



Dave Yost • Auditor of State

**City of Circleville  
Pickaway County, Ohio**

**General Purpose External Financial Statements  
For the Year Ended December 31, 2010**

**City of Circleville**  
General Purpose External Financial Statements  
For the Year Ended December 31, 2010

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# Dave Yost • Auditor of State

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

## **Accountants Compilation Report**

We have compiled the accompanying basic financial statements of the City of Circleville as of and for the year ended December 31, 2010. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board.

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.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

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

DAVE YOST  
Auditor of State

Unice S. Smith  
Chief of Local Government Services

May 19, 2011

**City of Circleville**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2010  
(Unaudited)

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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, 2010. 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 increased \$744,016. Net assets of governmental activities increased \$954,787. Revenues of business-type activities failed to cover expenses by \$210,771.
- General revenues of governmental activities accounted for \$8,064,929. Program specific revenues in the form of charges for services, grants and contributions accounted for \$3,464,460 of total revenues of \$11,529,389.
- Enterprise funds reflected a total operating loss of \$92,563. The Waterworks Operating Fund reflected an operating income of \$48,973, while the Sewer Operating Fund reflected an operating loss of \$141,536.
- The City had \$10,574,602 in expenses related to governmental activities; \$3,464,460 of these expenses were offset by program specific charges for services, grants and contributions. General revenues (primarily income taxes) of \$8,064,929 were adequate to provide for these programs. The City had \$3,684,194 in expenses related to business-type activities; \$3,469,328 of these expenses were offset by program specific charges for services, grants and contributions, which, along with general revenues of \$4,095, 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  
For the Year Ended December 31, 2010  
(Unaudited)

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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 2010?” 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**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2010  
(Unaudited)

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**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**  
**Management's Discussion and Analysis**  
**For the Year Ended December 31, 2010**  
**(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 2010 compared to 2009.

Table 1  
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2009	2010	2009	2010	2009	2010
<b>Assets:</b>						
Current and Other Assets	\$8,530,913	\$9,114,612	\$6,995,840	\$7,350,811	\$15,526,753	\$16,465,423
Nondepreciable Capital Assets	1,188,489	1,105,680	149,180	149,180	1,337,669	1,254,860
Depreciable Capital Assets, Net	21,927,523	22,154,674	19,404,662	18,803,460	41,332,185	40,958,134
<b>Total Assets</b>	<b>31,646,925</b>	<b>32,374,966</b>	<b>26,549,682</b>	<b>26,303,451</b>	<b>58,196,607</b>	<b>58,678,417</b>
<b>Liabilities:</b>						
Current and Other Liabilities	1,624,255	1,659,595	124,626	182,460	1,748,881	1,842,055
Long-Term Liabilities: Due Within One Year	579,214	601,615	174,074	174,548	753,288	776,163
Due in More Than One Year	3,878,340	3,543,853	2,838,314	2,744,546	6,716,654	6,288,399
<b>Total Liabilities</b>	<b>6,081,809</b>	<b>5,805,063</b>	<b>3,137,014</b>	<b>3,101,554</b>	<b>9,218,823</b>	<b>8,906,617</b>
<b>Net Assets:</b>						
Invested in Capital Assets, Net Of Related Debt	20,143,261	20,530,905	16,748,140	16,258,961	36,891,401	36,789,866
Restricted for:						
Capital Outlay	1,304,744	759,579	0	0	1,304,744	759,579
Debt Service	115,356	146,990	0	0	115,356	146,990
Safety Forces	726,369	748,958	0	0	726,369	748,958
Streets	576,175	658,000	0	0	576,175	658,000
Community Development	430,849	626,699	0	0	430,849	626,699
Other Purposes	714,363	839,555	0	0	714,363	839,555
Unrestricted	1,603,999	2,259,217	6,664,528	6,942,936	8,268,527	9,202,153
<b>Total Net Assets</b>	<b>\$25,615,116</b>	<b>\$26,569,903</b>	<b>\$23,412,668</b>	<b>\$23,201,897</b>	<b>\$49,027,784</b>	<b>\$49,771,800</b>

**City of Circleville**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2010  
(Unaudited)

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Overall, a significant increase occurred within total governmental assets from the prior year. An increase of \$583,699 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 increase was intergovernmental receivables. Intergovernmental receivables increased \$840,285 from the prior year due to grant awards, including an Ohio HOME Investment Partnerships Grant award and a Community Development Block Grant award, being awarded in 2010. The majority of these grant monies will not be received and expensed until 2011. Nondepreciable capital assets demonstrated a decrease due to the completion of the sprayground at MVCH Park during the year. The sprayground was reclassified from construction in progress to depreciable capital assets. Depreciable capital assets, net increased \$227,151 as the result of current year additions exceeding annual depreciation.

Reviewing liabilities of governmental activities demonstrates an insignificant increase in current and other liabilities. 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 increased 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 \$88,075. Restricted net assets for capital outlay decreased \$545,165 as a result of the City utilizing its accumulated resources for noncapitalized street repairs. Restricted net assets for streets increased \$81,825 due to a significant decrease in salaries and benefits paid during 2010. As a cost savings measure, the City did not replace employees who left during the year. Restricted net assets for community development increased \$195,850 due to the City having a much larger amount of outstanding intergovernmental receivables for 2010. The City was awarded a new Ohio HOME Investment Partnership Grant and a new Community Development Block Grant for which receivables of substantial amounts were recorded on the financial statements for 2010. Restricted net assets for other purposes increased \$125,192 as a result of municipal court fines collected but not expensed during the current year. Unrestricted governmental net assets had an increase of \$655,218 as a result of a significant increase in intergovernmental revenues due to a tremendous increase in estate tax revenues collected during 2010 when compared to the prior year.

In total, assets and liabilities of business-type activities decreased \$246,231 and \$35,460, respectively, which are insignificant decreases. Total net assets of business-type activities decreased insignificantly by \$210,771.

**City of Circleville**  
**Management's Discussion and Analysis**  
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**(Unaudited)**

Table 2 shows the changes in net assets for the years ended December 31, 2010 and 2009.

Table 2  
Changes In Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2009	2010	2009	2010	2009	2010
<b>Revenues:</b>						
Program Revenues:						
Charges for Services	\$1,683,299	\$1,577,539	\$3,281,484	\$3,460,971	\$4,964,783	\$5,038,510
Operating Grants and Contributions	814,464	1,509,096	0	8,357	814,464	1,517,453
Capital Grants and Contributions	738,508	377,825	0	0	738,508	377,825
Total Program Revenues	3,236,271	3,464,460	3,281,484	3,469,328	6,517,755	6,933,788
General Revenues:						
Property Taxes	852,653	879,304	0	0	852,653	879,304
Income Taxes	4,568,797	4,630,378	0	0	4,568,797	4,630,378
Other Local Taxes	239,959	233,262	0	0	239,959	233,262
Grants and Entitlements not Restricted to Specific Programs	1,204,895	1,956,391	0	0	1,204,895	1,956,391
Unrestricted Investment Earnings	199,829	180,354	0	0	199,829	180,354
Miscellaneous	126,926	185,240	3,093	4,095	130,019	189,335
Total General Revenues	7,193,059	8,064,929	3,093	4,095	7,196,152	8,069,024
Total Revenues	\$10,429,330	\$11,529,389	\$3,284,577	\$3,473,423	\$13,713,907	\$15,002,812

*(continued)*

**City of Circleville**  
**Management's Discussion and Analysis**  
**For the Year Ended December 31, 2010**  
**(Unaudited)**

Table 2  
Changes In Net Assets  
(Continued)

	Governmental Activities		Business-Type Activities		Total	
	2009	2010	2009	2010	2009	2010
<b>Program Expenses:</b>						
Security of Persons and Property:						
Police	\$3,021,043	\$2,669,511	\$0	\$0	\$3,021,043	\$2,669,511
Fire	1,762,904	1,652,861	0	0	1,762,904	1,652,861
Other	273,140	238,304	0	0	273,140	238,304
Public Health Services	177,630	183,508	0	0	177,630	183,508
Leisure Time Activities:						
Parks and Recreation	207,384	143,500	0	0	207,384	143,500
Swimming Pool	37,554	27,075	0	0	37,554	27,075
Other	26,657	25,523	0	0	26,657	25,523
Community Development:						
City Funded	11,868	12,114	0	0	11,868	12,114
Grant Funded	553,431	634,119	0	0	553,431	634,119
Basic Utility Services	2,700	0	0	0	2,700	0
Transportation	1,954,855	1,883,341	0	0	1,954,855	1,883,341
General Government	3,024,846	2,878,529	0	0	3,024,846	2,878,529
Interest and						
Fiscal Charges	243,605	226,217	0	0	243,605	226,217
Waterworks Operating	0	0	1,425,498	1,588,064	1,425,498	1,588,064
Sewer Operating	0	0	2,011,085	2,096,130	2,011,085	2,096,130
Total Expenses	11,297,617	10,574,602	3,436,583	3,684,194	14,734,200	14,258,796
Increase (Decrease) in Net Assets	(868,287)	954,787	(152,006)	(210,771)	(1,020,293)	744,016
Net Assets at Beginning of Year	26,483,403	25,615,116	23,564,674	23,412,668	50,048,077	49,027,784
Net Assets at End of Year	\$25,615,116	\$26,569,903	\$23,412,668	\$23,201,897	\$49,027,784	\$49,771,800

*Governmental Activities*

Program revenues, which are primarily represented by charges for permits, fines, and departmental services, as well as restricted intergovernmental revenues were \$3,464,460 of total revenues for 2010 of \$11,529,389 and were significantly higher than in 2009. Operating grants and contributions increased as a result of the City recognizing several new revenue sources, including a newly awarded Ohio HOME Investment Partnership Grant and a newly awarded Community Development Block Grant, in 2010. However, very few such revenue sources existed for 2009. Also, capital grants and contributions demonstrated a significant decrease in 2010 as the result of the City receiving a grant in 2009 for development in parks and recreation. This grant, nor a similar one, was received in 2010.

**City of Circleville**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2010  
(Unaudited)

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As previously mentioned, general revenues were \$8,064,929 of total revenues for 2010. The 1.5 percent income tax is the largest source of revenue for the City of Circleville, making up \$4,630,378 of revenues for governmental activities for the year ended 2010. 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 was stagnating with an increase of less than 0.01 percent from 2004 to 2008. The main contributing factors were the downturn in the economy and the loss of the City's industrial base. However, the implementation of reduced credit kept revenue losses to a minimum. Then, in 2009, the municipal income tax accelerated its downward turn when it fell by 2.48 percent. The City's major employers were stable but receipts from reduced credit reflected significant revenue losses. Municipal income tax revenues showed an increase of 2.77 percent in 2010. This improvement was directly attributable to the City's core employers, who started to show a recovery from the current economic downturn. Reduced credit continued to lag, reflecting the significant levels of unemployment that continues to exist.

