



Dave Yost • Auditor of State

**City of Circleville
Pickaway County, Ohio**

**General Purpose External Financial Statements
For the Year Ended December 31, 2011**

City of Circleville
General Purpose External Financial Statements
For the Year Ended December 31, 2011

Table of Contents

Accountants' Compilation Report	1
Management's Discussion and Analysis.....	2
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	18
Statement of Activities.....	20
Fund Financial Statements:	
Balance Sheet – Governmental Funds	22
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities.....	25
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	26
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	28
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – General Fund	29
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – Income Tax Fund.....	30
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – Safety Forces Tax Fund.....	31
Statement of Fund Net Assets – Enterprise Funds.....	32
Statement of Revenues, Expenses and Changes in Fund Net Assets – Enterprise Funds	33
Statement of Cash Flows – Enterprise Funds	34
Statement of Fiduciary Net Assets – Fiduciary Funds.....	35
Statement of Changes in Fiduciary Net Assets – Private Purpose Trust Fund	36
Notes to the Basic Financial Statements.....	37



Dave Yost • Auditor of State

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

Accountants' Compilation Report

We have compiled the accompanying basic financial statements of the City of Circleville as of and for the year ended December 31, 2011. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board.

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

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

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

DAVE YOST
Auditor of State

Unice S. Smith
Chief of Local Government Services

June 27, 2012

City of Circleville
Management's Discussion and Analysis
For the Year Ended December 31, 2011
(Unaudited)

The discussion and analysis of the City of Circleville's (the "City") financial performance provides an overall review of the City's financial activities for the year ended December 31, 2011. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

- The City's total net assets decreased \$256,603. Net assets of governmental activities increased \$131,903. Revenues of business-type activities failed to cover expenses by \$388,506.
- General revenues of governmental activities accounted for \$8,066,514. Program specific revenues in the form of charges for services, grants and contributions accounted for \$2,645,010 of total revenues of \$10,711,524.
- Enterprise funds reflected a total operating loss of \$278,571. The Waterworks Operating Fund and the Sewer Operating Fund reflected operating losses of \$23,197 and \$255,374, respectively.
- The City had \$10,579,621 in expenses related to governmental activities; \$2,645,010 of these expenses were offset by program specific charges for services, grants and contributions. General revenues (primarily income taxes) of \$8,066,514 were adequate to provide for these programs. The City had \$3,620,227 in expenses related to business-type activities; \$3,222,915 of these expenses were offset by program specific charges for services, grants and contributions, which, along with general revenues of \$8,806, were not adequate to provide for such services.

Using This Annual Financial Report

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

The Statement of Net Assets and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. The fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term, as well as the amount of funds available for future spending. The fund financial statements also look at the City's most significant funds with all other nonmajor funds presented in total in one column.

City of Circleville
Management's Discussion and Analysis
For the Year Ended December 31, 2011
(Unaudited)

Reporting the City as a Whole

One of the most important questions asked about the City is “How did we do financially during 2011?” The Statement of Net Assets and the Statement of Activities, which appear first in the City’s financial statements, report information on the City as a whole and its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year’s revenues and expenses regardless of when cash is received or paid.

These two statements report the City’s net assets and change in net assets. This change in net assets is important because it informs the reader that, for the City as a whole, the financial position of the City has improved or diminished. In evaluating the overall financial health, the reader of these financial statements needs to take into account non-financial factors that also impact the City’s financial well-being. Some of these factors include the City’s tax base and the condition of capital assets.

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

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

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

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

City of Circleville
Management's Discussion and Analysis
For the Year Ended December 31, 2011
(Unaudited)

Reporting the City's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

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

Enterprise Funds

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

Fiduciary Funds

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

City of Circleville
Management's Discussion and Analysis
For the Year Ended December 31, 2011
(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 2011 compared to 2010.

