



Mary Taylor, CPA
Auditor of State

**City of Circleville
Pickaway County, Ohio**

**General Purpose External Financial Statements
For the Year Ended December 31, 2009**

Local Government Services Section

City of Circleville
General Purpose External Financial Statements
For the Year Ended December 31, 2009

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June 15, 2010

City Council
City of Circleville
133 South Court Street
Circleville, Ohio 43113

We have compiled the accompanying basic financial statements of the City of Circleville as of and for the year ended December 31, 2009, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

We did not compile the financial statements of Berger Health System, the discretely presented component unit of the City of Circleville. These financial statements were provided to us for inclusion in the City of Circleville's general purpose external financial statements.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited nor reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

Management's Discussion and Analysis is required supplementary information that has been prepared by management. We have not compiled, reviewed, nor audited this information and, accordingly, assume no responsibility for it.

MARY TAYLOR, CPA
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City of Circleville
Management's Discussion and Analysis
For the Year Ended December 31, 2009
(Unaudited)

The discussion and analysis of the City of Circleville's financial performance provides an overall review of the City's financial activities for the year ended December 31, 2009. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

- The City's total net assets decreased \$1,169,653. Net assets of governmental activities decreased \$919,392. Revenues of business-type activities failed to cover expenses by \$250,261.
- General revenues of governmental activities accounted for \$7,380,618. Program specific revenues in the form of charges for services, grants and contributions accounted for \$3,054,888 of total revenues of \$10,435,506.
- Enterprise funds reflected a total operating loss of \$127,139. The Waterworks Operating Fund reflected an operating income of \$68,226, while the Sewer Operating Fund reflected an operating loss of \$195,365.
- The City had \$11,354,898 in expenses related to governmental activities; \$3,054,888 of these expenses were offset by program specific charges for services, grants and contributions. General revenues (primarily income taxes) of \$7,380,618 were not quite adequate to provide for these programs. The City had \$3,534,838 in expenses related to business-type activities; \$3,281,484 of these expenses were offset by program specific charges for services, which, along with general revenues of \$3,093, were not adequate to provide for such services.

Using This Annual Financial Report

This annual report consists of a series of financial statements. These statements are presented so that the reader can understand the City of Circleville's financial situation as a whole and also give a detailed view of the City's fiscal condition.

The Statement of Net Assets and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. The 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 the amount of funds available 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.

City of Circleville
Management's Discussion and Analysis
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Reporting the City as a Whole

One of the most important questions asked about the City is “How did we do financially during 2009?” The Statement of Net Assets and the Statement of Activities, which appear first in the City's financial statements, report information on the City as a whole and its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting 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 assets and change in net assets. This change in net assets is important because it informs the reader that, for the City as a whole, the financial position of the City has improved or diminished. In evaluating the overall financial health, the reader of these financial statements needs to take into account non-financial factors that also impact the City's financial well-being. Some of these factors include the City's tax base and the condition of capital assets.

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

Governmental Activities – Most of the City's services are reported here including security of persons and property, public health services, leisure time activities, community development, transportation, and general government.

Business-Type Activities – These services include water and sewer operations. Service fees for these operations are charged based upon the amount of usage. The intent is that the fees charged recoup operational costs.

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 Assets and as a 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.

City of Circleville
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(Unaudited)

Reporting the City's Most Significant Funds

Fund Financial Statements

The analysis of the City's major funds begins on page 11. Fund financial statements provide detailed information about the City's major funds – not the City as a whole. The City uses many funds to account for a multitude of financial transactions. Some funds are required by State law and bond covenants. Other funds may be established to help control, manage, and report money received for a particular purpose or to show that the City is meeting legal responsibilities for the use of grants. The City's major funds are the General Fund, the Income Tax Fund, the Safety Forces Tax Fund, the General Obligation Bond Retirement Fund, the Capital Improvement Fund, the Waterworks Operating Fund, and the Sewer Operating Fund.

Governmental Funds

Most of the City's services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. 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 to determine whether there are more or less financial resources that can be spent in the near future on services provided to our residents. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Enterprise Funds

When the City charges citizens for the services it provides, with the intent of recapturing operating costs, these services are generally reported in proprietary funds. Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match.

Fiduciary Funds

The City's fiduciary funds are a private purpose trust fund and five agency funds. All of the City's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets and the private purpose trust fund is reported in the Statement of Changes in Fiduciary Net Assets. These activities are excluded from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Fiduciary funds use the accrual basis of accounting.

City of Circleville
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(Unaudited)

The City as a Whole

As stated previously, the Statement of Net Assets provides the perspective of the City as a whole. Table 1 provides a summary of the City's net assets for 2009 compared to 2008.

Table 1
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2008	2009	2008	2009	2008	2009
Assets:						
Current and Other						
Assets	\$9,393,389	\$8,529,808	\$7,024,434	\$6,897,585	\$16,417,823	\$15,427,393
Nondepreciable Capital						
Assets	1,096,490	1,188,489	263,503	149,180	1,359,993	1,337,669
Depreciable Capital						
Assets, Net	22,258,200	21,927,523	19,688,109	19,404,662	41,946,309	41,332,185
Total Assets	32,748,079	31,645,820	26,976,046	26,451,427	59,724,125	58,097,247
Liabilities:						
Current and Other						
Liabilities	1,495,178	1,624,255	280,717	124,626	1,775,895	1,748,881
Long-Term Liabilities:						
Due Within One Year	583,923	579,214	191,769	174,074	775,692	753,288
Due in More Than						
One Year	4,185,575	3,878,340	2,938,886	2,838,314	7,124,461	6,716,654
Total Liabilities	6,264,676	6,081,809	3,411,372	3,137,014	9,676,048	9,218,823
Net Assets:						
Invested in Capital						
Assets, Net Of						
Related Debt	20,150,335	20,143,261	17,028,551	16,748,140	37,178,886	36,891,401
Restricted for:						
Capital Outlay	1,281,288	1,309,825	0	0	1,281,288	1,309,825
Debt Service	119,032	115,356	0	0	119,032	115,356
Safety Forces	963,072	726,369	0	0	963,072	726,369
Streets	542,926	519,989	0	0	542,926	519,989
Community Development	931,639	430,849	0	0	931,639	430,849
Other Purposes	582,598	714,363	0	0	582,598	714,363
Unrestricted	1,912,513	1,603,999	6,536,123	6,566,273	8,448,636	8,170,272
Total Net Assets	\$26,483,403	\$25,564,011	\$23,564,674	\$23,314,413	\$50,048,077	\$48,878,424

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Overall, a significant decrease occurred within total governmental assets from the prior year. A decrease of \$863,581 occurred within current and other assets of governmental activities when compared to the prior year. The only asset account which had a real effect on this decrease was intergovernmental receivables. Intergovernmental receivables decreased \$435,218 from the prior year due to grant awards, including two Ohio HOME Investment Partnerships Grant awards, being awarded in 2008. These monies were primarily received and expensed in 2009. Because these grant awards are for a two-year basis, the City will not be awarded similar grants until 2010. Nondepreciable capital assets demonstrated an increase due to construction in progress existing at year-end for the spray ground being constructed at MVCH Park. Depreciable capital assets, net decreased \$330,677 as the result of annual depreciation exceeding current year additions for the year.

Reviewing liabilities of governmental activities demonstrates a significant increase in current and other liabilities. This increase is primarily due to an extra pay occurring in the fourth quarter of 2009 for which pension benefits were not paid until 2010, as well as the City's workers' compensation rate doubling when compared to the prior year. Long-term liabilities of the governmental activities experienced a significant decrease primarily due to principal payments made on debt held by the City.

Invested in capital assets, net of related debt of governmental activities decreased an insignificant amount from the prior year.

While the City's governmental restricted net assets do not represent a very significant percentage of overall net assets, governmental restricted net assets, when viewed alone, did experience a decrease of \$603,804. Restricted net assets for safety forces decreased \$236,703 due to the City utilizing these resources to cover some of the fringe benefits of the safety forces that had been paid from the unrestricted resources in years past. Restricted net assets for community development decreased \$500,790 due to the City having a much smaller amount of outstanding intergovernmental receivables for 2009. By year-end 2009, the City had received and expensed the majority of the monies relating to the two Ohio HOME Investment Partnership Grant awards. Restricted net assets for other purposes increased \$131,765 as a result of municipal court fines collected but not expensed during the current year. Unrestricted governmental net assets had a decrease of \$308,514 as a result of a significant decrease in investment earnings revenues when compared to prior years as a result of decreasing interest rates.

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In total, assets of business-type activities decreased \$524,619, which is insignificant. Total liabilities of business-type activities decreased \$274,358 as a result of the City making payments on the outstanding bills for the Filter Media Replacement Project existing from 2008 and making annual debt payments. Total net assets of business-type activities decreased insignificantly by \$250,261.

Table 2 shows the changes in net assets for the years ended December 31, 2009 and 2008.

Table 2
Changes In Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2008	2009	2008	2009	2008	2009
Revenues:						
Program Revenues:						
Charges for Services	\$2,008,577	\$1,683,299	\$3,464,350	\$3,281,484	\$5,472,927	\$4,964,783
Operating Grants and Contributions	649,195	633,081	0	0	649,195	633,081
Capital Grants and Contributions	1,796,617	738,508	0	0	1,796,617	738,508
Total Program Revenues	\$4,454,389	\$3,054,888	\$3,464,350	\$3,281,484	\$7,918,739	\$6,336,372

(continued)

City of Circleville
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Table 2
Changes In Net Assets
(continued)

	Governmental Activities		Business-Type Activities		Total	
	2008	2009	2008	2009	2008	2009
General Revenues:						
Property Taxes	\$946,297	\$852,653	\$0	\$0	\$946,297	\$852,653
Income Taxes	4,760,674	4,568,797	0	0	4,760,674	4,568,797
Other Local Taxes	251,404	239,959	0	0	251,404	239,959
Grants and Entitlements						
not Restricted to						
Specific Programs	1,286,719	1,386,278	0	0	1,286,719	1,386,278
Unrestricted Investment Earnings	400,865	199,829	14,906	0	415,771	199,829
Unrestricted Contributions and Donations	500	0	0	0	500	0
Miscellaneous	90,919	133,102	3,146	3,093	94,065	136,195
Total General Revenues	<u>7,737,378</u>	<u>7,380,618</u>	<u>18,052</u>	<u>3,093</u>	<u>7,755,430</u>	<u>7,383,711</u>
Total Revenues	<u>12,191,767</u>	<u>10,435,506</u>	<u>3,482,402</u>	<u>3,284,577</u>	<u>15,674,169</u>	<u>13,720,083</u>
Program Expenses:						
Security of Persons and Property:						
Police	2,795,076	3,021,043	0	0	2,795,076	3,021,043
Fire	1,861,651	1,762,904	0	0	1,861,651	1,762,904
Other	180,030	273,140	0	0	180,030	273,140
Public Health Services	171,750	177,630	0	0	171,750	177,630
Leisure Time Activities:						
Parks and Recreation	422,017	207,384	0	0	422,017	207,384
Swimming Pool	73,698	37,554	0	0	73,698	37,554
Other	27,173	26,657	0	0	27,173	26,657
Community Development:						
City Funded	328,452	11,868	0	0	328,452	11,868
Grant Funded	169,436	553,431	0	0	169,436	553,431
Basic Utility Services	3,100	2,700	0	0	3,100	2,700
Transportation	2,380,802	2,011,041	0	0	2,380,802	2,011,041
General Government	2,572,791	3,025,941	0	0	2,572,791	3,025,941
Interest and						
Fiscal Charges	310,234	243,605	0	0	310,234	243,605
Waterworks Operating	0	0	1,413,880	1,467,347	1,413,880	1,467,347
Sewer Operating	0	0	2,233,897	2,067,491	2,233,897	2,067,491
Total Expenses	<u>11,296,210</u>	<u>11,354,898</u>	<u>3,647,777</u>	<u>3,534,838</u>	<u>14,943,987</u>	<u>14,889,736</u>
Increase (Decrease) in Net Assets	895,557	(919,392)	(165,375)	(250,261)	730,182	(1,169,653)
Net Assets at Beginning of Year	25,587,846	26,483,403	23,730,049	23,564,674	49,317,895	50,048,077
Net Assets at End of Year	<u>\$26,483,403</u>	<u>\$25,564,011</u>	<u>\$23,564,674</u>	<u>\$23,314,413</u>	<u>\$50,048,077</u>	<u>\$48,878,424</u>

City of Circleville
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Governmental Activities

Program revenues, which are primarily represented by charges for permits, fines, and departmental services, as well as restricted intergovernmental revenues were \$3,054,888 of total revenues for 2009 of \$10,435,506 and were significantly lower than in 2008. The City recognized several new revenue sources, including two newly awarded Ohio HOME Investment Partnership Grants, a U.S. EPA Petroleum Assessment Grant, a U.S. Hazardous Substance Grant, and donations restricted for the development of parks and recreation in 2008. However, very few such revenue sources existed for 2009. Also, effective January 1, 2009, the City's building department closed. This caused the City's charges for permits and licenses to decrease significantly from 2008. The City no longer issues licenses and Pickaway County performs all inspections.

As previously mentioned, general revenues were \$7,380,618 of total revenues for 2009. The 1.5 percent income tax is the largest source of revenue for the City of Circleville, making up \$4,568,797 of revenues for governmental activities for the year ended 2009. The City provides a 50 percent tax credit for income taxes paid to another municipality up to 100 percent of the City's current tax rate.