The City of Circleville, in conjunction with its economic development initiative, the Pickaway Progress Partnership (P<sup>3</sup>) continues to aggressively pursue economic growth in the City. P<sup>3</sup> received a \$3.5 million Job Ready Sites Grant for the development of the former Thomson Consumer Electronics site into a jobs ready location. The City has implemented a municipal income tax credit program to entice job creation from existing and new businesses. In 2010, the City created a Community Reinvestment Area that encompasses all industrial and commercial areas of the City. P<sup>3</sup> 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 \$1,956,391 of revenue for governmental activities of the City of Circleville for the year ended 2010. Property taxes made up \$879,304 of revenue for governmental activities for a total of \$7,466,073 of all revenue coming from income taxes, property taxes, and grant and entitlements not restricted to specific programs.

**City of Circleville**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2010  
(Unaudited)

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Governmental program expenses as a percentage of total governmental expenses for 2010 are expressed as follows:

Security of Persons and Property:	
Police	25.24%
Fire	15.63
Other	2.25
Public Health Services	1.74
Leisure Time Activities:	
Parks and Recreation	1.36
Swimming Pool	0.26
Other	0.24
Community Development:	
City Funded	0.11
Grant Funded	6.00
Transportation	17.81
General Government	27.22
Interest and Fiscal Charges	2.14
	<u>100.00%</u>

The above chart clearly indicates the City's major source of expenses, 43.12 percent is related to the operating of safety forces. A distant second, 27.22 percent, is the administration of general government activities within the City. All other forms of governmental operations represent 29.66 percent of expenditures. A comparison to the prior year demonstrates that expenses were relatively consistent with those in the previous year.

*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.

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.

**City of Circleville**  
Management's Discussion and Analysis  
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(Unaudited)

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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 an insignificant decrease from the prior year. 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 \$11,189,018 and expenditures of \$10,974,738. The General Fund balance increased \$458,455. The increase in the General Fund balance is the result of a significant increase in intergovernmental revenues when compared to prior years as a result of the City receiving a significant estate tax settlement in 2010.

The Income Tax Fund balance decreased \$14,075. This is the result of a decrease in income taxes revenue recognized in this fund during the year.

The Safety Forces Tax Fund balance increased insignificantly during 2010.

The General Obligation Bond Retirement Fund balance decreased \$101,451.

The Capital Improvement Fund balance decreased \$280,556 from the prior year. This decrease was the result of the City performing various grounds and street improvements throughout the year.

### *General Fund Budgeting Highlights*

During 2010, the City amended its General Fund budget as needed. Original budgeted revenues in the amount of \$4,860,222, exceeded final budgeted revenues of \$4,714,269, which represents an insignificant decrease. Final budgeted revenues were greater than actual revenues of \$4,619,150. The difference of \$95,119 is primarily due to investment earnings being significantly lower than final estimates as a result of decreasing interest rates realized by the City during 2010.

The decrease in expenditures from the original to the final budget was \$145,953, which is insignificant. The difference in actual expenditures compared to the final budget was \$550,110, a significant reduction. The primary cause of this reduction was a decrease in actual expenditures for general government and security of persons and property – fire expenditures from final budgeted amounts of \$228,915 and \$180,299, respectively. This is primarily related to the City practicing cost savings measures through attrition. 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.

**City of Circleville**  
Management's Discussion and Analysis  
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(Unaudited)

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Actual General Fund revenues were less than expenditures by \$359,563. 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 \$454,991 above the final budgeted amount.

### **Capital Assets and Debt Administration**

#### *Capital Assets*

At the end of 2010, the City had \$23,260,354 in capital assets (net of accumulated depreciation) for governmental activities, an increase of \$144,342. Increases included land, two shelterhouses and a restroom facility at the parks, a sprayground, various equipment, traffic signals, and various street improvements. Disposals of capital assets included a backhoe and street resurfacing within the City. The increase in capital assets is the result of current year additions exceeding annual depreciation for the year.

The City also had \$18,952,640 in capital assets (net of accumulated depreciation) for business-type activities, a decrease of \$601,202. Increases included a well motor, a vehicle, and the replacement/addition of fire hydrants within the City. Disposals of capital assets included fire hydrants and the transfer of vehicle to governmental activities. 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 \$3,640,000 and a premium on bonds issued of \$15,024 for governmental activities. Business-type activities had debt obligations in the amount of \$2,780,000 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.

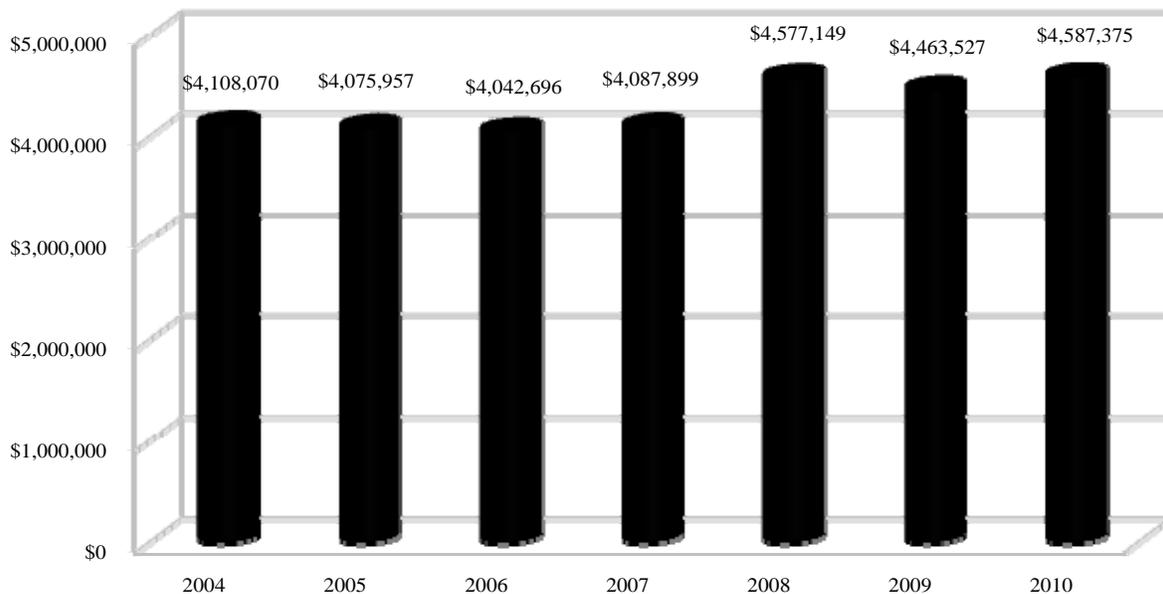
**City of Circleville**  
Management's Discussion and Analysis  
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**Current Issues**

On a cash basis, the City of Circleville's municipal income tax base increased 2.77 percent in 2010. The major contributor to the increase in municipal income tax receipts was employer withholdings. Business net profits showed an increase as the economy started recovering. Individual filing receipts were up slightly compared to the past. However, revenues from the reduced credit continued to decline, reflecting the overall unemployment rate in the neighboring areas. The municipal income tax continues to be the major factor in financing governmental operations. This is reflected by the fact that 48 percent of the City's cash basis revenues are generated by the income tax. Circleville City Council maintained 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 34.98 percent of the dollars needed to operate the City's safety forces. The increase in the total percentage that municipal income tax provides for governmental operations reflects the decrease in other City revenues. As these sources continue to decline, the municipal income tax will be required to fund more of the City's expenditures. This factor is the leading component behind the City's continued budgetary struggles.

Table 3  
Municipal Income Tax Cash Basis Revenues  
2004 Through 2010



**City of Circleville**  
**Management's Discussion and Analysis**  
**For the Year Ended December 31, 2010**  
**(Unaudited)**

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

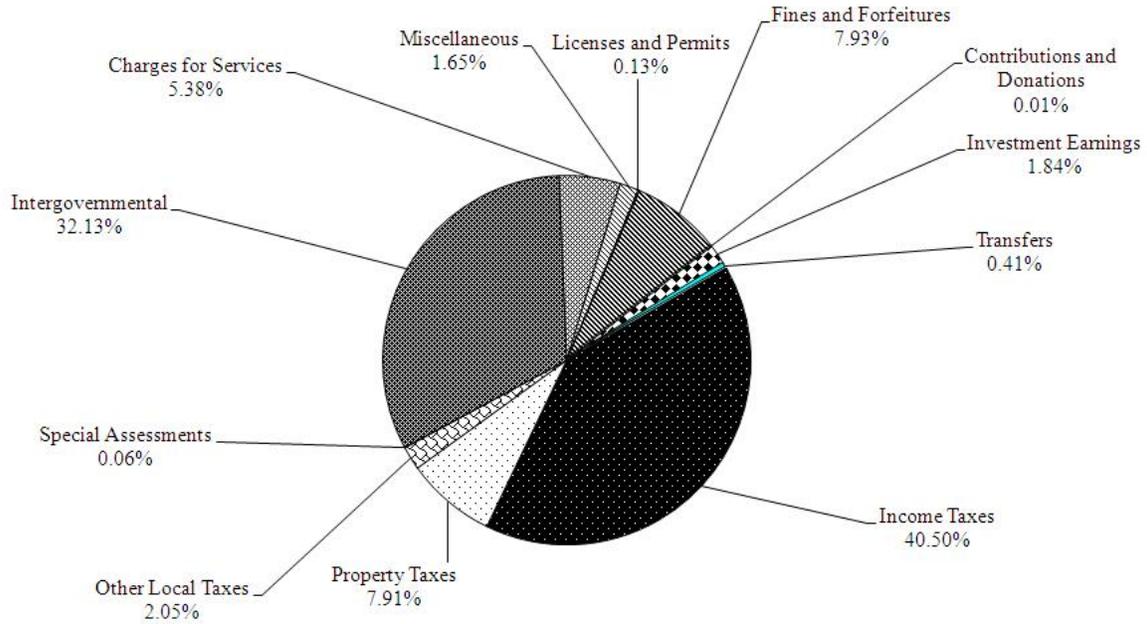
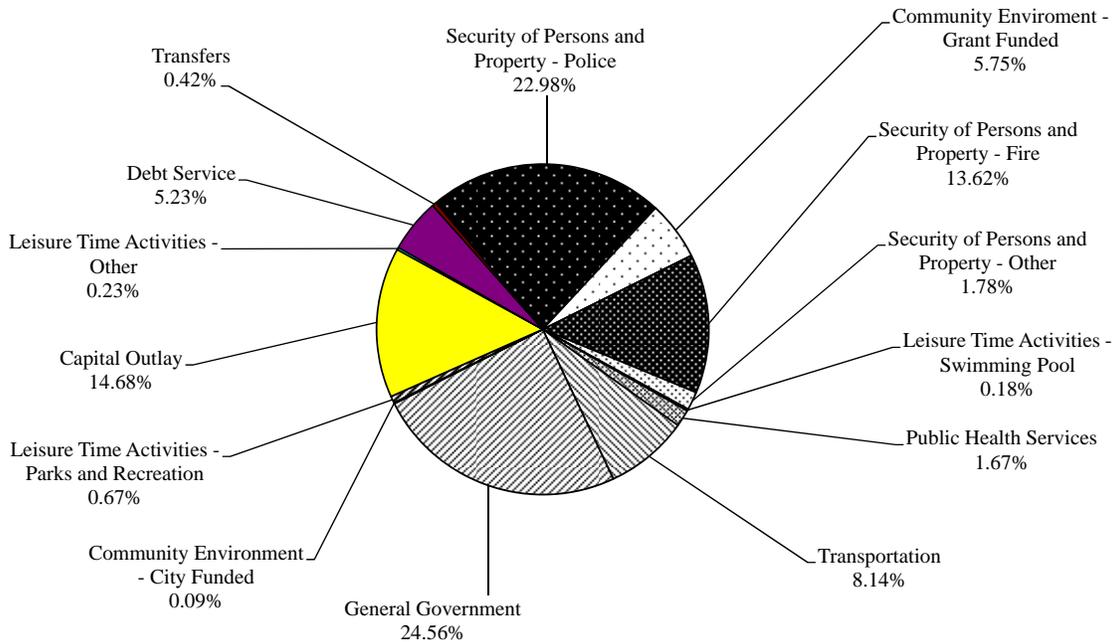


