



**Mary Taylor, CPA**  
Auditor of State

**City of Circleville  
Pickaway County, Ohio**

**General Purpose External Financial Statements  
For the Year Ended December 31, 2007**

**Local Government Services Section**

**City of Circleville**  
General Purpose External Financial Statements  
For the Year Ended December 31, 2007

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May 28, 2008

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

We have compiled the accompanying basic financial statements of the City of Circleville as of and for the year ended December 31, 2007, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

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

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

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

MARY TAYLOR, CPA  
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**City of Circleville**  
Management's Discussion and Analysis  
For The Year Ended December 31, 2007  
(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, 2007. 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 \$803,719. Revenues of governmental activities failed to cover expenses by \$53,113. Net assets of business-type activities increased by \$856,852.
- General revenues of governmental activities accounted for \$7,560,709 of all revenues. Program specific revenues in the form of charges for services, grants and contributions accounted for \$3,161,238 of total revenues of \$10,721,947.
- Enterprise funds reflected a total operating income of \$198,931. The Waterworks Operating Fund reflected an operating income of \$195,417, while the Sewer Operating Fund reflected an operating income of \$3,514.
- The City had \$10,709,033 in expenses related to governmental activities; \$3,161,238 of these expenses were offset by program specific charges for services, grants and contributions. General revenues (primarily income taxes) of \$7,560,709 were not quite adequate to provide for these programs. The City had \$3,765,059 in expenses related to business-type activities; \$4,296,378 of these expenses were offset by program specific charges for services, grants and contributions, which, along with general revenues of \$259,486, were 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 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**  
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(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 2007?” 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  
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(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, 2007**  
**(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 2007 compared to 2006.

Table 1  
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2006	2007	2006	2007	2006	2007
<b>Assets</b>						
Current and Other						
Assets	\$9,493,577	\$8,952,347	\$11,143,875	\$8,788,250	\$20,637,452	\$17,740,597
Nondepreciable Capital						
Assets	1,059,046	1,411,693	397,252	149,180	1,456,298	1,560,873
Depreciable Capital						
Assets, Net	21,848,865	21,938,271	16,684,105	19,778,381	38,532,970	41,716,652
<b>Total Assets</b>	<b>32,401,488</b>	<b>32,302,311</b>	<b>28,225,232</b>	<b>28,715,811</b>	<b>60,626,720</b>	<b>61,018,122</b>
<b>Liabilities</b>						
Current and Other						
Liabilities	1,865,553	1,998,109	5,238,685	4,856,849	7,104,238	6,854,958
Long-Term Liabilities:						
Due Within One Year	516,889	543,797	65,948	74,374	582,837	618,171
Due in More Than						
One Year	4,378,067	4,172,559	47,402	54,539	4,425,469	4,227,098
<b>Total Liabilities</b>	<b>6,760,509</b>	<b>6,714,465</b>	<b>5,352,035</b>	<b>4,985,762</b>	<b>12,112,544</b>	<b>11,700,227</b>
<b>Net Assets</b>						
Invested in Capital						
Assets, Net Of						
Related Debt	19,760,953	19,908,929	17,065,167	17,291,397	36,826,120	37,200,326
Restricted for:						
Capital Outlay	1,182,776	1,440,396	0	0	1,182,776	1,440,396
Debt Service	131,360	154,944	0	0	131,360	154,944
Safety Forces	785,461	878,739	0	0	785,461	878,739
Streets	658,582	577,719	0	0	658,582	577,719
Community Development	643,275	195,034	0	0	643,275	195,034
Other Purposes	439,933	437,909	0	0	439,933	437,909
Unrestricted	2,038,639	1,994,176	5,808,030	6,438,652	7,846,669	8,432,828
<b>Total Net Assets</b>	<b>\$25,640,979</b>	<b>\$25,587,846</b>	<b>\$22,873,197</b>	<b>\$23,730,049</b>	<b>\$48,514,176</b>	<b>\$49,317,895</b>



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

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Overall, an insignificant decrease occurred within total governmental assets from the prior year. A slight decrease occurred within current and other assets of governmental activities when compared to the prior year. The only asset account which had a real effect on this decrease was intergovernmental receivables. Intergovernmental receivables decreased \$382,172 from the prior year due to grant awards, including new Community Development Block Grant and Ohio HOME Investment Partnerships Grant awards, being awarded in 2006. These monies were received and expensed in 2007. Because these grant awards are for a two-year basis, the City will not be awarded similar grants until 2008. Nondepreciable capital assets demonstrated an increase due to construction in progress existing at year-end for engineering services relating to the South Court Street Connector Project. Depreciable capital assets increased by \$89,406 as the result of current year additions exceeding annual depreciation for the year.

Reviewing liabilities of governmental activities demonstrates a slight increase in current and other liabilities. This increase is primarily due to the City having a larger amount of outstanding purchases existing at year-end that were not paid until 2008, than those existing at the end of the prior year. Long-term liabilities of the governmental activities decreased \$178,600 primarily due to principal payments made on debt held by the City.

Invested in Capital Assets, Net of Related Debt of governmental activities increased \$147,976. This is due primarily to current year capital asset additions and principal payments made on debt related to capital assets construction exceeding current year depreciation.

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 \$156,646. When examining the individual components of governmental restricted net assets, those restricted for capital outlay decreased \$257,620. This decrease is due to the City completing several noncapitalized projects, including street repairs, during 2007. Restricted net assets for safety forces increased \$93,278 due to the police department's pension pickup, workers' compensation, and medical premiums being paid from unrestricted net assets in 2007, as well as a portion of the fire department's medical premiums being paid from unrestricted net assets in 2007 rather than restricted net assets as in 2006. Restricted net assets for streets decreased \$80,863 as a result of an increase in salaries and benefits of the employees paid from these resources, as well as an increase in materials used for operations. Restricted net assets for community development decreased \$448,241 due to the City having a much smaller amount of outstanding intergovernmental receivables for 2007. By year-end 2007, the City had received and expensed all monies relating to the Community Development Block Grant and Ohio HOME Investment Partnerships Grant awards. Restricted net assets for debt service and for other purposes had insignificant changes of \$23,584 and \$2,024, respectively. Unrestricted governmental net assets had an insignificant decrease of \$44,463.

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In total, assets of business-type activities increased \$490,579. However, an extensive decrease of \$2,355,625 occurred within current and other assets when compared to the prior year. The only asset category that had a real effect on this decrease was equity in pooled cash and cash equivalents. This account decreased from the prior year due to the City receiving the proceeds from the issuance of the Various Purpose Bond Anticipation Notes in the amount of \$5,095,000 in 2006 and not completing the projects until 2007. Nondepreciable capital assets decreased \$248,072 as a result of construction in progress existing in 2006 for a sanitary sewer project that was reclassified to depreciable capital assets in 2007 because the project was completed. Depreciable capital assets, net of depreciation increased \$3,094,276 due primarily to the completion and capitalization of a sanitary sewer project and a water line extension project during 2007. Total liabilities of business-type activities decreased \$366,273 due primarily to a decrease in notes payable. During 2007, the City rolled its 2006 Various Purpose Bond Anticipation Notes for a lesser amount and retired \$560,000 of the notes relating to its water and sewer activities. Total net assets of business-type activities increased \$856,852 as a result of the City selling water directly to the public and the processing of significant amounts of sludge from outside sources in comparison to prior years.

Table 2 shows the changes in net assets for the years ended December 31, 2007 and 2006.

Table 2  
Changes In Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2006	2007	2006	2007	2006	2007
<b>Revenues:</b>						
Program Revenues:						
Charges for Services	\$1,692,059	\$1,820,071	\$3,139,180	\$3,574,678	\$4,831,239	\$5,394,749
Operating Grants and Contributions	743,070	634,375	0	0	743,070	634,375
Capital Grants and Contributions	658,619	706,792	0	721,700	658,619	1,428,492
Total Program Revenues	\$3,093,748	\$3,161,238	\$3,139,180	\$4,296,378	\$6,232,928	\$7,457,616

*(continued)*

**City of Circleville**  
**Management's Discussion and Analysis**  
**For The Year Ended December 31, 2007**  
**(Unaudited)**

Table 2  
Changes In Net Assets  
*(continued)*

	Governmental Activities		Business-Type Activities		Total	
	2006	2007	2006	2007	2006	2007
<b>General Revenues:</b>						
Property Taxes	\$965,226	\$898,706	\$0	\$0	\$965,226	\$898,706
Income Taxes	3,918,438	4,268,178	0	0	3,918,438	4,268,178
Other Local Taxes	219,354	220,231	0	0	219,354	220,231
<b>Grants and Entitlements</b>						
not Restricted to						
Specific Programs	1,190,419	1,406,541	0	0	1,190,419	1,406,541
Unrestricted Investment Earnings	513,667	572,910	42,268	250,874	555,935	823,784
Contributions and Donations	799	0	0	0	799	0
Miscellaneous	113,836	194,143	25,982	8,612	139,818	202,755
<b>Total General Revenues</b>	<b>6,921,739</b>	<b>7,560,709</b>	<b>68,250</b>	<b>259,486</b>	<b>6,989,989</b>	<b>7,820,195</b>
<b>Total Revenues</b>	<b>10,015,487</b>	<b>10,721,947</b>	<b>3,207,430</b>	<b>4,555,864</b>	<b>13,222,917</b>	<b>15,011,452</b>
<b>Program Expenses:</b>						
<b>Security of Persons and Property:</b>						
Police	2,643,826	2,709,432	0	0	2,643,826	2,709,432
Fire	1,775,430	1,762,304	0	0	1,775,430	1,762,304
Other	212,222	149,092	0	0	212,222	149,092
Public Health Services	144,000	173,250	0	0	144,000	173,250
<b>Leisure Time Activities:</b>						
Parks and Recreation	122,736	154,782	0	0	122,736	154,782
Swimming Pool	38,158	45,658	0	0	38,158	45,658
Other	22,236	21,894	0	0	22,236	21,894
<b>Community Development:</b>						
City Funded	331,438	335,448	0	0	331,438	335,448
Grant Funded	165,893	398,778	0	0	165,893	398,778
Basic Utility Services	71,892	2,312	0	0	71,892	2,312
Transportation	2,070,983	1,853,000	0	0	2,070,983	1,853,000
General Government	2,615,071	2,820,194	0	0	2,615,071	2,820,194
<b>Interest and</b>						
Fiscal Charges	261,027	282,889	0	0	261,027	282,889
Waterworks Operating	0	0	1,477,310	1,549,556	1,477,310	1,549,556
Sewer Operating	0	0	1,802,300	2,215,503	1,802,300	2,215,503
<b>Total Expenses</b>	<b>10,474,912</b>	<b>10,709,033</b>	<b>3,279,610</b>	<b>3,765,059</b>	<b>13,754,522</b>	<b>14,474,092</b>
<b>Increase in Net Assets</b>						
before Transfers	(459,425)	12,914	(72,180)	790,805	(531,605)	811,219
Transfers	(35,560)	(66,047)	35,560	66,047	0	0
<b>Decrease in Net Assets</b>	<b>(494,985)</b>	<b>(53,133)</b>	<b>(36,620)</b>	<b>856,852</b>	<b>(531,605)</b>	<b>811,219</b>
<b>Net Assets at Beginning of Year</b>	<b>26,135,964</b>	<b>25,640,979</b>	<b>22,909,817</b>	<b>22,873,197</b>	<b>49,045,781</b>	<b>48,514,176</b>
<b>Net Assets at End of Year</b>	<b>\$25,640,979</b>	<b>\$25,587,846</b>	<b>\$22,873,197</b>	<b>\$23,730,049</b>	<b>\$48,514,176</b>	<b>\$49,325,395</b>

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

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*Governmental Activities*

Program revenues, which are primarily represented by charges for permits, fines, and departmental services, as well as restricted intergovernmental revenues were \$3,161,238 of total revenues for 2007 of \$10,721,947 and were slightly higher than in 2006. This is the result of the City receiving capital assets donated by developers during 2007.

As previously mentioned, general revenues were \$7,560,709 of total revenues for 2007. The 1.5 percent income tax is the largest source of revenue for the City of Circleville, making up \$4,268,178 of revenues for governmental activities for the year ended 2007. The City provides a fifty percent tax credit for income taxes paid to another municipality up to one hundred percent of the City's current tax rate.

On a cash basis, income tax revenue has increased annually an average of 8.52 percent from 1992 through 2000. Local companies expanded and new businesses were added to the economic foundation. From 2001 to 2004, the City experienced the exodus of the core of its industrial base, resulting in an average annual revenue decrease of 4.81 percent. In 2006, the City experienced its smallest decrease in income tax receipts since 2000. However, a slight increase did occur in income tax receipts in 2007. The increase was a result of City Council recognizing the change in the City's demographics. The burden to pay for government services shifted from a withholding tax basis to a residential basis. Therefore, Council acted on this change by enacting an ordinance reducing the credit allowed for municipal taxes by fifty percent.