On a cash basis, income tax revenue decreased by over 15.5 percent from 2001 to 2006. The main contributing factor was the loss of the City's core industrial base. In 2007 and in 2008, the income tax rose for the first time by 1.12 percent and 11.97 percent, respectively. The foundation for the increase was the decision of Circleville City Council to implement a reduced credit for income tax paid to other municipalities. This credit took effect July 2007 with the first full taxable year being calendar year 2008. The reduced credit revenues were earmarked for the operations of the City's safety forces. During the current recession, income tax collections fell again from 2008 to 2009 by 2.48 percent. The city's major employers were stable in 2009 and the loss was mainly attributable to the loss of employment in the filing of individual returns, resulting in a loss of reduced credit receipts.

The City of Circleville, in conjunction with its economic development agency the Pickaway Progress Partnership (P³) continues to aggressively pursue economic growth in the City. P³ is pursuing a Job Ready Sites Grant for the former Thomson Consumer Electronics site to bring jobs back to that site. The City has implemented a municipal income tax credit program to entice job creation from existing and new businesses. P³ is developing a strategy to help entrepreneurs in the City through its Innovative Investment and Startup Business Support committees.

Grants and Entitlements not Restricted to Specific Programs made up \$1,386,278 of revenue for governmental activities of the City of Circleville for the year ended 2009. Property taxes made up \$852,653 of revenue for governmental activities for a total of \$6,807,728 of all revenue coming from income taxes, property taxes, and grant and entitlements not restricted to specific programs.

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Governmental program expenses as a percentage of total governmental expenses for 2009 are expressed as follows:

Security of Persons and Property:	
Police	26.61%
Fire	15.53
Other	2.41
Public Health Services	1.56
Leisure Time Activities:	
Parks and Recreation	1.83
Swimming Pool	0.33
Other	0.23
Community Development:	
City Funded	0.10
Grant Funded	4.87
Basic Utility Services	0.02
Transportation	17.71
General Government	26.65
Interest and Fiscal Charges	2.15
	100.00%

The above chart clearly indicates the City's major source of expenses, 44.55 percent is related to the operating of safety forces. A distant second, 26.65 percent, is the administration of general government activities within the City. All other forms of governmental operations represent 28.80 percent of expenditures. A comparison to the prior year demonstrates significant changes in the transportation and general government expenses. Transportation expenses decreased 15.53 percent from the prior year. In 2008, the City received a grant award that was utilized for this program. However, the City did not receive such an award for 2009. General government expenses increased 17.61 percent from the prior year as a result of the City utilizing an Ohio Department of Development Clean Ohio Grant award during 2009. The City did not receive this award in 2008.

Business-Type Activities

The City's business-type activities include water and sewer services.

The Waterworks Operating Fund collects fees charged for the sale of water. Those fees are then used to maintain lines for delivery, to treat water for further consumption, and to maintain its treatment facility and storage towers.

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The Sewer Operating Fund conducts the operations of the City's wastewater collection and treatment system. Money that is collected from the fees which are billed based on the number of gallons of water used is placed in this fund for use in the maintenance of the collection system and improvements to the treatment plant.

Program revenues for business-type activities, which are primarily represented by charges for water and sewer services provided to residents and businesses within the City, demonstrated a significant decrease from the prior year. The primary factor for this decrease is the result of the harsh economic conditions and the City's citizens' inability to pay bills associated with the services the City provides. Program expenses for business-type activities represented an insignificant decrease from the prior year as well.

The City's Funds

Information about the City's major governmental funds begins on page 22. All governmental funds had total revenues of \$10,771,585 and expenditures of \$11,433,119. The General Fund balance decreased \$166,028. However, revenues and expenditures decreased in proportion to one another. The decrease in the General Fund balance is the result of a significant decrease in investment earnings revenues when compared to prior years as a result of decreasing interest rates.

The Income Tax Fund balance increased insignificantly during 2009.

The Safety Forces Tax Fund balance decreased \$262,769. This was the result of the City utilizing the resources in this fund to cover some of the fringe benefits of the safety forces that had been paid from the General Fund in years past.

The General Obligation Bond Retirement Fund balance decreased \$101,793.

The Capital Improvement Fund balance decreased \$65,731 from the prior year. This decrease was the result of the City purchasing various capital assets during 2009 and performing grounds and street improvements throughout the year that was not done in the prior year.

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General Fund Budgeting Highlights

During 2009, the City amended its General Fund budget as needed. Original budgeted revenues in the amount of \$4,455,702, were below final budgeted revenues in the amount of \$4,687,961, which represents an insignificant increase. Final budgeted revenues in the amount of \$4,687,961, were below actual revenues of \$5,002,614. The difference of \$314,653 is primarily due to intergovernmental revenues being higher than final estimates. Inheritance tax collections were significantly greater than final budgeted figures which accounts for a large portion of actual revenues exceeding final budgeted revenues in intergovernmental revenues. The City estimates its revenue sources conservatively throughout the year as to avoid the possibility that expenditures will exceed resources available for appropriation.

The decrease in expenditures from the original to the final budget was \$517,741. The primary decrease occurred within general government expenditures as a result of the City adjusting its budget throughout the year for work performed relating to the Ohio Department of Development Clean Ohio project. Initially, the City had budgeted for all expenditures relating to this project. However, not all of the work was performed in 2009 relating to this project. Therefore, the City reduced its anticipated expenditures. The difference in actual expenditures made from the final budget was \$425,216, a significant reduction. The primary cause of this reduction was a decrease in actual expenditures for general government expenditures from final budgeted amounts of \$232,744. The primary reason for this decrease related to the Ohio Department of Development Clean Ohio project being performed within the City. The City budgeted for expenditures for this project during 2009. However, the City did not do a final reduction of its final budget to reflect the portion of the project that will be completed in future years. The City continues to place tight restraints on all general government expenditures. Contractual services and supplies and incidentals are closely evaluated and utilized in a priority only manner.

Actual General Fund revenues were less than expenditures by \$183,874. The decline in financing resources hampers the City's ability to fund existing programs. It has been the decision of the City to use the accumulated carryover balance from prior years to fund existing programs. The consensus has been that by using the reserves it will give the City time to acquire new revenue sources.

The City's ending unobligated cash balance for the General Fund was \$739,869 above the final budgeted amount.

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Capital Assets and Debt Administration

Capital Assets

At the end of 2009, the City had \$23,116,012 in capital assets (net of accumulated depreciation) for governmental activities, a decrease of \$238,678. Increases included a building addition for the transportation garage, police vehicles, traffic signals, school zone flashers, and various street improvements. Disposals of capital assets included copier equipment, police vehicles, and infrastructure related to traffic signals, school zone flashers and street resurfacing within the City. The decrease in capital assets is the result of annual depreciation exceeding current year additions for the year.

The City also had \$19,553,842 in capital assets (net of accumulated depreciation) for business-type activities, a decrease of \$397,770. Increases included a filter media, a vehicle, water line additions, sewer line additions, and the replacement/addition of fire hydrants within the City. Disposals of capital assets included a pickup truck and fire hydrants. The decrease in capital assets is the result of annual depreciation exceeding current year additions for the year.

See Note 9 of the Notes to the Basic Financial Statements for more detailed information.

Debt

The City's outstanding debt obligations at year-end included general obligation bonds in the amount of \$3,930,000 and a premium on bonds issued of \$15,859 for governmental activities. Business-type activities had debt obligations in the amount of \$2,890,000 relating to general obligation bonds. The City's long-term obligations also included capital leases and compensated absences for governmental activities and business-type activities.

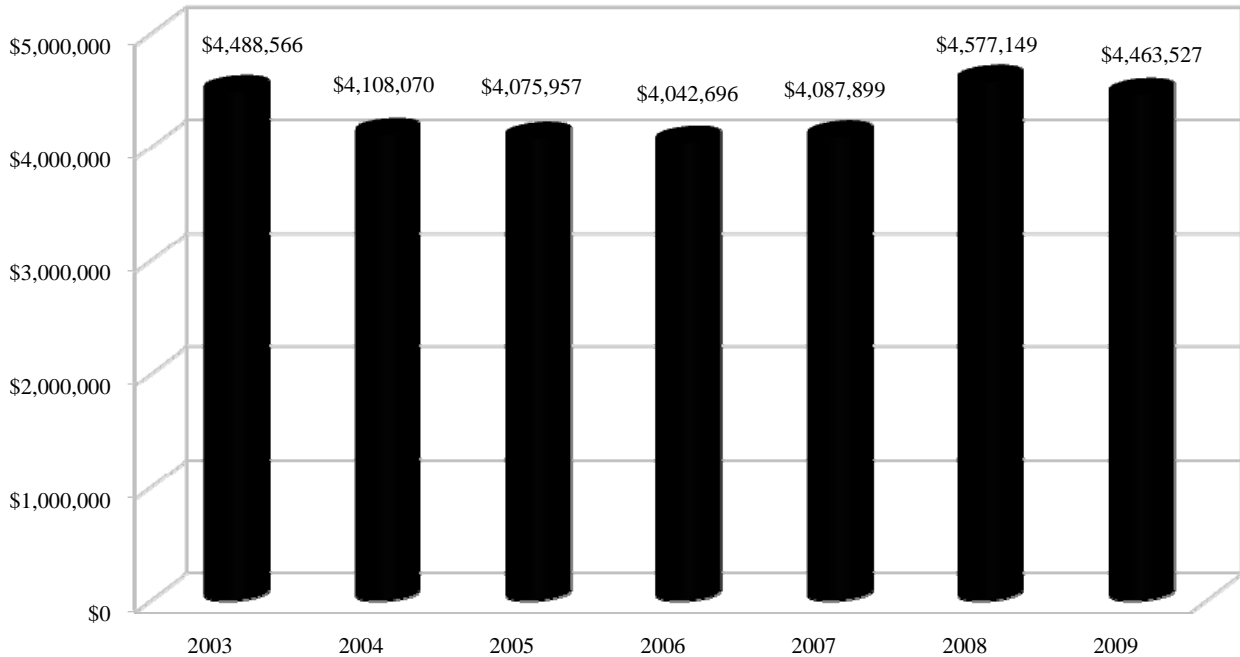
See Notes 13 and 14 of the Notes to the Basic Financial Statements for more detailed information.

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Current Issues

On a cash basis, the City of Circleville's municipal income tax base decreased 2.48 percent. The major contributors to the decline in income tax receipts were related to the overall downturn in the economy. The effects of the recession on the employment base and business net profits were the drivers in the decrease in collections. The municipal income tax is the major revenue source for the City's operating funds. In 2009, municipal income tax represented 45 percent of the City's cash basis operating revenues. Circleville City Council adjusted the percentage of income tax for the one percent split between the General Fund and the Capital Improvement Fund. The General Fund received 55 percent of receipts and the Capital Improvement Fund received 45 percent. 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 32.09 percent of the dollars needed to operate the City's safety forces. General municipal income tax revenues continue to lag behind pre-2003 levels. This factor is the contributing force behind the City's persistent budgetary struggles.

Table 3
Municipal Income Tax Cash Basis Revenues
2003 Through 2009



City of Circleville
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(Unaudited)

Table 4
Modified Accrual Basis Revenues and Other Financing Sources by Type
Governmental Funds

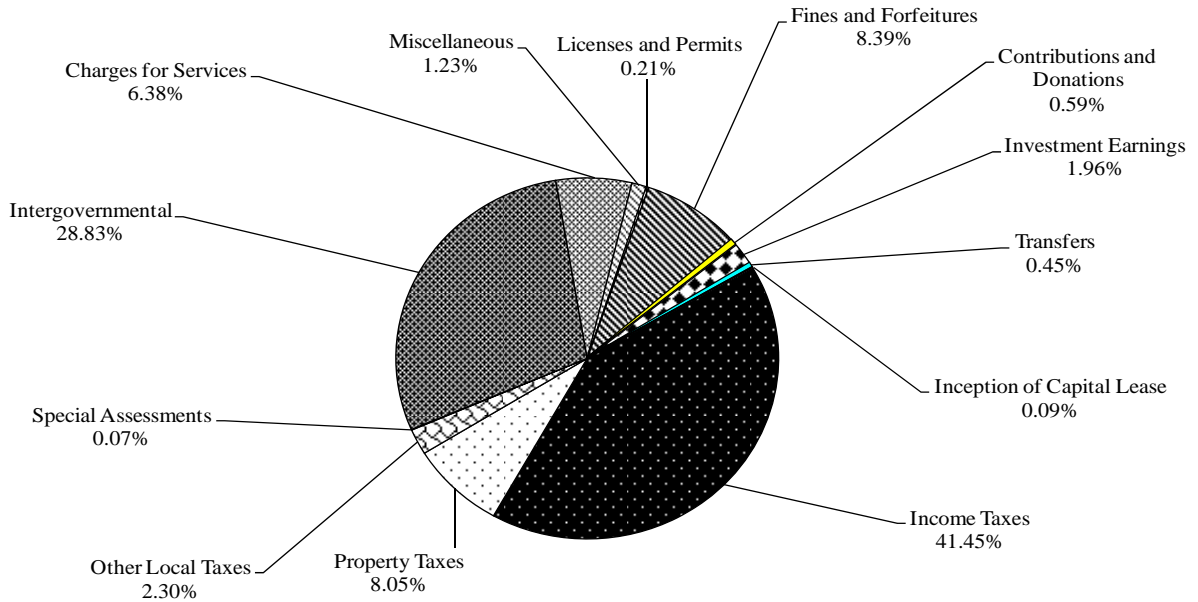
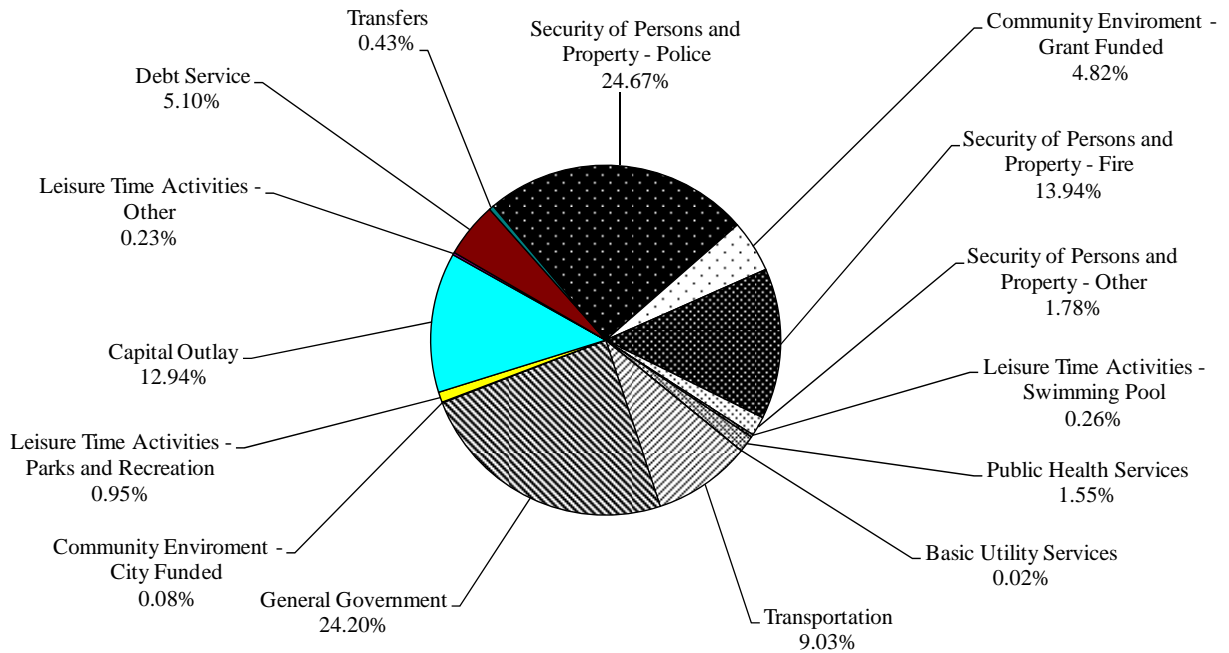