Table 5  
 Modified Accrual Basis Operating Expenditures and Other Financing Uses by Type  
 Governmental Funds



**City of Circleville**  
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(Unaudited)

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Governmental fund operating revenues of the City increased 3.93 percent in 2010. The City continues to budget with a cautionary agenda. The capital improvement program of the City was increased 9.88 percent from 2009 expenditures. The contributing factors were increases in grant awards and donations for leisure time activities and transportation improvements. Capital improvements of \$348,198 were financed with grant proceeds to the MV Crites Hannan Park. The transportation system benefited from an Ohio Public Works Commission grant of \$97,994, coupled with \$25,932 in City funds, which allowed for the improvement of North Pickaway Street. On a cash basis, the City spent 27.22 percent of its operating budget on capital improvements in 2010. The City's capital assets included current year additions of \$1,396,234 and the annual depreciation was \$1,852,919 for the year. The City is a service provider to its residents, which explains why 61 percent of the operating budget is attributable to personnel services. This is down from 2009 and reflects an overall reduction in force. The safety forces (Police, Fire, and EMS) constitute 47 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 operating and 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 2010, the City received a Capital Legislative Grant from the Ohio Department of Natural Resources for \$226,685. The grant was used to construct a four season pavilion at the MV Crites Hannan Park. In addition, \$120,948 was received from a private bequeath and was used for park improvements at the MVCH Park. The park and its amenities were realized through enormous donations from private individuals and businesses. They were coupled with a variety of grants to provide our community with a full service park facility. In total, over \$1.4 million was invested and the community held a grant opening in May 2010. In 2010, the City, in conjunction with P<sup>3</sup>, continued to utilize \$121,555 in grants from the U.S. EPA and \$293,712 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 stagnation of operating revenues and base income tax revenues are directly attributable to the current economic downturn in the economy. The City has taken steps to adjust budgetary expenditures to reflect current revenue streams. The City of Circleville continues to analyze daily operations to execute the most cost effective services for our citizens. Economic development is spearheaded by P<sup>3</sup>, which is a consortium of other Pickaway County local governments and private industry. 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.

**City of Circleville**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2010  
(Unaudited)

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**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, 2010

	<i>Primary Government</i>		<i>Total</i>
	<i>Governmental Activities</i>	<i>Business-Type Activities</i>	
<b><u>Assets:</u></b>			
Equity in Pooled Cash and Cash Equivalents	\$3,393,851	\$6,633,350	\$10,027,201
Cash and Cash Equivalents	0	0	0
Cash and Cash Equivalents with Fiscal Agents	34,839	0	34,839
Cash and Cash Equivalents with Escrow Agents	2,500	5,000	7,500
Investments	0	0	0
Accrued Interest Receivable	35,983	0	35,983
Accounts Receivable	8,395	528,816	537,211
Intergovernmental Receivable	2,118,674	0	2,118,674
Income Taxes Receivable	1,388,909	0	1,388,909
Materials and Supplies Inventory	181,652	75,899	257,551
Prepaid Items	34,670	16,330	51,000
Property Taxes Receivable	850,773	0	850,773
Other Local Taxes Receivable	45,539	0	45,539
Special Assessments Receivable	3,650	2,985	6,635
Loans Receivable	957,626	0	957,626
Deferred Charges	57,551	88,431	145,982
Capital Assets:			
Nondepreciable Capital Assets	1,105,680	149,180	1,254,860
Depreciable Capital Assets, Net	22,154,674	18,803,460	40,958,134
<i>Total Assets</i>	<u>32,374,966</u>	<u>26,303,451</u>	<u>58,678,417</u>
<b><u>Liabilities:</u></b>			
Accounts Payable	342,962	67,409	410,371
Retainage Payable	2,500	7,032	9,532
Accrued Wages and Benefits Payable	68,840	21,473	90,313
Intergovernmental Payable	385,173	77,154	462,327
Deferred Revenue	809,000	0	809,000
Matured Bonds Payable	20,000	0	20,000
Matured Interest Payable	14,839	0	14,839
Accrued Interest Payable	16,281	9,392	25,673
Long-Term Liabilities:			
Due Within One Year	601,615	174,548	776,163
Due in More Than One Year	3,543,853	2,744,546	6,288,399
<i>Total Liabilities</i>	<u>5,805,063</u>	<u>3,101,554</u>	<u>8,906,617</u>
<b><u>Net Assets:</u></b>			
Invested in Capital Assets, Net of Related Debt	20,530,905	16,258,961	36,789,866
Restricted for:			
Capital Outlay	759,579	0	759,579
Debt Service	146,990	0	146,990
Safety Forces	748,958	0	748,958
Streets	658,000	0	658,000
Community Development	626,699	0	626,699
Other Purposes	839,555	0	839,555
Permanent Endowments	0	0	0
Unrestricted	2,259,217	6,942,936	9,202,153
<i>Total Net Assets</i>	<u>\$26,569,903</u>	<u>\$23,201,897</u>	<u>\$49,771,800</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	\$10,027,201
11,848,273	11,848,273
0	34,839
0	7,500
24,553,056	24,553,056
0	35,983
8,338,486	8,875,697
1,244,991	3,363,665
0	1,388,909
1,359,266	1,616,817
2,811,686	2,862,686
0	850,773
0	45,539
0	6,635
0	957,626
120,235	266,217
3,559,449	4,814,309
37,526,934	78,485,068
<u>91,362,376</u>	<u>150,040,793</u>
3,441,078	3,851,449
0	9,532
2,575,778	2,666,091
0	462,327
0	809,000
0	20,000
0	14,839
88,700	114,373
4,002,417	4,778,580
24,087,207	30,375,606
<u>34,195,180</u>	<u>43,101,797</u>
23,512,667	60,302,533
604,618	1,364,197
0	146,990
0	748,958
0	658,000
0	626,699
0	839,555
25,906	25,906
33,024,005	42,226,158
<u>\$57,167,196</u>	<u>\$106,938,996</u>

See Accountants' Compilation Report

**City of Circleville**  
Statement of Activities  
For the Year Ended December 31, 2010

	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>Primary Government</b>				
<b><u>Governmental Activities:</u></b>				
Security of Persons and Property:				
Police	\$2,669,511	\$33,467	\$8,472	\$0
Fire	1,652,861	11,455	7,757	0
Other	238,304	355,609	4,500	0
Public Health Services	183,508	0	0	0
Leisure Time Activities:				
Parks and Recreation	143,500	4,000	1,503	52,100
Swimming Pool	27,075	0	0	0
Other	25,523	0	0	0
Community Development:				
City Funded	12,114	14,448	0	0
Grant Funded	634,119	0	500,000	226,640
Transportation	1,883,341	80,131	604,126	99,085
General Government	2,878,529	1,078,429	382,738	0
Interest and Fiscal Charges	226,217	0	0	0
<b>Total Governmental Activities</b>	<b>10,574,602</b>	<b>1,577,539</b>	<b>1,509,096</b>	<b>377,825</b>
<b><u>Business-Type Activities:</u></b>				
Waterworks Operating	1,588,064	1,576,397	8,357	0
Sewer Operating	2,096,130	1,884,574	0	0
<b>Total Business-Type Activities</b>	<b>3,684,194</b>	<b>3,460,971</b>	<b>8,357</b>	<b>0</b>
<b>Total - Primary Government</b>	<b>\$14,258,796</b>	<b>\$5,038,510</b>	<b>\$1,517,453</b>	<b>\$377,825</b>
<b>Component Unit</b>				
Berger Health System	\$79,577,107	\$74,782,513	\$673,523	\$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

*Total General Revenues*

*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

<b>Net (Expense) Revenue and Changes in Net Assets</b>				
<b>Primary Government</b>			<b>Component Unit</b>	<b>Total Reporting Entity</b>
<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	<b>Berger Health System</b>	
(\$2,627,572)	\$0	(\$2,627,572)	\$0	(\$2,627,572)
(1,633,649)	0	(1,633,649)	0	(1,633,649)
121,805	0	121,805	0	121,805
(183,508)	0	(183,508)	0	(183,508)
(85,897)	0	(85,897)	0	(85,897)
(27,075)	0	(27,075)	0	(27,075)
(25,523)	0	(25,523)	0	(25,523)
2,334	0	2,334	0	2,334
92,521	0	92,521	0	92,521
(1,099,999)	0	(1,099,999)	0	(1,099,999)
(1,417,362)	0	(1,417,362)	0	(1,417,362)
(226,217)	0	(226,217)	0	(226,217)
(7,110,142)	0	(7,110,142)	0	(7,110,142)
0	(3,310)	(3,310)	0	(3,310)
0	(211,556)	(211,556)	0	(211,556)
0	(214,866)	(214,866)	0	(214,866)
(7,110,142)	(214,866)	(7,325,008)	0	(7,325,008)
0	0	0	(4,121,071)	(4,121,071)
760,619	0	760,619	0	760,619
118,685	0	118,685	0	118,685
1,589,296	0	1,589,296	0	1,589,296
1,669,033	0	1,669,033	0	1,669,033
369,981	0	369,981	0	369,981
1,002,068	0	1,002,068	0	1,002,068
233,262	0	233,262	0	233,262
1,956,391	0	1,956,391	0	1,956,391
180,354	0	180,354	316,876	497,230
185,240	4,095	189,335	3,118,480	3,307,815
8,064,929	4,095	8,069,024	3,435,356	11,504,380
954,787	(210,771)	744,016	(685,715)	58,301
25,615,116	23,412,668	49,027,784	57,852,911	106,880,695
\$26,569,903	\$23,201,897	\$49,771,800	\$57,167,196	\$106,938,996

