvement in economic conditions in the regional employment opportunities for local residents. The municipal income tax continues to be the major factor in financing governmental operations. This is reflected by the fact that 35 percent of the City's cash basis revenues are generated by the income tax. Circleville City Council altered the one percent split between the General Fund and the Capital Improvement Fund in 2013. The City placed 65 percent of the municipal income tax into general operations and 35 percent into capital improvements in response to the continued decline in local government funds and investment income. The 0.50 percent voter approved safety forces tax and the reduced credit tax revenue are used solely for safety forces expenditures. This designated revenue provides 39 percent of the dollars needed to operate the City's safety forces. Since 2009 the City has experienced a 42.66 percent reduction in revenues received from other governmental sources, mainly the State of Ohio. This continued deterioration of revenues received from the State of Ohio has placed a greater reliance on the local tax base to fund critical municipal operations.

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

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

**City of Circleville**  
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*Statement of Net Position*  
*December 31, 2013*

	Primary Government			Component Unit	Total Reporting Entity
	Governmental Activities	Business-Type Activities	Total	Berger Health System	
<b>Assets</b>					
Equity in Pooled Cash and Investments	\$ 4,996,555	\$ 6,097,912	\$ 11,094,467	\$ 0	\$ 11,094,467
Cash and Cash Equivalents	0	0	0	5,267,373	5,267,373
Cash and Investments in Segregated Accounts	77,782	31,390	109,172	0	109,172
Cash and Investments with Fiscal Agents	34,831	0	34,831	0	34,831
Investments	0	0	0	25,853,493	25,853,493
Accounts Receivable	110,570	595,154	705,724	8,380,034	9,085,758
Accrued Interest Receivable	14,082	0	14,082	0	14,082
Intergovernmental Receivable	850,051	0	850,051	1,295,395	2,145,446
Taxes Receivable	868,166	0	868,166	0	868,166
Income Taxes Receivable	1,758,217	0	1,758,217	0	1,758,217
Loans Receivable	567,445	0	567,445	0	567,445
Prepaid Items	39,821	22,339	62,160	1,877,144	1,939,304
Materials and Supplies Inventory	118,266	31,433	149,699	987,924	1,137,623
Pledges Receivable	0	0	0	955,850	955,850
Other Assets	0	0	0	43,627	43,627
Non-Depreciable Capital Assets	2,041,012	1,002,423	3,043,435	4,844,195	7,887,630
Depreciable Capital Assets, Net	22,056,261	18,888,693	40,944,954	30,962,233	71,907,187
<i>Total Assets</i>	<u>33,533,059</u>	<u>26,669,344</u>	<u>60,202,403</u>	<u>80,467,268</u>	<u>140,669,671</u>
<b>Deferred Outflow of Resources</b>					
Deferred Charges on Refunding	27,154	0	27,154	0	27,154
<b>Liabilities</b>					
Accounts Payable	125,155	74,140	199,295	3,033,601	3,232,896
Accrued Wages	104,881	33,345	138,226	2,253,437	2,391,663
Contracts Payable	28,246	40,290	68,536	0	68,536
Retainage Payable	77,782	31,390	109,172	0	109,172
Intergovernmental Payable	244,905	66,875	311,780	0	311,780
Matured Interest Payable	14,831	0	14,831	0	14,831
Matured Bonds Payable	20,000	0	20,000	0	20,000
Refundable Deposits	0	95,326	95,326	0	95,326
Accrued Interest Payable	9,340	8,603	17,943	53,135	71,078
Bond Anticipation Notes Payable	2,160,000	0	2,160,000	0	2,160,000
Long-Term Liabilities:					
Due Within One Year	688,391	279,907	968,298	4,523,884	5,492,182
Due in More Than One Year	2,794,825	2,894,813	5,689,638	13,040,798	18,730,436
<i>Total Liabilities</i>	<u>6,268,356</u>	<u>3,524,689</u>	<u>9,793,045</u>	<u>22,904,855</u>	<u>32,697,900</u>
<b>Deferred Inflows of Resources</b>					
Property Taxes	796,065	0	796,065	0	796,065
<b>Net Position</b>					
Net Investment in Capital Assets	20,504,290	16,842,146	37,346,436	19,664,678	57,011,114
Restricted For:					
Capital Outlay	837	0	837	1,727,811	1,728,648
Safety Services	136,125	0	136,125	0	136,125
Streets	587,003	0	587,003	0	587,003
Community Development	274,880	0	274,880	0	274,880
Other Purposes	861,398	0	861,398	0	861,398
Unrestricted	4,131,259	6,302,509	10,433,768	36,169,924	46,603,692
<i>Total Net Position</i>	<u>\$ 26,495,792</u>	<u>\$ 23,144,655</u>	<u>\$ 49,640,447</u>	<u>\$ 57,562,413</u>	<u>\$ 107,202,860</u>

See accompanying notes to the basic financial statements.

**City of Circleville**  
**Pickaway County, Ohio**  
*Statement of Activities*  
For the Year Ended December 31, 2013

	Program Revenues				Net (Expense) Revenue and Changes in Net Position				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Unit	
					Governmental Activities	Business-Type Activities	Total	Berger Health System	Total Reporting Entity
<b>Governmental Activities</b>									
General Government	\$ 2,818,388	\$ 1,344,348	\$ 0	\$ 10,432	\$ (1,463,608)	\$ 0	\$ (1,463,608)	\$ 0	\$ (1,463,608)
Security of Persons and Property	4,558,491	751,381	45,715	0	(3,761,395)	0	(3,761,395)	0	(3,761,395)
Public Health	182,914	0	0	193,311	10,397	0	10,397	0	10,397
Leisure Time Services	210,560	14,435	0	0	(196,125)	0	(196,125)	0	(196,125)
Community Development	434,467	0	0	203,423	(231,044)	0	(231,044)	0	(231,044)
Transportation	2,074,146	12,312	642,023	160,712	(1,259,099)	0	(1,259,099)	0	(1,259,099)
Debt Issuance Costs	12,490	0	0	0	(12,490)	0	(12,490)	0	(12,490)
Interest and Fiscal Charges	127,531	0	0	0	(127,531)	0	(127,531)	0	(127,531)
<i>Total Governmental Activities</i>	<u>10,418,987</u>	<u>2,122,476</u>	<u>687,738</u>	<u>567,878</u>	<u>(7,040,895)</u>	<u>0</u>	<u>(7,040,895)</u>	<u>0</u>	<u>(7,040,895)</u>
<b>Business-Type Activities</b>									
Waterworks Operating	1,528,372	1,621,987	1,777	356,000	0	451,392	451,392	0	451,392
Sanitary Sewer Operating	2,256,506	2,184,784	1,777	98,000	0	28,055	28,055	0	28,055
<i>Total Business-Type Activities</i>	<u>3,784,878</u>	<u>3,806,771</u>	<u>3,554</u>	<u>454,000</u>	<u>0</u>	<u>479,447</u>	<u>479,447</u>	<u>0</u>	<u>479,447</u>
<i>Total Primary Government</i>	<u>\$14,203,865</u>	<u>\$ 5,929,247</u>	<u>\$ 691,292</u>	<u>\$ 1,021,878</u>	<u>(7,040,895)</u>	<u>479,447</u>	<u>(6,561,448)</u>	<u>0</u>	<u>(6,561,448)</u>
<b>Component Unit</b>									
Berger Health System	<u>\$79,204,297</u>	<u>\$ 73,396,047</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(5,808,250)</u>	<u>(5,808,250)</u>
<b>General Revenues:</b>									
Property Taxes Levied for:									
General Purposes					773,746	0	773,746	0	773,746
Police, Fire and Community Operations					123,163	0	123,163	0	123,163
Income Taxes Levied for:									
General Purposes					2,187,283	0	2,187,283	0	2,187,283
Police, Fire and Community Operations					1,856,458	0	1,856,458	0	1,856,458
Capital Projects					607,353	0	607,353	0	607,353
Debt Service					329,250	0	329,250	0	329,250
Other Taxes					106,381	0	106,381	0	106,381
Grants and Entitlements not Restricted to Specific Programs					719,641	0	719,641	0	719,641
Unrestricted Contributions					65,101	0	65,101	0	65,101
Investment Earnings					26,095	0	26,095	62,079	88,174
Miscellaneous					810,412	29,956	840,368	5,130,261	5,970,629
<i>Total General Revenues</i>					<u>7,604,883</u>	<u>29,956</u>	<u>7,634,839</u>	<u>5,192,340</u>	<u>12,827,179</u>
<i>Change in Net Position</i>					<u>563,988</u>	<u>509,403</u>	<u>1,073,391</u>	<u>(615,910)</u>	<u>457,481</u>
<i>Net Position Beginning of Year</i>					<u>25,931,804</u>	<u>22,635,252</u>	<u>48,567,056</u>	<u>58,178,323</u>	<u>106,745,379</u>
<i>Net Position End of Year</i>					<u>\$ 26,495,792</u>	<u>\$ 23,144,655</u>	<u>\$49,640,447</u>	<u>\$ 57,562,413</u>	<u>\$ 107,202,860</u>

See accompanying notes to the basic financial statements.