Table 5
Modified Accrual Basis Operating Expenditures and Other Financing Uses by Type
Governmental Funds



City of Circleville
Management's Discussion and Analysis
For the Year Ended December 31, 2009
(Unaudited)

General operating revenues of the City decreased 0.28 percent in 2009. The City continues to budget with a cautionary agenda. The capital improvement program of the City was decreased 21 percent from 2008 expenditures. The contributing factors were decreases in grant awards and donations for leisure time activities and transportation improvements. Capital improvements of \$320,988 were financed with grant proceeds to the MV Crites Hannan Park. The transportation system benefited from an Ohio Public Works Commission grant of \$148,198, coupled with \$39,394 in City funds, which allowed for the improvement of East Mound Street. On a cash basis, the City spent 13 percent of its operating budget on capital improvements in 2009. The City's capital assets included current year additions of \$1,288,904 and the annual depreciation was \$1,841,499 for the year. The City is a service provider to its residents, which explains why 66 percent of the operating budget is attributable to personnel services. The safety forces (Police, Fire, and EMS) constitute 49 percent of the operating budget for the City. The City's administrative departments continue to operate with reduced staffing.

The resources available to the City for capital improvements remain limited. The City constantly utilizes grants and alternative funding opportunities coupled with City revenues to maximize its ability to implement capital projects. In 2009, the City received a Capital Legislative Grant from the Ohio Department of Natural Resources for \$197,435. The grant was used to install a 1.2 mile fully accessible walking track at the MV Crites Hannan Park. In addition, \$34,887 from Land Water Conservation and Nature Works Grants were utilized to install a spray ground at MVCH Park. The track and spray ground are fully accessible and create recreational opportunities for all children, regardless of abilities. In 2009, the City, in conjunction with Pickaway Progress Partnership, utilized \$121,555 in grants from the U.S. EPA and \$181,383 in Clean Ohio Grants to address environmental concerns in the community. These environmental areas are being surveyed to ready the sites for future economic development.

The decline in operating revenues and base income tax revenues associated with recessionary factors have been recognized and addressed. The City of Circleville continues to analyze daily operations to execute the most cost effective services for our citizens. In 2009, expenditures were reduced mid-year to address the downturn in revenue receipts. Economic development is spearheaded by a cooperative agreement with other governments and private industry by virtue of the Pickaway Progressive Partnership. The City's legislative and administrative bodies aggressively pursue and coordinate opportunities for economic development in order to restore vital resources to the community. Through collaborative efforts and cooperative development with our surrounding area partners, the City of Circleville, Pickaway County will be a notable and thriving community once again.

Contacting the City's Finance Department

This financial report is designed to provide our citizens, taxpayers, creditors and investors 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.

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City of Circleville
Statement of Net Assets
December 31, 2009

	<i>Primary Government</i>		<i>Total</i>
	<i>Governmental Activities</i>	<i>Business-Type Activities</i>	
<u>Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	\$3,617,708	\$6,310,549	\$9,928,257
Cash and Cash Equivalents	0	0	0
Cash and Cash Equivalents with Fiscal Agents	34,845	0	34,845
Cash and Cash Equivalents with Escrow Agents	12,132	0	12,132
Investments	0	0	0
Accrued Interest Receivable	44,130	0	44,130
Accounts Receivable	2,334	354,201	356,535
Intergovernmental Receivable	1,278,389	0	1,278,389
Income Taxes Receivable	1,348,104	0	1,348,104
Materials and Supplies Inventory	100,515	117,489	218,004
Prepaid Items	29,750	16,070	45,820
Property Taxes Receivable	856,574	0	856,574
Other Local Taxes Receivable	47,388	0	47,388
Special Assessments Receivable	9,276	5,933	15,209
Loans Receivable	1,085,581	0	1,085,581
Deferred Charges	63,082	93,343	156,425
Capital Assets:			
Nondepreciable Capital Assets	1,188,489	149,180	1,337,669
Depreciable Capital Assets, Net	21,927,523	19,404,662	41,332,185
<i>Total Assets</i>	<u>31,645,820</u>	<u>26,451,427</u>	<u>58,097,247</u>
<u>Liabilities:</u>			
Accounts Payable	159,568	46,571	206,139
Contracts Payable	155,937	0	155,937
Retainage Payable	18,431	0	18,431
Accrued Wages and Benefits Payable	55,739	16,965	72,704
Intergovernmental Payable	377,115	51,426	428,541
Deferred Revenue	805,000	0	805,000
Matured Bonds Payable	20,000	0	20,000
Matured Interest Payable	14,845	0	14,845
Accrued Interest Payable	17,620	9,664	27,284
Long-Term Liabilities:			
Due Within One Year	579,214	174,074	753,288
Due in More Than One Year	3,878,340	2,838,314	6,716,654
<i>Total Liabilities</i>	<u>6,081,809</u>	<u>3,137,014</u>	<u>9,218,823</u>
<u>Net Assets:</u>			
Invested in Capital Assets, Net of Related Debt	20,143,261	16,748,140	36,891,401
Restricted for:			
Capital Outlay	1,309,825	0	1,309,825
Debt Service	115,356	0	115,356
Safety Forces	726,369	0	726,369
Streets	519,989	0	519,989
Community Development	430,849	0	430,849
Other Purposes	714,363	0	714,363
Permanent Endowments	0	0	0
Unrestricted	1,603,999	6,566,273	8,170,272
<i>Total Net Assets</i>	<u>\$25,564,011</u>	<u>\$23,314,413</u>	<u>\$48,878,424</u>

See Accountants' Compilation Report
See Accompanying Notes to the Basic Financial Statements

<i>Component Unit</i>	
<i>Berger Health System</i>	<i>Total Reporting Entity</i>
\$0	\$9,928,257
3,691,671	3,691,671
0	34,845
0	12,132
28,326,251	28,326,251
0	44,130
7,608,964	7,965,499
0	1,278,389
0	1,348,104
1,487,414	1,705,418
802,959	848,779
0	856,574
0	47,388
0	15,209
0	1,085,581
85,255	241,680
3,636,864	4,974,533
38,281,312	79,613,497
<u>83,920,690</u>	<u>142,017,937</u>
3,060,597	3,266,736
0	155,937
0	18,431
2,348,652	2,421,356
282,854	711,395
0	805,000
0	20,000
0	14,845
67,466	94,750
3,392,579	4,145,867
18,878,135	25,594,789
<u>28,030,283</u>	<u>37,249,106</u>
20,948,179	57,839,580
0	1,309,825
0	115,356
0	726,369
0	519,989
0	430,849
0	714,363
26,768	26,768
34,915,460	43,085,732
<u>\$55,890,407</u>	<u>\$104,768,831</u>

See Accountants' Compilation Report

City of Circleville
Statement of Activities
For the Year Ended December 31, 2009

	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government				
<u>Governmental Activities:</u>				
Security of Persons and Property:				
Police	\$3,021,043	\$41,540	\$14,119	\$0
Fire	1,762,904	11,806	9,534	0
Other	273,140	370,312	0	0
Public Health Services	177,630	0	0	0
Leisure Time Activities:				
Parks and Recreation	207,384	0	1,615	541,648
Swimming Pool	37,554	0	0	0
Other	26,657	0	0	0
Community Development:				
City Funded	11,868	22,655	0	0
Grant Funded	553,431	0	0	48,000
Basic Utility Services	2,700	0	0	0
Transportation	2,011,041	98,209	580,200	148,860
General Government	3,025,941	1,138,777	27,613	0
Interest and Fiscal Charges	243,605	0	0	0
Total Governmental Activities	11,354,898	1,683,299	633,081	738,508
<u>Business-Type Activities:</u>				
Waterworks Operating	1,467,347	1,481,703	0	0
Sewer Operating	2,067,491	1,799,781	0	0
Total Business-Type Activities	3,534,838	3,281,484	0	0
Total - Primary Government	\$14,889,736	\$4,964,783	\$633,081	\$738,508
Component Unit				
Berger Health System	\$65,609,439	\$68,365,936	\$278,236	\$0

General Revenues:

Property Taxes Levied for:

 General Purposes

 Other Purposes

Income Taxes Levied for:

 General Purposes

 Safety Forces

 Debt Service

 Capital Projects

Other Local Taxes

Grants and Entitlements not Restricted to Specific Programs

Unrestricted Investment Earnings

Miscellaneous

Transfers

Total General Revenues and Transfers

Change in Net Assets

Net Assets at Beginning of Year

Net Assets at End of Year

See Accountants' Compilation Report
See Accompanying Notes to the Basic Financial Statements

Net (Expense) Revenue and Changes in Net Assets				
Primary Government			Component Unit	Total Reporting
Governmental Activities	Business-Type Activities	Total	Berger Health System	Entity
(\$2,965,384)	\$0	(\$2,965,384)	\$0	(\$2,965,384)
(1,741,564)	0	(1,741,564)	0	(1,741,564)
97,172	0	97,172	0	97,172
(177,630)	0	(177,630)	0	(177,630)
335,879	0	335,879	0	335,879
(37,554)	0	(37,554)	0	(37,554)
(26,657)	0	(26,657)	0	(26,657)
10,787	0	10,787	0	10,787
(505,431)	0	(505,431)	0	(505,431)
(2,700)	0	(2,700)	0	(2,700)
(1,183,772)	0	(1,183,772)	0	(1,183,772)
(1,859,551)	0	(1,859,551)	0	(1,859,551)
(243,605)	0	(243,605)	0	(243,605)
(8,300,010)	0	(8,300,010)	0	(8,300,010)
0	14,356	14,356	0	14,356
0	(267,710)	(267,710)	0	(267,710)
0	(253,354)	(253,354)	0	(253,354)
(8,300,010)	(253,354)	(8,553,364)	0	(8,553,364)
0	0	0	3,034,733	3,034,733
738,182	0	738,182	0	738,182
114,471	0	114,471	0	114,471
1,694,046	0	1,694,046	0	1,694,046
1,668,639	0	1,668,639	0	1,668,639
331,359	0	331,359	0	331,359
874,753	0	874,753	0	874,753
239,959	0	239,959	0	239,959
1,386,278	0	1,386,278	0	1,386,278
199,829	0	199,829	191,893	391,722
133,102	3,093	136,195	1,605,457	1,741,652
0	0	0	(4,024,172)	(4,024,172)
7,380,618	3,093	7,383,711	(2,226,822)	5,156,889
(919,392)	(250,261)	(1,169,653)	807,911	(361,742)
26,483,403	23,564,674	50,048,077	55,082,496	105,130,573
\$25,564,011	\$23,314,413	\$48,878,424	\$55,890,407	\$104,768,831