See Accountants' Compilation Report

**City of Circleville**  
Balance Sheet  
Governmental Funds  
December 31, 2010

	<b><i>General Fund</i></b>	<b><i>Income Tax Fund</i></b>	<b><i>Safety Forces Tax Fund</i></b>
<b><i>Assets:</i></b>			
Equity in Pooled Cash and Cash Equivalents	\$1,008,418	\$15,973	\$466,344
Cash and Cash Equivalents with Fiscal Agents	0	0	0
Receivables:			
Accrued Interest	35,306	0	0
Accounts	8,395	0	0
Intergovernmental	1,293,226	0	0
Income Taxes	421,186	72,851	473,686
Property Taxes	720,507	0	0
Other Local Taxes	27,853	0	0
Loans	0	0	0
Special Assessments	0	0	0
Materials and Supplies Inventory	32,694	0	0
Prepaid Items	9,417	0	18,383
Restricted Assets:			
Cash and Cash Equivalents with Escrow Agents	0	0	0
<b><i>Total Assets</i></b>	<b><u><u>\$3,557,002</u></u></b>	<b><u><u>\$88,824</u></u></b>	<b><u><u>\$958,413</u></u></b>
<b><i>Liabilities and Fund Balances:</i></b>			
<b><i>Liabilities:</i></b>			
Accounts Payable	\$164,929	\$2,422	\$47,664
Retainage Payable from Restricted Assets	0	0	0
Accrued Wages and Benefits Payable	51,643	340	10,477
Intergovernmental Payable	158,735	1,804	191,293
Deferred Revenue	1,704,005	57,709	375,231
Matured Bonds Payable	0	0	0
Matured Interest Payable	0	0	0
<b><i>Total Liabilities</i></b>	<b><u><u>2,079,312</u></u></b>	<b><u><u>62,275</u></u></b>	<b><u><u>624,665</u></u></b>
<b><i>Fund Balances:</i></b>			
Reserved for Encumbrances	83,850	2,669	125,500
Reserved for Loans Receivable	0	0	0
Unreserved:			
Undesignated, Reported in:			
General Fund	1,393,840	0	0
Special Revenue Funds	0	23,880	208,248
Debt Service Funds	0	0	0
Capital Projects Funds	0	0	0
<b><i>Total Fund Balances</i></b>	<b><u><u>1,477,690</u></u></b>	<b><u><u>26,549</u></u></b>	<b><u><u>333,748</u></u></b>
<b><i>Total Liabilities and Fund Balances</i></b>	<b><u><u>\$3,557,002</u></u></b>	<b><u><u>\$88,824</u></u></b>	<b><u><u>\$958,413</u></u></b>

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>
\$19,432	\$510,385	\$1,373,299	\$3,393,851
34,839	0	0	34,839
0	0	677	35,983
0	0	0	8,395
0	0	825,448	2,118,674
166,976	254,210	0	1,388,909
0	0	130,266	850,773
0	0	17,686	45,539
926,250	0	31,376	957,626
0	3,650	0	3,650
0	0	148,958	181,652
0	6,800	70	34,670
0	2,500	0	2,500
<u>\$1,147,497</u>	<u>\$777,545</u>	<u>\$2,527,780</u>	<u>\$9,057,061</u>
\$4,963	\$90,336	\$32,648	\$342,962
0	2,500	0	2,500
0	0	6,380	68,840
0	5	33,336	385,173
132,270	205,023	917,248	3,391,486
20,000	0	0	20,000
14,839	0	0	14,839
<u>172,072</u>	<u>297,864</u>	<u>989,612</u>	<u>4,225,800</u>
0	79,383	39,434	330,836
811,250	0	24,327	835,577
0	0	0	1,393,840
0	0	1,399,532	1,631,660
164,175	0	0	164,175
0	400,298	74,875	475,173
<u>975,425</u>	<u>479,681</u>	<u>1,538,168</u>	<u>4,831,261</u>
<u>\$1,147,497</u>	<u>\$777,545</u>	<u>\$2,527,780</u>	<u>\$9,057,061</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, 2010

<b>Total Governmental Fund Balances</b>	<b>\$4,831,261</b>
 <i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:	
Land	1,105,680
Infrastructure	33,558,478
Other Capital Assets	13,478,156
Accumulated Depreciation	<u>(24,881,960)</u>
Total	23,260,354
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:	
Income Taxes	1,100,226
Property Taxes	41,773
Other Local Taxes	43,707
Special Assessments	3,650
Intergovernmental	1,369,503
Charges for Services	8,395
Interest	<u>15,232</u>
Total	2,582,486
Governmental funds report general obligation bond issuance costs as expenditures, whereas these amounts are deferred and amortized in the Statement of Activities.	
	57,551
In the Statement of Activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	
	(16,281)
Some liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Premium on General Obligation Bonds	(15,024)
General Obligation Bonds	(3,640,000)
Capital Leases	(76,400)
Compensated Absences	<u>(414,044)</u>
Total	<u>(4,145,468)</u>
<b>Net Assets of Governmental Activities</b>	<b><u><u>\$26,569,903</u></u></b>

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, 2010

	<i>General Fund</i>	<i>Income Tax Fund</i>	<i>Safety Forces Tax Fund</i>
<b><u>Revenues:</u></b>			
Income Taxes	\$1,349,333	\$208,709	\$1,641,999
Property Taxes	768,950	0	0
Other Local Taxes	160,355	0	0
Special Assessments	0	0	0
Intergovernmental	2,057,540	0	5,180
Charges for Services	211,192	0	366,709
Licenses and Permits	14,448	0	0
Fines and Forfeitures	520,834	0	0
Investment Earnings	202,019	0	0
Contributions and Donations	1,503	0	0
Miscellaneous	4,942	0	2,388
<i>Total Revenues</i>	<u>5,291,116</u>	<u>208,709</u>	<u>2,016,276</u>
<b><u>Expenditures:</u></b>			
Current Operations and Maintenance:			
Security of Persons and Property:			
Police	1,402,927	0	1,041,742
Fire	574,624	0	851,853
Other	99,015	0	97,448
Public Health Services	183,508	0	0
Leisure Time Activities:			
Parks and Recreation	73,525	0	0
Swimming Pool	19,545	0	0
Other	25,523	0	0
Community Development:			
City Funded	9,952	0	0
Grant Funded	0	0	0
Transportation	281,787	0	0
General Government	2,108,837	222,784	0
Capital Outlay	0	0	0
Debt Service:			
Principal Retirement	31,095	0	17,128
Interest and Fiscal Charges	2,323	0	3,027
<i>Total Expenditures</i>	<u>4,812,661</u>	<u>222,784</u>	<u>2,011,198</u>
Excess of Revenues Over (Under) Expenditures	<u>478,455</u>	<u>(14,075)</u>	<u>5,078</u>
<b><u>Other Financing Sources (Uses):</u></b>			
Transfers In	0	0	0
Transfers Out	(20,000)	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>(20,000)</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	458,455	(14,075)	5,078
<i>Fund Balances at Beginning of Year</i>	<u>1,019,235</u>	<u>40,624</u>	<u>328,670</u>
<i>Fund Balances at End of Year</i>	<u><u>\$1,477,690</u></u>	<u><u>\$26,549</u></u>	<u><u>\$333,748</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>
\$343,270	\$1,006,062	\$0	\$4,549,373
0	0	120,155	889,105
0	0	70,436	230,791
0	7,157	0	7,157
0	176,690	1,370,246	3,609,656
0	0	25,883	603,784
0	0	0	14,448
0	0	370,077	890,911
0	0	5,031	207,050
0	0	0	1,503
60,128	12,487	105,295	185,240
403,398	1,202,396	2,067,123	11,189,018
0	0	89,231	2,533,900
0	0	73,996	1,500,473
0	0	0	196,463
0	0	0	183,508
0	0	0	73,525
0	0	0	19,545
0	0	0	25,523
0	0	0	9,952
0	0	634,119	634,119
0	26,803	588,414	897,004
0	20,285	355,155	2,707,061
0	1,405,987	211,785	1,617,772
290,000	3,298	11,512	353,033
214,849	647	2,014	222,860
504,849	1,457,020	1,966,226	10,974,738
(101,451)	(254,624)	100,897	214,280
0	0	45,932	45,932
0	(25,932)	0	(45,932)
0	(25,932)	45,932	0
(101,451)	(280,556)	146,829	214,280
1,076,876	760,237	1,391,339	4,616,981
\$975,425	\$479,681	\$1,538,168	\$4,831,261

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, 2010

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**Net Change in Fund Balances - Total Governmental Funds** \$214,280

*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	1,308,173	
Donated Capital Assets	52,100	
Depreciation	<u>(1,215,931)</u>	
Excess of Capital Outlay over Depreciation		144,342

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	81,005	
Property Taxes	(9,801)	
Other Local Taxes	2,471	
Special Assessments	(5,626)	
Intergovernmental	240,857	
Charges for Services	6,061	
Accrued Interest	<u>(26,696)</u>	
		288,271

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	290,000	
Capital Lease Payments	<u>63,033</u>	
		353,033

Amortization of bond issuance costs and bond premiums, as well as accrued interest payable on the bonds are not reported in the funds, but are 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>1,339</u>	
		(3,357)

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>(41,782)</u>
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**Change in Net Assets of Governmental Activities** \$954,787