The City, in conjunction with the Pickaway Progress Partnership, continues an aggressive economic development plan to promote the City in alliance with Pickaway County and the surrounding townships. An annexation agreement was signed with Circleville Township to promote economic development, to improve the welfare of the citizens, and to coordinate the planning of territory within Circleville Township.

Grants and Entitlements not Restricted to Specific Programs made up \$1,406,541 of revenue for governmental activities of the City of Circleville for the year ended 2007. Property tax revenue made up \$898,706 of revenue for governmental activities for a total of \$6,573,425 of all revenue coming from income taxes, property taxes, and grant and entitlements not restricted to specific programs.

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Governmental program expenses as a percentage of total governmental expenses for 2007 are expressed as follows:

Security of Persons and Property:	
Police	25.30%
Fire	16.46
Other	1.39
Public Health Services	1.62
Leisure Time Activities:	
Parks and Recreation	1.45
Swimming Pool	0.43
Other	0.20
Community Development:	
City Funded	3.13
Grant Funded	3.72
Basic Utility Services	0.02
Transportation	17.30
General Government	26.34
Interest and Fiscal Charges	2.64
	<u>100.00%</u>

The above chart clearly indicates the City's major source of expenses, 43.15 percent, is related to the operating of safety forces. A distant second, 26.34 percent, is the administration of general government activities within the City. All other forms of governmental operations represent 30.51 percent of expenditures. A comparison to the prior year demonstrates insignificant changes in the areas above.

*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.

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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 a significant increase from the prior year. During 2007, the City issued a minimal yearly rate increase for its water and sewer charges. However, the primary factor in additional revenue being generated came from charges for services at the Water Plant and Wastewater Plant. The Water Plant has increased the amount of sampling and testing services provided to outside entities resulting in an increase in its charges for services revenue. The Wastewater Plant has been processing significant amounts of sludge from outside sources in comparison to prior years. Program revenues also increased due to the City receiving a grant for the construction of a sanitary sewer line during 2007. This grant is presented as capital grants and contributions program revenue. Program expenses for business-type activities represented a significant increase from the prior year as well. This substantial increase is primarily related to the interest and fiscal charges paid by the City on its 2007 bond anticipation note. The Department of Utilities continues to place constraints on operating expenses, as well as capital related expenditures.

### **The City's Funds**

Information about the City's major governmental funds begins on page 22. All governmental funds had total revenues of \$10,780,458 and expenditures of \$11,241,900. The General Fund balance decreased by \$114,415. This is the result of a portion of the expenditures related to the police departments' pension pickup, workers' compensation, and medical premiums being paid from this fund in 2007, as well as a portion of the fire department's medical premiums being paid from this fund in 2007 rather than from the Safety Forces Tax Fund as was done in 2006.

The Income Tax Fund balance increased \$1,513. It is the manner of this fund that revenues be established to meet the expenditure needs of this fund.

The Safety Forces Tax Fund balance increased \$65,791. This was the result of a portion of the expenditures for the police department's pension pickup, workers' compensation, and medical premiums being paid from the General Fund in 2007, as well as a portion of the fire department's medical premiums being paid from the General Fund in 2007 rather than from this fund as was done in the 2006.

The General Obligation Bond Retirement Fund balance decreased \$61,359, due primarily to debt payments made by the City.

The Capital Improvement Fund balance decreased \$495,312 from the prior year. This considerable decrease was the result of the City completing a significant building renovation project during 2007. This improvement was in addition to the City completing various major street improvements during the year.

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

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*General Fund Budgeting Highlights*

During 2007, the City amended its General Fund budget as needed. Original budgeted revenues in the amount of \$4,670,651, were below final budgeted revenues in the amount of \$4,872,722. This was due to the City conservatively estimating its original budgeted revenues and increasing various revenue accounts throughout the year as necessary. Final budgeted revenues in the amount of \$4,872,722, were below actual revenues in the amount of \$5,238,973. The difference of \$366,251 is primarily due to property taxes, intergovernmental revenues and investment earnings being higher than final estimates. Real estate property tax collections were greater than final budgeted figures which accounts for actual revenues exceeding final budgeted revenues in property taxes. Inheritance tax collections were significantly greater than final budgeted figures which accounts for a large portion of actual revenues exceeding final budgeted revenues in intergovernmental revenues. As in the prior year, the City invested its monies in various securities at a higher yield which allowed for a significant increase in its investment earnings for the year. The City estimates its revenue sources conservatively throughout the year as to avoid the possibility that expenditures will exceed resources available for appropriation.

The increase in expenditures from the original to the final budget was \$202,071. This variance was the result of an increase in appropriations warranted due to the City receiving funding to conduct an environmental site assessment. The related costs for the assessment were not considered in the original budget figures. The difference in actual expenditures made from the final budget was \$623,401, a somewhat significant reduction. The two primary causes of this reduction was a decrease in actual expenditures for security of persons and property from final budgeted amounts of \$225,275 and a decrease in actual general government expenditures from final budgeted amounts of \$290,404. 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. In the current year, various departments did not expend a large portion of their allotted contractual services appropriations and the City had not yet incurred expenditures that had been included in the 2007 appropriations; thus, a decrease in actual expenditures when compared to final budgeted amounts occurred for the general government function. The decrease between actual expenditures and final budgeted amounts for security of persons and property was the result of civilian and uniform police personnel experiencing a higher than normal employee turnover rate. The replenishment of the police positions allowed for extended periods of understaffing resulting in lower salary and fringe benefit demands. In general, every area of City government expenditures have been curtailed and expenditures are based on a must acquire agenda. While the reduction in expenditures can be attributed to successful cost savings measures implemented by City departments, it can also be credited to the lack of preventive maintenance and upgrading of City properties that in the long run will cost the City significant dollars in the future.

**City of Circleville**  
Management's Discussion and Analysis  
For The Year Ended December 31, 2007  
(Unaudited)

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Actual General Fund revenues were less than expenditures by \$210,660. 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 balances for the General Fund was \$989,652 above the final budgeted amount.

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

#### *Capital Assets*

At the end of 2007, the City had \$23,349,964 in capital assets (net of accumulated depreciation) for governmental activities, an increase of \$442,053. Increases in capital assets included building renovations, radio equipment, a durapatching machine, police vehicles, LED lighting, and various street improvements. Disposals of capital assets included copier equipment, tractor equipment, police vehicles, and infrastructure related to 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 \$19,927,561 in capital assets (net of accumulated depreciation) for business-type activities, an increase of \$2,846,204. Increases in capital assets included various building improvements, the completion of a major sewer and water line addition, routine water and sewer line improvements, and the replacement/addition of fire hydrants within the City. Disposals of capital assets included various water lines and fire hydrants. The increase in capital assets is the result of current year additions exceeding annual depreciation for the year.

See Note 8 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 \$4,100,000 and bond anticipation notes in the amount of \$380,000 for governmental activities. Business-type activities had debt obligations in the amount of \$4,535,000 relating to bond anticipation notes. 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.



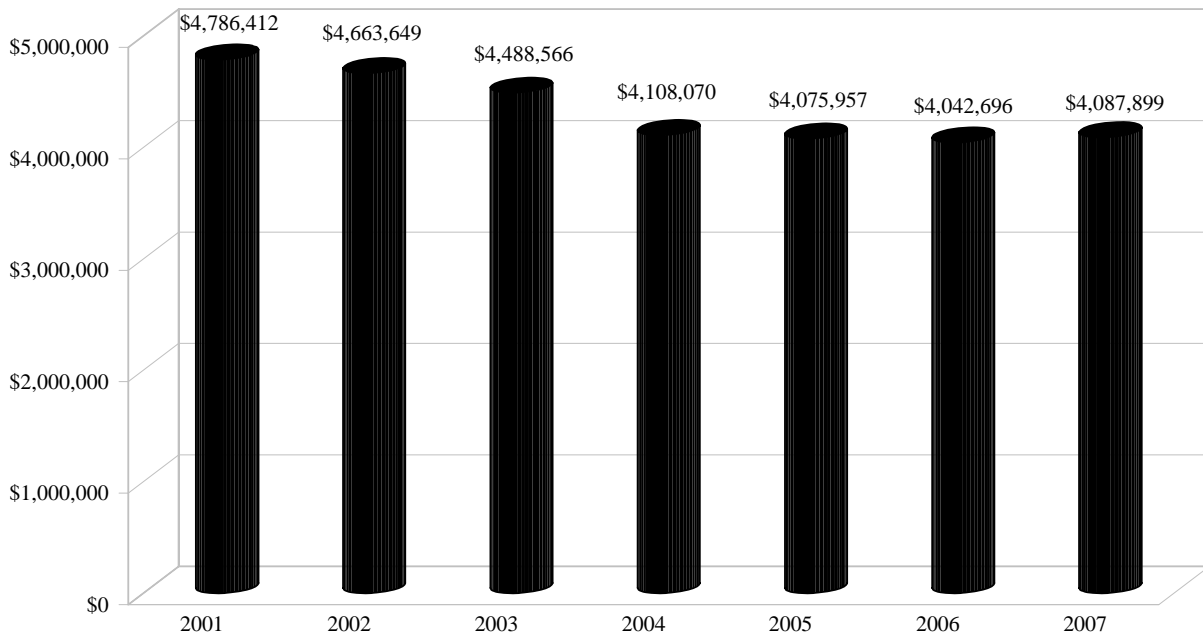
**City of Circleville**  
Management's Discussion and Analysis  
For The Year Ended December 31, 2007  
(Unaudited)

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**Current Issues**

On a cash basis, the City of Circleville's municipal income tax base increased by 1.12 percent. Municipal income tax is the major revenue source for the City's operating funds. In 2007, municipal income tax represented 42 percent of the City's cash basis operating revenues. Circleville City Council once again maintained the 50 percent of one percent split between the General Fund and the Capital Improvement Fund. The 0.50 percent voter approved safety forces tax provides 32 percent of the available revenue to fund safety forces expenditures. The minimal increase of the municipal income tax continues to force the City to curtail services provided to its constituents and to place major staffing restraints on safety forces. With this knowledge, the Circleville City Council enacted a reduced tax credit ordinance that was effective July 1, 2007. The revenue generated by the reduced credit ordinance has been legislated to be used for the operation of the safety forces only. The provision producing additional dollars for safety forces will help liberate dollars for general government operations in the future by providing a safety forces funding mechanism.

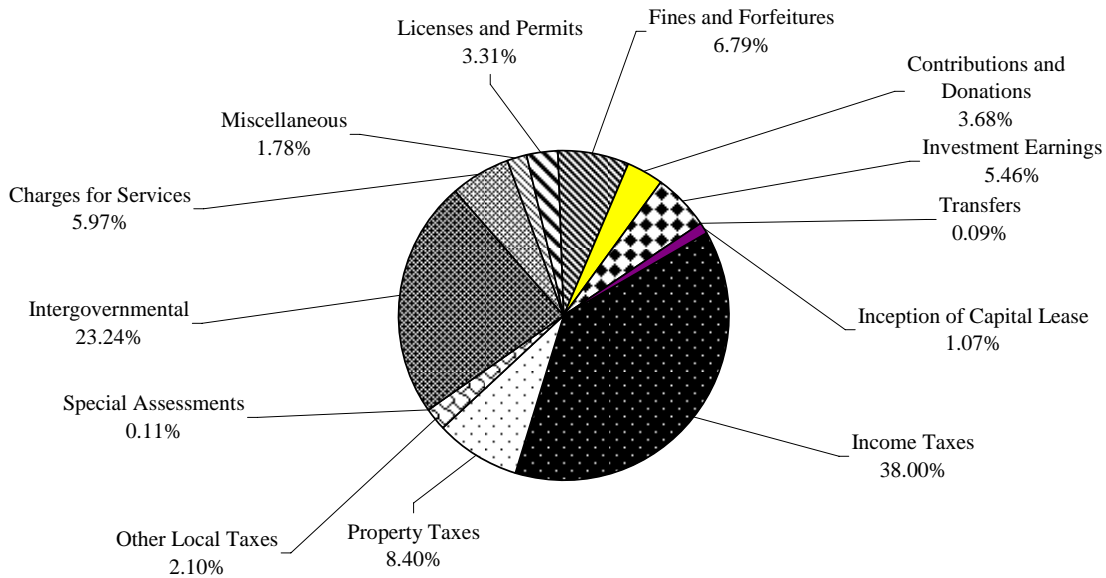
Table 3  
Municipal Income Tax Cash Basis Revenues  
2001 Through 2007



**City of Circleville**  
**Management's Discussion and Analysis**  
**For The Year Ended December 31, 2007**  
**(Unaudited)**