Table 1
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2010	2011	2010	2011	2010	2011
Assets:						
Current and Other						
Assets	\$9,114,612	\$9,214,374	\$7,350,811	\$7,478,335	\$16,465,423	\$16,692,709
Nondepreciable Capital						
Assets	1,105,680	1,150,990	149,180	149,180	1,254,860	1,300,170
Depreciable Capital						
Assets, Net	22,154,674	21,846,665	18,803,460	18,204,051	40,958,134	40,050,716
Total Assets	32,374,966	32,212,029	26,303,451	25,831,566	58,678,417	58,043,595
Liabilities:						
Current and Other						
Liabilities	1,659,595	1,542,802	182,460	204,769	1,842,055	1,747,571
Long-Term Liabilities:						
Due Within One Year	601,615	668,844	174,548	167,577	776,163	836,421
Due in More Than						
One Year	3,543,853	3,298,577	2,744,546	2,645,829	6,288,399	5,944,406
Total Liabilities	5,805,063	5,510,223	3,101,554	3,018,175	8,906,617	8,528,398
Net Assets:						
Invested in Capital						
Assets, Net Of						
Related Debt	20,530,905	20,382,910	16,258,961	15,766,750	36,789,866	36,149,660
Restricted for:						
Capital Outlay	437	437	0	0	437	437
Safety Forces	102,085	129,774	0	0	102,085	129,774
Streets	658,000	674,296	0	0	658,000	674,296
Community Development	626,699	319,647	0	0	626,699	319,647
Other Purposes	748,219	733,961	0	0	748,219	733,961
Unrestricted	3,903,558	4,460,781	6,942,936	7,046,641	10,846,494	11,507,422
Total Net Assets	\$26,569,903	\$26,701,806	\$23,201,897	\$22,813,391	\$49,771,800	\$49,515,197

Note: The 2010 net asset amounts were reclassified as a result of the implementation of GASB Statement No. 54.

City of Circleville
Management's Discussion and Analysis
For the Year Ended December 31, 2011
(Unaudited)

Overall, an insignificant decrease occurred within total governmental assets from the prior year. When comparing the amounts reported in Table 1 for 2010 to 2011, no significant adjustments existed in any assets category. However, depreciable capital assets, net decreased the most as the result of current year depreciation exceeding current year additions.

Reviewing liabilities of governmental activities demonstrates a significant decrease in long-term liabilities. This decrease was primarily due to principal payments made on debt held by the City.

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

While the City's governmental restricted net assets do not represent a very significant percentage of overall net assets, governmental restricted net assets, when viewed alone, did experience a decrease of \$277,325. Restricted net assets for capital outlay did not reflect a change from the prior year. Restricted net assets for streets increased \$16,296 which is insignificant. Restricted net assets for community development decreased \$307,052 due to the City completing the second year of its two-year grants for the Ohio HOME Investment Partnership Grant and the Community Development Block Grant. Restricted net assets for other purposes decreased \$14,258 which is also insignificant. Unrestricted governmental net assets had an increase of \$557,223 as a result of a significant increase in income taxes revenue collections during 2011.

In total, assets and liabilities of business-type activities decreased \$471,885 and \$83,379, respectively, which are insignificant decreases. However, depreciable capital assets, net decreased significantly as a result of current year depreciation exceeding additions. Total net assets of business-type activities decreased insignificantly by \$388,506.

City of Circleville
Management's Discussion and Analysis
For the Year Ended December 31, 2011
(Unaudited)

Table 2 shows the changes in net assets for the years ended December 31, 2011 and 2010.

Table 2
Changes In Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2010	2011	2010	2011	2010	2011
Revenues:						
Program Revenues:						
Charges for Services	\$1,577,539	\$1,719,328	\$3,460,971	\$3,222,915	\$5,038,510	\$4,942,243
Operating Grants and Contributions	1,509,096	925,333	8,357	0	1,517,453	925,333
Capital Grants and Contributions	377,825	349	0	0	377,825	349
Total Program Revenues	3,464,460	2,645,010	3,469,328	3,222,915	6,933,788	5,867,925
General Revenues:						
Property Taxes	879,304	889,763	0	0	879,304	889,763
Income Taxes	4,630,378	4,746,441	0	0	4,630,378	4,746,441
Other Local Taxes	233,262	261,245	0	0	233,262	261,245
Grants and Entitlements not Restricted to Specific Programs	1,956,391	1,859,815	0	0	1,956,391	1,859,815
Unrestricted Investment Earnings	180,354	95,828	0	0	180,354	95,828
Unrestricted Contributions and Donations	0	10,000	0	0	0	10,000
Miscellaneous	185,240	203,422	4,095	8,806	189,335	212,228
Total General Revenues	8,064,929	8,066,514	4,095	8,806	8,069,024	8,075,320
Total Revenues	\$11,529,389	\$10,711,524	\$3,473,423	\$3,231,721	\$15,002,812	\$13,943,245

(continued)

City of Circleville
Management's Discussion and Analysis
For the Year Ended December 31, 2011
(Unaudited)

Table 2
Changes In Net Assets
(Continued)