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, 2010

	<i><b>Original Budget</b></i>	<i><b>Revised Budget</b></i>	<i><b>Budgetary Actual</b></i>	<i><b>Variance Positive (Negative)</b></i>
<b><u>Revenues:</u></b>				
Income Taxes	\$1,312,605	\$1,312,605	\$1,362,120	\$49,515
Property Taxes	777,000	777,000	768,950	(8,050)
Other Local Taxes	163,000	163,000	164,675	1,675
Intergovernmental	1,570,617	1,419,664	1,437,158	17,494
Charges for Services	216,700	221,700	211,192	(10,508)
Licenses and Permits	15,000	15,000	14,448	(552)
Fines and Forfeitures	520,000	520,000	519,469	(531)
Investment Earnings	280,600	280,600	134,693	(145,907)
Contributions and Donations	1,200	1,200	1,503	303
Miscellaneous	3,500	3,500	4,942	1,442
<b>Total Revenues</b>	<b>4,860,222</b>	<b>4,714,269</b>	<b>4,619,150</b>	<b>(95,119)</b>
<b><u>Expenditures:</u></b>				
Current Operations and Maintenance:				
Security of Persons and Property:				
Police	1,516,382	1,516,382	1,427,208	89,174
Fire	769,813	769,813	589,514	180,299
Other	100,995	100,995	100,170	825
Public Health Services	185,265	185,265	183,508	1,757
Leisure Time Activities:				
Parks and Recreation	77,100	92,100	74,021	18,079
Swimming Pool	40,000	30,000	19,543	10,457
Other	30,000	30,000	22,353	7,647
Community Development:				
City Funded	10,100	10,100	10,002	98
Basic Utility Services	3,100	3,100	0	3,100
Transportation	278,250	288,829	279,070	9,759
General Government	2,663,771	2,502,239	2,273,324	228,915
<b>Total Expenditures</b>	<b>5,674,776</b>	<b>5,528,823</b>	<b>4,978,713</b>	<b>550,110</b>
Excess of Revenues Over (Under) Expenditures	(814,554)	(814,554)	(359,563)	454,991
<b><u>Other Financing Uses:</u></b>				
Transfers Out	(20,000)	(20,000)	(20,000)	0
<b>Net Change in Fund Balance</b>	<b>(834,554)</b>	<b>(834,554)</b>	<b>(379,563)</b>	<b>454,991</b>
<b>Fund Balance at Beginning of Year</b>	<b>913,663</b>	<b>913,663</b>	<b>913,663</b>	<b>0</b>
<b>Prior Year Encumbrances</b>	<b>195,453</b>	<b>195,453</b>	<b>195,453</b>	<b>0</b>
<b>Fund Balance at End of Year</b>	<b>\$274,562</b>	<b>\$274,562</b>	<b>\$729,553</b>	<b>\$454,991</b>

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, 2010

	<u><i>Original Budget</i></u>	<u><i>Revised Budget</i></u>	<u><i>Budgetary Actual</i></u>	<u><i>Variance Positive (Negative)</i></u>
<b><u>Revenues:</u></b>				
Income Taxes	\$215,531	\$206,531	\$209,434	\$2,903
<b><u>Expenditures:</u></b>				
Current Operations and Maintenance:				
General Government	<u>234,126</u>	<u>234,125</u>	<u>225,001</u>	<u>9,124</u>
<i>Net Change in Fund Balance</i>	(18,595)	(27,594)	(15,567)	12,027
<i>Fund Balance at Beginning of Year</i>	27,538	27,538	27,538	0
<i>Prior Year Encumbrances</i>	<u>1,333</u>	<u>1,333</u>	<u>1,333</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u><u>\$10,276</u></u>	<u><u>\$1,277</u></u>	<u><u>\$13,304</u></u>	<u><u>\$12,027</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, 2010

	<b><i>Original Budget</i></b>	<b><i>Revised Budget</i></b>	<b><i>Budgetary Actual</i></b>	<b><i>Variance Positive (Negative)</i></b>
<b><i>Revenues:</i></b>				
Income Taxes	\$1,627,604	\$1,627,604	\$1,655,900	\$28,296
Intergovernmental	0	680	5,180	4,500
Charges for Services	361,100	361,100	366,709	5,609
Miscellaneous	2,500	2,500	2,388	(112)
<i>Total Revenues</i>	<u>1,991,204</u>	<u>1,991,884</u>	<u>2,030,177</u>	<u>38,293</u>
<b><i>Expenditures:</i></b>				
Current Operations and Maintenance:				
Security of Persons and Property:				
Police	1,217,099	1,223,839	1,098,878	124,961
Fire	1,062,389	991,687	924,405	67,282
Other	57,365	128,067	111,131	16,936
<i>Total Expenditures</i>	<u>2,336,853</u>	<u>2,343,593</u>	<u>2,134,414</u>	<u>209,179</u>
<i>Net Change in Fund Balance</i>	(345,649)	(351,709)	(104,237)	247,472
<i>Fund Balance at Beginning of Year</i>	349,274	349,274	349,274	0
<i>Prior Year Encumbrances</i>	<u>95,206</u>	<u>95,206</u>	<u>95,206</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u><u>\$98,831</u></u>	<u><u>\$92,771</u></u>	<u><u>\$340,243</u></u>	<u><u>\$247,472</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, 2010

	<i><b>Waterworks Operating Fund</b></i>	<i><b>Sewer Operating Fund</b></i>	<i><b>Total</b></i>
<b><u>Assets:</u></b>			
<b><u>Current Assets:</u></b>			
Equity in Pooled Cash and Cash Equivalents	\$3,982,483	\$2,650,867	\$6,633,350
Receivables:			
Accounts	231,794	297,022	528,816
Special Assessments	0	2,985	2,985
Materials and Supplies Inventory	27,758	48,141	75,899
Prepaid Items	11,268	5,062	16,330
<i>Total Current Assets</i>	<u>4,253,303</u>	<u>3,004,077</u>	<u>7,257,380</u>
<b><u>Non-Current Assets:</u></b>			
Restricted Assets:			
Cash and Cash Equivalents with Escrow Agents	5,000	0	5,000
Deferred Charges	37,665	50,766	88,431
Nondepreciable Capital Assets	57,125	92,055	149,180
Depreciable Capital Assets, Net	6,639,304	12,164,156	18,803,460
<i>Total Non-Current Assets</i>	<u>6,739,094</u>	<u>12,306,977</u>	<u>19,046,071</u>
<i>Total Assets</i>	<u>10,992,397</u>	<u>15,311,054</u>	<u>26,303,451</u>
<b><u>Liabilities:</u></b>			
<b><u>Current Liabilities:</u></b>			
Accounts Payable	40,426	26,983	67,409
Retainage Payable	7,032	0	7,032
Accrued Wages and Benefits Payable	8,549	12,924	21,473
Intergovernmental Payable	28,401	48,753	77,154
Capital Leases Payable	1,055	1,055	2,110
Compensated Absences Payable	28,665	33,773	62,438
Accrued Interest Payable	4,018	5,374	9,392
General Obligation Bonds Payable	45,000	65,000	110,000
<i>Total Current Liabilities</i>	<u>163,146</u>	<u>193,862</u>	<u>357,008</u>
<b><u>Long-Term Liabilities (Net of Current Portion):</u></b>			
Compensated Absences Payable	32,106	42,440	74,546
General Obligation Bonds Payable	1,145,000	1,525,000	2,670,000
<i>Total Long-Term Liabilities (Net of Current Portion)</i>	<u>1,177,106</u>	<u>1,567,440</u>	<u>2,744,546</u>
<i>Total Liabilities</i>	<u>1,340,252</u>	<u>1,761,302</u>	<u>3,101,554</u>
<b><u>Net Assets:</u></b>			
Invested in Capital Assets, Net of Related Debt	5,543,039	10,715,922	16,258,961
Unrestricted	4,109,106	2,833,830	6,942,936
<i>Total Net Assets</i>	<u>\$9,652,145</u>	<u>\$13,549,752</u>	<u>\$23,201,897</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, 2010

	<b><i>Waterworks Operating Fund</i></b>	<b><i>Sewer Operating Fund</i></b>	<b><i>Total</i></b>
<b><i>Operating Revenues:</i></b>			
Charges for Services	\$1,576,397	\$1,884,574	\$3,460,971
Grants	8,357	0	8,357
<i>Total Operating Revenues</i>	<u>1,584,754</u>	<u>1,884,574</u>	<u>3,469,328</u>
<b><i>Operating Expenses:</i></b>			
Personal Services	475,873	733,764	1,209,637
Fringe Benefits	221,014	322,927	543,941
Materials and Supplies	251,463	240,266	491,729
Contractual Services	365,727	324,542	690,269
Depreciation	220,452	404,456	624,908
Miscellaneous	1,252	155	1,407
<i>Total Operating Expenses</i>	<u>1,535,781</u>	<u>2,026,110</u>	<u>3,561,891</u>
Operating Income (Loss)	<u>48,973</u>	<u>(141,536)</u>	<u>(92,563)</u>
<b><i>Non-Operating Revenues (Expenses):</i></b>			
Interest and Fiscal Charges	(52,283)	(70,020)	(122,303)
Other	2,656	1,439	4,095
<i>Total Non-Operating Revenues (Expenses)</i>	<u>(49,627)</u>	<u>(68,581)</u>	<u>(118,208)</u>
<i>Change in Net Assets</i>	(654)	(210,117)	(210,771)
<i>Net Assets at Beginning of Year</i>	<u>9,652,799</u>	<u>13,759,869</u>	<u>23,412,668</u>
<i>Net Assets at End of Year</i>	<u><u>\$9,652,145</u></u>	<u><u>\$13,549,752</u></u>	<u><u>\$23,201,897</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, 2010

	<u>Waterworks Operating Fund</u>	<u>Sewer Operating Fund</u>	<u>Total</u>
<b><u>Increase in Cash and Cash Equivalents:</u></b>			
<b><u>Cash Flows from Operating Activities:</u></b>			
Cash Received from Charges for Services	\$1,499,609	\$1,789,695	\$3,289,304
Cash Payments for Employee Services	(463,900)	(715,495)	(1,179,395)
Cash Payments for Employee Benefits	(210,005)	(309,238)	(519,243)
Cash Payments to Suppliers for Goods and Services	(557,706)	(561,155)	(1,118,861)
Cash Payments for Other Operating Expenses	(1,252)	(155)	(1,407)
Cash Received from Operating Grants	8,357	0	8,357
Other Non-Operating Revenues	2,656	1,439	4,095
<i>Net Cash Provided by Operating Activities</i>	<u>277,759</u>	<u>205,091</u>	<u>482,850</u>
<b><u>Cash Flows from Capital and Related Financing Activities:</u></b>			
Acquisition of Capital Assets	(18,711)	(4,995)	(23,706)
Principal Paid on General Obligation Bonds	(45,000)	(65,000)	(110,000)
Interest and Fiscal Charges Paid on General Obligation Bonds	(50,099)	(67,158)	(117,257)
Principal Paid on Capital Leases	(3,467)	(3,468)	(6,935)
Interest and Fiscal Charges Paid on Capital Leases	(203)	(203)	(406)
<i>Net Cash Used for Capital and Related Financing Activities</i>	<u>(117,480)</u>	<u>(140,824)</u>	<u>(258,304)</u>
<i>Net Increase in Cash and Cash Equivalents</i>	160,279	64,267	224,546
<i>Cash and Cash Equivalents at Beginning of Year</i>	<u>3,822,204</u>	<u>2,586,600</u>	<u>6,408,804</u>
<i>Cash and Cash Equivalents at End of Year</i>	<u><u>\$3,982,483</u></u>	<u><u>\$2,650,867</u></u>	<u><u>\$6,633,350</u></u>
<b><u>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:</u></b>			
Operating Income (Loss)	\$48,973	(\$141,536)	(\$92,563)
<b><u>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:</u></b>			
Depreciation	220,452	404,456	624,908
Other Non-Operating Revenues	2,656	1,439	4,095
Changes in Assets and Liabilities:			
Increase in Accounts Receivable	(76,788)	(97,827)	(174,615)
Decrease in Special Assessments Receivable	0	2,948	2,948
Decrease in Materials and Supplies Inventory	38,477	3,113	41,590
(Increase) Decrease in Prepaid Items	(274)	14	(260)
Increase in Accounts Payable	20,381	457	20,838
Increase in Accrued Wages and Benefits Payable	1,813	2,695	4,508
Increase in Intergovernmental Payable	9,571	16,157	25,728
Increase in Retainage Payable	2,032	0	2,032
Increase in Compensated Absences Payable	10,466	13,175	23,641
<i>Net Cash Provided by Operating Activities</i>	<u><u>\$277,759</u></u>	<u><u>\$205,091</u></u>	<u><u>\$482,850</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, 2010