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

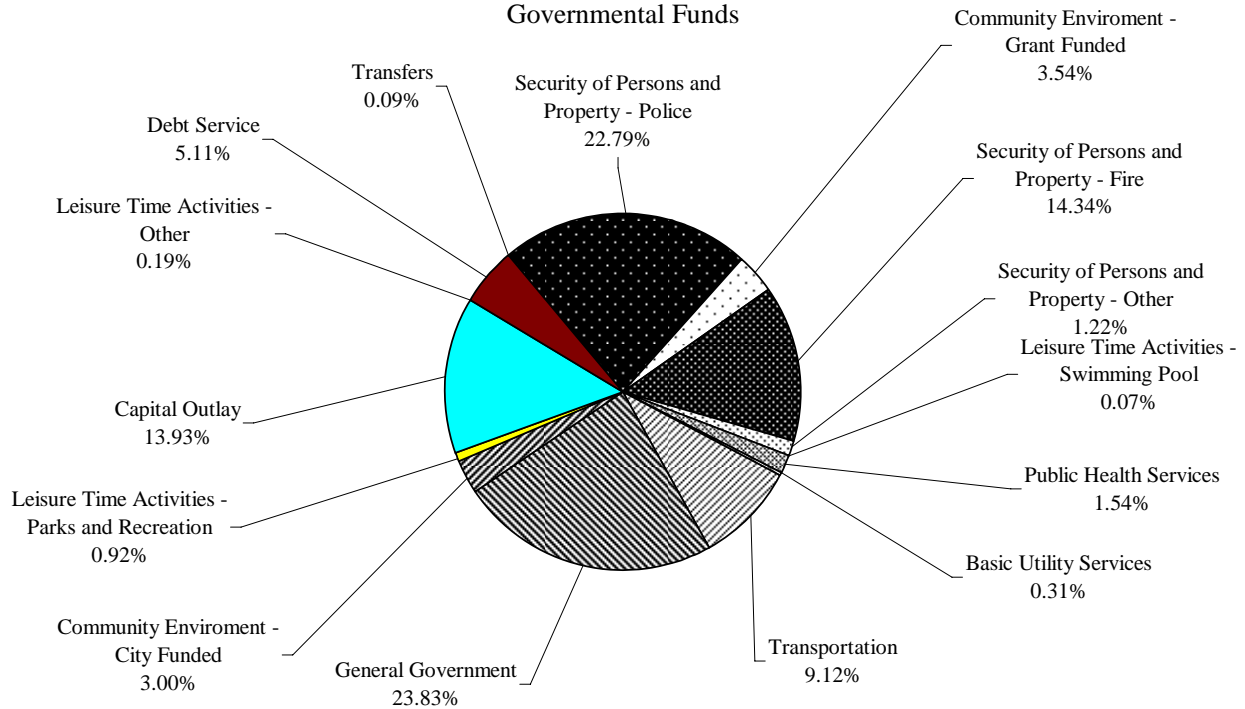


General operating revenues of the City saw an increase in 2007. However, the City has approached this with reserved caution. Contractual and capital improvement expenditures remain curtailed. The transportation and storm water infrastructure of the City continues to suffer from constraints of lower revenue collections than in the past. On a cash basis, the City spent 17 percent of its operating budget on capital improvements in 2007. While the City's capital assets included current year additions of \$5,110,965, annual depreciation was \$1,809,853 for the year. The City is a service provider to its residents, which explains why 60 percent of the operating budget is attributable to personnel services. The safety forces (Fire, EMS, and Police) constitute 45 percent of the operating budget for the City. All City departments continue to operate with a reduced workforce. The passage by Council of the 50 percent reduced income tax credit will help to alleviate the safety forces personnel shortage. The evaluation and implementation of cost savings programs is administered by all City departments.

The City entered into an annexation agreement with Circleville Township to promote economic development and coordinated planning strategies. The firm of Edsall and Associates was retained by Circleville City Council and Circleville Township to update the long range planning instrument of the City and the Township.

**City of Circleville**  
**Management's Discussion and Analysis**  
**For The Year Ended December 31, 2007**  
**(Unaudited)**

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



The resources available to the City for capital improvements remain limited. These restrictions have pressed the City to seek numerous grants and alternative funding opportunities. In 2007, the Police Department received a Criminal Justice grant that allowed for technology enhancement in patrol cars. These technology updates give police officers the hands on tools they need to protect the citizens in our community.

The City of Circleville constantly analyzes its day to day operations to ensure that services are being offered in a cost effective manner to our constituents. The slight increase in operating revenues is cautiously evaluated. The pursuit for economic development opportunities by the administration in conjunction with the Pickaway Progress Partnership is a top level priority. In 2007, the City received a federal grant of \$721,700. These dollars were coupled with borrowing revenues for the installation of the North Side Sanitary Sewer Trunk Line and the Express Main Water Line extension. The expansion of the City's utility services to the northern corridor is a first step in bringing new jobs and resources to the community. The aggressive pursuit and acquisition of economic development opportunities will provide the City with the resources necessary to restore vital resources to the constituents it serves. The City's administration believes it is not one person's job to promote the City of Circleville but the responsibility of all personnel to make the City of Circleville a notable and thriving community.

**City of Circleville**  
Management's Discussion and Analysis  
For The Year Ended December 31, 2007  
(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.

**City of Circleville**  
Statement of Net Assets  
December 31, 2007

	<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	\$4,297,967	\$8,111,095	\$12,409,062
Cash and Cash Equivalents	0	0	0
Cash and Cash Equivalents with Fiscal Agents	34,840	0	34,840
Investments	0	0	0
Accounts Receivable	6,166	454,893	461,059
Accrued Interest Receivable	42,765	44,994	87,759
Intergovernmental Receivable	1,008,551	0	1,008,551
Income Taxes Receivable	1,059,307	0	1,059,307
Materials and Supplies Inventory	204,021	150,924	354,945
Prepaid Items	48,397	20,001	68,398
Property Taxes Receivable	832,203	0	832,203
Other Local Taxes Receivable	46,103	0	46,103
Special Assessments Receivable	22,112	6,343	28,455
Loans Receivable	1,287,965	0	1,287,965
Deferred Charges	61,950	0	61,950
Capital Assets:			
Nondepreciable Capital Assets	1,411,693	149,180	1,560,873
Depreciable Capital Assets, Net	21,938,271	19,778,381	41,716,652
<i>Total Assets</i>	<u>32,302,311</u>	<u>28,715,811</u>	<u>61,018,122</u>
<b><u>Liabilities:</u></b>			
Accounts Payable	200,452	54,833	255,285
Contracts Payable	53,279	0	53,279
Retainage Payable	842	0	842
Accrued Wages and Benefits Payable	151,764	52,179	203,943
Intergovernmental Payable	346,325	54,181	400,506
Deferred Revenue	798,930	0	798,930
Matured Bonds Payable	20,000	0	20,000
Matured Interest Payable	14,840	0	14,840
Accrued Interest Payable	25,738	86,006	111,744
Notes Payable	380,000	4,535,000	4,915,000
Claims Payable	5,939	74,650	80,589
Long-Term Liabilities:			
Due Within One Year	543,797	74,374	618,171
Due in More Than One Year	4,172,559	54,539	4,227,098
<i>Total Liabilities</i>	<u>6,714,465</u>	<u>4,985,762</u>	<u>11,700,227</u>
<b><u>Net Assets:</u></b>			
Invested in Capital Assets, Net of Related Debt	19,908,929	17,291,397	37,200,326
Restricted for:			
Capital Outlay	1,440,396	0	1,440,396
Debt Service	154,944	0	154,944
Safety Forces	878,739	0	878,739
Streets	577,719	0	577,719
Community Development	195,034	0	195,034
Other Purposes	437,909	0	437,909
Permanent Endowments	0	0	0
Unrestricted	1,994,176	6,438,652	8,432,828
<i>Total Net Assets</i>	<u>\$25,587,846</u>	<u>\$23,730,049</u>	<u>\$49,317,895</u>

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

<u>Component Unit</u> <u>Berger Health</u> <u>System</u>	<u>Total Reporting</u> <u>Entity</u>
\$0	\$12,409,062
3,078,407	3,078,407
0	34,840
26,624,742	26,624,742
6,834,322	7,295,381
0	87,759
59,754	1,068,305
0	1,059,307
1,264,838	1,619,783
525,469	593,867
0	832,203
0	46,103
0	28,455
0	1,287,965
135,052	197,002
3,316,681	4,877,554
44,674,219	86,390,871
86,513,484	147,531,606
3,787,768	4,043,053
0	53,279
0	842
2,188,799	2,392,742
0	400,506
0	798,930
0	20,000
0	14,840
77,006	188,750
0	4,915,000
0	80,589
2,449,532	3,067,703
23,466,946	27,694,044
31,970,051	43,670,278
23,225,843	60,426,169
0	1,440,396
0	154,944
0	878,739
0	577,719
0	195,034
0	437,909
30,500	30,500
31,287,090	39,719,918
\$54,543,433	\$103,861,328

See Accountants' Compilation Report

**City of Circleville**  
Statement of Activities  
For the Year Ended December 31, 2007

	<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	\$2,709,432	\$34,712	\$6,127	\$40,000
Fire	1,762,304	8,984	5,728	0
Other	149,092	401,640	4,000	0
Public Health Services	173,250	0	0	0
Leisure Time Activities:				
Parks and Recreation	154,782	0	1,672	421,000
Swimming Pool	45,658	0	0	0
Other	21,894	0	0	0
Community Development:				
City Funded	335,448	360,908	0	0
Grant Funded	398,778	0	0	0
Basic Utility Services	2,312	0	0	0
Transportation	1,853,000	99,700	616,848	433
General Government	2,820,194	914,127	0	245,359
Interest and Fiscal Charges	282,889	0	0	0
<b>Total Governmental Activities</b>	<b>10,709,033</b>	<b>1,820,071</b>	<b>634,375</b>	<b>706,792</b>
<b><u>Business-Type Activities:</u></b>				
Waterworks Operating	1,549,556	1,581,393	0	0
Sewer Operating	2,215,503	1,993,285	0	721,700
<b>Total Business-Type Activities</b>	<b>3,765,059</b>	<b>3,574,678</b>	<b>0</b>	<b>721,700</b>
<b>Total - Primary Government</b>	<b>\$14,474,092</b>	<b>\$5,394,749</b>	<b>\$634,375</b>	<b>\$1,428,492</b>
<b>Component Unit</b>				
<b>    Berger Health System</b>	<b>\$58,084,346</b>	<b>\$59,342,023</b>	<b>\$114,639</b>	<b>\$0</b>

**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*

**Transfers**

*Total General Revenues and Transfers*

*Change in Net Assets*

*Net Assets at Beginning of Year*

*Net Assets at End of Year*

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

<b>Net (Expense) Revenue and Changes in Net Assets</b>				
<b>Primary Government</b>			<b>Component Unit</b>	<b>Total Reporting</b>
<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	<b>Berger Health System</b>	<b>Entity</b>
(\$2,628,593)	\$0	(\$2,628,593)	\$0	(\$2,628,593)
(1,747,592)	0	(1,747,592)	0	(1,747,592)
256,548	0	256,548	0	256,548
(173,250)	0	(173,250)	0	(173,250)
267,890	0	267,890	0	267,890
(45,658)	0	(45,658)	0	(45,658)
(21,894)	0	(21,894)	0	(21,894)
25,460	0	25,460	0	25,460
(398,778)	0	(398,778)	0	(398,778)
(2,312)	0	(2,312)	0	(2,312)
(1,136,019)	0	(1,136,019)	0	(1,136,019)
(1,660,708)	0	(1,660,708)	0	(1,660,708)
(282,889)	0	(282,889)	0	(282,889)
(7,547,795)	0	(7,547,795)	0	(7,547,795)
0	31,837	31,837	0	31,837
0	499,482	499,482	0	499,482
0	531,319	531,319	0	531,319
(7,547,795)	531,319	(7,016,476)	0	(7,016,476)
0	0	0	1,372,316	1,372,316
764,317	0	764,317	0	764,317
134,389	0	134,389	0	134,389
1,543,137	0	1,543,137	0	1,543,137
1,391,221	0	1,391,221	0	1,391,221
326,673	0	326,673	0	326,673
1,007,147	0	1,007,147	0	1,007,147
220,231	0	220,231	0	220,231
1,406,541	0	1,406,541	0	1,406,541
572,910	250,874	823,784	1,458,600	2,282,384
194,143	8,612	202,755	1,524,399	1,727,154
7,560,709	259,486	7,820,195	2,982,999	10,803,194
(66,047)	66,047	0	(4,708,793)	(4,708,793)
7,494,662	325,533	7,820,195	(1,725,794)	6,094,401
(53,133)	856,852	803,719	(353,478)	450,241
25,640,979	22,873,197	48,514,176	54,896,911	103,411,087
\$25,587,846	\$23,730,049	\$49,317,895	\$54,543,433	\$103,861,328