**City of Circleville**  
**Pickaway County, Ohio**  
*Balance Sheet*  
*Governmental Funds*  
*December 31, 2013*

	General Fund	Income Tax Fund	Safety Forces Tax Fund	General Obligation Bond Retirement Fund	Capital Improvement Fund	All Other Governmental Funds	Total Governmental Funds
<b>Assets</b>							
Equity in Pooled Cash and Investments	\$ 1,122,244	\$ 18,288	\$ 538,189	\$ 653,380	\$ 1,292,954	\$ 1,371,500	\$ 4,996,555
Cash and Investments in Segregated Accounts	0	0	0	0	77,782	0	77,782
Cash and Investments with Fiscal Agents	0	0	0	34,831	0	0	34,831
Accounts Receivable	92,264	0	0	0	0	18,306	110,570
Accrued Interest Receivable	11,883	0	0	0	0	2,199	14,082
Intergovernmental Receivable	263,121	0	0	0	0	586,930	850,051
Taxes Receivable	747,489	0	0	0	0	120,677	868,166
Income Taxes Receivable	671,395	54,666	620,656	167,101	244,399	0	1,758,217
Loans Receivable	0	0	0	564,583	0	2,862	567,445
Prepaid Items	10,779	0	17,655	0	8,761	2,626	39,821
Materials and Supplies Inventory	8,838	0	0	0	0	109,428	118,266
<i>Total Assets</i>	<u>\$ 2,928,013</u>	<u>\$ 72,954</u>	<u>\$ 1,176,500</u>	<u>\$ 1,419,895</u>	<u>\$ 1,623,896</u>	<u>\$ 2,214,528</u>	<u>\$ 9,435,786</u>
<b>Liabilities</b>							
Accounts Payable	\$ 17,718	\$ 0	\$ 41,986	\$ 0	\$ 38,376	\$ 27,075	\$ 125,155
Accrued Wages	79,726	254	15,221	0	0	9,680	104,881
Contracts Payable	0	0	0	0	28,246	0	28,246
Retainage Payable	0	0	0	0	77,782	0	77,782
Intergovernmental Payable	167,419	421	56,163	0	0	20,902	244,905
Matured Interest Payable	0	0	0	14,831	0	0	14,831
Matured Bonds Payable	0	0	0	20,000	0	0	20,000
Accrued Interest Payable	0	0	0	0	4,139	0	4,139
Notes Payable	0	0	0	0	2,160,000	0	2,160,000
<i>Total Liabilities</i>	<u>264,863</u>	<u>675</u>	<u>113,370</u>	<u>34,831</u>	<u>2,308,543</u>	<u>57,657</u>	<u>2,779,939</u>
<b>Deferred Inflows of Resources</b>							
Property Taxes Levied for the Next Year	686,203	0	0	0	0	109,862	796,065
Unavailable Revenue	891,691	40,797	469,708	129,942	141,684	511,011	2,184,833
<i>Total Deferred Inflows of Resources</i>	<u>1,577,894</u>	<u>40,797</u>	<u>469,708</u>	<u>129,942</u>	<u>141,684</u>	<u>620,873</u>	<u>2,980,898</u>
<b>Fund Balances</b>							
Nonspendable	19,617	0	17,655	0	8,761	112,054	158,087
Restricted	0	0	0	564,583	0	1,273,435	1,838,018
Committed	51,814	31,482	575,767	690,539	0	150,509	1,500,111
Assigned	937,220	0	0	0	0	0	937,220
Unassigned	76,605	0	0	0	(835,092)	0	(758,487)
<i>Total Fund Balances</i>	<u>1,085,256</u>	<u>31,482</u>	<u>593,422</u>	<u>1,255,122</u>	<u>(826,331)</u>	<u>1,535,998</u>	<u>3,674,949</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$ 2,928,013</u>	<u>\$ 72,954</u>	<u>\$ 1,176,500</u>	<u>\$ 1,419,895</u>	<u>\$ 1,623,896</u>	<u>\$ 2,214,528</u>	<u>\$ 9,435,786</u>

See accompanying notes to the basic financial statements.

**City of Circleville**  
**Pickaway County, Ohio**  
*Reconciliation of Total Governmental Fund Balances to*  
*Net Position of Governmental Activities*  
*December 31, 2013*

<b>Total Governmental Fund Balances</b>		\$ 3,674,949
 <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.		24,097,273
Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds:		
Property Taxes	\$ 72,101	
Income Tax	1,313,652	
Intergovernmental	712,034	
Investment Earnings	13,088	
Charges for Services	<u>73,958</u>	2,184,833
Accrued interest payable is not due and payable in the current period and therefore not reported in the funds.		(5,201)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
General Obligation Bonds	(2,660,000)	
Deferred Charges on Refunding	27,154	
Bond Premium	(51,407)	
Capital Leases	(311,935)	
Compensated Absences	<u>(459,874)</u>	<u>(3,456,062)</u>
 <i>Net Position of Governmental Activities</i>		 <u><u>\$ 26,495,792</u></u>

See accompanying notes to the basic financial statements.

**City of Circleville**  
**Pickaway County, Ohio**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Year Ended December 31, 2013*

	General Fund	Income Tax Fund	Safety Forces Tax Fund	General Obligation Bond Retirement Fund	Capital Improvement Fund	All Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>							
Property Taxes	\$ 732,153	\$ 0	\$ 0	\$ 0	\$ 0	\$ 115,826	\$ 847,979
Income Taxes	1,862,908	159,229	1,764,059	322,341	704,464	0	4,813,001
Other Local Taxes	112,379	0	0	0	0	0	112,379
Charges for Services	367,667	0	456,421	0	692	30,537	855,317
Licenses and Permits	128,835	0	0	0	0	94,375	223,210
Fines and Forfeitures	580,587	0	0	0	0	446,096	1,026,683
Intergovernmental	900,152	0	2,495	0	0	1,427,771	2,330,418
Interest	25,147	0	0	5,306	0	(3,106)	27,347
Contributions and Donations	50,602	0	7,498	0	0	7,001	65,101
Other	77,269	321	16,068	654,718	33,505	16,476	798,357
<i>Total Revenues</i>	<u>4,837,699</u>	<u>159,550</u>	<u>2,246,541</u>	<u>982,365</u>	<u>738,661</u>	<u>2,134,976</u>	<u>11,099,792</u>
<b>Expenditures</b>							
Current:							
General Government	2,037,349	156,030	0	0	24,631	704,782	2,922,792
Security of Persons and Property	2,120,198	0	2,062,458	0	0	140,652	4,323,308
Public Health	182,914	0	0	0	0	0	182,914
Leisure Time Services	121,637	0	0	0	0	6,365	128,002
Community Development	8,728	0	0	0	0	424,684	433,412
Transportation	283,405	0	0	0	0	765,929	1,049,334
Capital Outlay	0	0	0	0	1,915,018	263,493	2,178,511
Debt Service:							
Principal Retirement	4,587	0	0	375,000	75,040	21,382	476,009
Interest and Fiscal Charges	743	0	0	94,076	31,997	6,286	133,102
Bond Issuance Costs	0	0	0	12,490	0	0	12,490
<i>Total Expenditures</i>	<u>4,759,561</u>	<u>156,030</u>	<u>2,062,458</u>	<u>481,566</u>	<u>2,046,686</u>	<u>2,333,573</u>	<u>11,839,874</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>78,138</u>	<u>3,520</u>	<u>184,083</u>	<u>500,799</u>	<u>(1,308,025)</u>	<u>(198,597)</u>	<u>(740,082)</u>
<b>Other Financing Sources (Uses)</b>							
Inception of Capital Lease	10,306	0	0	0	41,974	163,426	215,706
Premium on Debt Issuance	0	0	0	13,414	0	0	13,414
Transfers In	0	0	0	0	0	67,920	67,920
Transfers Out	0	0	0	0	(67,920)	0	(67,920)
<i>Total Other Financing Sources (Uses)</i>	<u>10,306</u>	<u>0</u>	<u>0</u>	<u>13,414</u>	<u>(25,946)</u>	<u>231,346</u>	<u>229,120</u>
<i>Net Change in Fund Balance</i>	<u>88,444</u>	<u>3,520</u>	<u>184,083</u>	<u>514,213</u>	<u>(1,333,971)</u>	<u>32,749</u>	<u>(510,962)</u>
<i>Fund Balance Beginning of Year</i>	<u>996,812</u>	<u>27,962</u>	<u>409,339</u>	<u>740,909</u>	<u>507,640</u>	<u>1,503,249</u>	<u>4,185,911</u>
<i>Fund Balance End of Year</i>	<u>\$ 1,085,256</u>	<u>\$ 31,482</u>	<u>\$ 593,422</u>	<u>\$ 1,255,122</u>	<u>\$ (826,331)</u>	<u>\$ 1,535,998</u>	<u>\$ 3,674,949</u>

See accompanying notes to the basic financial statements.