	<i>Private Purpose Trust Fund</i>	
	<i>William Renick Trust</i>	<i>Agency Funds</i>
<b><u>Assets:</u></b>		
Equity in Pooled Cash and Cash Equivalents	\$1,556	\$22,655
Cash and Cash Equivalents In Segregated Accounts	10,000	126,546
<i>Total Assets</i>	11,556	\$149,201
<b><u>Liabilities:</u></b>		
Intergovernmental Payable	0	\$5,013
Undistributed Assets	0	144,188
<i>Total Liabilities</i>	0	\$149,201
<b><u>Net Assets:</u></b>		
Held in Trust for Private Purposes	\$11,556	

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, 2010

	<i>William Renick Trust</i>
<b><u>Additions:</u></b>	
Interest	\$185
<b><u>Deductions:</u></b>	
	0
<i>Change in Net Assets</i>	185
<i>Net Assets at Beginning of Year</i>	11,371
<i>Net Assets at End of Year</i>	\$11,556

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, 2010

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

The City of Circleville (the “City”) is a non-chartered municipal corporation operating under the laws of the State of Ohio. The community was established in 1810 as part of Circleville Township; it became a Village in 1811 before becoming a City in 1814. The municipal government is known as a Council/Mayor form of government. Legislative power is vested in an eight-member Council: four members elected by wards, three elected at large, and an elected President, who only votes in the case of a tie. The Mayor is the chief executive officer and the head of the administrative agencies of the City. He/she appoints all department heads and employees, with the exception of the following: the elected City Auditor, who appoints the 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, 2010

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**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. The System is presented as a component unit of the City based on the extension of the City’s full faith and credit. The System operates on a fiscal year ending December 31. Separately issued financial statements can be obtained from Berger Health System, 600 North Pickaway Street, Circleville, Ohio 43113.

The information in Notes 2 through 18 relate to the primary government. Information related to the discretely presented component unit is presented in Note 19.

**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, 2010

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**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, 2010

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**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, 2010

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**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, 2010

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**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, 2010

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**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, 2010, but were levied to finance 2011 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, 2010

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**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, 2010

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

During the year, investments were limited to Federal Home Loan Mortgage Corporation Notes, Federal Home Loan Bank Bonds, Federal National Mortgage Association Notes, 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 2010 amounted to \$202,019, which includes \$179,896 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, 2010, 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, 2010

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**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, 2010

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**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, 2010

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**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 \$3,779,781 of restricted net assets, \$62,335 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**

The U.S. EPA Petroleum Assessment and the U.S. Hazard Substances Assessment Special Revenue Funds had deficit fund balances of \$300 and \$1,928, respectively, at December 31, 2010. 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, 2010

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**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, 2010

**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	\$458,455	(\$14,075)	\$5,078
Increases (Decreases) Due To:			
Revenue Accruals	(628,636)	725	13,901
Expenditure Accruals	34,505	452	2,885
Encumbrances	(200,557)	(2,669)	(126,101)
Unrecorded Cash - 2010	(81,329)	0	0
Unrecorded Cash - 2009	52,458	0	0
Change in Fair Value of Investments - 2010	3,021	0	0
Change in Fair Value of Investments - 2009	(17,480)	0	0
Budget Basis	(\$379,563)	(\$15,567)	(\$104,237)

**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, 2010

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**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, 2010

**NOTE 5 – DEPOSITS AND INVESTMENTS** (continued)

*Investments:* As of December 31, 2010, 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 Notes	\$495,245	\$0	\$495,245	AAA	12.93%	9/15/2011
Federal Home Loan Banks Bonds	1,023,260	0	1,023,260	AAA	26.71%	1/9/2012
Federal National Mortgage Association Notes	1,000,340	0	1,000,340	AAA	26.12%	1/13/2011
Federal National Mortgage Association Bonds	602,799	0	602,799	AAA	15.74%	3/18/11 - 5/1/12
Negotiable Certificates of Deposit	708,421	458,097	250,324	N/A	18.50%	
Totals	<u>\$3,830,065</u>	<u>\$458,097</u>	<u>\$3,371,968</u>		<u>100.00%</u>	

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

*Credit Risk:* The City’s investment policy limits investments to those authorized by State statute which restricts investments to those that are highly rated or backed by the enterprises of the United States Government. The Standard and Poor’s (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, 2010

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**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 2010, 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 2010 for real and public utility property taxes represents collections of 2009 taxes. Property tax payments received during 2010 for tangible personal property (other than public utility property) are for 2010 taxes.

2010 real property taxes are levied after October 1, 2010, on the assessed value as of January 1, 2010, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2010 real property taxes are collected in and intended to finance 2011.

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. 2010 public utility property taxes became a lien December 31, 2009, are levied after October 1, 2010, and are collected in 2011 with real property taxes.

**City of Circleville**  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2010

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**NOTE 7 – PROPERTY TAX** *(continued)*

Tangible personal property tax revenue received during 2010 (other than public utility property tax) represents the collection of 2010 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 2010 were levied after October 1, 2009, on the value as of December 31, 2009. Tangible personal property taxes from telephone companies will no longer be levied and collected after 2010.

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, 2010, was \$4.00 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2010 property tax receipts were based are as follows:

Category	Assessed Value
Real Property:	
Agricultural/Residential	\$161,222,130
Commercial/Industrial/Mineral	56,149,920
Public Utility Real	66,200
Tangible Personal Property:	
General Business	382,500
Public Utility	6,924,460
Total Assessed Value	\$224,745,210

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, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2010, 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 2010 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.

**City of Circleville**  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2010

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**NOTE 8 – RECEIVABLES**

Receivables at December 31, 2010, 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 \$3,650. The entire amount of the special assessments receivable at December 31, 2010, are delinquent. Property taxes and income taxes, although ultimately collectible, include some portion of delinquents that will not be collected within one year.

The City entered into a loan agreement with Berger Health System, in which Berger Health System is repaying the City for the bonds issued by the City on behalf of Berger Health System. The loan agreement is for the \$2,000,000 principal amount of bonds and the related interest. The loans receivable balance relating to this agreement at December 31, 2010, is \$926,250, of which \$115,000 is considered to be due within one year. The City also had loans receivable related to program housing. At December 31, 2010, the balance of these loans was \$31,376, of which \$7,049 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 Grant	\$169,778
EPA Petroleum Assessment Grant	66,321
EPA Hazardous Substance Grant	29,285
Community Development Block Grant	222,438
Clean Ohio Assistance Fund Grant	189,825
Estate Taxes	707,574
Homestead and Rollback	53,000
Electric Deregulation	5,368
Permissive Motor Vehicle License Tax	45,372
Gasoline Tax	224,485
Motor Vehicle License Tax	58,963
Local Government	<u>346,265</u>
Total Intergovernmental Receivable	<u><u>\$2,118,674</u></u>

**City of Circleville**  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2010

**NOTE 9 – CAPITAL ASSETS**

Capital assets activity of the governmental activities for the year ended December 31, 2010, was as follows:

	<u>Balance At</u> <u>12/31/2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance At</u> <u>12/31/2010</u>
<u>Governmental Activities</u>				
Capital Assets, Not Being Depreciated:				
Land	\$1,096,490	\$9,190	\$0	\$1,105,680
Construction in Progress	91,999	41,060	(133,059)	0
Total Capital Assets, Not Being Depreciated	<u>1,188,489</u>	<u>50,250</u>	<u>(133,059)</u>	<u>1,105,680</u>
Depreciable Capital Assets:				
Land Improvements	1,476,420	0	0	1,476,420
Buildings and Building Improvements	7,989,782	357,187 *	0	8,346,969
Machinery and Equipment	1,534,688	266,326	(27,845)	1,773,169
Vehicles	1,869,518	12,080 **	0	1,881,598
Infrastructure	<u>32,817,878</u>	<u>819,569</u>	<u>(78,969)</u>	<u>33,558,478</u>
Total Depreciable Capital Assets	<u>45,688,286</u>	<u>1,455,162</u>	<u>(106,814)</u>	<u>47,036,634</u>
Less Accumulated Depreciation:				
Land Improvements	(1,207,573)	(22,922)	0	(1,230,495)
Buildings and Building Improvements	(2,803,378)	(190,948)	0	(2,994,326)
Machinery and Equipment	(861,085)	(142,141)	27,845	(975,381)
Vehicles	(1,486,108)	(107,664)	0	(1,593,772)
Infrastructure	<u>(17,402,619)</u>	<u>(764,336)</u>	<u>78,969</u>	<u>(18,087,986)</u>
Total Accumulated Depreciation	<u>(23,760,763)</u>	<u>(1,228,011)</u>	<u>106,814</u>	<u>(24,881,960)</u>
Depreciable Capital Assets, Net	<u>21,927,523</u>	<u>227,151</u>	<u>0</u>	<u>22,154,674</u>
Governmental Activities Capital Assets, Net	<u>\$23,116,012</u>	<u>\$277,401</u>	<u>(\$133,059)</u>	<u>\$23,260,354</u>

\* \$52,100 of the additions consisted of assets donated by developers.

\*\* \$12,080 of the additions consisted of assets transferred from the Sewer Operating Fund. The assets were fully depreciated at the time of transfer.