See Accountants' Compilation Report



**City of Circleville**  
Balance Sheet  
Governmental Funds  
December 31, 2007

	<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	\$1,433,200	\$28,682	\$597,954
Cash and Cash Equivalents with Fiscal Agents	0	0	0
Receivables:			
Accounts	6,166	0	0
Accrued Interest	41,180	0	0
Intergovernmental	636,271	0	0
Income Taxes	330,736	53,021	344,815
Property Taxes	711,282	0	0
Other Local Taxes	29,407	0	0
Loans	0	0	0
Special Assessments	0	0	0
Materials and Supplies Inventory	56,081	752	0
Prepaid Items	16,670	926	15,830
<b><i>Total Assets</i></b>	<b><u>\$3,260,993</u></b>	<b><u>\$83,381</u></b>	<b><u>\$958,599</u></b>
<b><i>Liabilities and Fund Balances:</i></b>			
<b><i>Liabilities:</i></b>			
Accounts Payable	\$102,663	\$1,194	\$50,958
Contracts Payable	0	0	0
Retainage Payable	0	0	0
Accrued Wages and Benefits Payable	110,023	1,784	26,148
Intergovernmental Payable	208,531	1,893	75,290
Deferred Revenue	1,527,619	37,824	245,987
Matured Bonds Payable	0	0	0
Matured Interest Payable	0	0	0
Accrued Interest Payable	0	0	0
Notes Payable	0	0	0
Claims Payable	0	0	0
<b><i>Total Liabilities</i></b>	<b><u>1,948,836</u></b>	<b><u>42,695</u></b>	<b><u>398,383</u></b>
<b><i>Fund Balances:</i></b>			
Reserved for Encumbrances	84,993	1,653	27,446
Reserved for Loans Receivable	0	0	0
Unreserved:			
Undesignated, Reported in:			
General Fund	1,227,164	0	0
Special Revenue Funds	0	39,033	532,770
Debt Service Funds	0	0	0
Capital Projects Funds	0	0	0
<b><i>Total Fund Balances</i></b>	<b><u>1,312,157</u></b>	<b><u>40,686</u></b>	<b><u>560,216</u></b>
<b><i>Total Liabilities and Fund Balances</i></b>	<b><u>\$3,260,993</u></b>	<b><u>\$83,381</u></b>	<b><u>\$958,599</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>
\$57,266	\$672,969	\$1,507,896	\$4,297,967
34,840	0	0	34,840
0	0	0	6,166
267	0	1,318	42,765
0	0	372,280	1,008,551
123,662	207,073	0	1,059,307
0	0	120,921	832,203
0	0	16,696	46,103
1,227,500	0	60,465	1,287,965
0	22,112	0	22,112
0	0	147,188	204,021
0	12,358	2,613	48,397
<u>\$1,443,535</u>	<u>\$914,512</u>	<u>\$2,229,377</u>	<u>\$8,890,397</u>
\$2,281	\$18,331	\$25,025	\$200,452
0	53,279	0	53,279
0	842	0	842
0	0	13,809	151,764
0	0	60,611	346,325
88,288	169,835	453,560	2,523,113
20,000	0	0	20,000
14,840	0	0	14,840
0	7,207	0	7,207
0	380,000	0	380,000
5,939	0	0	5,939
<u>131,348</u>	<u>629,494</u>	<u>553,005</u>	<u>3,703,761</u>
0	64,828	86,736	265,656
1,140,000	0	39,504	1,179,504
0	0	0	1,227,164
0	0	1,000,581	1,572,384
172,187	0	0	172,187
0	220,190	549,551	769,741
<u>1,312,187</u>	<u>285,018</u>	<u>1,676,372</u>	<u>5,186,636</u>
<u>\$1,443,535</u>	<u>\$914,512</u>	<u>\$2,229,377</u>	<u>\$8,890,397</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, 2007

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<b>Total Governmental Fund Balances</b>	<b>\$5,186,636</b>
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*Amounts reported for governmental activities in the Statement of Net Assets are different because:*

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

Land	1,043,090
Construction in Progress	368,603
Infrastructure	31,773,331
Other Capital Assets	12,494,530
Accumulated Depreciation	<u>(22,329,590)</u>

Total	23,349,964
-------	------------

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

Income Taxes	755,696
Property Taxes	33,273
Other Local Taxes	39,625
Special Assessments	22,112
Intergovernmental	826,992
Charges for Services	6,166
Interest	<u>40,319</u>

Total	1,724,183
-------	-----------

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

61,950

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

Accrued Interest	(18,531)
General Obligation Bonds	(4,100,000)
Capital Leases Payable	(249,985)
Compensated Absences	<u>(366,371)</u>

Total	<u>(4,734,887)</u>
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<b>Net Assets of Governmental Activities</b>	<b><u><u>\$25,587,846</u></u></b>
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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, 2007

	<i>General Fund</i>	<i>Income Tax Fund</i>	<i>Safety Forces Tax Fund</i>
<b><u>Revenues:</u></b>			
Income Taxes	\$1,295,379	\$211,145	\$1,342,736
Property Taxes	779,151	0	0
Other Local Taxes	195,816	0	0
Special Assessments	0	0	0
Intergovernmental	1,316,065	0	4,000
Charges for Services	204,059	0	409,944
Licenses and Permits	360,908	0	0
Fines and Forfeitures	481,214	0	0
Investment Earnings	556,351	0	0
Contributions and Donations	1,672	0	0
Miscellaneous	96,712	25	3,625
<i>Total Revenues</i>	<u>5,287,327</u>	<u>211,170</u>	<u>1,760,305</u>
<b><u>Expenditures:</u></b>			
Current Operations and Maintenance:			
Security of Persons and Property:			
Police	1,599,607	0	881,353
Fire	755,940	0	775,716
Other	94,485	0	21,701
Public Health Services	173,250	0	0
Leisure Time Activities:			
Parks and Recreation	103,695	0	0
Swimming Pool	7,500	0	0
Other	21,894	0	0
Community Development:			
City Funded	337,269	0	0
Grant Funded	0	0	0
Basic Utility Services	2,312	0	0
Transportation	197,131	0	0
General Government	2,056,812	209,657	0
Capital Outlay	6,471	0	61,877
Debt Service:			
Principal Retirement	34,885	0	13,240
Interest and Fiscal Charges	6,962	0	2,504
<i>Total Expenditures</i>	<u>5,398,213</u>	<u>209,657</u>	<u>1,756,391</u>
Excess of Revenues Over (Under) Expenditures	<u>(110,886)</u>	<u>1,513</u>	<u>3,914</u>
<b><u>Other Financing Sources (Uses):</u></b>			
Inception Of Capital Lease	6,471	0	61,877
Transfers In	0	0	0
Transfers Out	(10,000)	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>(3,529)</u>	<u>0</u>	<u>61,877</u>
<i>Net Change in Fund Balance</i>	<u>(114,415)</u>	<u>1,513</u>	<u>65,791</u>
<i>Fund Balances at Beginning of Year</i>	<u>1,426,572</u>	<u>39,173</u>	<u>494,425</u>
<i>Fund Balances at End of Year</i>	<u>\$1,312,157</u>	<u>\$40,686</u>	<u>\$560,216</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>
\$329,128	\$966,252	\$0	\$4,144,640
0	0	137,007	916,158
0	0	32,922	228,738
0	12,209	0	12,209
0	40,000	1,174,189	2,534,254
0	16,646	20,204	650,853
0	0	0	360,908
0	0	259,915	741,129
29,791	0	9,612	595,754
0	0	400,000	401,672
63,510	14,587	15,684	194,143
<u>422,429</u>	<u>1,049,694</u>	<u>2,049,533</u>	<u>10,780,458</u>
0	0	83,325	2,564,285
0	0	81,600	1,613,256
0	0	21,100	137,286
0	0	0	173,250
0	0	275	103,970
0	0	0	7,500
0	0	0	21,894
0	0	0	337,269
0	0	398,778	398,778
0	0	32,400	34,712
0	15,506	812,948	1,025,585
0	105,458	309,879	2,681,806
0	1,418,248	80,225	1,566,821
240,000	4,500	3,872	296,497
<u>243,788</u>	<u>25,332</u>	<u>405</u>	<u>278,991</u>
<u>483,788</u>	<u>1,569,044</u>	<u>1,824,807</u>	<u>11,241,900</u>
<u>(61,359)</u>	<u>(519,350)</u>	<u>224,726</u>	<u>(461,442)</u>
0	24,038	24,038	116,424
0	0	10,000	10,000
0	0	0	(10,000)
<u>0</u>	<u>24,038</u>	<u>34,038</u>	<u>116,424</u>
(61,359)	(495,312)	258,764	(345,018)
<u>1,373,546</u>	<u>780,330</u>	<u>1,417,608</u>	<u>5,531,654</u>
<u>\$1,312,187</u>	<u>\$285,018</u>	<u>\$1,676,372</u>	<u>\$5,186,636</u>

See Accountants' Compilation Report

**City of Circleville**  
 Reconciliation of the Statement of Revenues, Expenditures and Changes  
 in Fund Balances of Governmental Funds to the Statement of Activities  
 For the Year Ended December 31, 2007

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**Net Change in Fund Balances - Total Governmental Funds** (\$345,018)

*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	1,389,248	
Donated Capital Assets	266,359	
Depreciation	<u>(1,201,641)</u>	
Excess of Capital Outlay over Depreciation Expense		453,966

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

Loss on Disposal of Assets		(11,913)
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Some capital assets were financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the Statement of Net Assets, the lease obligation is reported as a liability.

(116,424)

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	123,538	
Property Taxes	(17,452)	
Other Local Taxes	(8,507)	
Special Assessments	(11,776)	
Intergovernmental	(390,805)	
Accrued Interest	(22,844)	
Charges for Services	<u>2,976</u>	
		(324,870)

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	240,000	
Capital Lease Payments	<u>56,497</u>	
		296,497

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The additional amount of interest on the Statement of Activities is the result of the following:

Net Decrease in Deferred Charges	(4,950)	
Net Decrease in Accrued Interest	<u>1,052</u>	
		(3,898)

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>(1,473)</u>
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**Change in Net Assets of Governmental Activities** (\$53,133)

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, 2007

	<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><i>Revenues:</i></b>				
Income Taxes	\$1,225,279	\$1,291,901	\$1,277,715	(\$14,186)
Property Taxes	798,000	692,500	779,151	86,651
Other Local Taxes	164,078	173,000	190,627	17,627
Intergovernmental	1,170,742	1,234,400	1,294,458	60,058
Charges for Services	166,991	176,071	204,059	27,988
Licenses and Permits	323,415	341,000	360,908	19,908
Fines and Forfeitures	464,731	490,000	480,587	(9,413)
Investment Earnings	356,467	375,850	553,084	177,234
Contributions and Donations	948	1,000	1,672	672
Miscellaneous	0	97,000	96,712	(288)
<b><i>Total Revenues</i></b>	<b>4,670,651</b>	<b>4,872,722</b>	<b>5,238,973</b>	<b>366,251</b>
<b><i>Expenditures:</i></b>				
Current Operations and Maintenance:				
Security of Persons and Property:				
Police	1,718,948	1,727,159	1,604,617	122,542
Fire	881,221	878,097	778,290	99,807
Other	85,040	85,040	82,114	2,926
Public Health Services	176,347	176,347	174,750	1,597
Leisure Time Activities:				
Parks and Recreation	119,164	119,164	103,653	15,511
Swimming Pool	7,500	7,500	7,500	0
Other	52,393	52,393	26,894	25,499
Community Development:				
City Funded	390,360	390,360	338,435	51,925
Basic Utility Services	3,100	3,100	2,312	788
Transportation	208,343	208,343	195,941	12,402
General Government	2,228,547	2,425,531	2,135,127	290,404
<b><i>Total Expenditures</i></b>	<b>5,870,963</b>	<b>6,073,034</b>	<b>5,449,633</b>	<b>623,401</b>
Excess of Revenues Over (Under) Expenditures	(1,200,312)	(1,200,312)	(210,660)	989,652
<b><i>Other Financing Uses:</i></b>				
Transfers Out	(10,000)	(10,000)	(10,000)	0
<b><i>Net Change in Fund Balance</i></b>	<b>(1,210,312)</b>	<b>(1,210,312)</b>	<b>(220,660)</b>	<b>989,652</b>
<b><i>Fund Balance at Beginning of Year</i></b>	<b>1,321,443</b>	<b>1,321,443</b>	<b>1,321,443</b>	<b>0</b>
<b><i>Prior Year Encumbrances</i></b>	<b>112,423</b>	<b>112,423</b>	<b>112,423</b>	<b>0</b>
<b><i>Fund Balance at End of Year</i></b>	<b>\$223,554</b>	<b>\$223,554</b>	<b>\$1,213,206</b>	<b>\$989,652</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, 2007