**City of Circleville**  
**Pickaway County, Ohio**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes*  
*in Fund Balances of Governmental Funds to the Statement of Activities*  
*For the Year Ended December 31, 2013*

<b>Net Change in Fund Balances - Total Governmental Funds</b>		\$ (510,962)
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which additions exceeded depreciation in the current period.		
Capital Asset Additions	\$ 2,434,586	
Current Year Depreciation	<u>(1,288,290)</u>	1,146,296
Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.		
		(4,315)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property Taxes	48,930	
Income Tax	167,343	
Charges for Services	11,271	
Intergovernmental	(517,235)	
Investment Earnings	<u>(1,252)</u>	(290,943)
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	375,000	
Capital Lease	<u>101,009</u>	476,009
In the statement of activities, interest is accrued on outstanding bonds, and bond premium and the gain/loss on refunding are amortized over the term of the bonds, whereas in governmental funds, an interest expenditure is reported when bonds are issued.		
Accrued Interest Payable	3,060	
Amortization of Premium on Bonds	6,390	
Amortization of Deferred Charge	<u>(3,879)</u>	5,571
Inception of capital lease in the governmental funds that increase long-term liabilities in the statement of net position are not reported as revenues.		
		(215,706)
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>(41,962)</u>
<i>Change in Net Position of Governmental Activities</i>		<u><u>\$ 563,988</u></u>

See accompanying notes to the basic financial statements.

**City of Circleville**  
**Pickaway County, Ohio**  
*Statement of Revenues, Expenditures and Changes*  
*in Fund Balance - Budget (Non-GAAP Basis) and Actual*  
**General Fund**  
*For the Year Ended December 31, 2013*

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Property Taxes	\$ 788,853	\$ 788,853	\$ 732,153	\$ (56,700)
Income Taxes	1,872,554	1,872,554	1,840,715	(31,839)
Other Local Taxes	98,000	98,000	112,450	14,450
Charges for Services	404,395	372,595	367,667	(4,928)
Licenses and Permits	99,000	99,000	110,529	11,529
Fines and Forfeitures	590,000	590,000	574,463	(15,537)
Intergovernmental	606,550	587,463	920,889	333,426
Interest	83,180	82,267	69,756	(12,511)
Contributions and Donations	0	13,015	50,602	37,587
Other	11,489	11,489	77,269	65,780
<i>Total Revenues</i>	<u>4,554,021</u>	<u>4,515,236</u>	<u>4,856,493</u>	<u>341,257</u>
<b>Expenditures</b>				
Current:				
General Government	2,333,383	2,334,383	2,078,758	255,625
Security of Persons and Property				
Police	1,425,565	1,425,565	1,327,807	97,758
Fire	722,912	722,912	654,273	68,639
Other	104,640	104,640	91,641	12,999
Public Health	183,664	183,664	182,164	1,500
Leisure Time Services				
Parks and Recreation	74,000	74,000	71,358	2,642
Swimming Pool	0	26,215	25,874	341
Other	30,000	30,000	26,549	3,451
Community Development	12,000	12,000	8,551	3,449
Transportation	311,115	316,115	295,291	20,824
<i>Total Expenditures</i>	<u>5,197,279</u>	<u>5,229,494</u>	<u>4,762,266</u>	<u>467,228</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(643,258)</u>	<u>(714,258)</u>	<u>94,227</u>	<u>808,485</u>
<b>Other Financing Sources (Uses)</b>				
Transfers Out	(50,000)	(50,000)	(50,000)	0
<i>Net Change in Fund Balance</i>	(693,258)	(764,258)	44,227	808,485
<i>Fund Balance Beginning of Year</i>	841,453	841,453	841,453	0
Prior Year Encumbrances Appropriated	79,096	79,096	79,096	0
<i>Fund Balance End of Year</i>	<u>\$ 227,291</u>	<u>\$ 156,291</u>	<u>\$ 964,776</u>	<u>\$ 808,485</u>

See accompanying notes to the basic financial statements.

**City of Circleville**  
**Pickaway County, Ohio**  
*Statement of Revenues, Expenditures and Changes*  
*in Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*Income Tax Fund*  
For the Year Ended December 31, 2013

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Income Taxes	\$ 191,398	\$ 174,998	\$ 160,074	\$ (14,924)
Other	0	0	321	321
<i>Total Revenues</i>	<u>191,398</u>	<u>174,998</u>	<u>160,395</u>	<u>(14,603)</u>
<b>Expenditures</b>				
Current:				
General Government	<u>192,020</u>	<u>175,620</u>	<u>158,737</u>	<u>16,883</u>
<i>Net Change in Fund Balance</i>	(622)	(622)	1,658	2,280
<i>Fund Balance Beginning of Year</i>	16,270	16,270	16,270	0
Prior Year Encumbrances Appropriated	<u>190</u>	<u>190</u>	<u>190</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$ 15,838</u>	<u>\$ 15,838</u>	<u>\$ 18,118</u>	<u>\$ 2,280</u>

See accompanying notes to the basic financial statements.

**City of Circleville**  
**Pickaway County, Ohio**  
*Statement of Revenues, Expenditures and Changes*  
*in Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*Safety Forces Tax Fund*  
*For the Year Ended December 31, 2013*

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Income Taxes	\$ 1,740,426	\$ 1,690,426	\$ 1,735,796	\$ 45,370
Charges for Services	460,000	435,000	456,421	21,421
Intergovernmental	0	0	2,495	2,495
Contributions and Donations	0	7,498	7,498	0
Other	1,200	1,200	16,068	14,868
<i>Total Revenues</i>	<u>2,201,626</u>	<u>2,134,124</u>	<u>2,218,278</u>	<u>84,154</u>
<b>Expenditures</b>				
Current:				
Security of Persons and Property				
Police	1,348,035	1,258,035	1,140,726	117,309
Fire	1,297,073	1,278,571	1,143,773	134,798
Other	37,712	48,712	41,381	7,331
<i>Total Expenditures</i>	<u>2,682,820</u>	<u>2,585,318</u>	<u>2,325,880</u>	<u>259,438</u>
<i>Net Change in Fund Balance</i>	(481,194)	(451,194)	(107,602)	343,592
<i>Fund Balance Beginning of Year</i>	434,317	434,317	434,317	0
Prior Year Encumbrances Appropriated	97,660	97,660	97,660	0
<i>Fund Balance End of Year</i>	<u>\$ 50,783</u>	<u>\$ 80,783</u>	<u>\$ 424,375</u>	<u>\$ 343,592</u>

See accompanying notes to the basic financial statements.

**City of Circleville**  
**Pickaway County, Ohio**  
*Statement of Fund Net Position*  
*Proprietary Funds*  
*December 31, 2013*

	Enterprise Funds		
	Waterworks Operating	Sanitary Sewer Operating	Total
<b>Assets</b>			
<i>Current Assets:</i>			
Equity in Pooled Cash and Investments	\$ 3,402,408	\$ 2,600,178	\$ 6,002,586
Cash and Investments in Segregated Accounts	17,634	13,756	31,390
Accounts Receivable	247,758	347,396	595,154
Prepaid Items	15,416	6,923	22,339
Materials and Supplies Inventory	14,836	16,597	31,433
<i>Total Current Assets</i>	<u>3,698,052</u>	<u>2,984,850</u>	<u>6,682,902</u>
<i>Non-Current Assets:</i>			
<i>Restricted Assets:</i>			
Equity in Pooled Cash and Investments	47,663	47,663	95,326
Non-Depreciable Capital Assets	406,032	596,391	1,002,423
Depreciable Capital Assets, Net	7,576,911	11,311,782	18,888,693
<i>Total Non-Current Assets</i>	<u>8,030,606</u>	<u>11,955,836</u>	<u>19,986,442</u>
<i>Total Assets</i>	<u>11,728,658</u>	<u>14,940,686</u>	<u>26,669,344</u>
<b>Liabilities</b>			
<i>Current Liabilities:</i>			
Accounts Payable	60,907	13,233	74,140
Accrued Wages	13,846	19,499	33,345
Contracts Payable	0	40,290	40,290
Retainage Payable	17,634	13,756	31,390
Intergovernmental Payable	24,749	42,126	66,875
Accrued Interest Payable	3,669	4,934	8,603
Compensated Absences Payable	18,829	34,073	52,902
Capital Leases Payable	27,164	27,164	54,328
OWDA Loans Payable	62,677	0	62,677
General Obligation Bonds Payable	50,000	60,000	110,000
Refundable Deposits	47,663	47,663	95,326
<i>Total Current Liabilities</i>	<u>327,138</u>	<u>302,738</u>	<u>629,876</u>
<i>Long-Term Liabilities:</i>			
Compensated Absences Payable - Net of Current Portion	51,580	61,558	113,138
Capital Leases Payable - Net of Current Portion	105,560	105,559	211,119
OWDA Loans Payable - Net of Current Portion	230,556	0	230,556
General Obligation Bonds Payable - Net of Current Portion	995,000	1,345,000	2,340,000
<i>Total Long-Term Liabilities</i>	<u>1,382,696</u>	<u>1,512,117</u>	<u>2,894,813</u>
<i>Total Liabilities</i>	<u>1,709,834</u>	<u>1,814,855</u>	<u>3,524,689</u>
<b>Net Position</b>			
Net Investment in Capital Assets	6,511,986	10,330,160	16,842,146
Unrestricted	3,506,838	2,795,671	6,302,509
<i>Total Net Position</i>	<u>\$ 10,018,824</u>	<u>\$ 13,125,831</u>	<u>\$ 23,144,655</u>

See accompanying notes to the basic financial statements.