**City of Circleville**  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2010

**NOTE 9 – CAPITAL ASSETS** (continued)

Depreciation expense was charged to governmental programs as follows:

Security of Persons and Property - Police	\$77,350
Security of Persons and Property - Fire	127,163
Security of Persons and Property - Other	23,437
Leisure Time Activities - Parks and Recreation	69,975
Leisure Time Activities - Swimming Pool	7,530
Community Development - City Funded	2,162
Transportation	798,062
General Government	122,332
Total Depreciation Expense	<u>\$1,228,011</u>

Capital assets activity of the business-type activities for the year ended December 31, 2010, was as follows:

	<u>Balance At</u> <u>12/31/2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance At</u> <u>12/31/2010</u>
<b><u>Business-Type Activities</u></b>				
Capital Assets, Not Being Depreciated:				
Land	\$149,180	\$0	\$0	\$149,180
Depreciable Capital Assets:				
Land Improvements	322,752	0	0	322,752
Buildings and Building Improvements	12,796,999	7,039	0	12,804,038
Machinery and Equipment	509,011	0	0	509,011
Vehicles	238,739	9,990	(12,080) *	236,649
Infrastructure	19,750,116	6,852	(1,758)	19,755,210
Total Depreciable Capital Assets	<u>33,617,617</u>	<u>23,881</u>	<u>(13,838)</u>	<u>33,627,660</u>
Less Accumulated Depreciation:				
Land Improvements	(292,779)	(9,990)	0	(302,769)
Buildings and Building Improvements	(7,758,988)	(307,426)	0	(8,066,414)
Machinery and Equipment	(447,108)	(16,042)	0	(463,150)
Vehicles	(200,051)	(10,035)	12,080 *	(198,006)
Infrastructure	(5,514,029)	(281,415)	1,583	(5,793,861)
Total Accumulated Depreciation	<u>(14,212,955)</u>	<u>(624,908)</u>	<u>13,663</u>	<u>(14,824,200)</u>
Depreciable Capital Assets, Net	<u>19,404,662</u>	<u>(601,027)</u>	<u>(175)</u>	<u>18,803,460</u>
Business-Type Activities Capital Assets, Net	<u>\$19,553,842</u>	<u>(\$601,027)</u>	<u>(\$175)</u>	<u>\$18,952,640</u>

\* Assets were transferred to governmental activities during 2010 from the Sewer Operating Fund. The assets were fully depreciated at the time of transfer.

**City of Circleville**  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2010

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**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, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost-of-living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by 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 and currently limits the employer contribution to a rate not to exceed 14.0 percent of covered payroll for State and local employer units and 18.1 percent of covered payroll for law and public safety employer units. Member contribution rates, as set in the Ohio Revised Code, are not to exceed 10.0 percent. For the year ended December 31, 2010, members in State and local classifications contributed 10.0 percent of covered payroll and public safety and law enforcement members contributed 10.5 percent and 11.1 percent, respectively. While members in the State and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Pension Plan. For 2010, member and employer contribution rates were consistent across all three plans.

The City's 2010 contribution rate was 14.0 percent, except for those plan members in law enforcement or public safety, for whom the City's contribution was 17.87 percent of covered payroll. The portion of employer contributions used to fund pension benefits is net of post-employment health care benefits. The portion of employer contribution allocated to health care for members in the Traditional Plan was 5.5 percent from January 1 through February 28, 2010, and five percent from March 1 through December 31, 2010. The portion of employer contributions allocated to health care for members in the Combined Plan was 4.73 percent from January 1 through February 28, 2010, and 4.23 percent from March 1 through December 31, 2010. Employer contribution rates are actuarially determined.

**City of Circleville**  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2010

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

The City's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2010, 2009, and 2008 were \$273,890, \$292,970, and \$201,153, respectively. For 2010, 83.35 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2009 and 2008. Contributions to the Member-Directed Plan for 2010 were \$6,720 made by the City and \$4,800 made by plan members.

**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 – The Ohio Revised Code requires plan members to contribute 10.0 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 OP&F Pension Fund is authorized by the Ohio Revised Code to allocate a portion of the employer contributions to retiree health care benefits. The portion of employer contributions used to fund pension benefits was 12.75 percent of covered payroll for police officers and 17.25 percent of covered payroll for firefighters. The City's contributions to OP&F for police and firefighters were \$164,415 and \$151,407 for the year ended December 31, 2010, \$183,178 and \$150,873 for the year ended December 31, 2009, and \$161,578 and \$157,696 for the year ended December 31, 2008. For 2010, 61.39 percent for police and 61.62 percent for firefighters has been contributed with the balance for both police and firefighters being reported as an intergovernmental payable. The full amount has been contributed for 2009 and 2008.

**NOTE 11 – POSTEMPLOYMENT BENEFITS**

**Ohio Public Employees Retirement System**

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

**City of Circleville**  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2010

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**NOTE 11 – POSTEMPLOYMENT BENEFITS** *(continued)*

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 coverage. 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 mandate, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

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.

Funding Policy – The post-employment health care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). The Ohio Revised Code provides the statutory authority requiring public employers fund post retirement 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 2010, State and local employers contributed at a rate of 14.0 percent of covered payroll, and public safety and law enforcement employers contributed at 17.87 percent. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.0 percent of covered payroll for State and local employer units and 18.1 percent of covered payroll for law and public safety employer units.

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 portion of employer contributions allocated to health care for members in the Traditional Plan was 5.5 percent from January 1 through February 28, 2010, and five percent from March 1 through December 31, 2010. The portion of employer contributions allocated to health care for members in the Combined Plan was 4.73 percent from January 1 through February 28, 2010, and 4.23 percent from March 1 through December 31, 2010.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, 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.

**City of Circleville**  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2010

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**NOTE 11 – POSTEMPLOYMENT BENEFITS** *(continued)*

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2010, 2009, and 2008 were \$152,161, \$189,569, and \$201,153, respectively. For 2010, 83.35 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2009 and 2008.

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 increases 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 and long-term care to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to post-retirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or 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 by Ohio Revised Code to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5 percent and 24.0 percent of covered payroll for police and fire employers, respectively. Active members do not make contributions to the OPEB Plan.

**City of Circleville**  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2010

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**NOTE 11 – POSTEMPLOYMENT BENEFITS** *(continued)*

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, 2010, 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.

The City's contributions to OP&F which were allocated to fund post-employment health care benefits for police and firefighters were \$87,043 and \$59,246 for the year ended December 31, 2010, \$96,977 and \$59,037 for the year ended December 31, 2009, and \$85,541 and \$61,707 for the year ended December 31, 2008. For 2010, 61.39 percent has been contributed for police and 61.62 percent has been contributed for firefighters with the balance for both police and firefighters being reported as an intergovernmental payable. The full amount has been contributed for 2009 and 2008.

**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.

**City of Circleville**  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2010

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**NOTE 12 – EMPLOYEE BENEFITS** *(continued)*

**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 Met Life Business Services; and life and accident insurance was provided by Principal Life and 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.

**NOTE 13 – CAPITAL LEASES – LESSEE DISCLOSURE**

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 2010 totaled \$63,033 in the governmental funds and \$6,935 in the enterprise funds.

**City of Circleville**  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2010

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

The assets acquired through capital leases for governmental activities as of December 31, 2010, are as follows:

	Asset Value	Accumulated Depreciation	Net Book Value
Copier Equipment	\$111,644	\$87,829	\$23,815
Radio Equipment	40,783	32,627	8,156
Telephone System	131,716	65,859	65,857
Skid Loader	28,000	11,201	16,799
Durapatching Machine	48,076	19,231	28,845
Totals	<u>\$360,219</u>	<u>\$216,747</u>	<u>\$143,472</u>

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, 2010, for governmental activities:

Year Ending December 31,	Amount
2011	\$45,032
2012	31,687
2013	5,220
2014	<u>1,137</u>
Total	83,076
Less: Amount representing Interest	<u>(6,676)</u>
Present Value of Minimum Lease Payment	<u>\$76,400</u>

The assets acquired through capital leases for business-type activities as of December 31, 2010, are as follows:

	Asset Value	Accumulated Depreciation	Net Book Value
Copier Equipment	\$16,344	\$9,807	\$6,537
Telephone System	14,113	7,056	7,057
Folder and Insert Machine	11,339	11,339	0
Totals	<u>\$41,796</u>	<u>\$28,202</u>	<u>\$13,594</u>

**City of Circleville**  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2010

**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, 2010, for business-type activities:

Year Ending December 31,	Amount
2011	\$2,150
Less: Amount representing Interest	(40)
Present Value of Minimum Lease Payment	\$2,110

**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 12/31/2009	Issued	Retired	Balance 12/31/2010	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%	1,090,000	0	110,000	980,000	110,000
Total General Obligation Bonds	2,890,000	0	110,000	2,780,000	110,000
<u>Other Long-Term Obligations</u>					
Capital Leases	9,045	0	6,935	2,110	2,110
Compensated Absences	113,343	108,677	85,036	136,984	62,438
Total Other Long-Term Obligations	122,388	108,677	91,971	139,094	64,548
Total Business-Type Activities	\$3,012,388	\$108,677	\$201,971	\$2,919,094	\$174,548

**City of Circleville**  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2010

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

Types / Issues	Balance 12/31/2009	Issued	Retired	Balance 12/31/2010	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%	\$1,040,000	\$0	\$105,000	\$935,000	\$115,000
2000 - Capital Facilities Improvement					
Safety Services Building Bonds \$3,285,000					
Term Bonds 5.625%	2,060,000	0	0	2,060,000	160,000
Serial Bonds 4.45% - 5.95%	145,000	0	145,000	0	0
2000 - Capital Facilities Improvement					
City Services Building Bonds \$500,000					
Term Bonds 5.625%	315,000	0	0	315,000	25,000
Serial Bonds 4.45% - 5.95%	25,000	0	25,000	0	0
2008 - Various Purpose Bonds \$355,000					
Term Bonds 4.125% - 4.50%	210,000	0	0	210,000	0
Serial Bonds 3.00% - 4.25%	135,000	0	15,000	120,000	15,000
Premium on Bonds Issued	15,859	0	835	15,024	0
<b>Total General Obligation Bonds</b>	<b>3,945,859</b>	<b>0</b>	<b>290,835</b>	<b>3,655,024</b>	<b>315,000</b>
<u>Other Long-Term Obligations</u>					
Capital Leases	139,433	0	63,033	76,400	40,527
Compensated Absences	372,262	288,265	246,483	414,044	246,088
<b>Total Other Long-Term Obligations</b>	<b>511,695</b>	<b>288,265</b>	<b>309,516</b>	<b>490,444</b>	<b>286,615</b>
<b>Total Governmental Activities</b>	<b>\$4,457,554</b>	<b>\$288,265</b>	<b>\$600,351</b>	<b>\$4,145,468</b>	<b>\$601,615</b>

The City's overall legal debt margin was \$20,933,672, with an unvoted debt margin of \$9,696,412 at December 31, 2010.