	<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	\$224,298	\$224,298	\$211,432	(\$12,866)
Miscellaneous	<u>0</u>	<u>0</u>	<u>25</u>	<u>25</u>
<i>Total Revenues</i>	224,298	224,298	211,457	(12,841)
<b><u>Expenditures:</u></b>				
Current Operations and Maintenance:				
General Government	<u>226,344</u>	<u>226,344</u>	<u>212,022</u>	<u>14,322</u>
<i>Net Change in Fund Balance</i>	(2,046)	(2,046)	(565)	1,481
<i>Fund Balance at Beginning of Year</i>	25,397	25,397	25,397	0
<i>Prior Year Encumbrances</i>	<u>2,046</u>	<u>2,046</u>	<u>2,046</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u><u>\$25,397</u></u>	<u><u>\$25,397</u></u>	<u><u>\$26,878</u></u>	<u><u>\$1,481</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, 2007

	<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	\$1,291,901	\$1,291,901	\$1,321,037	\$29,136
Intergovernmental	7,000	7,000	4,000	(3,000)
Charges for Services	307,600	307,600	409,944	102,344
Miscellaneous	3,000	3,000	3,625	625
<i>Total Revenues</i>	<u>1,609,501</u>	<u>1,609,501</u>	<u>1,738,606</u>	<u>129,105</u>
<b><i>Expenditures:</i></b>				
Current Operations and Maintenance:				
Security of Persons and Property:				
Police	1,008,150	1,010,699	891,538	119,161
Fire	879,506	974,308	780,619	193,689
Other	159,464	62,113	41,803	20,310
<i>Total Expenditures</i>	<u>2,047,120</u>	<u>2,047,120</u>	<u>1,713,960</u>	<u>333,160</u>
<i>Net Change in Fund Balance</i>	(437,619)	(437,619)	24,646	462,265
<i>Fund Balance at Beginning of Year</i>	500,011	500,011	500,011	0
<i>Prior Year Encumbrances</i>	<u>36,281</u>	<u>36,281</u>	<u>36,281</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u><u>\$98,673</u></u>	<u><u>\$98,673</u></u>	<u><u>\$560,938</u></u>	<u><u>\$462,265</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, 2007

	<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	\$4,705,336	\$3,405,759	\$8,111,095
Receivables:			
Accounts	199,970	254,923	454,893
Accrued Interest	25,106	19,888	44,994
Special Assessments	0	6,343	6,343
Materials and Supplies Inventory	71,051	79,873	150,924
Prepaid Items	12,948	7,053	20,001
<i>Total Current Assets</i>	<u>5,014,411</u>	<u>3,773,839</u>	<u>8,788,250</u>
<b><u>Non-Current Assets:</u></b>			
Nondepreciable Capital Assets	57,125	92,055	149,180
Depreciable Capital Assets, Net	6,521,762	13,256,619	19,778,381
<i>Total Non-Current Assets</i>	<u>6,578,887</u>	<u>13,348,674</u>	<u>19,927,561</u>
<i>Total Assets</i>	<u>11,593,298</u>	<u>17,122,513</u>	<u>28,715,811</u>
<b><u>Liabilities:</u></b>			
<b><u>Current Liabilities:</u></b>			
Accounts Payable	26,118	28,715	54,833
Accrued Wages and Benefits Payable	21,684	30,495	52,179
Intergovernmental Payable	27,110	27,071	54,181
Notes Payable	1,965,000	2,570,000	4,535,000
Capital Leases Payable	1,697	1,696	3,393
Compensated Absences Payable	32,396	38,585	70,981
Accrued Interest Payable	37,266	48,740	86,006
Claims Payable	30,761	43,889	74,650
<i>Total Current Liabilities</i>	<u>2,142,032</u>	<u>2,789,191</u>	<u>4,931,223</u>
<b><u>Long-Term Liabilities (Net of Current Portion):</u></b>			
Capital Leases Payable	2,913	2,913	5,826
Compensated Absences Payable	19,447	29,266	48,713
<i>Total Long-Term Liabilities (Net of Current Portion)</i>	<u>22,360</u>	<u>32,179</u>	<u>54,539</u>
<i>Total Liabilities</i>	<u>2,164,392</u>	<u>2,821,370</u>	<u>4,985,762</u>
<b><u>Net Assets:</u></b>			
Invested in Capital Assets, Net of Related Debt	5,676,815	11,614,582	17,291,397
Unrestricted	3,752,091	2,686,561	6,438,652
<i>Total Net Assets</i>	<u>\$9,428,906</u>	<u>\$14,301,143</u>	<u>\$23,730,049</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, 2007

	<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	\$1,581,393	\$1,993,285	\$3,574,678
<b><i>Operating Expenses:</i></b>			
Personal Services	536,692	635,881	1,172,573
Fringe Benefits	265,711	264,880	530,591
Materials and Supplies	222,864	383,534	606,398
Contractual Services	157,049	291,764	448,813
Depreciation	202,194	406,018	608,212
Miscellaneous	1,466	7,694	9,160
<i>Total Operating Expenses</i>	<u>1,385,976</u>	<u>1,989,771</u>	<u>3,375,747</u>
Operating Income	<u>195,417</u>	<u>3,514</u>	<u>198,931</u>
<b><i>Non-Operating Revenues (Expenses):</i></b>			
Interest and Fiscal Charges	(163,580)	(225,732)	(389,312)
Interest Revenue	142,333	108,541	250,874
Other	6,401	2,211	8,612
<i>Total Non-Operating Revenues (Expenses)</i>	<u>(14,846)</u>	<u>(114,980)</u>	<u>(129,826)</u>
Income Before Transfers and Capital Grants	180,571	(111,466)	69,105
Transfers In	56,688	9,359	66,047
Capital Grants	<u>0</u>	<u>721,700</u>	<u>721,700</u>
<i>Change in Net Assets</i>	237,259	619,593	856,852
<i>Net Assets at Beginning of Year - Restated (Note 20)</i>	<u>9,191,647</u>	<u>13,681,550</u>	<u>22,873,197</u>
<i>Net Assets at End of Year</i>	<u><u>\$9,428,906</u></u>	<u><u>\$14,301,143</u></u>	<u><u>\$23,730,049</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, 2007

	<u>Waterworks Operating Fund</u>	<u>Sewer Operating Fund</u>	<u>Total</u>
<b><u>Increase (Decrease) in Cash and Cash Equivalents:</u></b>			
<b><u>Cash Flows from Operating Activities:</u></b>			
Cash Received from Charges for Services	\$1,555,524	\$1,964,125	\$3,519,649
Cash Payments for Employee Services	(532,457)	(626,644)	(1,159,101)
Cash Payments for Employee Benefits	(260,191)	(247,371)	(507,562)
Cash Payments to Suppliers for Goods and Services	(389,128)	(671,828)	(1,060,956)
Cash Payments for Other Operating Expenses	(1,466)	(7,694)	(9,160)
Other Non-Operating Revenues	6,401	2,211	8,612
<i>Net Cash Provided by Operating Activities</i>	<u>378,683</u>	<u>412,799</u>	<u>791,482</u>
<b><u>Cash Flows from Capital and Related Financing Activities:</u></b>			
Acquisition of Capital Assets	(1,054,136)	(2,334,233)	(3,388,369)
Capital Grants Received	0	721,700	721,700
Proceeds of Bond Anticipation Notes	1,965,000	2,570,000	4,535,000
Principal Paid on Bond Anticipation Notes	(2,100,000)	(2,995,000)	(5,095,000)
Interest and Fiscal Charges Paid on Bond Anticipation Notes	(95,000)	(133,000)	(228,000)
Principal Paid on Capital Leases	(4,942)	(2,029)	(6,971)
Interest and Fiscal Charges Paid on Capital Leases	(553)	(103)	(656)
<i>Net Cash Used for Capital and Related Financing Activities</i>	<u>(1,289,631)</u>	<u>(2,172,665)</u>	<u>(3,462,296)</u>
<b><u>Cash Flows from Investing Activities:</u></b>			
Interest	132,379	110,265	242,644
<i>Net Decrease in Cash and Cash Equivalents</i>	(778,569)	(1,649,601)	(2,428,170)
<i>Cash and Cash Equivalents at Beginning of Year</i>	<u>5,483,905</u>	<u>5,055,360</u>	<u>10,539,265</u>
<i>Cash and Cash Equivalents at End of Year</i>	<u>\$4,705,336</u>	<u>\$3,405,759</u>	<u>\$8,111,095</u>
<b><u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</u></b>			
Operating Income	\$195,417	\$3,514	\$198,931
<b><u>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:</u></b>			
Depreciation	202,194	406,018	608,212
Other Non-Operating Revenues	6,401	2,211	8,612
Changes in Assets and Liabilities:			
Increase in Accounts Receivable	(25,869)	(29,327)	(55,196)
Decrease in Special Assessments Receivable	0	167	167
Increase in Materials and Supplies Inventory	(10,475)	(1,833)	(12,308)
Decrease in Prepaid Items	710	2,312	3,022
Increase in Accounts Payable	29	2,674	2,703
Increase in Accrued Wages and Benefits Payable	1,186	6,776	7,962
Increase in Intergovernmental Payable	3,777	3,066	6,843
Increase in Compensated Absences Payable	5,313	17,221	22,534
<i>Net Cash Provided by Operating Activities</i>	<u>\$378,683</u>	<u>\$412,799</u>	<u>\$791,482</u>
<b><u>Noncash Capital Financing Activities:</u></b>			
Building Renovations Contributed by Governmental Funds and Capitalized at Cost	\$9,359	\$9,359	\$18,718
Equipment Contributed by Governmental Funds and Capitalized at Cost	12,000	0	12,000
Fire Hydrants and Water Lines Contributed by Governmental Funds and Capitalized at Cost	35,329	0	35,329
<i>Total Noncash Capital Financing Activities</i>	<u>\$56,688</u>	<u>\$9,359</u>	<u>\$66,047</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, 2007

	<i>Private Purpose Trust Fund William Renick Trust</i>	<i>Agency Funds</i>
<b><u>Assets:</u></b>		
Equity in Pooled Cash and Cash Equivalents	\$400	\$15,982
Cash and Cash Equivalents In Segregated Accounts	11,598	139,490
<i>Total Assets</i>	11,998	\$155,472
<b><u>Liabilities:</u></b>		
Intergovernmental Payable	0	\$5,203
Undistributed Assets	0	150,269
<i>Total Liabilities</i>	0	\$155,472
<b><u>Net Assets:</u></b>		
Held in Trust for Private Purposes	\$11,998	

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, 2007

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	<i><b>William Renick Trust</b></i>
<i><b><u>Additions:</u></b></i>	
Interest	\$400
<i><b><u>Deductions:</u></b></i>	
Payments in Accordance with Trust Agreements	600
<i>Change in Net Assets</i>	(200)
<i>Net Assets at Beginning of Year</i>	12,198
<i>Net Assets at End of Year</i>	\$11,998

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, 2007

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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 vote. 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, 2007

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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. Based upon the significant services and resources provided by the City to the System, the System is presented as a component unit of the City. The System operates on a fiscal year ending December 31. Separately issued financial statements can be obtained from Berger Health System, 600 North Pickaway Street, Circleville, Ohio 43113.

The information in Notes 2 through 21 relate to the primary government. Information related to the discretely presented component unit is presented in Note 22.

**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 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.

**A. 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, 2007

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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.

**B. Fund Accounting**

The City uses funds to maintain its financial records during the year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain City functions or activities. 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, 2007

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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 1.5 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, 2007

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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.

**C. 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, 2007

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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.

**D. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements and the financial statements of the enterprise and fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred 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 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 thirty-one days of year-end.

**City of Circleville**  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2007

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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 6.) 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, 2007, but were levied to finance 2008 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, 2007

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

**E. 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 resolution, 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 resolution 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 resolution 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 resolution 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 resolution 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.

**F. 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".

During the year, investments were limited to Federal Farm Credit Bank Consolidation Bonds, Federal Home Loan Bank Bonds, Federal National Mortgage Association Bonds, and 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.

**City of Circleville**  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2007

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

Interest income is distributed to the funds according to Ohio constitutional and statutory requirements. Interest revenue credited to the General Fund during 2007 amounted to \$556,351, which includes \$500,980 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.

**G. 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.

**H. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond December 31, 2007, 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.

**I. Capital Assets**

General capital assets are capital assets that are associated with and generally rise from governmental activities. These assets generally result from expenditures in governmental funds. These assets are reported in the governmental activities column of the government-wide Statement of Net 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 five thousand dollars. 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, 2007

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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	3-20 years
Vehicles	5-20 years
Infrastructure	10-75 years

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

**J. Compensated Absences**

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

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

**K. Accrued Liabilities and Long-Term Obligations**

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

**City of Circleville**  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2007

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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.