See Accountants' Compilation Report

City of Circleville
Balance Sheet
Governmental Funds
December 31, 2009

	<u>General Fund</u>	<u>Income Tax Fund</u>	<u>Safety Forces Tax Fund</u>
<u>Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	\$1,135,562	\$28,871	\$444,480
Cash and Cash Equivalents with Fiscal Agents	0	0	0
Receivables:			
Accrued Interest	42,781	0	0
Accounts	2,334	0	0
Intergovernmental	420,037	0	0
Income Taxes	411,256	65,039	460,553
Property Taxes	728,838	0	0
Other Local Taxes	30,434	0	0
Loans	0	0	0
Special Assessments	0	0	0
Materials and Supplies Inventory	25,985	0	0
Prepaid Items	9,380	0	13,216
Restricted Assets:			
Cash and Cash Equivalents with Escrow Agents	8,532	0	0
Total Assets	<u><u>\$2,815,139</u></u>	<u><u>\$93,910</u></u>	<u><u>\$918,249</u></u>
<u>Liabilities and Fund Balances:</u>			
<u>Liabilities:</u>			
Accounts Payable	\$26,597	\$2,025	\$40,728
Contracts Payable	108,938	0	0
Retainage Payable	6,299	0	0
Retainage Payable from Restricted Assets	8,532	0	0
Accrued Wages and Benefits Payable	40,559	660	9,205
Intergovernmental Payable	150,390	1,429	191,449
Deferred Revenue	1,454,589	49,172	348,197
Matured Bonds Payable	0	0	0
Matured Interest Payable	0	0	0
Total Liabilities	<u><u>1,795,904</u></u>	<u><u>53,286</u></u>	<u><u>589,579</u></u>
<u>Fund Balances:</u>			
Reserved for Encumbrances	76,334	1,277	93,851
Reserved for Loans Receivable	0	0	0
Unreserved:			
Undesignated, Reported in:			
General Fund	942,901	0	0
Special Revenue Funds	0	39,347	234,819
Debt Service Funds	0	0	0
Capital Projects Funds	0	0	0
Total Fund Balances	<u><u>1,019,235</u></u>	<u><u>40,624</u></u>	<u><u>328,670</u></u>
Total Liabilities and Fund Balances	<u><u>\$2,815,139</u></u>	<u><u>\$93,910</u></u>	<u><u>\$918,249</u></u>

See Accountants' Compilation Report
See Accompanying Notes to the Basic Financial Statements

<i>General Obligation Bond Retirement Fund</i>	<i>Capital Improvement Fund</i>	<i>Nonmajor Funds</i>	<i>Total Governmental Funds</i>
\$15,464	\$742,421	\$1,250,910	\$3,617,708
34,845	0	0	34,845
0	0	1,349	44,130
0	0	0	2,334
0	176,690	681,662	1,278,389
139,621	271,635	0	1,348,104
0	0	127,736	856,574
0	0	16,954	47,388
1,031,251	0	54,330	1,085,581
0	9,276	0	9,276
0	0	74,530	100,515
0	7,069	85	29,750
0	1,840	1,760	12,132
<u>\$1,221,181</u>	<u>\$1,208,931</u>	<u>\$2,209,316</u>	<u>\$8,466,726</u>
\$3,901	\$50,440	\$35,877	\$159,568
0	0	46,999	155,937
0	0	0	6,299
0	1,840	1,760	12,132
0	0	5,315	55,739
0	0	33,847	377,115
105,559	391,333	750,365	3,099,215
20,000	0	0	20,000
14,845	0	0	14,845
<u>144,305</u>	<u>443,613</u>	<u>874,163</u>	<u>3,900,850</u>
0	326,694	53,986	552,142
926,251	0	33,478	959,729
0	0	0	942,901
0	0	1,105,654	1,379,820
150,625	0	0	150,625
0	438,624	142,035	580,659
<u>1,076,876</u>	<u>765,318</u>	<u>1,335,153</u>	<u>4,565,876</u>
<u>\$1,221,181</u>	<u>\$1,208,931</u>	<u>\$2,209,316</u>	<u>\$8,466,726</u>

See Accountants' Compilation Report

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City of Circleville
 Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 December 31, 2009

Total Governmental Fund Balances \$4,565,876

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Land	1,096,490
Construction in Progress	91,999
Infrastructure	32,817,878
Other Capital Assets	12,870,408
Accumulated Depreciation	<u>(23,760,763)</u>

Total 23,116,012

Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:

Income Taxes	1,019,221
Property Taxes	51,574
Other Local Taxes	41,236
Special Assessments	9,276
Intergovernmental	1,128,646
Charges for Services	2,334
Interest	<u>41,928</u>

Total 2,294,215

Governmental funds report general obligation bond issuance costs as expenditures, whereas these amounts are deferred and amortized in the Statement of Activities. 63,082

In the Statement of Activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. (17,620)

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

Premium on General Obligation Bonds	(15,859)
General Obligation Bonds	(3,930,000)
Capital Leases	(139,433)
Compensated Absences	<u>(372,262)</u>

Total (4,457,554)

Net Assets of Governmental Activities \$25,564,011

See Accountants' Compilation Report
 See Accompanying Notes to the Basic Financial Statements

City of Circleville
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2009

	<i>General Fund</i>	<i>Income Tax Fund</i>	<i>Safety Forces Tax Fund</i>
<u>Revenues:</u>			
Income Taxes	\$1,443,736	\$227,019	\$1,636,090
Property Taxes	755,009	0	0
Other Local Taxes	179,985	0	0
Special Assessments	0	0	0
Intergovernmental	1,435,777	0	3,480
Charges for Services	273,673	0	380,414
Licenses and Permits	22,655	0	0
Fines and Forfeitures	535,356	0	0
Investment Earnings	202,016	0	0
Contributions and Donations	1,615	0	1,000
Miscellaneous	7,646	18	53,292
<i>Total Revenues</i>	<u>4,857,468</u>	<u>227,037</u>	<u>2,074,276</u>
<u>Expenditures:</u>			
Current Operations and Maintenance:			
Security of Persons and Property:			
Police	1,413,601	0	1,318,863
Fire	627,482	0	891,714
Other	95,105	0	109,345
Public Health Services	177,630	0	0
Leisure Time Activities:			
Parks and Recreation	109,445	0	0
Swimming Pool	30,024	0	0
Other	26,657	0	0
Community Development:			
City Funded	8,986	0	0
Grant Funded	0	0	0
Basic Utility Services	2,700	0	0
Transportation	317,262	0	0
General Government	2,163,389	225,812	0
Capital Outlay	4,671	0	0
Debt Service:			
Principal Retirement	36,579	0	14,862
Interest and Fiscal Charges	4,636	0	2,261
<i>Total Expenditures</i>	<u>5,018,167</u>	<u>225,812</u>	<u>2,337,045</u>
Excess of Revenues Over (Under) Expenditures	<u>(160,699)</u>	<u>1,225</u>	<u>(262,769)</u>
<u>Other Financing Sources (Uses):</u>			
Inception Of Capital Lease	4,671	0	0
Transfers In	0	0	0
Transfers Out	(10,000)	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>(5,329)</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	<u>(166,028)</u>	<u>1,225</u>	<u>(262,769)</u>
<i>Fund Balances at Beginning of Year</i>	<u>1,185,263</u>	<u>39,399</u>	<u>591,439</u>
<i>Fund Balances at End of Year</i>	<u>\$1,019,235</u>	<u>\$40,624</u>	<u>\$328,670</u>

See Accountants' Compilation Report
See Accompanying Notes to the Basic Financial Statements

<i>General Obligation Bond Retirement Fund</i>	<i>Capital Improvement Fund</i>	<i>Nonmajor Funds</i>	<i>Total Governmental Funds</i>
\$334,421	\$848,215	\$0	\$4,489,481
0	0	117,441	872,450
0	0	69,023	249,008
0	7,404	0	7,404
0	303,697	1,379,283	3,122,237
0	1,361	35,155	690,603
0	0	0	22,655
0	0	373,413	908,769
5,727	0	4,257	212,000
0	0	61,261	63,876
61,143	6,176	4,827	133,102
<u>401,291</u>	<u>1,166,853</u>	<u>2,044,660</u>	<u>10,771,585</u>
0	0	99,785	2,832,249
0	0	80,876	1,600,072
0	0	0	204,450
0	0	0	177,630
0	0	0	109,445
0	0	0	30,024
0	0	0	26,657
0	0	0	8,986
0	0	553,431	553,431
0	0	0	2,700
0	36,928	682,900	1,037,090
0	30,431	359,458	2,779,090
0	1,115,152	365,742	1,485,565
275,000	8,202	11,034	345,677
228,084	2,477	2,595	240,053
<u>503,084</u>	<u>1,193,190</u>	<u>2,155,821</u>	<u>11,433,119</u>
<u>(101,793)</u>	<u>(26,337)</u>	<u>(111,161)</u>	<u>(661,534)</u>
0	0	4,671	9,342
0	0	49,394	49,394
0	(39,394)	0	(49,394)
<u>0</u>	<u>(39,394)</u>	<u>54,065</u>	<u>9,342</u>
(101,793)	(65,731)	(57,096)	(652,192)
<u>1,178,669</u>	<u>831,049</u>	<u>1,392,249</u>	<u>5,218,068</u>
<u>\$1,076,876</u>	<u>\$765,318</u>	<u>\$1,335,153</u>	<u>\$4,565,876</u>

See Accountants' Compilation Report

City of Circleville
 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, 2009

Net Change in Fund Balances - Total Governmental Funds (\$652,192)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital Assets Additions	1,058,955	
Depreciation	<u>(1,213,955)</u>	
Excess of Depreciation over Capital Outlay		(155,000)

The proceeds from the sale of capital assets are reported as revenue in the governmental funds. However, the cost of capital assets is removed from the capital assets account in the Statement of Net Assets and offset against the proceeds from the sale of capital assets resulting in a loss on the sale of capital assets in the Statement of Activities.

Loss on Disposal of Assets		(83,678)
----------------------------	--	----------

Some capital assets were financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the Statement of Net Assets, the lease obligation is reported as a liability.

(9,342)

Some revenues that will not be collected for several months after the City's year-end are not considered "available" revenues and are deferred in the governmental funds. Deferred revenues changed by these amounts this year:

Income Taxes	79,316	
Property Taxes	(19,797)	
Other Local Taxes	(9,049)	
Special Assessments	(6,742)	
Intergovernmental	(366,803)	
Charges for Services	(833)	
Accrued Interest	<u>(12,171)</u>	
		(336,079)

Repayment of long-term obligations is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. In the current year, these amounts consist of:

General Obligation Bond Principal Payments	275,000	
Capital Lease Payments	<u>70,677</u>	
		345,677

Amortization of bond issuance costs and bond premiums, as well as accrued interest payable on the bonds are not reported in the funds, but is allocated as an expense over the life of the debt in the Statement of Activities.

Net Decrease in Deferred Charges	(5,531)	
Net Decrease in Premium on General Obligation Bonds	835	
Net Decrease in Accrued Interest	<u>1,144</u>	
		(3,552)

Some items reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. These activities consist of:

Increase in Compensated Absences		<u>(25,226)</u>
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Change in Net Assets of Governmental Activities (\$919,392)

See Accountants' Compilation Report
 See Accompanying Notes to the Basic Financial Statements

City of Circleville
Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget (Non-GAAP Basis) and Actual
General Fund
For the Year Ended December 31, 2009

	<i>Original Budget</i>	<i>Revised Budget</i>	<i>Budgetary Actual</i>	<i>Variance Positive (Negative)</i>
<i>Revenues:</i>				
Income Taxes	\$1,378,927	\$1,456,572	\$1,436,050	(\$20,522)
Property Taxes	762,500	786,800	755,009	(31,791)
Other Local Taxes	143,897	152,000	178,498	26,498
Intergovernmental	1,179,257	1,245,659	1,515,060	269,401
Charges for Services	208,556	220,300	273,673	53,373
Licenses and Permits	24,614	26,000	22,655	(3,345)
Fines and Forfeitures	454,413	480,000	537,075	57,075
Investment Earnings	299,089	315,930	275,333	(40,597)
Contributions and Donations	1,136	1,200	1,615	415
Miscellaneous	3,313	3,500	7,646	4,146
<i>Total Revenues</i>	<u>4,455,702</u>	<u>4,687,961</u>	<u>5,002,614</u>	<u>314,653</u>
<i>Expenditures:</i>				
Current Operations and Maintenance:				
Security of Persons and Property:				
Police	1,488,640	1,463,640	1,420,245	43,395
Fire	736,233	730,233	668,259	61,974
Other	99,757	99,757	95,815	3,942
Public Health Services	179,979	179,979	177,630	2,349
Leisure Time Activities:				
Parks and Recreation	115,330	115,330	108,637	6,693
Swimming Pool	30,000	30,000	30,000	0
Other	47,827	47,827	26,657	21,170
Community Development:				
City Funded	40,069	40,069	24,879	15,190
Basic Utility Services	43,100	8,100	2,700	5,400
Transportation	361,163	361,163	328,804	32,359
General Government	2,987,347	2,535,606	2,302,862	232,744
<i>Total Expenditures</i>	<u>6,129,445</u>	<u>5,611,704</u>	<u>5,186,488</u>	<u>425,216</u>
Excess of Revenues Over (Under) Expenditures	(1,673,743)	(923,743)	(183,874)	739,869
<i>Other Financing Uses:</i>				
Transfers Out	(10,000)	(10,000)	(10,000)	0
<i>Net Change in Fund Balance</i>	(1,683,743)	(933,743)	(193,874)	739,869
<i>Fund Balance at Beginning of Year</i>	947,927	947,927	947,927	0
<i>Prior Year Encumbrances</i>	<u>159,610</u>	<u>159,610</u>	<u>159,610</u>	<u>0</u>
<i>Fund Balance (Deficit) at End of Year</i>	<u>(\$576,206)</u>	<u>\$173,794</u>	<u>\$913,663</u>	<u>\$739,869</u>

See Accountants' Compilation Report
See Accompanying Notes to the Basic Financial Statements

City of Circleville
Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget (Non-GAAP Basis) and Actual
Income Tax Fund
For the Year Ended December 31, 2009