**City of Circleville**  
**Pickaway County, Ohio**  
*Statement of Revenues, Expenses and Changes in Fund Net Position*  
*Proprietary Funds*  
*For the Year Ended December 31, 2013*

	Enterprise Funds		
	Waterworks Operating	Sanitary Sewer Operating	Total
<b>Operating Revenues</b>			
Charges for Services	\$ 1,621,987	\$ 2,184,784	\$ 3,806,771
<b>Operating Expenses</b>			
Personal Services	548,345	729,373	1,277,718
Fringe Benefits	150,278	305,687	455,965
Contractual Services	436,846	540,601	977,447
Materials and Supplies	106,847	238,624	345,471
Depreciation	226,666	374,518	601,184
Other	1,530	5,054	6,584
<i>Total Operating Expenses</i>	<u>1,470,512</u>	<u>2,193,857</u>	<u>3,664,369</u>
<i>Operating Income (Loss)</i>	<u>151,475</u>	<u>(9,073)</u>	<u>142,402</u>
<b>Non-Operating Revenues (Expense)</b>			
Operating Grants	1,777	1,777	3,554
Loss on Disposal of Capital Assets	(88)	(388)	(476)
Other Non-Operating Revenues	15,904	14,052	29,956
Interest and Fiscal Charges	(57,772)	(62,261)	(120,033)
<i>Total Non-Operating Revenues (Expense)</i>	<u>(40,179)</u>	<u>(46,820)</u>	<u>(86,999)</u>
<i>Income (Loss) Before Capital Contributions</i>	111,296	(55,893)	55,403
Capital Contributions	<u>356,000</u>	<u>98,000</u>	<u>454,000</u>
<i>Change in Net Position</i>	467,296	42,107	509,403
<i>Net Position Beginning of Year</i>	<u>9,551,528</u>	<u>13,083,724</u>	<u>22,635,252</u>
<i>Net Position End of Year</i>	<u>\$ 10,018,824</u>	<u>\$ 13,125,831</u>	<u>\$ 23,144,655</u>

See accompanying notes to the basic financial statements.

**City of Circleville**  
**Pickaway County, Ohio**  
*Statement of Cash Flows*  
*Proprietary Funds*  
For the Year Ended December 31, 2013

	Enterprise Funds		
	Waterworks Operating	Sanitary Sewer Operating	Totals
<b>Cash Flows from Operating Activities</b>			
Cash Received from Customers	\$ 1,637,555	\$ 2,201,706	\$ 3,839,261
Cash Payments to Suppliers for Goods and Services	(86,977)	(190,511)	(277,488)
Cash Payments to Employees for Services and Benefits	(690,360)	(1,012,345)	(1,702,705)
Cash Payments for Contractual Services	(399,928)	(561,924)	(961,852)
Other Cash Payments	(1,530)	(5,054)	(6,584)
<i>Net Cash Provided by Operating Activities</i>	<u>458,760</u>	<u>431,872</u>	<u>890,632</u>
<b>Cash Flows from Noncapital Financing Activities</b>			
Intergovernmental Revenue	1,777	1,777	3,554
Other Non-Operating Receipts	15,904	14,052	29,956
<i>Net Cash Provided by Noncapital Financing Activities</i>	<u>17,681</u>	<u>15,829</u>	<u>33,510</u>
<b>Cash Flows from Capital and Related Financing Activities</b>			
Proceeds of OWDA Loans	61,531	0	61,531
Proceeds of Capital Leases	136,621	136,620	273,241
Payment for Capital Acquisitions	(845,915)	(638,090)	(1,484,005)
Principal Payments on Debt	(117,444)	(63,897)	(181,341)
Interest Payments on Debt	(57,918)	(62,436)	(120,354)
<i>Net Cash Used for Capital and Related Financing Activities</i>	<u>(823,125)</u>	<u>(627,803)</u>	<u>(1,450,928)</u>
<i>Net Decrease in Cash and Cash Equivalents</i>	(346,684)	(180,102)	(526,786)
<i>Cash and Cash Equivalents Beginning of Year</i>	3,814,389	2,841,699	6,656,088
<i>Cash and Cash Equivalents End of Year</i>	<u>\$ 3,467,705</u>	<u>\$ 2,661,597</u>	<u>\$ 6,129,302</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities</b>			
Operating Income (Loss)	\$ 151,475	\$ (9,073)	\$ 142,402
Adjustments:			
Depreciation	226,666	374,518	601,184
(Increase) Decrease in Assets:			
Accounts Receivable	16,711	18,065	34,776
Prepaid Items	329	(1,395)	(1,066)
Materials and Supplies Inventory	12,336	43,587	55,923
Increase (Decrease) in Liabilities:			
Accounts Payable	44,123	(10,202)	33,921
Accrued Wages	1,233	3,285	4,518
Refundable Deposits	(1,143)	(1,143)	(2,286)
Compensated Absences Payable	1,652	2,518	4,170
Intergovernmental Payable	5,378	11,712	17,090
<i>Net Cash Provided by Operating Activities</i>	<u>\$ 458,760</u>	<u>\$ 431,872</u>	<u>\$ 890,632</u>

**Noncash Capital Financing Activities:**

During 2013, the City received \$356,000 and \$98,000 in donated capital assets in the Waterworks Operating Fund and the Sanitary Sewer Operating Fund, respectively.

See accompanying notes to the basic financial statements.

**City of Circleville**  
**Pickaway County, Ohio**  
*Statement of Fiduciary Net Position*  
*Fiduciary Funds*  
*December 31, 2013*

	Private Purpose Trust	Agency Funds
<b>Assets</b>		
Equity in Pooled Cash and Investments	\$ 1,972	\$ 12,739
Cash and Cash Equivalents in Segregated Accounts	10,000	82,212
<i>Total Assets</i>	11,972	\$ 94,951
<b>Liabilities</b>		
Intergovernmental Payable	0	\$ 4,673
Undistributed Monies	0	90,278
<i>Total Liabilities</i>	0	\$ 94,951
<b>Net Position</b>		
Held in Trust for Private Purposes	11,972	
<i>Total Net Position</i>	\$ 11,972	

See accompanying notes to the basic financial statements.

**City of Circleville**  
**Pickaway County, Ohio**  
*Statement of Changes in Fiduciary Net Position*  
*Fiduciary Fund*  
*For the Year Ended December 31, 2013*

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	Private Purpose Trust
<b>Additions</b>	
Interest	\$ 105
<i>Change in Net Position</i>	105
<i>Net Position Beginning of Year</i>	11,867
<i>Net Position End of Year</i>	\$ 11,972

See accompanying notes to the basic financial statements.

**City of Circleville**  
**Pickaway County, Ohio**  
*Notes To The Basic Financial Statements*  
*For the Year Ended December 31, 2013*

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

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

*Reporting Entity*

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

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

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

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

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

**City of Circleville**  
**Pickaway County, Ohio**  
*Notes To The Basic Financial Statements*  
*For the Year Ended December 31, 2013*

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**Berger Health System**

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

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

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

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

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

***A. Basis of Presentation***

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

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

**City of Circleville**  
**Pickaway County, Ohio**  
*Notes To The Basic Financial Statements*  
*For the Year Ended December 31, 2013*

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

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

***B. Fund Accounting***

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

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

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

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

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

**City of Circleville**  
**Pickaway County, Ohio**  
*Notes To The Basic Financial Statements*  
*For the Year Ended December 31, 2013*

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

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

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

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

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

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

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

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

### ***C. Measurement Focus***

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



**City of Circleville**  
**Pickaway County, Ohio**  
*Notes To The Basic Financial Statements*  
*For the Year Ended December 31, 2013*

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***Fund Financial Statements*** All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities 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 all liabilities associated with the operation of these funds are included on the statement of fund net position. The statement of revenues, expenses and changes in fund net position presents increases (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.

***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.

**City of Circleville**  
**Pickaway County, Ohio**  
*Notes To The Basic Financial Statements*  
*For the Year Ended December 31, 2013*

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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 Outflows/Inflows of Resources*** In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, deferred outflows of resources include a deferred charge on refunding reported in the government-wide statement of net position. 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 life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2013, but which were levied to finance 2014 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the 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 and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

***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 Cash Equivalents***

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 Cash Equivalents 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 Cash Equivalents with Fiscal Agents".