**L. Unamortized Bond Issuance Costs**

Issuance costs reported on the government-wide 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.

**M. 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.

**N. Internal Activities**

Internal allocation of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities.

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

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 nonoperating 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, 2007

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

**O. 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, improving the living environment of the City, the operation of police programs, and the City's street repair/improvement programs. The government-wide Statement of Net Assets reports \$3,312,241 of restricted net assets, \$64,205 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.

**P. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise funds. For the City, these revenues are charges for services for water and 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.

**Q. Contributions of Capital**

Contributions of capital arise from outside contributions of capital assets and from the construction or transfer of capital assets between governmental and business-type activities.

**R. Arbitrage**

The Federal Tax Reform Act of 1986 requires issuers of tax-exempt debt to make payments to the United States Treasury of Investment Income received at yields that exceed the issuer's tax-exempt borrowing rates. Although arbitrage earnings are rebated to the U. S. Treasury on a five-year installment basis, the City conducts annual rebate calculations to assure that the City stays current on compliance issues and to facility accountability for any potential rebate liability. For the year-ended December 31, 2007, the City determined that an arbitrage liability existed relating to the Various Purpose Bond Anticipation Notes issued during 2006. However, the annual rebate calculation was not completed until March 24, 2008, even though payment was due on or before September 16, 2007. This was due to the necessity to convert the City's records into a form that was consistent with the requirements of the rebate calculation and because of the complexity of the rebate calculation. The liability is presented as Claims Payable on the financial statements.

**City of Circleville**  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2007

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

**S. 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 – BUDGETARY BASIS OF ACCOUNTING**

While reporting financial position and results of operations 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.

**City of Circleville**  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2007

**NOTE 3 – 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	(\$114,415)	\$1,513	\$65,791
Increases (Decreases) Due To:			
Revenue Accruals	(46,825)	287	(83,576)
Expenditure Accruals	130,912	(561)	79,447
Encumbrances	(182,332)	(1,804)	(37,016)
Unrecorded Cash - 2007	(37,662)	0	0
Unrecorded Cash - 2006	29,662	0	0
Budget Basis	(\$220,660)	(\$565)	\$24,646

**NOTE 4 – 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, 2007

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**NOTE 4 – 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 provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio); and
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 25 percent of the interim monies available for investment at any one time.

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.

**City of Circleville**  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2007

**NOTE 4 – DEPOSITS AND INVESTMENTS** *(continued)*

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.

*Investments:* As of December 31, 2007, the City had the following investments.

	Fair Value	Investment Maturities (in Years)		Call Date
		Less than 1	1 - 4	
Federal Farm Credit Banks Consolidation Bonds	\$1,115,000	\$0	\$1,115,000	----
Federal Home Loan Bank Bonds	450,284	0	450,284	1/28/2008
Federal National Mortgage Association Bonds	1,000,000	0	1,000,000	----
Federal National Mortgage Association Bonds	1,008,750	0	1,008,750	10/15/2008
Federal National Mortgage Association Bonds	1,000,630	0	1,000,630	1/20/2008
Totals	<u>\$4,574,664</u>	<u>\$0</u>	<u>\$4,574,664</u>	

*Interest Rate Risk:* As a means of limiting its exposure to fair value losses caused by rising interest rates, the City’s investment policy requires that, to the extent possible, investments will match anticipated cash flow requirements. No investment shall be made unless the Treasurer, at the time of making the investment, reasonably expects it can be held to its maturity. Unless matched to a specific obligation or debt of the City, the City will not directly invest in securities maturing more than five years from the date of investment.

*Credit Risk:* The Federal Farm Credit Banks Consolidation Bonds, Federal Home Loan Bank Bonds, and Federal National Mortgage Association Bonds carry a rating of Aaa by Moody’s and AAA by Standard and Poor’s. The City’s investment policy limits investments to those authorized by State statute which restricts investments to those that are highly rated or are issues of government sponsored enterprises whose debt is implicitly backed by the United States Government.

**City of Circleville**  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2007

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**NOTE 4 – DEPOSITS AND INVESTMENTS** *(continued)*

*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 10 percent of the total investment portfolio may be invested in bonds and other obligations of this State; no more than 10 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 City's investments in Federal Farm Credit Banks Consolidation Bonds, Federal Home Loan Bank Bonds, and Federal National Mortgage Association Bonds represents 24.37 percent, 9.84 percent, and 65.79 percent, respectively, of the City's total investments.

**NOTE 5 – 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 2007, 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 6 – 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 2007 for real and public utility property taxes represents collections of 2006 taxes. Property tax payments received during 2007 for tangible personal property (other than public utility property) are for 2007 taxes.



**City of Circleville**  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2007

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**NOTE 6 – PROPERTY TAX** *(continued)*

2007 real property taxes are levied after October 1, 2007, on the assessed value as of January 1, 2007, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2007 real property taxes are collected in and intended to finance 2008.

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. 2007 public utility property taxes became a lien December 31, 2006, are levied after October 1, 2007, and are collected in 2008 with real property taxes.

2007 tangible personal property taxes are levied after October 1, 2006, on the value as of December 31, 2006. Collections are made in 2007. In prior years, tangible personal property was assessed at 25 percent of true value for capital assets and 23 percent of true value for inventory. The tangible personal property tax is being phased out – the assessment percentage for all property including inventory for 2007 is 12.5 percent. This will be reduced to 6.25 percent for 2008 and zero for 2009.

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

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

The full tax rate for all City operations for the year ended December 31, 2007, was \$4.00 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2007 property tax receipts were based are as follows:

Category	Assessed Value
Real Property:	
Agricultural/Residential	\$146,099,830
Commercial/Industrial/Mineral	58,758,110
Public Utility Real	65,700
Tangible Personal Property:	
General Business	7,743,261
Public Utility	6,460,120
Total Assessed Value	\$219,127,021

**City of Circleville**  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2007

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**NOTE 6 – PROPERTY TAX** *(continued)*

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City of Circleville. The County Auditor periodically remits to the City its portion of the taxes. Property taxes receivable represents real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2007, 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 2007 operations, and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as revenue while the remainder of the receivable is deferred.

**NOTE 7 – RECEIVABLES**

Receivables at December 31, 2007, consisted of accounts for weed and litter assessments, interest, 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 \$13,899. The City had \$3,285 in delinquent special assessments at December 31, 2007. Property 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, 2007, is \$1,227,500, of which \$95,000 is considered to be due within one year. The City also had loans receivable related to program housing. At December 31, 2007, the balance of these loans was \$60,465, of which \$20,961 is considered to be due within one year.

**City of Circleville**  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2007

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**NOTE 7 – RECEIVABLES** *(continued)*

A summary of the principal items of intergovernmental receivables follows:

	<u>Amount</u>
<u>Governmental Activities</u>	
Ohio Department of Development - Phase II	
Environmental Site Assessment Grant	\$75,800
Ohio HOME Investment Partnerships Grants	29,865
Estate Taxes	82,319
Homestead and Rollback	38,000
Electric Deregulation	5,368
Permissive Motor Vehicle License Tax	45,377
Gasoline Tax	225,961
Motor Vehicle License Tax	64,771
Local Government	370,376
Local Government Revenue Assistance	70,714
Total Intergovernmental Receivable	<u><u>\$1,008,551</u></u>

**City of Circleville**  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2007

**NOTE 8 – CAPITAL ASSETS**

Capital assets activity for the year ended December 31, 2007, was as follows:

	Restated Balance At 12/31/2006	Additions	Deletions	Balance At 12/31/2007
<u>Governmental Activities</u>				
Capital Assets, Not Being Depreciated:				
Land	\$1,043,090	\$0	\$0	\$1,043,090
Construction in Progress	15,956	381,819	(29,172)	368,603
Total Capital Assets, Not Being Depreciated	<u>1,059,046</u>	<u>381,819</u>	<u>(29,172)</u>	<u>1,411,693</u>
Depreciable Capital Assets:				
Land Improvements	1,453,837	33,079 *	(10,496)	1,476,420
Buildings and Building Improvements	7,240,075	693,562 *	0	7,933,637
Machinery and Equipment	983,451	202,051	(46,637)	1,138,865
Vehicles	1,946,455	75,374	(76,221)	1,945,608
Infrastructure	31,496,151	298,894	(21,714)	31,773,331
Total Depreciable Capital Assets	<u>43,119,969</u>	<u>1,302,960</u>	<u>(155,068)</u>	<u>44,267,861</u>
Less Accumulated Depreciation:				
Land Improvements	(1,054,473)	(69,968)	10,496	(1,113,945)
Buildings and Building Improvements	(2,251,937)	(183,074)	0	(2,435,011)
Machinery and Equipment	(565,174)	(113,983)	39,763	(639,394)
Vehicles	(1,349,144)	(148,896)	71,182	(1,426,858)
Infrastructure	(16,050,376)	(685,720)	21,714	(16,714,382)
Total Accumulated Depreciation	<u>(21,271,104)</u>	<u>(1,201,641)</u>	<u>143,155</u>	<u>(22,329,590)</u>
Depreciable Capital Assets, Net	<u>21,848,865</u>	<u>101,319</u>	<u>(11,913)</u>	<u>21,938,271</u>
Governmental Activities Capital Assets, Net	<u>\$22,907,911</u>	<u>\$483,138</u>	<u>(\$41,085)</u>	<u>\$23,349,964</u>

\* \$266,359 of the additions consisted of assets donated by developers.

**City of Circleville**  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2007

**NOTE 8 – CAPITAL ASSETS** (continued)

Depreciation expense was charged to governmental programs as follows:

Security of Persons and Property - Police	\$102,271
Security of Persons and Property - Fire	146,535
Security of Persons and Property - Other	30,391
Leisure Time Activities - Parks and Recreation	29,891
Leisure Time Activities - Swimming Pool	38,158
Community Development - City Funded	8,404
Transportation	739,759
General Government	106,232
Total Depreciation Expense	\$1,201,641

	Restated Balance At 12/31/2006	Additions	Deletions	Balance At 12/31/2007
<u>Business-Type Activities</u>				
Capital Assets, Not Being Depreciated:				
Land	\$149,180	\$0	\$0	\$149,180
Construction in Progress	248,072	3,049,086	(3,297,158)	0
Total Capital Assets, Not Being Depreciated	397,252	3,049,086	(3,297,158)	149,180
Depreciable Capital Assets:				
Land Improvements	322,752	0	0	322,752
Buildings and Building Improvements	12,599,765	18,718	0	12,618,483
Machinery and Equipment	475,562	12,000	0	487,562
Vehicles	263,953	0	0	263,953
Infrastructure	15,426,844	3,672,712	(6,001)	19,093,555
Total Depreciable Capital Assets	29,088,876	3,703,430	(6,001)	32,786,305
Less Accumulated Depreciation:				
Land Improvements	(250,925)	(14,894)	0	(265,819)
Buildings and Building Improvements	(6,865,582)	(292,714)	0	(7,158,296)
Machinery and Equipment	(389,337)	(19,734)	0	(409,071)
Vehicles	(210,080)	(8,179)	0	(218,259)
Infrastructure	(4,688,847)	(272,691)	5,059	(4,956,479)
Total Accumulated Depreciation	(12,404,771)	(608,212)	5,059	(13,007,924)
Depreciable Capital Assets, Net	16,684,105	3,095,218	(942)	19,778,381
Business-Type Activities Capital Assets, Net	\$17,081,357	\$6,144,304	(\$3,298,100)	\$19,927,561

**City of Circleville**  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2007

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**NOTE 8 – CAPITAL ASSETS** *(continued)*

For the year ended December 31, 2007, the City's enterprise funds received building improvements, a mower, fire hydrants, and water lines that were paid for from other governmental funds, which were recorded as capital assets in the respective funds. The value of the building improvements, mower, fire hydrants, and water lines were \$18,718, \$12,000, \$12,376, and \$22,953, respectively.

**NOTE 9 – DEFINED BENEFIT PENSION PLANS**

**A. Ohio Public Employees Retirement System**

Plan Description – The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional 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 that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member-directed plan. While members in the State and local divisions may participate in all three plans, law enforcement (generally sheriffs, deputy sheriffs and township police) and public safety divisions exist only within the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the traditional 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 that 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 Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2007, members in state and local classifications contributed 9.5 percent of covered payroll, public safety members contributed 9.75 percent, and law enforcement members contributed 10.1 percent.