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Budgetary Actual</u>	<u>Variance Positive (Negative)</u>
<u>Revenues:</u>				
Income Taxes	\$243,285	\$243,285	\$227,060	(\$16,225)
Miscellaneous	<u>0</u>	<u>0</u>	<u>18</u>	<u>18</u>
<i>Total Revenues</i>	243,285	243,285	227,078	(16,207)
<u>Expenditures:</u>				
Current Operations and Maintenance:				
General Government	<u>246,019</u>	<u>246,019</u>	<u>228,393</u>	<u>17,626</u>
<i>Net Change in Fund Balance</i>	(2,734)	(2,734)	(1,315)	1,419
<i>Fund Balance at Beginning of Year</i>	27,931	27,931	27,931	0
<i>Prior Year Encumbrances</i>	<u>922</u>	<u>922</u>	<u>922</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u><u>\$26,119</u></u>	<u><u>\$26,119</u></u>	<u><u>\$27,538</u></u>	<u><u>\$1,419</u></u>

See Accountants' Compilation Report
See Accompanying Notes to the Basic Financial Statements

City of Circleville
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, 2009

	<i>Original Budget</i>	<i>Revised Budget</i>	<i>Budgetary Actual</i>	<i>Variance Positive (Negative)</i>
<i>Revenues:</i>				
Income Taxes	\$1,679,942	\$1,722,572	\$1,625,466	(\$97,106)
Intergovernmental	3,394	3,480	3,480	0
Charges for Services	338,900	347,500	380,414	32,914
Contributions and Donations	975	1,000	1,000	0
Miscellaneous	49,361	50,614	53,292	2,678
<i>Total Revenues</i>	<u>2,072,572</u>	<u>2,125,166</u>	<u>2,063,652</u>	<u>(61,514)</u>
<i>Expenditures:</i>				
Current Operations and Maintenance:				
Security of Persons and Property:				
Police	1,391,656	1,445,830	1,341,794	104,036
Fire	1,049,980	1,049,980	900,415	149,565
Other	130,446	131,446	110,245	21,201
<i>Total Expenditures</i>	<u>2,572,082</u>	<u>2,627,256</u>	<u>2,352,454</u>	<u>274,802</u>
<i>Net Change in Fund Balance</i>	(499,510)	(502,090)	(288,802)	213,288
<i>Fund Balance at Beginning of Year</i>	619,978	619,978	619,978	0
<i>Prior Year Encumbrances</i>	<u>18,098</u>	<u>18,098</u>	<u>18,098</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u><u>\$138,566</u></u>	<u><u>\$135,986</u></u>	<u><u>\$349,274</u></u>	<u><u>\$213,288</u></u>

See Accountants' Compilation Report
See Accompanying Notes to the Basic Financial Statements

City of Circleville
Statement of Fund Net Assets
Enterprise Funds
December 31, 2009

	<i>Waterworks Operating Fund</i>	<i>Sewer Operating Fund</i>	<i>Total</i>
<u>Assets:</u>			
<u>Current Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	\$3,780,355	\$2,530,194	\$6,310,549
Receivables:			
Accounts	155,006	199,195	354,201
Special Assessments	0	5,933	5,933
Materials and Supplies Inventory	66,235	51,254	117,489
Prepaid Items	10,994	5,076	16,070
<i>Total Current Assets</i>	<u>4,012,590</u>	<u>2,791,652</u>	<u>6,804,242</u>
<u>Non-Current Assets:</u>			
Deferred Charges	39,757	53,586	93,343
Nondepreciable Capital Assets	57,125	92,055	149,180
Depreciable Capital Assets, Net	6,841,045	12,563,617	19,404,662
<i>Total Non-Current Assets</i>	<u>6,937,927</u>	<u>12,709,258</u>	<u>19,647,185</u>
<i>Total Assets</i>	<u>10,950,517</u>	<u>15,500,910</u>	<u>26,451,427</u>
<u>Liabilities:</u>			
<u>Current Liabilities:</u>			
Accounts Payable	20,045	26,526	46,571
Accrued Wages and Benefits Payable	6,736	10,229	16,965
Intergovernmental Payable	18,830	32,596	51,426
Capital Leases Payable	3,467	3,468	6,935
Compensated Absences Payable	27,015	30,124	57,139
Accrued Interest Payable	4,129	5,535	9,664
General Obligation Bonds Payable	45,000	65,000	110,000
<i>Total Current Liabilities</i>	<u>125,222</u>	<u>173,478</u>	<u>298,700</u>
<u>Long-Term Liabilities (Net of Current Portion):</u>			
Capital Leases Payable	1,055	1,055	2,110
Compensated Absences Payable	23,290	32,914	56,204
General Obligation Bonds Payable	1,190,000	1,590,000	2,780,000
<i>Total Long-Term Liabilities (Net of Current Portion)</i>	<u>1,214,345</u>	<u>1,623,969</u>	<u>2,838,314</u>
<i>Total Liabilities</i>	<u>1,339,567</u>	<u>1,797,447</u>	<u>3,137,014</u>
<u>Net Assets:</u>			
Invested in Capital Assets, Net of Related Debt	5,698,405	11,049,735	16,748,140
Unrestricted	3,912,545	2,653,728	6,566,273
<i>Total Net Assets</i>	<u>\$9,610,950</u>	<u>\$13,703,463</u>	<u>\$23,314,413</u>

See Accountants' Compilation Report
See Accompanying Notes to the Basic Financial Statements

City of Circleville
Statement of Revenues, Expenses and Changes in Fund Net Assets
Enterprise Funds
For the Year Ended December 31, 2009

	<i>Waterworks Operating Fund</i>	<i>Sewer Operating Fund</i>	<i>Total</i>
<i><u>Operating Revenues:</u></i>			
Charges for Services	\$1,481,703	\$1,799,781	\$3,281,484
<i><u>Operating Expenses:</u></i>			
Personal Services	491,640	739,120	1,230,760
Fringe Benefits	214,345	307,201	521,546
Materials and Supplies	283,641	211,981	495,622
Contractual Services	197,587	331,366	528,953
Depreciation	222,673	404,871	627,544
Miscellaneous	3,591	607	4,198
<i>Total Operating Expenses</i>	<u>1,413,477</u>	<u>1,995,146</u>	<u>3,408,623</u>
Operating Income (Loss)	<u>68,226</u>	<u>(195,365)</u>	<u>(127,139)</u>
<i><u>Non-Operating Revenues (Expenses):</u></i>			
Interest and Fiscal Charges	(53,870)	(72,345)	(126,215)
Other	1,803	1,290	3,093
<i>Total Non-Operating Revenues (Expenses)</i>	<u>(52,067)</u>	<u>(71,055)</u>	<u>(123,122)</u>
<i>Change in Net Assets</i>	16,159	(266,420)	(250,261)
<i>Net Assets at Beginning of Year</i>	<u>9,594,791</u>	<u>13,969,883</u>	<u>23,564,674</u>
<i>Net Assets at End of Year</i>	<u><u>\$9,610,950</u></u>	<u><u>\$13,703,463</u></u>	<u><u>\$23,314,413</u></u>

See Accountants' Compilation Report
See Accompanying Notes to the Basic Financial Statements

City of Circleville
Statement of Cash Flows
Enterprise Funds
For the Year Ended December 31, 2009

	<u>Waterworks Operating Fund</u>	<u>Sewer Operating Fund</u>	<u>Total</u>
<u>Increase (Decrease) in Cash and Cash Equivalents:</u>			
<u>Cash Flows from Operating Activities:</u>			
Cash Received from Charges for Services	\$1,523,210	\$1,852,083	\$3,375,293
Cash Payments for Employee Services	(507,968)	(761,717)	(1,269,685)
Cash Payments for Employee Benefits	(213,923)	(303,619)	(517,542)
Cash Payments to Suppliers for Goods and Services	(607,194)	(561,226)	(1,168,420)
Cash Payments for Other Operating Expenses	(3,591)	(607)	(4,198)
Other Non-Operating Revenues	1,803	1,290	3,093
<i>Net Cash Provided by Operating Activities</i>	<u>192,337</u>	<u>226,204</u>	<u>418,541</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>			
Acquisition of Capital Assets	(124,983)	(104,791)	(229,774)
Principal Paid on General Obligation Bonds	(45,000)	(70,000)	(115,000)
Interest and Fiscal Charges Paid on General Obligation Bonds	(51,449)	(69,258)	(120,707)
Principal Paid on Capital Leases	(3,636)	(3,635)	(7,271)
Interest and Fiscal Charges Paid on Capital Leases	(440)	(440)	(880)
<i>Net Cash Used for Capital and Related Financing Activities</i>	<u>(225,508)</u>	<u>(248,124)</u>	<u>(473,632)</u>
<i>Net Decrease in Cash and Cash Equivalents</i>	(33,171)	(21,920)	(55,091)
<i>Cash and Cash Equivalents at Beginning of Year</i>	<u>3,813,526</u>	<u>2,552,114</u>	<u>6,365,640</u>
<i>Cash and Cash Equivalents at End of Year</i>	<u><u>\$3,780,355</u></u>	<u><u>\$2,530,194</u></u>	<u><u>\$6,310,549</u></u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:</u>			
Operating Income (Loss)	\$68,226	(\$195,365)	(\$127,139)
<u>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:</u>			
Depreciation	222,673	404,871	627,544
Other Non-Operating Revenues	1,803	1,290	3,093
Changes in Assets and Liabilities:			
Decrease in Accounts Receivable	41,507	52,050	93,557
Decrease in Special Assessments Receivable	0	252	252
Increase in Materials and Supplies Inventory	(16,436)	(10,539)	(26,975)
(Increase) Decrease in Prepaid Items	(82)	94	12
Increase (Decrease) in Accounts Payable	4,205	(7,008)	(2,803)
Decrease in Contracts Payable	(105,177)	0	(105,177)
Decrease in Accrued Wages and Benefits Payable	(17,320)	(24,491)	(41,811)
Increase in Intergovernmental Payable	1,662	1,468	3,130
Decrease in Retainage Payable	(9,146)	0	(9,146)
Increase in Compensated Absences Payable	422	3,582	4,004
<i>Net Cash Provided by Operating Activities</i>	<u><u>\$192,337</u></u>	<u><u>\$226,204</u></u>	<u><u>\$418,541</u></u>

See Accountants' Compilation Report
See Accompanying Notes to the Basic Financial Statements

City of Circleville
Statement of Fiduciary Net Assets
Fiduciary Funds
December 31, 2009

	<u><i>Private Purpose Trust Fund William Renick Trust</i></u>	<u><i>Agency Funds</i></u>
<u>Assets:</u>		
Equity in Pooled Cash and Cash Equivalents	\$1,371	\$18,223
Cash and Cash Equivalents In Segregated Accounts	<u>10,000</u>	<u>111,638</u>
<i>Total Assets</i>	<u>11,371</u>	<u><u>\$129,861</u></u>
<u>Liabilities:</u>		
Intergovernmental Payable	0	\$5,423
Undistributed Assets	<u>0</u>	<u>124,438</u>
<i>Total Liabilities</i>	<u>0</u>	<u><u>\$129,861</u></u>
<u>Net Assets:</u>		
Held in Trust for Private Purposes	<u><u>\$11,371</u></u>	

See Accountants' Compilation Report

See Accompanying Notes to the Basic Financial Statements

City of Circleville
Statement of Changes in Fiduciary Net Assets
Private Purpose Trust Fund
For the Year Ended December 31, 2009

	<i>William Renick Trust</i>
<i><u>Additions:</u></i>	
Interest	\$185
<i><u>Deductions:</u></i>	
Payments in Accordance with Trust Agreements	600
<i>Change in Net Assets</i>	(415)
<i>Net Assets at Beginning of Year</i>	11,786
<i>Net Assets at End of Year</i>	\$11,371

See Accountants' Compilation Report
See Accompanying Notes to the Basic Financial Statements

City of Circleville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009

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 Income Tax Commissioner, 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 17 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
Notes To The Basic Financial Statements
For The Year Ended December 31, 2009

NOTE 1 – DESCRIPTION OF THE CITY AND REPORTING ENTITY *(continued)*

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. Based upon the significant services and resources provided by the City to the System, the System is presented as a component unit of the City. 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 generally accepted accounting principles (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 City also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental and business-type activities and to its enterprise funds provided they do not conflict with or contradict GASB pronouncements. The City does not apply FASB Statements and Interpretations issued after November 30, 1989, to its business-type activities or enterprise funds. The more significant of the City’s accounting policies are described below.

Basis of Presentation

The City’s basic financial statements consist of government-wide statements, including a Statement of Net Assets and a Statement of Activities, and fund financial statements, which provide a more detailed level of financial information.

City of Circleville
Notes To The Basic Financial Statements
For The Year Ended December 31, 2009

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Government-Wide Financial Statements

The Statement of Net Assets and the Statement of Activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the City that are governmental in nature and those that are considered business-type activities.

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

Fund Financial Statements

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

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.

City of Circleville
Notes To The Basic Financial Statements
For The Year Ended December 31, 2009

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the City's major governmental funds:

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

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

Safety Forces Tax Fund – This fund accounts for the portion of the income tax which is used for safety purposes such as a portion of police and fire salaries and the emergency medical team salaries.

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

Capital Improvement Fund – This fund accounts for the portion of the income tax which is used for capital projects as approved by Council.

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

City of Circleville
Notes To The Basic Financial Statements
For The Year Ended December 31, 2009

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Proprietary Funds

Proprietary funds focus on the determination of operating income, changes in net assets, financial 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 assets and changes in net assets. 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.

Measurement Focus

Government-Wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the City are included on the Statement of Net Assets. The Statement of Activities presents increases (e.g., revenues) and decreases (e.g., expenses) in total net assets.