**City of Circleville**  
**Pickaway County, Ohio**  
*Notes To The Basic Financial Statements*  
*For the Year Ended December 31, 2013*

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During the year, investments were limited to 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 2013 amounted to \$25,147, which includes \$20,228 assigned from other funds.

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

***F. Materials and Supplies Inventory***

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

***G. Prepaid Items***

Payments made to vendors for services that will benefit periods beyond December 31, 2013, 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.

**City of Circleville**  
**Pickaway County, Ohio**  
*Notes To The Basic Financial Statements*  
*For the Year Ended December 31, 2013*

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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:

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. All payables, accrued liabilities, and long-term obligations payable from the enterprise funds are reported on the enterprise funds' financial statements.

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

***L. Unamortized Bond Premium***

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

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***M. Deferred Charge on Refunding***

On the government-wide financial statements, an advance refunding resulting in the defeasance of debt generates an accounting loss calculated by comparing the reacquisition price and the net carrying amount of the old debt. This accounting loss is amortized as interest expense over the remaining life of the new debt, whichever is shorter, and is presented as a reduction of the face amount of the new debt.

***N. Net Position***

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets.

Net position is reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes include funds for the operation of recreational activities and the improvement of the living environment of the City. The government-wide statement of net position reports \$1,860,243 of restricted net position, of which \$48,351 is restricted by enabling legislation.

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

***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.

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

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

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

***P. Operating Revenues and Expenses***

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

***Q. Internal Activity***

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

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

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***R. Extraordinary and Special Items***

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Administration and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2013.

***S. Estimates***

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

***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.

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

For the year ended December 31, 2013, the City has implemented Governmental Accounting Standards Board (GASB) Statement No. 61, “*The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34.*” GASB Statement No. 61 improves guidance for including, presenting and disclosing information about component units and equity interest transactions of a financial reporting entity. The implementation of GASB Statement No. 61 did not have an effect on the financial statements of the City.

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

The fund deficit at December 31, 2013 of \$826,331 in the Capital Improvement Fund arose from the recognition of expenditures on the modified accrual basis that are greater than expenditures recognized on the budgetary/cash basis. Deficits do not exist under the budgetary/cash basis of accounting. Transfers are provided when cash is required, not when accruals occur.

**NOTE 3: BUDGETARY BASIS OF ACCOUNTING**

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

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



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

	General Fund	Income Tax Fund	Safety Forces Tax Fund
GAAP Basis	\$ 88,444	\$ 3,520	\$ 184,083
Net Adjustment for Revenue Accruals	8,557	845	(28,263)
Net Adjustment for Expenditure Accruals	82,059	(2,537)	(149,608)
Encumbrances	(84,764)	(170)	(113,814)
Funds Budgeted Elsewhere *	(50,069)	0	0
Budget Basis	<u>\$ 44,227</u>	<u>\$ 1,658</u>	<u>\$ (107,602)</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.

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.

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

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

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

1. Bonds of the State of Ohio;
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.

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**Investments**

*Investments:* As of December 31, 2013, the City had the following investments:

Investment	Fair Value	Investment Maturity		Total Investments
		1 to 4 Years	More than 4 Years	
Federal Home Loan Bank Bonds	\$ 1,128,045	\$ 539,523	\$ 588,522	22.74%
Federal National Mortgage Association Notes	991,040	0	991,040	19.98%
Federal Farm Credit Bank Consolidation System Bonds	976,800	0	976,800	19.68%
Negotiable Certificates of Deposit	1,865,311	497,088	1,368,223	37.60%
	<u>\$ 4,961,196</u>	<u>\$ 1,036,611</u>	<u>\$ 3,924,585</u>	<u>100.00%</u>

*Interest Rate Risk:* As a means of limiting its exposure to fair value losses caused by rising interest rates, the City's investment policy requires that, to the extent possible, investments will match anticipated cash flow requirements. The investment portfolio should be diversified in order to avoid incurring potential losses regarding individual securities, which may not be held to maturity, whether by erosion of market value or change in market conditions. Unless matched to a specific obligation or debt of the City, the City will not directly invest in securities maturing more than five 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, 2013, consisted of interest, accounts for weed and litter assessments, 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.

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The City entered into a loan agreement with Berger Health System, in which Berger Health System is repaying the City for the bonds issued by the City on behalf of Berger Health System. The loan agreement is for the \$2,000,000 principal amount of bonds and the related interest. The loans receivable balance relating to this agreement at December 31, 2013, is \$564,583, of which \$135,417 is considered to be due within one year. The City also had loans receivable related to program housing. At December 31, 2013, the balance of these loans was \$2,862, all of which is considered to be due within one year.

**NOTE 6: MUNICIPAL INCOME TAX**

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

Income tax proceeds are to be used to pay the cost of administering the tax, General Fund operations, capital improvements, debt service and other governmental functions when needed, as determined by Council. In 2013, the proceeds were allocated to the General Fund, the Income Tax Fund, the Safety Forces Tax Fund, the General Obligation Bond Retirement Debt Service 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 2013 for real and public utility property taxes represents collections of the 2012 taxes.

2013 real property taxes were levied after October 1, 2013 on the assessed value as of January 1, 2013, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2013 real property taxes are collected in and intended to finance 2014.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2013 public utility property taxes which became a lien December 31, 2012, are levied after October 1, 2013, and are collected in 2014 with real property taxes.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phased out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property was eliminated in calendar year 2009, and the tax on telephone and telecommunications property was eliminated in calendar year 2010. The tax was phased out by reducing the assessment rate on the property each year. The bill replaced the revenue lost by the City due to the phasing out of the tax. In calendar years 2006-2010, the City was fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements are being phased out. On June 30, 2011, House Bill No. 153 was signed into law, which further reduced the amounts of these reimbursements.

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The full tax rate for all City operations for the year ended December 31, 2013, was \$4.00 per \$1,000 of assessed valuation. The assessed values of real property upon which 2013 property tax receipts were based are as follows:

<u>Category</u>	<u>Assessed Value</u>
<i>Real Property</i>	
Agricultural/Residential	\$ 149,952,290
Commerical/Industrial/Mineral	50,376,000
Public Utility Real	75,370
<i>Tangible Personal Property</i>	
Public Utility	9,624,470
Total Assessed Value	\$ 210,028,130

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.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30; with the remainder payable by September 20.

The County Treasurer collects property taxes on behalf of all taxing districts within the County, including the City of Circleville. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real property taxes, public utility real and tangible personal property taxes, and outstanding delinquencies which became measurable as of December 31, 2013, and for which there is an enforceable legal claim. In the governmental funds, the portion of the receivable not levied to finance 2012 operations is offset to deferred inflows of resources – property taxes. On a full accrual basis, collectible delinquent property taxes have been recorded as revenue while the remainder of the receivable has been reported as deferred inflows – unavailable revenue.

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**NOTE 8: CAPITAL ASSETS**

A summary of changes in capital assets during 2013 follows:

	<u>Balance</u> <u>12/31/2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2013</u>
<b>Governmental Activities:</b>				
<i>Capital Assets Not Being Depreciated:</i>				
Land	\$ 1,156,910	\$ 0	\$ 0	\$ 1,156,910
Construction in Progress	<u>0</u>	<u>884,102</u>	<u>0</u>	<u>884,102</u>
<i>Total Capital Assets, Not Being Depreciated</i>	<u>1,156,910</u>	<u>884,102</u>	<u>0</u>	<u>2,041,012</u>
 <i>Capital Assets, Being Depreciated:</i>				
Land Improvements	1,510,214	110,047	(359,412)	1,260,849
Buildings and Improvements	8,363,404	34,240	0	8,397,644
Machinery and Equipment	1,971,933	277,161	(24,227)	2,224,867
Vehicles	2,023,475	52,008	(45,004)	2,030,479
Infrastructure	<u>34,855,668</u>	<u>1,077,028</u>	<u>(41,197)</u>	<u>35,891,499</u>
<i>Total Capital Assets, Being Depreciated</i>	<u>48,724,694</u>	<u>1,550,484</u>	<u>(469,840)</u>	<u>49,805,338</u>
 <i>Less Accumulated Depreciation:</i>				
Land Improvements	(1,275,989)	(26,343)	359,412	(942,920)
Buildings and Improvements	(3,377,341)	(192,525)	0	(3,569,866)
Machinery and Equipment	(1,161,682)	(121,508)	24,227	(1,258,963)
Vehicles	(1,555,164)	(106,943)	40,689	(1,621,418)
Infrastructure	<u>(19,556,136)</u>	<u>(840,971)</u>	<u>41,197</u>	<u>(20,355,910)</u>
<i>Total Accumulated Depreciation</i>	<u>(26,926,312)</u>	<u>(1,288,290)</u>	<u>465,525</u>	<u>(27,749,077)</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>21,798,382</u>	<u>262,194</u>	<u>(4,315)</u>	<u>22,056,261</u>
 <i>Total Governmental Activity Capital Assets, Net</i>	 <u>\$22,955,292</u>	 <u>\$1,146,296</u>	 <u>\$ (4,315)</u>	 <u>\$24,097,273</u>