**City of Circleville**  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2007

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**NOTE 9 – DEFINED BENEFIT PENSION PLANS** *(continued)*

The City's contribution rate for 2007 was 13.85 percent, except for those plan members in law enforcement or public safety, for whom the City's contribution was 17.17 percent of covered payroll. For the period January 1 through June 30, a portion of the City's contribution equal to 5 percent of covered payroll was allocated to fund the post-employment health care plan; for the period July 1 through December 31, 2007 this amount was increased to 6 percent. Employer contribution rates are actuarially determined. State statute sets a maximum contribution rate for the City of 14 percent, except for public safety and law enforcement, where the maximum employer contribution rate is 18.1 percent.

The City's required contributions for pension obligations to the traditional and combined plans for the year ended December 31, 2007, 2006, and 2005 were \$235,611, \$288,330, and \$286,199, respectively; 78.87 percent has been contributed for 2007 and 100 percent for 2006 and 2005. Contributions to the member-directed plan for 2007 were \$4,151 made by the City and \$2,847 made by plan members.

**B. 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 Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations. The City's contribution was 19.5 percent for police officers and 24 percent for firefighters. Contribution rates are established by State statute. For 2007, a portion of the City's contribution equal to 6.75 percent of covered payroll was allocated to fund the post-employment health care plan. The City's contributions to OP&F for police and firefighters were \$172,780 and \$144,811 for the year ended December 31, 2007, \$159,103 and \$136,009 for the year ended December 31, 2006, and \$139,592 and \$129,025 for the year ended December 31, 2005. The full amount has been contributed for 2006 and 2005. 61.74 percent for police and 62.84 percent for firefighters has been contributed for 2007.

**City of Circleville**  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2007

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**NOTE 10 – POSTEMPLOYMENT BENEFITS**

**A. Ohio Public Employees Retirement System**

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

To qualify for post-employment health care coverage, age and service retirees under the traditional and combined plans must have ten or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not require, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

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

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

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2007, local government employers contributed 13.85 percent of covered payroll (17.17 percent for public safety and law enforcement). Each year, the OPERS retirement board determines the portion of the employer contribution rate that will be set aside for funding post-employment health care benefits. The amount of the employer contributions which was allocated to fund post-employment health care was 5.00 percent of covered payroll from January 1 through June 30, 2007, and 6.00 percent from July 1 to December 31, 2007.

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

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2007, 2006, and 2005 were \$180,085, \$141,031 and \$119,874 respectively; 76.43 percent has been contributed for 2007 and 100 percent for 2006 and 2005.



**City of Circleville**  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2007

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**NOTE 10 – POSTEMPLOYMENT BENEFITS** *(continued)*

On September 9, 2004 the OPERS Retirement Board adopted a Health Care Preservation Plan which was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007, and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

**B. Ohio Police and Fire Pension Fund**

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

OP&F provides access to post-retirement healthcare coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit or is a spouse or eligible dependent child of such person.

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

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

Funding Policy – OP&F's post-employment healthcare plan was established and is administered as an Internal Revenue Code 401(h) account within the defined benefit pension plan, under the authority granted by the Ohio Revised code to the OP&F Board of Trustees. The Ohio Revised Code sets the contribution rates for participating employers and for plan members to the OP&F. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.50 percent and 24.00 percent of covered payroll for police and fire employers, respectively.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made to the pension plan to the 401(h) account as the employer contribution for retiree healthcare benefits. For the year ended December 31, 2007, the employer contribution allocated to the healthcare plan was 6.75 percent of covered payroll. The amount of employer contributions allocated to the healthcare plan each year is subject to the trustees' primary responsibility to ensure that pension benefits are adequately funded and also is limited by the provisions of Section 401(h).

**City of Circleville**  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2007

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**NOTE 10 – POSTEMPLOYMENT BENEFITS** *(continued)*

The OP&F Board of Trustees is also authorized to establish requirements for contributions to the healthcare 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. Active members do not make contributions to the OPEB Plan.

The City's contributions to OP&F which were allocated to fund post-employment health care benefits for police and firefighters were \$91,472 and \$56,665 for the year ended December 31, 2007, \$104,940 and \$64,866 for the year ended December 31, 2006, and \$87,454 and \$61,535 for the year ended December 31, 2005. The full amount has been contributed for 2006 and 2005. 52.94 percent has been contributed for police and 39.13 percent has been contributed for firefighters for 2007.

**NOTE 11 – EMPLOYEE BENEFITS**

**A. Compensated Absences**

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

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

**B. Insurance Benefits**

For the year, the City's health insurance was provided by Medical Mutual of Ohio; vision insurance was provided by Vision Service Plan; dental and life and accident insurance was provided by Principal Financial Group and Colonial Life and Accident Insurance Company, respectively.

**C. Deferred Compensation**

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

**City of Circleville**  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2007

**NOTE 12 – CAPITAL LEASES – LESSEE DISCLOSURE**

During 2007 and in prior years, the City has entered into capitalized leases for copiers, radios, a telephone system, a skid loader, a durapatching machine, and a fold and insert machine. The leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, “*Accounting for Leases*,” which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the basic financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

Capital assets acquired by lease were initially capitalized in the amount of \$354,197 for governmental activities and \$25,452 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 2007 totaled \$56,497 in the governmental funds and \$6,971 in the enterprise funds.

The assets acquired through capital leases for governmental activities as of December 31, 2007, are as follows:

	<u>Asset Value</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Copier Equipment	\$105,622	\$56,477	\$49,145
Radio Equipment	40,783	8,157	32,626
Telephone System	131,716	26,343	105,373
Skid Loader Equipment	28,000	5,600	22,400
Durapatching Machine Equipment	48,076	4,808	43,268
Totals	<u>\$354,197</u>	<u>\$101,385</u>	<u>\$252,812</u>

**City of Circleville**  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2007

**NOTE 12 – 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, 2007, for governmental activities:

Year Ending December 31,	Amount
2008	\$87,790
2009	74,713
2010	60,053
2011	35,218
2012	23,527
Total	281,301
Less: Amount representing Interest	(31,316)
Present Value of Minimum Lease Payment	\$249,985

The assets acquired through capital leases for business-type activities as of December 31, 2007, are as follows:

	Asset Value	Accumulated Depreciation	Net Book Value
Telephone System	\$14,113	\$2,823	\$11,290
Folder and Insert Machine	11,339	6,803	4,536
Totals	\$25,452	\$9,626	\$15,826

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, 2007, for business-type activities:

Year Ending December 31,	Amount
2008	\$3,719
2009	3,363
2010	2,552
2011	155
Total	9,789
Less: Amount representing Interest	(570)
Present Value of Minimum Lease Payment	\$9,219

**City of Circleville**  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2007

**NOTE 13 – OUTSTANDING DEBT AND OTHER LONG-TERM OBLIGATIONS**

**A. 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 12/31/2006	Issued	Retired	Balance 12/31/2007	Due Within One Year
<u>Business-Type Activities</u>					
Capital Leases	\$16,190	\$0	\$6,971	\$9,219	\$3,393
Compensated Absences	97,160	77,529	54,995	119,694	70,981
<b>Total Business-Type Activities</b>	<b>\$113,350</b>	<b>\$77,529</b>	<b>\$61,966</b>	<b>\$128,913</b>	<b>\$74,374</b>
<u>Governmental Activities</u>					
<u>General Obligation Bonds</u>					
1997 - Berger Health System					
Bonds \$2,000,000					
Term Bonds 4.80% - 5.40%	\$1,235,000	\$0	\$0	\$1,235,000	\$95,000
Serial Bonds 3.80% - 4.75%	90,000	0	90,000	0	0
2000 - Capital Facilities Improvement					
Safety Services Building Bonds \$3,285,000					
Term Bonds 5.625%	2,060,000	0	0	2,060,000	0
Serial Bonds 4.45% - 5.950%	555,000	0	130,000	425,000	135,000
2000 - Capital Facilities Improvement					
City Services Bonds \$500,000					
Term Bonds 5.625%	315,000	0	0	315,000	0
Serial Bonds 4.45% - 5.950%	85,000	0	20,000	65,000	20,000
<b>Total General Obligation Bonds</b>	<b>4,340,000</b>	<b>0</b>	<b>240,000</b>	<b>4,100,000</b>	<b>250,000</b>
<u>Other Long-Term Obligations</u>					
Capital Leases	190,058	116,424	56,497	249,985	76,104
Compensated Absences	364,898	254,220	252,747	366,371	217,693
<b>Total Other Long-Term Obligations</b>	<b>554,956</b>	<b>370,644</b>	<b>309,244</b>	<b>616,356</b>	<b>293,797</b>
<b>Total Governmental Activities</b>	<b>\$4,894,956</b>	<b>\$370,644</b>	<b>\$549,244</b>	<b>\$4,716,356</b>	<b>\$543,797</b>

The City’s overall legal debt margin was \$19,848,024, with an unvoted debt margin of \$8,891,673 at December 31, 2007.

**City of Circleville**  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2007

**NOTE 13 – OUTSTANDING DEBT AND OTHER LONG-TERM OBLIGATIONS**  
*(continued)*

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

Year	Governmental Activities	
	General Obligation Bonds	
	Principal	Interest
2008	\$250,000	\$226,084
2009	265,000	213,436
2010	275,000	199,869
2011	300,000	184,084
2012	315,000	167,468
2013-2017	1,840,000	557,055
2018-2020	855,000	168,683
Totals	\$4,100,000	\$1,716,679

**B. 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 twenty 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:

Year	Amount
2008	\$95,000
2009	100,000
2010	105,000
2011	115,000
2012	120,000
2013	125,000
2014	135,000
2015	140,000
2016	145,000
2017	155,000
Totals	\$1,235,000

**City of Circleville**  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2007

**NOTE 13 – OUTSTANDING DEBT AND OTHER LONG-TERM OBLIGATIONS**

*(continued)*

The serial bonds were completely repaid during 2007.

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 twenty year period with final maturity on December 1, 2020.

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	\$2,060,000

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

Capital Facilities Improvement City Services Building Bonds

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

**City of Circleville**  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2007

**NOTE 13 – OUTSTANDING DEBT AND OTHER LONG-TERM OBLIGATIONS**

*(continued)*

The term bonds, issued at \$315,000 maturing on December 1, 2020, are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed plus accrued interest to the date of redemption, on December 1, in the years and in the respective principal amounts as follows:

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

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

**C. 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. 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, 2007, is \$20,872,857.



**City of Circleville**  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2007

**NOTE 13 – OUTSTANDING DEBT AND OTHER LONG-TERM OBLIGATIONS**

*(continued)*

**D. Compensated Absences/Capital Leases**

Compensated absences will be paid from the General Fund, Income Tax Fund, Street Construction and Maintenance Fund, City Permissive Motor Vehicle Fund, Safety Forces Tax Fund, Sick Leave Retirement Fund, Waterworks Operating Fund and Sewer Operating Fund. Capital leases will be paid from the General Fund, Street Construction and Maintenance Fund, State Highway Improvement, Safety Forces Tax Fund, Municipal Probation Fund, Capital Improvement Fund, Waterworks Operating Fund, and Sewer Operating Fund.

**NOTE 14 – SHORT-TERM OBLIGATIONS**

A summary of the short-term note transactions for the year ended December 31, 2007, is as follows:

<u>Types / Issues</u>	<u>Balance 12/31/2006</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance 12/31/2007</u>
<u>Business-Type Activities</u>				
2006 - Various Purpose Bond Anticipation Notes \$5,095,000	\$5,095,000	\$0	\$5,095,000	\$0
2007 - Various Purpose Bond Anticipation Notes \$4,535,000	0	4,535,000	0	4,535,000
Total Business-Type Activities	<u>\$5,095,000</u>	<u>\$4,535,000</u>	<u>\$5,095,000</u>	<u>\$4,535,000</u>
<u>Governmental Activities</u>				
2006 - Various Purpose Bond Anticipation Notes \$405,000	\$405,000	\$0	\$405,000	\$0
2007 - Various Purpose Bond Anticipation Notes \$380,000	0	380,000	0	380,000
Total General Obligation Bonds	<u>\$405,000</u>	<u>\$380,000</u>	<u>\$405,000</u>	<u>\$380,000</u>

**City of Circleville**  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2007

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**NOTE 14 – SHORT-TERM OBLIGATIONS** *(continued)*

On July 20, 2006, the City issued 4.50 percent Various Purpose Bond Anticipation Notes, Series 2006, in the amount of \$5,500,000. \$405,000 of the notes were issued for the purpose of paying the costs of restoring, updating and otherwise improving City Hall; \$2,100,000 of the notes were issued for the purpose of improving and extending the municipal water system by constructing and installing water lines; and \$2,995,000 of the notes were issued for the purpose of improving and extending the municipal sewer system by constructing and installing sanitary sewers. On July 18, 2007, the City paid \$585,000 against the \$5,500,000 note and refinanced the remaining \$4,915,000 into a new note. Of the \$585,000 retired by the City, \$25,000 was paid from the Capital Improvement Fund, \$135,000 was paid from the Waterworks Operating Fund, and \$425,000 was paid from the Sewer Operating Fund. The 4.17 percent Various Purpose Bond Anticipation Notes, Series 2007, will mature on July 17, 2008, and are presented as a fund liability in the financial statements. As of December 31, 2007, \$3,024,565 of the note proceeds had been spent toward the various projects.