City of Circleville
Notes To The Basic Financial Statements
For The Year Ended December 31, 2009

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 enterprise funds are accounted for using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the Statement of Fund Net Assets. The Statement of Revenues, Expenses and Changes in Fund Net Assets presents increases (e.g., revenues) and decreases (e.g., expenses) in total net assets. 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.

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 revenue, and in the presentation of expenses versus expenditures.

Revenues – Exchange and Non-Exchange Transactions

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

City of Circleville
Notes To The Basic Financial Statements
For The Year Ended December 31, 2009

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 tax is recognized in the year 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 a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

Deferred Revenues

Deferred revenues arise when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of December 31, 2009, but were levied to finance 2010 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met have also been recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

Expenses/Expenditures

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

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

City of Circleville
Notes To The Basic Financial Statements
For The Year Ended December 31, 2009

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Budgets and Budgetary Accounting

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 appropriation 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 appropriation 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 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 force 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.

Cash and Cash Equivalents

Cash balances of the City's funds, except cash in segregated accounts, are pooled and invested in short-term investments in order to provide improved cash management. Each share of the pool is presented on the financial statements in the account "Equity in Pooled Cash and Cash Equivalents." 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 utilizes financial institutions to service bonded debt as principal and interest payments come due. The balances in these accounts are presented as "Cash and Cash Equivalents with Fiscal Agents". The City also has an escrow account to hold retainage amounts still owed to contractors. The balance in this account is presented as "Cash and Cash Equivalents with Escrow Agents" on the financial statements.

City of Circleville
Notes To The Basic Financial Statements
For The Year Ended December 31, 2009

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

During the year, investments were limited to Federal Home Loan Mortgage Corporation Bonds, Federal Home Loan Bank Bonds, Federal National Mortgage Association Bonds, and negotiable certificates of deposit. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts, such as nonnegotiable certificates of deposit, are reported at cost.

Interest income is distributed to the funds according to Ohio constitutional and statutory requirements. Interest revenue credited to the General Fund during 2009 amounted to \$202,016, which includes \$182,095 assigned from other funds.

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

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.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2009, 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.

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 Assets 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 Assets 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
Notes To The Basic Financial Statements
For The Year Ended December 31, 2009

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

<u>Descriptions</u>	<u>Estimated Life</u>
Land Improvements	10-25 years
Buildings and Building 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.

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.

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.

City of Circleville
Notes To The Basic Financial Statements
For The Year Ended December 31, 2009

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

Unamortized Bond Premiums and Bond Issuance Costs

Issuance costs reported on the government-wide statements and enterprise fund statements are deferred and amortized over the term of the bonds using the straight-line method since the results are not significantly different from the effective interest method and are recorded as deferred charges. Bond premiums are presented as an increase to the face amount of the bonds payable. On the governmental fund financial statements, premiums and issuance costs are recorded when received/paid.

Reserves of Fund Balance

Reserves of fund equity in governmental funds indicate that a portion of fund balance is not available for expenditure or is legally segregated for a specific future use. Fund balances are reserved for encumbrances and loans receivable.

Internal Activities

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general revenues.

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities. Payments for interfund services provided and used are not eliminated.

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

City of Circleville
Notes To The Basic Financial Statements
For The Year Ended December 31, 2009

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets 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 Assets reports \$3,816,751 of restricted net assets, \$49,252 of which is restricted by enabling legislation.

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

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 sewer utility services. Operating expenses are the necessary costs incurred to provide the service that is the primary activity of the fund. Revenues and expenses that do not meet these definitions are reported as non-operating.

Estimates

The preparation of 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.

NOTE 3 – ACCOUNTABILITY AND COMPLIANCE

Accountability

The U.S. EPA Petroleum Assessment and the U.S. Hazard Substances Assessment Special Revenue Funds had deficit fund balances of \$3,132 and \$2,120, respectively, at December 31, 2009. The General Fund is liable for the deficits and provides transfers when cash is required, not when accruals occur.

City of Circleville
Notes To The Basic Financial Statements
For The Year Ended December 31, 2009

NOTE 3 – ACCOUNTABILITY AND COMPLIANCE *(continued)*

Compliance

The General Fund had original appropriations in excess of original estimated revenues and available fund balance of \$576,206 for the year ended December 31, 2009.

The City Auditor will monitor budgetary controls more closely in the future to alleviate such compliance issues.

NOTE 4 – BUDGETARY BASIS OF ACCOUNTING

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

The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
- (b) Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
- (c) Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).
- (d) Unrecorded cash represents amounts received but not included as revenue on the budget basis operating statements. These amounts are included as revenue on the GAAP basis operating statements.
- (e) Investments are reported at fair value (GAAP basis) rather than at cost (budget basis).

City of Circleville
Notes To The Basic Financial Statements
For The Year Ended December 31, 2009

NOTE 4 – BUDGETARY BASIS OF ACCOUNTING *(continued)*

The adjustments necessary to convert the results of operations for the year on the GAAP basis to the budget basis for the General Fund and major special revenue funds are as follows:

Net Change in Fund Balance			
	General Fund	Income Tax Fund	Safety Forces Tax Fund
GAAP Basis	(\$166,028)	\$1,225	(\$262,769)
Increases (Decreases) Due To:			
Revenue Accruals	93,611	41	(10,624)
Expenditure Accruals	27,132	(1,248)	79,797
Encumbrances	(195,453)	(1,333)	(95,206)
Unrecorded Cash - 2009	(43,926)	0	0
Unrecorded Cash - 2008	45,705	0	0
Change in Fair Value of Investments - 2009	17,480	0	0
Change in Fair Value of Investments - 2008	27,605	0	0
Budget Basis	(\$193,874)	(\$1,315)	(\$288,802)

NOTE 5 – DEPOSITS AND INVESTMENTS

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

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

Inactive deposits are public deposits 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.

City of Circleville
Notes To The Basic Financial Statements
For The Year Ended December 31, 2009

NOTE 5 – DEPOSITS AND INVESTMENTS *(continued)*

Interim monies may 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 and 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;
4. Commercial paper and bankers acceptances if training requirements have been met;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2); and
7. The State Treasurer's investment pool (STAROhio).

The City may also invest any monies not required to be used for a 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; and
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 prohibited. Investments may only be made through specified dealers and institutions.

City of Circleville
Notes To The Basic Financial Statements
For The Year Ended December 31, 2009

NOTE 5 – DEPOSITS AND INVESTMENTS (continued)

Investments: As of December 31, 2009, the City had the following investments:

	Fair Value	Investment Maturities (in Years)		S&P Rating	Percent of Total Investments	Call Date
		Less than 1	1 - 4			
Federal Home Loan Mortgage Corporation Bonds	\$1,001,270	\$0	\$1,001,270	AAA	22.06%	3/18/2010
Federal Home Loan Mortgage Corporation Bonds	504,390	0	504,390	AAA	11.11%	9/2/2010
Federal Home Loan Mortgage Corporation Bonds	501,305	0	501,305	AAA	11.05%	5/15/2010
Federal Home Loan Bank Bonds	983,124	0	983,124	AAA	21.66%	6/24/2010
Federal National Mortgage Association Bonds	501,565	0	501,565	AAA	11.06%	2/8/2010
Federal National Mortgage Association Bonds	492,030	0	492,030	AAA	10.84%	12/10/2010
Negotiable Certificates of Deposit	554,541	100,774	453,767	N/A	12.22%	
Totals	<u>\$4,538,225</u>	<u>\$100,774</u>	<u>\$4,437,451</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. No investment shall be made unless the Treasurer, at the time of making the investment, reasonably expects it can be held to its maturity. 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. The S&P rating of each investment is listed in the table above.

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.

City of Circleville
Notes To The Basic Financial Statements
For The Year Ended December 31, 2009

NOTE 6 – MUNICIPAL INCOME TAX

The City levies and collects an income tax of one and one-half percent 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 2009, the proceeds were allocated to the General Fund, the Income Tax Special Revenue Fund, the Safety Forces Tax Special Revenue Fund, the General Obligation Bond Retirement Debt Service Fund, and the Capital Improvement Capital Projects Fund.

NOTE 7 – PROPERTY TAX

Property taxes include amounts levied against all real, public utility, and tangible personal property (used in business) located in the City. Property tax revenue received during 2009 for real and public utility property taxes represents collections of 2008 taxes. Property tax payments received during 2009 for tangible personal property (other than public utility property) are for 2009 taxes.

2009 real property taxes are levied after October 1, 2009, on the assessed value as of January 1, 2009, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2009 real property taxes are collected in and intended to finance 2010.

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

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2009 public utility property taxes became a lien December 31, 2008, are levied after October 1, 2009, and are collected in 2010 with real property taxes.

Tangible personal property tax revenue received during 2009 (other than public utility property tax) represents the collection of 2009 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, furniture and fixtures is no longer levied and collected. Tangible personal property taxes received from telephone companies in 2009 were levied after October 1, 2008, on the value as of December 31, 2008.

City of Circleville
Notes To The Basic Financial Statements
For The Year Ended December 31, 2009

NOTE 7 – PROPERTY TAX *(continued)*

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 full tax rate for all City operations for the year ended December 31, 2009, was \$4.00 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2009 property tax receipts were based are as follows:

<u>Category</u>	<u>Assessed Value</u>
Real Property:	
Agricultural/Residential	\$160,597,670
Commercial/Industrial/Mineral	58,219,630
Public Utility Real	59,000
Tangible Personal Property:	
General Business	4,020,614
Public Utility	6,676,010
Total Assessed Value	<u><u>\$229,572,924</u></u>

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City of Circleville. The County Auditor periodically remits to the City its portion of the taxes. Property taxes receivable represents real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2009, and for which there is an enforceable legal claim. In the governmental funds, the entire receivable has been offset by deferred revenue since the current taxes were not levied to finance 2009 operations, and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as revenue while the remainder of the receivable is deferred.

NOTE 8 – RECEIVABLES

Receivables at December 31, 2009, consisted of interest, accounts for weed and litter assessments, intergovernmental receivables arising from grants, entitlements or shared revenues, taxes, loans, and special assessments. 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. Special assessments expected to be collected in more than one year amount to \$3,425. The City had \$5,378 in delinquent special assessments at December 31, 2009. Property taxes and income taxes, although ultimately collectible, include some portion of delinquents that will not be collected within one year.

City of Circleville
Notes To The Basic Financial Statements
For The Year Ended December 31, 2009

NOTE 8 – RECEIVABLES *(continued)*

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, 2009, is \$1,031,251, of which \$105,000 is considered to be due within one year. The City also had loans receivable related to program housing. At December 31, 2009, the balance of these loans was \$54,330, of which \$20,852 is considered to be due within one year.

A summary of the principal items of intergovernmental receivables follows:

	<u>Amount</u>
<u>Governmental Activities</u>	
Ohio HOME Investment Partnerships Grants	\$67,167
EPA Petroleum Assessment Grant	112,877
EPA Hazardous Substance Grant	161,883
Land and Water Conservation - Fair Play Grant	10,865
Ohio Department of Natural Resources Shelter Grant	165,825
Estate Taxes	14,065
Homestead and Rollback	53,550
Electric Deregulation	5,368
Permissive Motor Vehicle License Tax	44,569
Gasoline Tax	223,137
Motor Vehicle License Tax	62,673
Local Government	<u>356,410</u>
Total Intergovernmental Receivable	<u><u>\$1,278,389</u></u>

City of Circleville
Notes To The Basic Financial Statements
For The Year Ended December 31, 2009

NOTE 9 – CAPITAL ASSETS

Capital assets activity of the governmental activities for the year ended December 31, 2009, was as follows:

	Balance At 12/31/2008	Additions	Deletions	Balance At 12/31/2009
<u>Governmental Activities</u>				
Capital Assets, Not Being Depreciated:				
Land	\$1,096,490	\$0	\$0	\$1,096,490
Construction in Progress	0	91,999	0	91,999
Total Capital Assets, Not Being Depreciated	1,096,490	91,999	0	1,188,489
Depreciable Capital Assets:				
Land Improvements	1,476,420	0	0	1,476,420
Buildings and Building Improvements	7,957,087	32,695	0	7,989,782
Machinery and Equipment	1,530,823	14,457	(10,592)	1,534,688
Vehicles	1,934,540	64,719	(129,741)	1,869,518
Infrastructure	32,576,796	855,085	(614,003)	32,817,878
Total Depreciable Capital Assets	45,475,666	966,956	(754,336)	45,688,286
Less Accumulated Depreciation:				
Land Improvements	(1,183,913)	(23,660)	0	(1,207,573)
Buildings and Building Improvements	(2,618,867)	(184,511)	0	(2,803,378)
Machinery and Equipment	(745,555)	(126,122)	10,592	(861,085)
Vehicles	(1,462,698)	(119,473)	96,063	(1,486,108)
Infrastructure	(17,206,433)	(760,189)	564,003	(17,402,619)
Total Accumulated Depreciation	(23,217,466)	(1,213,955)	670,658	(23,760,763)
Depreciable Capital Assets, Net	22,258,200	(246,999)	(83,678)	21,927,523
Governmental Activities Capital Assets, Net	\$23,354,690	(\$155,000)	(\$83,678)	\$23,116,012

City of Circleville
Notes To The Basic Financial Statements
For The Year Ended December 31, 2009

NOTE 9 – CAPITAL ASSETS (continued)

Depreciation expense was charged to governmental programs as follows:

Security of Persons and Property - Police	\$98,838
Security of Persons and Property - Fire	130,080
Security of Persons and Property - Other	23,437
Leisure Time Activities - Parks and Recreation	56,886
Leisure Time Activities - Swimming Pool	7,530
Community Development - City Funded	6,483
Transportation	783,821
General Government	106,880
Total Depreciation Expense	<u><u>\$1,213,955</u></u>