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	Balance 12/31/2012	Additions	Deletions	Balance 12/31/2013
<b>Business-Type Assets</b>				
<i>Capital Assets Not Being Depreciated:</i>				
Land	\$ 149,180	\$ 0	\$ 0	\$ 149,180
Construction in Progress	416,942	1,007,069	(570,768)	853,243
<i>Total Capital Assets, Not Being Depreciated</i>	<u>566,122</u>	<u>1,007,069</u>	<u>(570,768)</u>	<u>1,002,423</u>
<i>Capital Assets, Being Depreciated:</i>				
Land Improvements	322,752	10,287	0	333,039
Buildings and Improvements	12,843,147	590,189	(7,769)	13,425,567
Machinery and Equipment	537,646	100,374	(28,900)	609,120
Vehicles	186,578	305,789	0	492,367
Infrastructure	20,110,366	505,214	(6,314)	20,609,266
<i>Total Capital Assets, Being Depreciated</i>	<u>34,000,489</u>	<u>1,511,853</u>	<u>(42,983)</u>	<u>35,469,359</u>
<i>Less Accumulated Depreciation:</i>				
Land Improvements	(322,749)	(257)	0	(323,006)
Buildings and Improvements	(8,687,921)	(271,023)	7,381	(8,951,563)
Machinery and Equipment	(491,377)	(15,989)	28,900	(478,466)
Vehicles	(166,099)	(15,128)	0	(181,227)
Infrastructure	(6,353,843)	(298,787)	6,226	(6,646,404)
<i>Total Accumulated Depreciation</i>	<u>(16,021,989)</u>	<u>(601,184)</u>	<u>42,507</u>	<u>(16,580,666)</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>17,978,500</u>	<u>910,669</u>	<u>(476)</u>	<u>18,888,693</u>
<i>Total Governmental Activity Capital Assets, Net</i>	<u>\$18,544,622</u>	<u>\$1,917,738</u>	<u>\$(571,244)</u>	<u>\$19,891,116</u>

Depreciation expense was charged to governmental functions as follows:

General Government	\$ 102,763
Security of Persons and Property	205,031
Transportation	896,883
Community Development	1,055
Leisure Time Services	82,558
Total Depreciation Expense	<u>\$ 1,288,290</u>

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**NOTE 9: LONG-TERM OBLIGATIONS**

Changes in long-term obligations of the City during the year ended December 31, 2013, were as follows:

	<u>Balance</u> 12/31/2012	<u>Additions</u>	<u>(Reductions)</u>	<u>Balance</u> 12/31/2013	<u>Due in</u> <u>One</u> <u>Year</u>
<b>Governmental Activities:</b>					
<i>General Obligation Bonds</i>					
1997 - Berger Health System					
Bonds \$2,000,000					
Term Bonds 4.80% - 5.40%	\$ 700,000	\$ 0	\$ (125,000)	\$ 575,000	\$ 135,000
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%	90,000	0	(15,000)	75,000	15,000
Premium on Bonds Issues	13,354	0	(835)	12,519	0
2011 - Various Purpose Refunding					
Bonds \$2,475,000					
Serial Bonds 2.00% - 3.00%	2,035,000	0	(235,000)	1,800,000	240,000
Premium on Bonds Issues	44,443	0	(5,555)	38,888	0
Compensated Absences	417,912	187,131	(145,169)	459,874	187,624
Capital Leases	<u>197,238</u>	<u>215,706</u>	<u>(101,009)</u>	<u>311,935</u>	<u>110,767</u>
<i>Total Governmental Activities</i>	<u>\$ 3,707,947</u>	<u>\$ 402,837</u>	<u>\$ (627,568)</u>	<u>\$3,483,216</u>	<u>\$ 688,391</u>
<b>Business-Type Activities:</b>					
<i>General Obligation Bonds</i>					
2008 - Various Purpose Bonds \$3,005,000					
Term Bonds 4.125% - 4.50%	\$ 1,800,000	\$ 0	\$ 0	\$1,800,000	\$ 0
Serial Bonds 3.00% - 4.25%	760,000	0	(110,000)	650,000	110,000
OWDA Water Treatment Plant Loan - 2.80%	\$ 295,249	61,531	(63,547)	293,233	62,677
Compensated Absences	161,870	23,243	(19,073)	166,040	52,902
Capital Leases	<u>0</u>	<u>273,241</u>	<u>(7,794)</u>	<u>265,447</u>	<u>54,328</u>
<i>Total Business-Type Activities</i>	<u>\$ 3,017,119</u>	<u>\$ 358,015</u>	<u>\$ (200,414)</u>	<u>\$3,174,720</u>	<u>\$ 279,907</u>

***General Obligation Bonds***

***Berger Health System Bonds***

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



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The term bonds, issued at \$1,235,000, maturing on December 1, 2017, 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>
2014	\$ 135,000
2015	140,000
2016	145,000
2017	<u>155,000</u>
Total	<u>\$ 575,000</u>

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 Debt Service Fund. Bond payments relating to the business-type activities general obligation bonds are paid from revenues from the operations of the water and sewer systems.

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

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

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

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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, 2013, was \$27,154.

The term bonds of the 2011 Various Purpose Refunding Bonds, issued at \$2,475,000, will mature on December 1, 2020, and are subject to mandatory sinking fund redemption on the mandatory redemption dates and in the principal amounts as follows (with the balance of \$300,000 to be paid at stated maturity on December 1, 2020):

	<u>Principal</u>
2014	\$ 240,000
2015	245,000
2016	250,000
2017	255,000
2018	265,000
2019	270,000
2020	<u>275,000</u>
Total	<u>\$ 1,800,000</u>

The 2011 Various Purpose Refunding Bonds will be retired from the Debt Service Fund.

2012 Ohio Water Development Authority Loan

During 2012, the City was awarded a loan from OWDA. The total amount authorized for this loan was \$471,000 and as of December 31, 2013, the City had drawn down \$418,585 for the purpose of financing improvements at the water treatment plant. The loan was not finalized at year-end so there was no amortization schedule available. The loan was issued at a rate of 2.80 percent and will mature on January 1, 2019.

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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
2014	\$ 255,000	\$ 56,105	\$ 135,000	\$ 31,050	\$ 390,000	\$ 87,155
2015	260,000	50,743	140,000	23,760	400,000	74,503
2016	265,000	45,280	145,000	16,200	410,000	61,480
2017	270,000	39,680	155,000	8,370	425,000	48,050
2018	280,000	33,980	0	0	280,000	33,980
2019-2023	545,000	24,600	95,000	37,743	640,000	62,343
2024-2028	0	0	115,000	16,006	115,000	16,006
Totals	<u>\$ 1,875,000</u>	<u>\$ 250,388</u>	<u>\$ 785,000</u>	<u>\$ 133,129</u>	<u>\$ 2,660,000</u>	<u>\$ 383,517</u>

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

	Business-Type Activities					
	Waterworks Operating		Sewer Operating		Total	Total
	General Obligation Bonds		General Obligation Bonds			
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 50,000	\$ 44,024	\$ 60,000	\$ 59,208	\$ 110,000	\$ 103,232
2015	55,000	42,149	80,000	56,957	135,000	99,106
2016	55,000	40,086	80,000	53,958	135,000	94,044
2017	60,000	37,886	75,000	50,757	135,000	88,643
2018	60,000	35,486	75,000	47,758	135,000	83,244
2019-2023	345,000	137,093	460,000	186,137	805,000	323,230
2024-2028	420,000	57,794	575,000	78,906	995,000	136,700
Totals	<u>\$ 1,045,000</u>	<u>\$ 394,518</u>	<u>\$ 1,405,000</u>	<u>\$ 533,681</u>	<u>\$ 2,450,000</u>	<u>\$ 928,199</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, Safety Forces Tax Fund, Capital Improvement Fund, Waterworks Operating Fund, and Sanitary Sewer Operating Fund.

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**Conduit Debt**

During 2003, the City issued revenue bonds in the aggregate principal amount of \$26,000,000 for Berger Health System. The proceeds are to be used by Berger Health System for future capital expenditures and to retire \$9,000,000 of old debt. On November 1, 2007, the City issued revenue bonds in the aggregate principal amount of \$13,275,000 for Berger Health System. The proceeds are to be used by Berger Health System to fund operations and to retire \$8,000,000 of old debt. During 2008, the City issued revenue bonds in the aggregate principal amount of \$1,375,000 for Berger Health System. The proceeds are to be used by Berger Health System to fund operations. During 2011, the City issued revenue bonds in the aggregate principal amount of \$24,783,000 for Berger Health System. The proceeds are to be used by Berger Health System for future capital expenditures and to retire \$16,667,000 of old debt. 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, 2013, is \$15,578,000.