**NOTE 15 – RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City maintains comprehensive insurance coverage with private carriers for real property, building contents, vehicles, general liability insurance, crime and police professional liability insurance. The City also carries public officials and employment practices liability insurance. Settlements have not exceeded coverage in any of the last three years. The City has experienced an increase in the number of lawsuits filed in the areas of Law Enforcement and Public Entity Employment Practices. This proliferation of lawsuits has resulted in an increase in the City's deductible to \$25,000 for each claim filed under affected liability coverage. To combat these lawsuits, the City has instituted policies and procedures as recommended by the City's liability insurance carrier. In addition, advanced risk management training has been incorporated into the training cycle for the City's personnel.

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

**City of Circleville**  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2007

**NOTE 16 – INTERFUND ACTIVITY**

Transfers made during the year ended December 31, 2007, were as follows:

		Transfers To Nonmajor Funds
Transfers From	General Fund	\$10,000

Transfers from the General Fund to Nonmajor Funds were made to maintain the fund balance in the Sick Leave Retirement Fund for the anticipation of future retirements.

**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 fifteen 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 volunteer citizens. P<sup>3</sup> is the economic development agent for Pickaway County and its municipalities. P<sup>3</sup> had 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, 2007

**NOTE 18 – CONTRACTUAL COMMITMENTS**

The City has entered into various contracts for the construction of capital assets. The outstanding contractual commitments at December 31, 2007, are:

<u>Contractor</u>	<u>Contract Amount</u>	<u>Amount Expended</u>	<u>Balance At December 31, 2007</u>
Specialty North American	\$230,168	\$139,403	\$90,765
R.D. Zande & Associates, Inc.	388,194	368,603	19,591
Total	<u>\$618,362</u>	<u>\$508,006</u>	<u>\$110,356</u>

**NOTE 19 – CONTINGENT LIABILITIES**

**A. 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.

**B. Federal and State Grants**

For the period January 1, 2007, to December 31, 2007, the City received federal and State grants for specific purposes that are subject to review and audit by the grantor agencies or their designees. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowance, if any, would be immaterial.

**NOTE 20 – CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF PRIOR YEAR NET ASSETS**

**A. Changes in Accounting Principles**

For 2007, the City has implemented Governmental Accounting Standards Board (GASB) Statement No. 45, “Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions”, GASB Statement No. 48, “Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues”, and GASB Statement No. 50, “Pension Disclosures”.

**City of Circleville**  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2007

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**NOTE 20 – CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF PRIOR YEAR NET ASSETS** *(continued)*

GASB Statement No. 45 improves the relevance and usefulness of financial reporting by requiring systematic, accrual-basis measurement and recognition of OPEB costs over a period that approximates employees' years of service and providing information about actuarial accrued liabilities associated with OPEB and whether and to what extent progress is being made in funding the plan. An OPEB liability at transition was determined in accordance with this Statement for both the OPERS and the OP&F post-employment healthcare plans in the amount of \$72,053 and \$72,100, respectively, which are the same as the previously reported liabilities.

GASB Statement No. 48 addresses how to account for the exchange of an interest in expected cash flows from collecting specific receivables or specific future revenues for immediate cash payments. The statement established criteria used to determine whether the transaction should be recorded as revenue or as a liability (a sale or a collateralized borrowing). The implementation of this Statement did not result in any change to the financial statements.

GASB Statement No. 50 requires employers contributing to defined benefit pension plans to include the legal or contractual maximum contribution rates in the notes to the financial statements. The implementation of this Statement did not result in any change to the financial statements.

**B. Restatement of Prior Year Net Assets**

For 2007, it was determined that the lease liability for the fold and insert machine and the telephone system was improperly recorded and a portion of the remaining liability and the related capital asset and accumulated depreciation should be allocated from the Waterworks Operating Fund to the Sewer Operating Fund. Also, for 2007, a restatement of nondepreciable capital assets and depreciable capital assets, net of accumulated depreciation was necessary between the Waterworks Operating and the Sewer Operating Funds to properly allocate the use of various assets between the departments which utilize the assets.

**City of Circleville**  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2007

**NOTE 20 – CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF PRIOR YEAR NET ASSETS** *(continued)*

The effect of these changes resulted in the following restatement of net assets:

	Waterworks Operating Fund	Sewer Operating Fund	Total
Net Assets, December 31, 2006	\$9,362,623	\$13,510,574	\$22,873,197
Capital Lease Reallocation	6,638	(6,638)	0
Restatement of Nondepreciable Capital Assets	(2,105)	2,105	0
Restatement of Depreciable Capital Assets, Net	(175,509)	175,509	0
Net Assets, December 31, 2006, as Restated	<u>\$9,191,647</u>	<u>\$13,681,550</u>	<u>\$22,873,197</u>

**NOTE 21 – SUBSEQUENT EVENTS**

On April 15, 2008, the City passed an ordinance for the issuance of bonds and the retirement of its 2007 Various Purpose Bond Anticipation Notes. The ordinance states that of the \$1,965,000 notes issued for the purpose of improving and extending the municipal water system by constructing and installing water lines, \$1,350,386 will be retired with the issuance of the bonds and \$614,614 will be retired by the City. Of the \$2,570,000 notes issued for the purpose of improving and extending the municipal sewer system by constructing and installing sanitary sewers, \$1,679,820 will be retired with the issuance of the bonds and \$890,180 will be retired by the City. Of the \$380,000 notes issued for the purpose of paying the costs of restoring, updating and otherwise improving City Hall, \$346,646 will be retired with the issuance of the bonds and \$8,354 will be retired by the City.

**NOTE 22 – BERGER HEALTH SYSTEM**

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

**A. Basis of Accounting**

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

**City of Circleville**  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2007

**NOTE 22 – BERGER HEALTH SYSTEM** *(continued)*

**B. Budgetary Basis of Accounting**

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

**C. Deposits and Investments**

*Deposits*

Custodial credit risk is the risk that in the event of a bank failure, the System’s deposits may not be returned to it. The System does not have a deposit policy for custodial credit risk. At year-end, the System had approximately \$3,542,000 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:

Type of Investment	Fair Value	How Held
US Agency Bonds	\$21,763,000	Counterparty
STAROhio	250,000	System's Name
Totals	\$22,013,000	

**City of Circleville**  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2007

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**NOTE 22 – BERGER HEALTH SYSTEM** *(continued)*

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:

Investment	Fair Value	Weighted Average Maturity
US Agency Bonds	\$21,763,000	0.83 Years
STAROhio	250,000	-----
Totals	\$22,013,000	

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:

Investment	Fair Value	Rating	Rating on
US Agency Bonds	\$21,763,000	AAA	Standard & Poor's
STAROhio	250,000	AAA	Standard & Poor's
Totals	\$22,013,000		



**City of Circleville**  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2007

**NOTE 22 – BERGER HEALTH SYSTEM** *(continued)*

**D. Capital Assets**

Capital assets activity for the year ended December 31, 2007, was as follows:

	Balance At 12/31/2006	Additions	Deletions	Balance At 12/31/2007
Capital Assets, Not Being Depreciated:				
Land	\$3,210,611	\$0	(\$39)	\$3,210,572
Construction in Progress	90,523	1,289,960	(1,274,374)	106,109
Total Capital Assets, Not Being Depreciated	<u>3,301,134</u>	<u>1,289,960</u>	<u>(1,274,413)</u>	<u>3,316,681</u>
Depreciable Capital Assets:				
Land Improvements	1,527,005	69,727	0	1,596,732
Buildings	35,522,904	163,621	(32,742)	35,653,783
Building Improvements	17,298,936	479,434	0	17,778,370
Equipment	38,435,423	4,428,741	(2,849)	42,861,315
Total Depreciable Capital Assets	<u>92,784,268</u>	<u>5,141,523</u>	<u>(35,591)</u>	<u>97,890,200</u>
Less Accumulated Depreciation:				
Land Improvements	(1,001,646)	(88,972)	0	(1,090,618)
Buildings	(10,761,308)	(1,345,487)	(32,742)	(12,139,537)
Building Improvements	(8,483,652)	(949,240)	0	(9,432,892)
Equipment	(27,461,601)	(3,088,484)	(2,849)	(30,552,934)
Total Accumulated Depreciation	<u>(47,708,207)</u>	<u>(5,472,183)</u>	<u>(35,591)</u>	<u>(53,215,981)</u>
Depreciable Capital Assets, Net	<u>45,076,061</u>	<u>(330,660)</u>	<u>(71,182)</u>	<u>44,674,219</u>
Capital Assets, Net	<u>\$48,377,195</u>	<u>\$959,300</u>	<u>(\$1,345,595)</u>	<u>\$47,990,900</u>

**City of Circleville**  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2007

**NOTE 22 – BERGER HEALTH SYSTEM** *(continued)*

**E. Long-Term Obligations**

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

Types / Issues	Balance 12/31/2006	Issued	Retired	Balance 12/31/2007	Due Within One Year
1997 - 5.036% - 5.400% City of Circleville Loan \$2,000,000	\$1,317,500	\$0	\$90,000	\$1,227,500	\$95,417
<u>Revenue Bonds</u>					
2003 - City of Circleville Hospital Facilities Revenue Bonds Series 2003A	65,000	0	37,143	27,857	27,857
2003 - City of Circleville Hospital Facilities Revenue Bonds Series 2003B	8,000,000	0	0	8,000,000	0
2003 - City of Circleville Hospital Facilities Revenue Bonds Series 2003C	6,650,000	0	6,650,000	0	0
2007 - City of Circleville Hospital Facilities Revenue Bonds Series 2007A	0	9,950,000	264,000	9,686,000	1,056,000
2007 - City of Circleville Hospital Facilities Revenue Bonds Series 2007B	0	3,325,000	166,000	3,159,000	664,000
Total Revenue Bonds	<u>14,715,000</u>	<u>13,275,000</u>	<u>7,117,143</u>	<u>20,872,857</u>	<u>1,747,857</u>
<u>Other Long-Term Obligations</u>					
Capital Leases	3,250,253	0	585,553	2,664,700	606,258
Compensated Absences	1,113,886	1,881,964	1,844,429	1,151,421	0
Total Other Long-Term Obligations	<u>4,364,139</u>	<u>1,881,964</u>	<u>2,429,982</u>	<u>3,816,121</u>	<u>606,258</u>
Total Long-Term Obligations	<u>\$20,396,639</u>	<u>\$15,156,964</u>	<u>\$9,637,125</u>	<u>\$25,916,478</u>	<u>\$2,449,532</u>

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

Year	Long-Term Debt		Capital Lease Obligation	
	Principal	Interest	Principal	Interest
2008	\$1,843,274	\$927,424	\$606,258	\$83,122
2009	1,820,417	839,675	627,696	61,685
2010	1,825,833	754,087	1,430,746	28,840
2011	5,335,417	668,209	0	0
2012	2,346,085	429,124	0	0
2013 - 2017	8,929,331	494,876	0	0
Total	<u>\$22,100,357</u>	<u>\$4,113,395</u>	<u>\$2,664,700</u>	<u>\$173,647</u>

**City of Circleville**  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2007

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**NOTE 22 – BERGER HEALTH SYSTEM** *(continued)*

On September 1, 2003, the System entered into a financing agreement with the City of Circleville in which the City issued \$6,500,000 of Hospital Facilities Revenue Bonds (Series 2003A Bonds). The Series 2003A Bonds mature in quarterly principal installments ranging from \$495,000 in March 2004 to \$9,000 in September 2008, at a rate of 2.80 percent.

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

On September 1, 2003, the System entered into a financing agreement with the City of Circleville in which the City issued \$9,500,000 of Hospital Facilities Revenue Bonds (Series 2003C Bonds). During 2007, the System refinanced the Series 2003C Bonds to change maturity of the instrument. The System will pay interest-only payments, at a rate of LIBOR plus 1.25 percent, until December 2009, at which time a lump-sum payment of \$3,087,500 will be due followed by quarterly principal installments ranging from \$238,000 through September 2013, plus interest. During 2007, these bonds were retired.

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

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

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

**City of Circleville**  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2007

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**NOTE 22 – BERGER HEALTH SYSTEM** *(continued)*

**F. Self-Insured Benefits**

The System is partially self-insured under a plan covering substantially all employees for health benefits. The plan is covered by a stop-loss policy that covers claims over \$100,000 per employee. Claims, charged to operations when incurred, were approximately \$4,300,000 for the year ended December 31, 2007.

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