Capital assets activity of the business-type activities for the year ended December 31, 2009, was as follows:

	<u>Balance At</u> <u>12/31/2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance At</u> <u>12/31/2009</u>
<u>Business-Type Activities</u>				
Capital Assets, Not Being Depreciated:				
Land	\$149,180	\$0	\$0	\$149,180
Construction in Progress	114,323	11,937	(126,260)	0
Total Capital Assets, Not Being Depreciated	<u>263,503</u>	<u>11,937</u>	<u>(126,260)</u>	<u>149,180</u>
Depreciable Capital Assets:				
Land Improvements	322,752	0	0	322,752
Buildings and Building Improvements	12,632,581	164,418	0	12,796,999
Machinery and Equipment	503,896	5,115	0	509,011
Vehicles	253,529	9,200	(23,990)	238,739
Infrastructure	19,586,335	165,539	(1,758)	19,750,116
Total Depreciable Capital Assets	<u>33,299,093</u>	<u>344,272</u>	<u>(25,748)</u>	<u>33,617,617</u>
Less Accumulated Depreciation:				
Land Improvements	(280,713)	(12,066)	0	(292,779)
Buildings and Building Improvements	(7,452,031)	(306,957)	0	(7,758,988)
Machinery and Equipment	(428,797)	(18,311)	0	(447,108)
Vehicles	(216,014)	(8,027)	23,990	(200,051)
Infrastructure	(5,233,429)	(282,183)	1,583	(5,514,029)
Total Accumulated Depreciation	<u>(13,610,984)</u>	<u>(627,544)</u>	<u>25,573</u>	<u>(14,212,955)</u>
Depreciable Capital Assets, Net	<u>19,688,109</u>	<u>(283,272)</u>	<u>(175)</u>	<u>19,404,662</u>
Business-Type Activities Capital Assets, Net	<u><u>\$19,951,612</u></u>	<u><u>(\$271,335)</u></u>	<u><u>(\$126,435)</u></u>	<u><u>\$19,553,842</u></u>

City of Circleville
Notes To The Basic Financial Statements
For The Year Ended December 31, 2009

NOTE 10 – DEFINED BENEFIT PENSION PLANS

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 the traditional pension plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the member-directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the traditional pension and combined plans. Members of the member-directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2009, members in state and local classifications contributed 10.0 percent of covered payroll and public safety and law enforcement members contributed 10.1 percent.

The City's 2009 contribution rate was 14.0 percent, except for those plan members in law enforcement or public safety, for whom the City's contribution was 17.63 percent of covered payroll. For the period January 1 through March 31, a portion of the City's contribution equal to 7.0 percent of covered payroll was allocated to fund the post-employment health care plan; for the period April 1 through December 31, 2009, this amount was decreased to 5.5 percent. Employer contribution rates are actuarially determined. State statute sets a maximum contribution rate for the City of 14.0 percent, except for public safety and law enforcement, where the maximum employer contribution rate is 18.1 percent.

The City's required contributions for pension obligations to the traditional pension and combined plans for the years ended December 31, 2009, 2008, and 2007 were \$292,970, \$201,153, and \$235,611, respectively; 85.12 percent has been contributed for 2009 and 100 percent for 2008 and 2007. Contributions to the member-directed plan for 2009 were \$6,084 made by the City and \$4,346 made by plan members.

City of Circleville
Notes To The Basic Financial Statements
For The Year Ended December 31, 2009

NOTE 10 – DEFINED BENEFIT PENSION PLANS *(continued)*

Ohio Police and Fire Pension Fund

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 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 the OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary, while employers are 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 \$183,178 and \$150,873 for the year ended December 31, 2009, \$161,578 and \$157,696 for the year ended December 31, 2008, and \$172,780 and \$144,811 for the year ended December 31, 2007. 66.13 percent for police and 66.88 percent for firefighters has been contributed for 2009. The full amount has been contributed for 2008 and 2007.

NOTE 11 – POSTEMPLOYMENT BENEFITS

Ohio Public Employees Retirement System

Plan Description – OPERS maintains a cost-sharing multiple-employer defined benefit post-employment health care plan for qualifying members of both the traditional pension and the combined plans. Members of the member-directed plan do not qualify for ancillary benefits, including post-employment health care. The plan includes a medical plan, a prescription drug program and Medicare Part B premium reimbursement.

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 Ohio Revised Code permits, but does not require, 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.

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or (800) 222-7377.

City of Circleville
Notes To The Basic Financial Statements
For The Year Ended December 31, 2009

NOTE 11 – POSTEMPLOYMENT BENEFITS *(continued)*

Funding Policy – The post-employment health care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). State statute requires that public employers fund post-employment health care through contributions to OPERS. A portion of each employer’s contribution to OPERS is set aside for the funding of post-retirement health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2009, state and local employers contributed at a rate of 14.0 percent of covered payroll, and public safety and law enforcement employers contributed at 17.63 percent. Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The amount of the employer contributions which were allocated to fund post-employment health care was 7.0 percent of covered payroll from January 1 through March 31, 2009, and 5.5 percent from April 1 through December 31, 2009.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment health care plan.

The City’s contributions allocated to fund post-employment health care benefits for the years ended December 31, 2009, 2008, and 2007 were \$189,569, \$201,153, and \$180,085, respectively; 85.12 percent has been contributed for 2009 and 100 percent for 2008 and 2007.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased as of January 1 of each year from 2006 to 2008. Rates for law and public safety employers increased over a six year period beginning on January 1, 2006, with a final rate increase on January 1, 2011. These rate increased allowed additional funds to be allocated to the health care plan.

Ohio Police and Fire Pension Fund

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.

City of Circleville
Notes To The Basic Financial Statements
For The Year Ended December 31, 2009

NOTE 11 – POSTEMPLOYMENT BENEFITS *(continued)*

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 survivor benefit check or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 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 health care coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy – The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F defined benefit pension plan. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5 percent and 24.0 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. For the year ended December 31, 2009, the employer contribution allocated to the health care plan was 6.75 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

City of Circleville
Notes To The Basic Financial Statements
For The Year Ended December 31, 2009

NOTE 11 – POSTEMPLOYMENT BENEFITS *(continued)*

The City's contributions to OP&F which were allocated to fund post-employment health care benefits for police and firefighters were \$96,977 and \$59,037 for the year ended December 31, 2009, \$85,541 and \$61,707 for the year ended December 31, 2008, and \$91,472 and \$56,665 for the year ended December 31, 2007. 66.13 percent has been contributed for police and 66.88 percent has been contributed for firefighters for 2009. The full amount has been contributed for 2008 and 2007.

NOTE 12 – EMPLOYEE BENEFITS

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.

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 Group; and life and accident insurance was provided by Colonial Life and Accident Insurance Company.

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.

City of Circleville
Notes To The Basic Financial Statements
For The Year Ended December 31, 2009

NOTE 13 – CAPITAL LEASES – LESSEE DISCLOSURE

In 2009 and in prior years, the City has entered into capitalized leases for copiers, radios, a telephone system, a skid loader, a durapatching machine, and a fold and insert machine. The leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, “*Accounting for Leases*,” which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. 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 function expenditures on the budgetary statements.

Capital assets acquired by lease were initially capitalized in the amount of \$360,219 for governmental activities and \$41,796 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 Assets for governmental and business-type activities. Principal payments in 2009 totaled \$70,677 in the governmental funds and \$7,271 in the enterprise funds.

The assets acquired through capital leases for governmental activities as of December 31, 2009, are as follows:

	<u>Asset Value</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Copier Equipment	\$111,644	\$65,501	\$46,143
Radio Equipment	40,783	24,470	16,313
Telephone System	131,716	52,687	79,029
Skid Loader	28,000	9,334	18,666
Durapatching Machine	48,076	14,423	33,653
Totals	<u>\$360,219</u>	<u>\$166,415</u>	<u>\$193,804</u>

City of Circleville
Notes To The Basic Financial Statements
For The Year Ended December 31, 2009

NOTE 13 – CAPITAL LEASES – LESSEE DISCLOSURE *(continued)*

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2009, for governmental activities:

Year Ending December 31,	Amount
2010	\$71,044
2011	45,032
2012	31,687
2013	5,220
2014	1,137
Total	154,120
Less: Amount representing Interest	(14,687)
Present Value of Minimum Lease Payment	\$139,433

The assets acquired through capital leases for business-type activities as of December 31, 2009, are as follows:

	Asset Value	Accumulated Depreciation	Net Book Value
Copier Equipment	\$16,344	\$6,538	\$9,806
Telephone System	14,113	5,644	8,469
Folder and Insert Machine	11,339	11,339	0
Totals	\$41,796	\$23,521	\$18,275

City of Circleville
Notes To The Basic Financial Statements
For The Year Ended December 31, 2009

NOTE 13 – CAPITAL LEASES – LESSEE DISCLOSURE *(continued)*

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2009, for business-type activities:

	Year Ending December 31,	Amount
	2010	\$7,340
	2011	2,150
Total		9,490
Less: Amount representing Interest		(445)
Present Value of Minimum Lease Payment		\$9,045

NOTE 14 – OUTSTANDING DEBT AND OTHER LONG-TERM OBLIGATIONS

Bonded Debt and Other Long-Term Obligations

The change in the City’s long-term obligations during the year consisted of the following:

Types / Issues	Balance 12/31/2008	Issued	Retired	Balance 12/31/2009	Due Within One Year
<u>Business-Type Activities</u>					
<u>General Obligation Bonds</u>					
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%	1,205,000	0	115,000	1,090,000	110,000
Total General Obligation Bonds	3,005,000	0	115,000	2,890,000	110,000
 <u>Other Long-Term Obligations</u>					
Capital Leases	16,316	0	7,271	9,045	6,935
Compensated Absences	109,339	92,099	88,095	113,343	57,139
Total Other Long-Term Obligations	125,655	92,099	95,366	122,388	64,074
 Total Business-Type Activities	 \$3,130,655	 \$92,099	 \$210,366	 \$3,012,388	 \$174,074

City of Circleville
Notes To The Basic Financial Statements
For The Year Ended December 31, 2009

NOTE 14 – OUTSTANDING DEBT AND OTHER LONG-TERM OBLIGATIONS
(continued)

Types / Issues	Balance 12/31/2008	Issued	Retired	Balance 12/31/2009	Due Within One Year
<u>Governmental Activities</u>					
<u>General Obligation Bonds</u>					
1997 - Berger Health System					
Bonds \$2,000,000					
Term Bonds 4.80% - 5.40%	\$1,140,000	\$0	\$100,000	\$1,040,000	\$105,000
2000 - Capital Facilities Improvement					
Safety Services Building Bonds \$3,285,000					
Term Bonds 5.625%	2,060,000	0	0	2,060,000	0
Serial Bonds 4.45% - 5.95%	290,000	0	145,000	145,000	145,000
2000 - Capital Facilities Improvement					
City Services Building Bonds \$500,000					
Term Bonds 5.625%	315,000	0	0	315,000	0
Serial Bonds 4.45% - 5.95%	45,000	0	20,000	25,000	25,000
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%	145,000	0	10,000	135,000	15,000
Premium on Bonds Issued	16,694	0	835	15,859	0
Total General Obligation Bonds	<u>4,221,694</u>	<u>0</u>	<u>275,835</u>	<u>3,945,859</u>	<u>290,000</u>
<u>Other Long-Term Obligations</u>					
Capital Leases	200,768	9,342	70,677	139,433	63,033
Compensated Absences	347,036	334,034	308,808	372,262	226,181
Total Other Long-Term Obligations	<u>547,804</u>	<u>343,376</u>	<u>379,485</u>	<u>511,695</u>	<u>289,214</u>
Total Governmental Activities	<u>\$4,769,498</u>	<u>\$343,376</u>	<u>\$655,320</u>	<u>\$4,457,554</u>	<u>\$579,214</u>

The City's overall legal debt margin was \$21,252,033, with an unvoted debt margin of \$9,773,387 at December 31, 2009.

City of Circleville
Notes To The Basic Financial Statements
For The Year Ended December 31, 2009

NOTE 14 – OUTSTANDING DEBT AND OTHER LONG-TERM OBLIGATIONS

(continued)

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

Year	Business-Type Activities			
	Waterworks Operating General Obligation Bonds		Sewer Operating General Obligation Bonds	
	Principal	Interest	Principal	Interest
2010	\$45,000	\$50,098	\$65,000	\$67,158
2011	45,000	48,749	65,000	65,207
2012	50,000	47,398	60,000	63,258
2013	50,000	45,774	60,000	61,307
2014	50,000	44,024	60,000	59,208
2015-2019	295,000	188,543	395,000	254,000
2020-2024	355,000	122,663	480,000	166,898
2025-2028	345,000	39,288	470,000	53,575
Totals	\$1,235,000	\$586,537	\$1,655,000	\$790,611

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

Year	Governmental Activities	
	General Obligation Bonds	
	Principal	Interest
2010	\$290,000	\$213,786
2011	315,000	197,551
2012	330,000	180,485
2013	345,000	162,549
2014	365,000	143,743
2015-2019	1,790,000	407,624
2020-2024	400,000	50,645
2025-2028	95,000	10,938
Totals	\$3,930,000	\$1,367,321

City of Circleville
Notes To The Basic Financial Statements
For The Year Ended December 31, 2009

NOTE 14 – OUTSTANDING DEBT AND OTHER LONG-TERM OBLIGATIONS

(continued)

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.