**NOTE 10: SHORT-TERM OBLIGATIONS**

The City has the following short-term obligations outstanding at December 31, 2013:

	Balance 12/31/2012	Issued	Retired	Balance 12/31/2013
<i>Bond Anticipation Notes:</i>				
2012 - Capital Facilities Bond Anticipation Notes \$2,210,000, 1.125%	\$ 2,210,000	\$ 0	\$ 2,210,000	\$ 0
2013 - Capital Facilities Bond Anticipation Notes \$2,160,000, 1.125%	0	2,160,000	0	2,160,000
	<u>\$ 2,210,000</u>	<u>\$ 2,160,000</u>	<u>\$ 2,210,000</u>	<u>\$ 2,160,000</u>

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

On October 31, 2013, the City issued Capital Facilities Bond Anticipation Note in the amount of \$2,160,000 to retire the 2012 Capital Facilities Bond Anticipation Note that was retired. The note has an interest rate of 1.125% and is due to mature October 31, 2014. The note was issued for the purpose of paying the costs of roadway improvements for the City.

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

In 2013 and in prior years, the City has entered into capitalized leases for copiers, radios, and rescue equipment, 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 and security of persons and property for the General and Safety Forces Tax Fund expenditures on the budgetary statements.

Capital assets acquired by lease were initially capitalized in the amount of \$458,056 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 2013 totaled \$101,009 in the governmental funds and \$7,794 in the enterprise funds.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the minimum lease payments as of December 31, 2013:

		Governmental Activities	Business-Type Activities
Year ending December 31,	2014	\$ 130,245	\$ 60,295
	2015	117,288	60,296
	2016	49,148	60,296
	2017	49,383	60,296
	2018	1,163	40,195
Minimum lease payments		347,227	281,378
Less: amount representing interest		(35,292)	(15,931)
Present value of net minimum lease payments		\$ 311,935	\$ 265,447

**NOTE 12: DEFINED BENEFIT PENSION PLANS**

**A. Ohio Public Employees Retirement System**

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

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

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. For 2013, member and employer contribution rates were consistent across all three plans. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Pension Plan.

For the year ended December 31, 2013, members in state and local classifications contributed 10.0 percent of covered payroll while public safety and law enforcement members contributed 12.0 percent and 12.6 percent, respectively.

The City's 2013 contribution rate was 14.0 percent, except for those plan members in law enforcement or public safety, for whom the City's contribution was 18.1 percent of covered payroll. The portion of employer contributions used to fund pension benefits is net of postemployment health care benefits. The portion of employer contribution allocated to health care for members in the Traditional Plan was 1.0 percent during calendar year 2013. The portion of employer contributions allocated to health care for members in the Combined Plan was 1.0 percent during calendar year 2013.

The City's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2013, 2012, and 2011, were \$414,950, \$258,423, and \$306,956, respectively. For 2013, 85.98 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2012 and 2011. Contributions made to the Member-Directed Plan for 2013 were \$8,931 made by the City and \$6,379 made by the plan members.

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

Plan Description - The City contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164. That report is also available on OP&F's website at [www.op-f.org](http://www.op-f.org).

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Funding Policy - From January 1, 2013 through July 1, 2013, plan members were required to contribute 10.0 percent of their annual covered salary. From July 2, 2013 through December 31, 2013, plan members were required to contribute 10.75 percent of their annual covered salary. Throughout 2013, employers were required to contribute 19.5 percent for police officers and 24.0 percent for firefighters. The City's contributions to OP&F for police and firefighters were \$155,094 and \$148,353 for the year ended December 31, 2013, \$139,432 and \$152,563 for the year ended December 31, 2012, and \$157,894 and \$146,488 for the year ended December 31, 2011, respectively. 93.15 percent for police and 91.24 percent for firefighters has been contributed for 2013. The full amount has been contributed for 2012 and 2011.

**NOTE 13: POSTEMPLOYMENT BENEFITS**

***A. Ohio Public Employees Retirement System***

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

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

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Postemployment Benefit (OPEB) as described in GASB Statement 45.

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

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

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

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Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2013, state and local employers contributed at a rate of 14.0 percent of covered payroll, and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active members do not make contributions to the OPEB Plan.

OPERS' Postemployment Health Care plan was established under, and is administered in accordance with Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding postemployment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 1.0 percent during calendar year 2013. The portion of employer contributions allocated to health care for members in the Combined Plan was 1.0 percent during calendar year 2013.

The OPERS Board of Trustees is also authorized to establish rules for the retiree, or their surviving beneficiaries, to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and coverage selected.

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2013, 2012, and 2011 were \$31,919, \$103,369 and \$122,782, respectively. For 2013, 85.98 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2012 and 2011.

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

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

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

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

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



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

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

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. The portion of employer contribution allocated to health care was 4.69 percent of covered payroll from January 1, 2013 through May 31, 2013 and 2.85 percent of covered payroll from June 1, 2013 through December 31, 2013. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

The City's contributions to OP&F which were allocated to fund post-employment health care benefits for police and firefighters were \$33,789 and \$25,356 for the year ended December 31, 2013, \$73,817 and \$59,698 for the year ended December 31, 2012, and \$83,591 and \$57,321 for the year ended December 31, 2011. 93.15 percent has been contributed for police and 91.24 percent has been contributed for firefighters for 2013. The full amount has been contributed for 2012 and 2011.

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**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.

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

**NOTE 15: OTHER EMPLOYEE BENEFITS**

***A. Compensated Absences***

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

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

***B. Insurance Benefits***

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

***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.

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**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, 2013, the City had the following outstanding contractual commitments:

<u>Project</u>	<u>Contract Amount</u>	<u>Expended</u>	<u>Outstanding Commitment</u>
Norfolk Avenue Improvements	\$ 203,144	\$ 15,637	\$ 187,507
Clark Drive and Brookhill Lane Improvements	1,221,778	828,339	393,439
Mound, Town, and Picnic Avenue Improvements	747,305	328,699	418,606
Park, York and Pearl Water Lines	440,849	346,407	94,442
SCADA System at Wastewater Plant	218,334	198,475	19,859
Wastewater Treatment Plant Boiler Replacement	91,732	0	91,732
Lift Station and Force Main at OCU	60,000	5,350	54,650
Engineering 23 Connector	40,000	0	40,000
	<u>\$ 3,023,142</u>	<u>\$ 1,722,907</u>	<u>\$ 1,300,235</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:

<u>Fund</u>	<u>Amount</u>
<i>Governmental Funds</i>	
General	\$ 83,261
Income Tax	170
Safety Forces	104,911
Capital Improvement	805,329
Other Governmental Funds	20,370
	<u>1,014,041.00</u>
<i>Enterprise Funds</i>	
Waterworks Operating	235,210
Sewer Operating	539,730
	<u>774,940.00</u>
<b>Total Encumbrances</b>	<u><b>\$ 1,788,981</b></u>

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**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, 2013.

**NOTE 18: JOINTLY GOVERNED ORGANIZATION**

The Pickaway Progress Partnership (P<sup>3</sup>), formerly known as the Circleville-Pickaway County Community Improvement Corporation, was created as a not-for-profit corporation under Section 1724.01 et. seq., Ohio Revised Code. P<sup>3</sup> is governed by a 15 member Board of Trustees, three of which are elected or appointed officials of the City, three are appointed by Pickaway County, one is a representative of the North Gate Alliance Cooperative Economic Development Agreement, and eight are volunteer citizens. P<sup>3</sup> is the economic development agent for Pickaway County and its municipalities. P<sup>3</sup> has three main objectives: promote and market the advantages of locating business in the County; promote a stronger business environment by facilitating retention and expansion efforts of local employers; and deliver a seamless network of economic development services and value-added programs to existing businesses, local government, and prospective companies throughout Pickaway County. Because P<sup>3</sup> is subject to joint control and the participants have no equity interest in P<sup>3</sup>, P<sup>3</sup> is a jointly governed organization of the City. The City contributed \$87,155 to P<sup>3</sup> during the year.

**NOTE 19: INTERFUND TRANSFERS**

During the year ended December 31, 2013, the Capital Improvement fund transferred \$67,920 to the OPWC Projects fund. This amount represented the local match related to the OPWC grant.