**City of Circleville**  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2010

**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		Total Principal	Total Interest
	Total Principal	Total Interest	Total Principal	Total Interest		
2011	\$45,000	\$48,749	\$65,000	\$65,207	\$110,000	\$113,956
2012	50,000	47,398	60,000	63,258	110,000	110,656
2013	50,000	45,774	60,000	61,307	110,000	107,081
2014	50,000	44,024	60,000	59,208	110,000	103,232
2015	55,000	42,149	80,000	56,957	135,000	99,106
2016-2020	305,000	176,649	405,000	238,107	710,000	414,756
2021-2025	370,000	107,727	500,000	146,703	870,000	254,430
2026-2028	265,000	23,969	360,000	32,706	625,000	56,675
Totals	<u>\$1,190,000</u>	<u>\$536,439</u>	<u>\$1,590,000</u>	<u>\$723,453</u>	<u>\$2,780,000</u>	<u>\$1,259,892</u>

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

Year	Governmental Activities					
	General Obligation Bonds		General Obligation Bonds		General Obligation Bonds	
	Serial Bonds Principal	Serial Bonds Interest	Term Bonds Principal	Term Bonds Interest	Total Principal	Total Interest
2011	\$15,000	\$13,468	\$300,000	\$184,083	\$315,000	\$197,551
2012	15,000	13,018	315,000	167,467	330,000	180,485
2013	15,000	12,530	330,000	150,019	345,000	162,549
2014	15,000	12,005	350,000	131,738	365,000	143,743
2015	15,000	11,442	365,000	112,355	380,000	123,797
2016-2020	45,000	30,840	1,685,000	278,286	1,730,000	309,126
2021-2025	0	0	100,000	23,565	100,000	23,565
2026-2028	0	0	75,000	6,719	75,000	6,719
Totals	<u>\$120,000</u>	<u>\$93,303</u>	<u>\$3,520,000</u>	<u>\$1,054,232</u>	<u>\$3,640,000</u>	<u>\$1,147,535</u>

**City of Circleville**  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2010

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**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>
2011	\$115,000
2012	120,000
2013	125,000
2014	135,000
2015	140,000
2016	145,000
2017	155,000
Totals	<u><u>\$935,000</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, 2010

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**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:

Year	Amount
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, matured December 1, 2010.

**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, 2010

**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:

<u>Year</u>	<u>Amount</u>
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	<u><u>\$315,000</u></u>

The serial bonds, issued at \$185,000, matured December 1, 2010.

**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, 2010

**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. During 2010, the City issued revenue bonds in the aggregate principal amount of \$24,783,000 for Berger Health System. The proceeds are to be used by Berger Health System for future capital expenditures and to retire \$16,667,000 of old debt. The bonds are to be repaid by the recipient of the proceeds and do not represent an obligation of the City. There has not been, and currently is not any condition of default under the bonds or the related financing documents. The City is not obligated in any way to pay debt charges on the bonds from any of its funds, and therefore they have been excluded entirely from the City's debt presentation. Neither is the full faith and credit or taxing power of the City pledged to make repayment. The balance outstanding as of December 31, 2010, is \$25,652,000.

**City of Circleville**  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2010

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**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, Municipal Probation 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, Legal Research and Computer Maintenance Fund, Safety Forces Tax 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 taken steps to counter the increase in the number of lawsuits filed in the areas of Law Enforcement and Public Entity Employment Practices. These measures have resulted in a decrease in the City's deductible to \$10,000 for each claim filed under affected liability coverage. The City has instituted policies and procedures as recommended by the City's liability insurance carrier to prevent further lawsuits. In addition, advanced risk management training has been incorporated into the training cycle for the City's personnel.

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

**City of Circleville**  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2010

**NOTE 16 – INTERFUND ACTIVITY**

Transfers made during the year ended December 31, 2010, were as follows:

		Transfers To Nonmajor Funds
Transfers From	General Fund	\$20,000
	Capital Improvement Fund	25,932
	Total	\$45,932

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 (P<sup>3</sup>), formerly known as the Circleville-Pickaway County Community Improvement Corporation, was created as a not-for-profit corporation under Section 1724.01 et. seq., Ohio Revised Code. P<sup>3</sup> is governed by a 15 member Board of Trustees, three of which are elected or appointed officials of the City, three are appointed by Pickaway County, one is a representative of the North Gate Alliance Cooperative Economic Development Agreement, and eight are volunteer citizens. P<sup>3</sup> is the economic development agent for Pickaway County and its municipalities. P<sup>3</sup> has three main objectives: promote and market the advantages of locating business in the County; promote a stronger business environment by facilitating retention and expansion efforts of local employers; and deliver a seamless network of economic development services and value-added programs to existing businesses, local government, and prospective companies throughout Pickaway County. Because P<sup>3</sup> is subject to joint control and the participants have no equity interest in P<sup>3</sup>, P<sup>3</sup> is a jointly governed organization of the City. The City contributed \$39,000 to P<sup>3</sup> during the year.

**City of Circleville**  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2010

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**NOTE 18 – 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, 2010, to December 31, 2010, 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 19 – 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.

**City of Circleville**  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2010

**NOTE 19 – BERGER HEALTH SYSTEM** *(continued)*

**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 \$12,048,000 of bank deposits (certificates of deposit, checking and savings accounts) that were uninsured but are collateralized with securities held by the pledging financial institution. The System believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the System evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

*Investments*

Custodial Credit Risk of Investments

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

<u>Type of Investment</u>	<u>Fair Value</u>	<u>How Held</u>
US Agency Bonds	\$22,757,000	Counterparty
STAROhio	258,000	System's Name
Totals	<u>\$23,015,000</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	\$22,757,000	0.63 Years
STAROhio	258,000	-----
Totals	<u>\$23,015,000</u>	

**City of Circleville**  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2010

**NOTE 19 – BERGER HEALTH SYSTEM** *(continued)*

**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	\$22,757,000	AAA	Standard & Poor's
STAROhio	258,000	AAAm	Standard & Poor's
Totals	<u>\$23,015,000</u>		

**Capital Assets**

Capital assets activity for the year ended December 31, 2010, was as follows:

	<u>Balance At 12/31/2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance At 12/31/2010</u>
Capital Assets, Not Being Depreciated:				
Land	\$3,210,610	\$28,270	\$0	\$3,238,880
Construction in Progress	426,254	481,126	(586,811)	320,569
Total Capital Assets, Not Being Depreciated	<u>3,636,864</u>	<u>509,396</u>	<u>(586,811)</u>	<u>3,559,449</u>
Depreciable Capital Assets:				
Land Improvements	1,604,282	0	0	1,604,282
Buildings	35,768,633	91,748	(11,203)	35,849,178
Building Improvements	18,964,284	1,958,649	0	20,922,933
Equipment	46,684,105	3,484,294	(1,769,112)	48,399,287
Total Depreciable Capital Assets	<u>103,021,304</u>	<u>5,534,691</u>	<u>(1,780,315)</u>	<u>106,775,680</u>
Less Accumulated Depreciation:				
Land Improvements	(1,379,041)	(200,378)	0	(1,579,419)
Buildings	(14,966,783)	(1,442,417)	0	(16,409,200)
Building Improvements	(11,374,176)	(990,673)	0	(12,364,849)
Equipment	(36,490,799)	(2,688,128)	283,649	(38,895,278)
Total Accumulated Depreciation	<u>(64,210,799)</u>	<u>(5,321,596)</u>	<u>283,649</u>	<u>(69,248,746)</u>
Depreciable Capital Assets, Net	<u>38,810,505</u>	<u>213,095</u>	<u>(1,496,666)</u>	<u>37,526,934</u>
Capital Assets, Net	<u>\$42,447,369</u>	<u>\$722,491</u>	<u>(\$2,083,477)</u>	<u>\$41,086,383</u>

**City of Circleville**  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2010

**NOTE 19 – 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 12/31/2009	Issued	Retired	Balance 12/31/2010	Due Within One Year
1997 - 5.036% - 5.400% City of Circleville Loan \$2,000,000	\$1,031,251	\$0	\$105,001	\$926,250	\$115,417
<b><u>Revenue Bonds</u></b>					
2003 - City of Circleville Hospital Facilities Revenue Bonds Series 2003B \$10,000,000 4.10%	8,000,000	0	8,000,000	0	0
2007 - City of Circleville Hospital Facilities Revenue Bonds Series 2007A \$9,950,000 3.85%	7,574,000	0	7,574,000	0	0
2007 - City of Circleville Hospital Facilities Revenue Bonds Series 2007B \$3,325,000 5.95%	1,831,000	0	664,000	1,167,000	664,000
2008 - City of Circleville Hospital Facilities Revenue Bonds Series 2008A \$1,375,000 3.85%	1,103,000	0	1,103,000	0	0
2010 - City of Circleville Hospital Facilities Revenue Bonds Series 2010A \$12,391,500 3.87%	0	12,391,500	149,000	12,242,500	1,233,500
2010 - City of Circleville Hospital Facilities Revenue Bonds Series 2010B \$12,391,500 3.87%	0	12,391,500	149,000	12,242,500	1,233,500
<b>Total Revenue Bonds</b>	<b>18,508,000</b>	<b>24,783,000</b>	<b>17,639,000</b>	<b>25,652,000</b>	<b>3,131,000</b>
<b><u>Other Long-Term Obligations</u></b>					
Capital Leases	1,430,746	0	1,430,746	0	0
Compensated Absences	1,544,839	4,809,230	4,842,695	1,511,374	756,000
<b>Total Other Long-Term Obligations</b>	<b>2,975,585</b>	<b>4,809,230</b>	<b>6,273,441</b>	<b>1,511,374</b>	<b>756,000</b>
<b>Total Long-Term Obligations</b>	<b>\$22,514,836</b>	<b>\$29,592,230</b>	<b>\$24,017,442</b>	<b>\$28,089,624</b>	<b>\$4,002,417</b>

**City of Circleville**  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2010

**NOTE 19 – BERGER HEALTH SYSTEM** *(continued)*

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

Year	Long-Term Debt	
	Principal	Interest
2011	\$3,246,417	\$1,017,409
2012	3,524,417	871,656
2013	3,664,833	726,127
2014	3,812,417	580,359
2015	3,953,417	428,803
2016-2018	8,376,749	391,590
Total	\$26,578,250	\$4,015,944

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

On 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. In November 2010, the System retired the remaining outstanding debt with proceeds from the Series 2010 Hospital Facilities Revenue Bonds.

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. In November 2010, the System retired the remaining outstanding debt with proceeds from the Series 2010 Hospital Facilities Revenue Bonds.

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.

**City of Circleville**  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2010

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**NOTE 19 – BERGER HEALTH SYSTEM** *(continued)*

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 November 2010, the System retired the remaining outstanding debt with proceeds from the Series 2010 Hospital Facilities Revenue Bonds.

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

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

In conjunction with the Series 2007B, Series 2010A, and Series 2010B Bonds, the System is required to maintain certain financial covenants as defined in the debt agreements. Management believes it is in compliance with all such financial covenants.

The Series 2007B, Series 2010A, and Series 2010B Bonds are collateralized by System revenues and receipts, capital assets, and unexpended bond proceeds and income from bond fund related investments of which there is \$9,004,534 outstanding as of December 31, 2010.

**Self-Insured Benefits**

The System is partially self-insured under a plan covering substantially all employees for health benefits. The plan is covered by a stop-loss policy that covers claims over \$125,000 per employee. Claims, charged to operations when incurred, were approximately \$4,900,000 for the year ended December 31, 2010.

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