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>Year</u>	<u>Amount</u>
2010	\$105,000
2011	115,000
2012	120,000
2013	125,000
2014	135,000
2015	140,000
2016	145,000
2017	155,000
Totals	<u><u>\$1,040,000</u></u>

Capital Facilities Improvement Safety Services Building Bonds

On June 1, 2000, the City of Circleville issued \$3,285,000 in general obligation bonds for the purpose of constructing a new safety facility to house a fire station, an EMS facility, and fire department offices. The bonds were issued for a 20 year period with final maturity on December 1, 2020.

City of Circleville
Notes To The Basic Financial Statements
For The Year Ended December 31, 2009

NOTE 14 – OUTSTANDING DEBT AND OTHER LONG-TERM OBLIGATIONS

(continued)

The term bonds, issued at \$2,060,000 maturing on December 1, 2020, 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>Year</u>	<u>Amount</u>
2011	\$160,000
2012	170,000
2013	180,000
2014	185,000
2015	195,000
2016	210,000
2017	220,000
2018	235,000
2019	245,000
2020	260,000
Totals	<u><u>\$2,060,000</u></u>

The serial bonds, issued at \$1,225,000 with a maturity date of December 1, 2010, are subject to optional redemption, in whole or in part, on any date at the option of the issuer on or after December 1, 2009, and no later than December 1, 2012, at the redemption price of 100 percent.

Capital Facilities Improvement City Services Building Bonds

On June 1, 2000, the City of Circleville issued \$500,000 in general obligation bonds for the purpose of purchasing and renovating a service building. The bonds were issued for a 20 year period with final maturity on December 1, 2020.

City of Circleville
Notes To The Basic Financial Statements
For The Year Ended December 31, 2009

NOTE 14 – OUTSTANDING DEBT AND OTHER LONG-TERM OBLIGATIONS

(continued)

The term bonds, issued at \$315,000 maturing on December 1, 2020, 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:

Year	Amount
2011	\$25,000
2012	25,000
2013	25,000
2014	30,000
2015	30,000
2016	30,000
2017	35,000
2018	35,000
2019	40,000
2020	40,000
Totals	\$315,000

The serial bonds, issued at \$185,000 with a maturity date of December 1, 2010, are subject to optional redemption, in whole or in part, on any date at the option of the issuer on or after December 1, 2009, and no later than December 1, 2012, at the redemption price of 100 percent.

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.

City of Circleville
Notes To The Basic Financial Statements
For The Year Ended December 31, 2009

NOTE 14 – OUTSTANDING DEBT AND OTHER LONG-TERM OBLIGATIONS

(continued)

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:

Year	Amount
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	240,000
Totals	\$2,010,000

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.

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. 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, 2009, is \$18,508,000.

City of Circleville
Notes To The Basic Financial Statements
For The Year Ended December 31, 2009

NOTE 14 – OUTSTANDING DEBT AND OTHER LONG-TERM OBLIGATIONS

(continued)

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, Sick Leave Retirement Fund, Waterworks Operating Fund and Sewer Operating Fund. Capital leases will be paid from the General Fund, State Highway Improvement Fund, Safety Forces Tax Fund, Municipal Probation Fund, Capital Improvement Fund, Waterworks Operating Fund, and Sewer Operating Fund.

NOTE 15 – 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 experienced an increase in the number of lawsuits filed in the areas of Law Enforcement and Public Entity Employment Practices. This proliferation of lawsuits has resulted in an increase in the City's deductible to \$25,000 for each claim filed under affected liability coverage. To combat these lawsuits, the City has instituted policies and procedures as recommended by the City's liability insurance carrier. 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.

City of Circleville
Notes To The Basic Financial Statements
For The Year Ended December 31, 2009

NOTE 16 – INTERFUND ACTIVITY

Transfers made during the year ended December 31, 2009, were as follows:

		Transfers To Nonmajor Funds
Transfers From	General Fund	\$10,000
	Capital Improvement Fund	39,394
	Total	<u>\$49,394</u>

The transfers from the General Fund to Nonmajor Funds were made to fund the future replacement of Fire Department vehicles. Transfers from the Capital Improvement Fund to Nonmajor Funds were made to meet the matching requirements related to an Ohio Public Works Commission grant the City received during the year.

NOTE 17 – JOINTLY GOVERNED ORGANIZATION

The Pickaway Progress Partnership (P³), 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. P³ is governed by a 15 member Board of Trustees, three of which are elected or appointed officials of the City, three are appointed by Pickaway County, one is a representative of the North Gate Alliance Cooperative Economic Development Agreement, and eight are volunteer citizens. P³ is the economic development agent for Pickaway County and its municipalities. P³ has three main objectives: promote and market the advantages of locating business in the County; promote a stronger business environment by facilitating retention and expansion efforts of local employers; and deliver a seamless network of economic development services and value-added programs to existing businesses, local government, and prospective companies throughout Pickaway County. Because P³ is subject to joint control and the participants have no equity interest in P³, P³ is a jointly governed organization of the City. The City contributed \$39,000 to P³ during the year.

City of Circleville
Notes To The Basic Financial Statements
For The Year Ended December 31, 2009

NOTE 18 – CONTRACTUAL COMMITMENTS

The City has entered into various contracts for the construction of capital assets and remediation within the City. The outstanding contractual commitments at December 31, 2009, are:

<u>Contractor</u>	<u>Contract Amount</u>	<u>Amount Expended</u>	<u>Balance At December 31, 2009</u>
KMC Paving, Inc.	\$450,612	\$230,123	\$220,489
R.W. Setterlin Company	248,700	0	248,700
Republic Services, Inc.	105,660	0	105,660
Sam's Excavating Unlimited	39,000	0	39,000
Total	<u>\$843,972</u>	<u>\$230,123</u>	<u>\$613,849</u>

NOTE 19 – CONTINGENT LIABILITIES

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.

Federal and State Grants

For the period January 1, 2009, to December 31, 2009, the City received federal and State grants for specific purposes that are subject to review and audit by the grantor agencies or their designees. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowance, if any, would be immaterial.

NOTE 20 – SUBSEQUENT EVENTS

During 2010, a law suit pending from 2009 involving the City was settled. As a result of the settlement, no additional funds beyond the \$10,000 deductible had to be paid by the City.

City of Circleville
Notes To The Basic Financial Statements
For The Year Ended December 31, 2009

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).

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. The System also applies the Financial Accounting Standards Board Statements and Interpretations to the extent that they do not conflict with or contradict GASB pronouncements.

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.

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 \$9,582,000 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.

City of Circleville
Notes To The Basic Financial Statements
For The Year Ended December 31, 2009

NOTE 21 – BERGER HEALTH SYSTEM *(continued)*

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>Fair Value</u>	<u>How Held</u>
US Agency Bonds	\$22,596,000	Counterparty
STAROhio	257,000	System's Name
Totals	<u><u>\$22,853,000</u></u>	

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>Investment</u>	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
US Agency Bonds	\$22,596,000	0.34 Years
STAROhio	257,000	-----
Totals	<u><u>\$22,853,000</u></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>Investment</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating on</u>
US Agency Bonds	\$22,596,000	AAA	Standard & Poor's
STAROhio	257,000	AAAm	Standard & Poor's
Totals	<u><u>\$22,853,000</u></u>		

City of Circleville
Notes To The Basic Financial Statements
For The Year Ended December 31, 2009

NOTE 21 – BERGER HEALTH SYSTEM *(continued)*

Capital Assets

Capital assets activity for the year ended December 31, 2009, was as follows:

	Balance At 12/31/2008	Additions	Deletions	Balance At 12/31/2009
Capital Assets, Not Being Depreciated:				
Land	\$3,210,610	\$0	\$0	\$3,210,610
Construction in Progress	346,548	782,045	(702,339)	426,254
Total Capital Assets, Not Being Depreciated	<u>3,557,158</u>	<u>782,045</u>	<u>(702,339)</u>	<u>3,636,864</u>
Depreciable Capital Assets:				
Land Improvements	1,603,089	1,193	0	1,604,282
Buildings	35,756,953	11,680	0	35,768,633
Building Improvements	18,031,204	933,080	0	18,964,284
Equipment	43,974,511	2,143,590	0	46,118,101
Total Depreciable Capital Assets	<u>99,365,757</u>	<u>3,089,543</u>	<u>0</u>	<u>102,455,300</u>
Less Accumulated Depreciation:				
Land Improvements	(1,184,737)	(194,304)	0	(1,379,041)
Buildings	(13,516,299)	(1,450,484)	0	(14,966,783)
Building Improvements	(10,384,872)	(989,304)	0	(11,374,176)
Equipment	(33,663,258)	(2,790,730)	0	(36,453,988)
Total Accumulated Depreciation	<u>(58,749,166)</u>	<u>(5,424,822)</u>	<u>0</u>	<u>(64,173,988)</u>
Depreciable Capital Assets, Net	<u>40,616,591</u>	<u>(2,335,279)</u>	<u>0</u>	<u>38,281,312</u>
Capital Assets, Net	<u><u>\$44,173,749</u></u>	<u><u>(\$1,553,234)</u></u>	<u><u>(\$702,339)</u></u>	<u><u>\$41,918,176</u></u>

City of Circleville
Notes To The Basic Financial Statements
For The Year Ended December 31, 2009

NOTE 21 – BERGER HEALTH SYSTEM (continued)

Long-Term Obligations

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

Types / Issues	Balance 12/31/2008	Issued	Retired	Balance 12/31/2009	Due Within One Year
1997 - 5.036% - 5.400% City of Circleville Loan \$2,000,000	\$1,131,668	\$0	\$100,417	\$1,031,251	\$105,833
<u>Revenue Bonds</u>					
2003 - City of Circleville Hospital Facilities Revenue Bonds Series 2003B	8,000,000	0	0	8,000,000	0
2007 - City of Circleville Hospital Facilities Revenue Bonds Series 2007A	8,630,000	0	1,056,000	7,574,000	1,056,000
2007 - City of Circleville Hospital Facilities Revenue Bonds Series 2007B	2,495,000	0	664,000	1,831,000	664,000
2008 - City of Circleville Hospital Facilities Revenue Bonds Series 2008A	1,239,000	0	136,000	1,103,000	136,000
Total Revenue Bonds	<u>20,364,000</u>	<u>0</u>	<u>1,856,000</u>	<u>18,508,000</u>	<u>1,856,000</u>
<u>Other Long-Term Obligations</u>					
Capital Leases	2,058,442	0	627,696	1,430,746	1,430,746
Compensated Absences	1,257,885	2,055,381	2,012,549	1,300,717	0
Total Other Long-Term Obligations	<u>3,316,327</u>	<u>2,055,381</u>	<u>2,640,245</u>	<u>2,731,463</u>	<u>1,430,746</u>
Total Long-Term Obligations	<u>\$24,811,995</u>	<u>\$2,055,381</u>	<u>\$4,596,662</u>	<u>\$22,270,714</u>	<u>\$3,392,579</u>

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

Year	<u>Long-Term Debt</u>		<u>Capital Lease Obligation</u>	
	Principal	Interest	Principal	Interest
2010	\$1,961,833	\$799,534	\$1,430,746	\$28,840
2011	5,471,417	703,470	0	0
2012	2,482,085	459,236	0	0
2013	5,151,165	329,186	0	0
2014	3,621,417	163,682	0	0
2015-2018	851,334	50,366	0	0
Total	<u>\$19,539,251</u>	<u>\$2,505,474</u>	<u>\$1,430,746</u>	<u>\$28,840</u>

City of Circleville
Notes To The Basic Financial Statements
For The Year Ended December 31, 2009

NOTE 21 – BERGER HEALTH SYSTEM *(continued)*

On September 1, 2003, the System entered into a financing agreement with the City of Circleville in which the City issued \$10,000,000 of Hospital Facilities Revenue Bonds (Series 2003B Bonds). During 2007, the System refinanced the Series 2003B Bonds to change maturity of the instrument. The System will pay interest-only payments, at a rate of 4.10 percent, until December 2011, at which time a lump-sum payment of \$3,500,000 will be due followed by quarterly principal installments ranging from \$167,000 in March 2012 to \$3,500,000 in September 2013, plus interest.

On November 1, 2007, the System entered into a financing agreement with the City of Circleville in which the City issued \$9,950,000 of Hospital Facilities Revenue Bonds (Series 2007A Bonds). The proceeds were used to retire prior obligations and to fund operations. The Series 2007A Bonds mature in quarterly principal installments ranging from \$264,000 in December 2007 to \$2,558,000 in September 2014, at a rate of 3.85 percent.

On November 1, 2007, the System entered into a financing agreement with the City of Circleville in which the City issued \$3,325,000 of Hospital Facilities Revenue Bonds (Series 2007B Bonds). The proceeds were used to retire prior obligations and to fund operations. The Series 2007B Bonds mature in quarterly principal installments ranging from \$166,000 in December 2007 to \$171,000 in September 2012, at a rate of 5.95 percent.

On November 1, 2007, the System entered into a financing agreement with the City of Circleville in which the City issued \$1,375,000 of Hospital Facilities Revenue Bonds (Series 2008A Bonds). The proceeds were used to fund operations. The Series 2008A Bonds mature in quarterly principal installments of \$34,000 from March 2008 to December 2014, at a rate of 3.85 percent.

In conjunction with the Series 2003B, Series 2007A, Series 2007B, and Series 2008A 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 2003B, Series 2007A, Series 2007B, and Series 2008A Bonds are collateralized by System revenues and receipts, and unexpended bond proceeds and income from bond fund related investments.

City of Circleville
Notes To The Basic Financial Statements
For The Year Ended December 31, 2009

NOTE 21 – BERGER HEALTH SYSTEM *(continued)*

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 \$100,000 per employee. Claims, charged to operations when incurred, were approximately \$4,600,000 for the year ended December 31, 2009.