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**NOTE 20: FUND BALANCE**

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

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

	General Fund	Income Tax Fund	Safety Forces Tax Fund	General Obligation Bond Retirement Fund	Capital Improvement Fund	Other Governmental Funds	Total
Nonspendable for:							
Inventory	\$ 8,838	\$ 0	\$ 0	\$ 0	\$ 0	\$ 109,428	\$ 118,266
Prepays	10,779	0	17,655	0	8,761	2,626	39,821
Total Nonspendable	<u>19,617</u>	<u>0</u>	<u>17,655</u>	<u>0</u>	<u>8,761</u>	<u>112,054</u>	<u>158,087</u>
Restricted for:							
Road Improvements	0	0	0	0	0	235,467	235,467
Safety Forces	0	0	0	0	0	117,066	117,066
Legal Computer Maintenance	0	0	0	0	0	746,063	746,063
Municipal Court	0	0	0	0	0	96,328	96,328
Leisure Time Services	0	0	0	0	0	19,007	19,007
Community Development	0	0	0	0	0	58,667	58,667
Debt Service	0	0	0	564,583	0	0	564,583
Capital Improvements	0	0	0	0	0	837	837
Total Restricted	<u>0</u>	<u>0</u>	<u>0</u>	<u>564,583</u>	<u>0</u>	<u>1,273,435</u>	<u>1,838,018</u>
Committed for:							
Future Severance Payments	51,814	0	0	0	0	0	51,814
Income Tax Administration	0	31,482	0	0	0	0	31,482
Safety Forces	0	0	575,767	0	0	0	575,767
Debt Service Payments	0	0	0	690,539	0	0	690,539
Capital Improvements	0	0	0	0	0	20,000	20,000
Cable Franchise Operations	0	0	0	0	0	130,509	130,509
Total Committed	<u>51,814</u>	<u>31,482</u>	<u>575,767</u>	<u>690,539</u>	<u>0</u>	<u>150,509</u>	<u>1,500,111</u>
Assigned:							
Encumbrances							
General Government	60,277	0	0	0	0	0	60,277
Security of Persons and Property	7,544	0	0	0	0	0	7,544
Transportation	15,440	0	0	0	0	0	15,440
Subsequent Year Appropriations	853,959	0	0	0	0	0	853,959
Total Assigned	<u>937,220</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>937,220</u>
Unassigned	<u>76,605</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(835,092)</u>	<u>0</u>	<u>(758,487)</u>
Total Fund Balance	<u>\$ 1,085,256</u>	<u>\$ 31,482</u>	<u>\$ 593,422</u>	<u>\$ 1,255,122</u>	<u>\$ (826,331)</u>	<u>\$ 1,535,998</u>	<u>\$ 3,674,949</u>

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**NOTE 21: BERGER HEALTH SYSTEM**

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

***A. Basis of Accounting***

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

***B. Budgetary Basis of Accounting***

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

***C. Deposits and Investments***

*Deposits*

Custodial credit risk is the risk that, in the event of a bank failure, the System’s deposits may not be returned to it. The System does not have a deposit policy for custodial credit risk. At year-end, the System had approximately \$7,424,000 of bank deposits (certificates of deposit, checking and savings accounts) that were uninsured but are collateralized with securities held by the pledging financial institution. The System believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the System evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

*Investments*

Custodial Credit Risk of Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the System will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The System does not have a policy for custodial credit risk. At year-end, the following approximates the investment securities that were collateralized, with securities held by the counterparty or by its trust department or agent:

<u>Type of Investment</u>	<u>Carrying Value</u>	<u>How Held</u>
U.S. agency bonds	\$ 22,506,000	Counterparty
STAR Ohio	258,000	Hospital's name
	<u>\$ 22,764,000</u>	

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Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The System does not have an investment policy that addresses interest rate risk. At year-end, the average maturities of investments are as follows:

<u>Type of Investment</u>	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
U.S. agency bonds	\$ 22,506,000	0.90 years
STAR Ohio	258,000	0.00 years
	<u>\$ 22,764,000</u>	

Credit Risk

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

<u>Type of Investment</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Organization</u>
U.S. agency bonds	\$ 22,506,000	AA+	Standard & Poor's
STAR Ohio	258,000	AAA	Standard & Poor's
	<u>\$ 22,764,000</u>		

**D. Capital Assets**

Capital assets activity for the year ended December 31, 2013 was as follows:

	<u>Balance 12/31/2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/2013</u>
<i>Capital Assets Not Being Depreciated:</i>				
Land	\$ 3,259,958	\$ 0	\$ 0	\$ 3,259,958
Construction in Progress	1,887,314	1,478,115	(1,781,192)	1,584,237
<i>Total Capital Assets, Not Being Depreciated</i>	<u>5,147,272</u>	<u>1,478,115</u>	<u>(1,781,192)</u>	<u>4,844,195</u>
<i>Capital Assets, Being Depreciated:</i>				
Land Improvements	1,620,723	271,652	0	1,892,375
Buildings	35,843,629	88,000	(274,988)	35,656,641
Building Improvements	22,087,068	1,410,038	0	23,497,106
Equipment	51,426,666	2,082,207	(121,215)	53,387,658
<i>Total Capital Assets, Being Depreciated</i>	<u>110,978,086</u>	<u>3,851,897</u>	<u>(396,203)</u>	<u>114,433,780</u>
<i>Less Accumulated Depreciation:</i>				
Land Improvements	(1,725,207)	(58,590)	0	(1,783,797)
Buildings	(19,218,647)	(1,278,922)	179,571	(20,317,998)
Building Improvements	(14,666,339)	(1,061,687)	0	(15,728,026)
Equipment	(43,465,361)	(2,297,580)	121,215	(45,641,726)
<i>Total Accumulated Depreciation</i>	<u>(79,075,554)</u>	<u>(4,696,779)</u>	<u>300,786</u>	<u>(83,471,547)</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>31,902,532</u>	<u>(844,882)</u>	<u>(95,417)</u>	<u>30,962,233</u>
<i>Total Capital Assets, Net</i>	<u>\$37,049,804</u>	<u>\$ 633,233</u>	<u>\$(1,876,609)</u>	<u>\$35,806,428</u>

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***E. Long-Term Obligations***

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

Types/issues	Balance 12/31/2012	Issued	Retired	Balance 12/31/2013	Due in One Year
1997 - 5.036% - 5.400% City of Circleville Loan \$2,000,000	\$ 689,583	\$ 0	\$ (125,833)	\$ 563,750	\$ 135,417
<i>Revenue Bonds</i>					
2010 - City of Circleville Hospital Facilities Revenue Bonds Series 2010A \$12,391,500 3.87%	9,558,500	0	(1,769,500)	7,789,000	1,838,500
2010 - City of Circleville Hospital Facilities Revenue Bonds Series 2010B \$12,391,500 3.87%	9,558,500	0	(1,769,500)	7,789,000	1,838,500
Compensated Absences	1,534,274	2,022,660	(2,134,002)	1,422,932	711,467
<i>Total Governmental Activities</i>	<u>\$21,340,857</u>	<u>\$2,022,660</u>	<u>\$ (5,798,835)</u>	<u>\$17,564,682</u>	<u>\$ 4,523,884</u>

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

	Long-Term Debt	
	Principal	Interest
2014	\$ 3,812,417	\$ 580,359
2015	3,953,417	428,803
2016	4,107,833	280,118
2017	4,268,083	111,472
Total	<u>\$ 16,141,750</u>	<u>\$ 1,400,752</u>

On July 15, 1997, the System entered into a loan agreement with the City of Circleville in which the City issued \$2,000,000 in general obligation bonds for the purpose of constructing and equipping a building addition to provide maternity services at the System. The loan agreement is for a 20 year period with final maturity on December 1, 2017, with a variable interest rate. The System makes monthly payments to the City in order to retire this loan.

On November 1, 2010, the System entered into a financing agreement with the City of Circleville in which the City issued \$12,391,500 of Hospital Facilities Revenue Bonds (Series 2010A Bonds). The proceeds were used to retire prior obligations and to fund future capital purchases. The Series 2010A Bonds mature in quarterly principal installments ranging from \$296,000 in March 2011 to \$527,000 in December 2017 at a rate of 3.87 percent from years 2011 through 2015 and an option to either a variable or fixed rate during 2016 and 2017.



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On November 1, 2010, the System entered into a financing agreement with the City of Circleville in which the City issued \$12,391,500 of Hospital Facilities Revenue Bonds (Series 2010B Bonds). The proceeds were used to retire prior obligations and to fund future capital purchases. The Series 2010B Bonds mature in quarterly principal installments ranging from \$296,000 in March 2011 to \$527,000 in December 2017 at a rate of 3.87 percent from years 2011 through 2015 and an option to either a variable or fixed rate during 2016 and 2017. In conjunction with the Series 2007B, Series 2010A, and Series 2010B Bonds, the System is required to maintain certain financial covenants as defined in the debt agreements. Management believes it is in compliance with all such financial covenants.

The Series 2010A and Series 2010B Bonds are collateralized by System revenues and receipts, capital assets, and unexpended bond proceeds and income from bond fund related investments of which there is \$8,104 outstanding as of December 31, 2013.

***F. Self-Insured Benefits***

The System is partially self-insured under a plan covering substantially all employees for health benefits. The plan is covered by a stop-loss policy that covers claims over \$125,000 per employee. Claims, charged to operations when incurred, were approximately \$4,100,000 for the year ended December 31, 2013.