	Governmental Activities		Business-Type Activities		Total	
	2010	2011	2010	2011	2010	2011
Program Expenses:						
Security of Persons and Property:						
Police	\$2,669,511	\$2,589,908	\$0	\$0	\$2,669,511	\$2,589,908
Fire	1,652,861	1,787,658	0	0	1,652,861	1,787,658
Other	238,304	228,191	0	0	238,304	228,191
Public Health Services	183,508	309,164	0	0	183,508	309,164
Leisure Time Activities:						
Parks and Recreation	143,500	166,942	0	0	143,500	166,942
Swimming Pool	27,075	30,350	0	0	27,075	30,350
Other	25,523	25,247	0	0	25,523	25,247
Community Development:						
City Funded	12,114	9,145	0	0	12,114	9,145
Grant Funded	634,119	515,001	0	0	634,119	515,001
Basic Utility Services	0	817	0	0	0	817
Transportation	1,883,341	1,951,190	0	0	1,883,341	1,951,190
General Government	2,878,529	2,719,916	0	0	2,878,529	2,719,916
Interest and						
Fiscal Charges	226,217	246,092	0	0	226,217	246,092
Waterworks Operating	0	0	1,588,064	1,536,819	1,588,064	1,536,819
Sewer Operating	0	0	2,096,130	2,083,408	2,096,130	2,083,408
Total Expenses	10,574,602	10,579,621	3,684,194	3,620,227	14,258,796	14,199,848
Increase (Decrease) in Net Assets	954,787	131,903	(210,771)	(388,506)	744,016	(256,603)
Net Assets at Beginning of Year	25,615,116	26,569,903	23,412,668	23,201,897	49,027,784	49,771,800
Net Assets at End of Year	\$26,569,903	\$26,701,806	\$23,201,897	\$22,813,391	\$49,771,800	\$49,515,197

Governmental Activities

Program revenues, which are primarily represented by charges for permits, fines, and departmental services, as well as restricted intergovernmental revenues were \$2,645,010 of total revenues for 2011 of \$10,711,524 and were significantly lower than in 2010. Operating grants and contributions decreased as a result of the City recognizing revenue sources, including the Ohio HOME Investment Partnership Grant and the Community Development Block Grant, in 2010. These grants run on two-year cycles and all revenue was recognized in 2010. Also, capital grants and contributions demonstrated a significant decrease in 2011 as the result of the City receiving the Neighborhood Stability Program grant in 2010 for community enrichment. This grant, nor a similar one, was received in 2011.

City of Circleville
Management's Discussion and Analysis
For the Year Ended December 31, 2011
(Unaudited)

As previously mentioned, general revenues were \$8,066,514 of total revenues for 2011. The 1.5 percent income tax is the largest source of revenue for the City of Circleville, making up \$4,746,441 of revenues for governmental activities for the year ended 2011. The City provides a 50 percent tax credit for income taxes paid to another municipality up to 100 percent of the City's current tax rate.

On a cash basis, income tax revenue was stagnating with an increase of less than 0.01 percent from 2004 to 2008. The main contributing factors were the downturn in the economy and the loss of the City's industrial base. However, the implementation of reduced credit kept revenue losses to a minimum. Then, in 2009, the municipal income tax accelerated its downward turn when it fell by 2.48 percent. The City's major employers were stable but receipts from reduced credit reflected significant revenue losses. Municipal income tax revenues showed an increase of 2.77 percent in 2010 and 1.86 percent in 2011. This improvement was directly attributable to the City's core employers, who started to show a recovery from the economic downturn. Reduced credit continued to lag, reflecting the significant levels of unemployment that continues to exist.

The City of Circleville, in conjunction with its economic development initiative, the Pickaway Progress Partnership (P³) continues to aggressively pursue economic growth in the City. In 2010, P³ received a \$3.5 million Job Ready Sites Grant for the development of the former Thomson Consumer Electronics site into a jobs ready location. The City also implemented a municipal income tax credit program to entice job creation from existing and new businesses and created a Community Reinvestment Area that encompasses all industrial and commercial areas of the City in 2010. P³ is developing a strategy to help entrepreneurs in the City through its Innovative Investment and Startup Business Support committees.

Grants and Entitlements not Restricted to Specific Programs made up \$1,859,815 of revenue for governmental activities of the City of Circleville for the year ended 2011. Property taxes made up \$889,763 of revenue for governmental activities for a total of \$7,496,019 of all revenue coming from income taxes, property taxes, and grant and entitlements not restricted to specific programs.

City of Circleville
Management's Discussion and Analysis
For the Year Ended December 31, 2011
(Unaudited)

Governmental program expenses as a percentage of total governmental expenses for 2011 are expressed as follows:

Security of Persons and Property:	
Police	24.48%
Fire	16.90
Other	2.15
Public Health Services	2.92
Leisure Time Activities:	
Parks and Recreation	1.58
Swimming Pool	0.29
Other	0.24
Community Development:	
City Funded	0.09
Grant Funded	4.87
Transportation	18.44
General Government	25.71
Interest and Fiscal Charges	2.33
	<u>100.00%</u>

The above chart clearly indicates the City's major source of expenses, 43.53 percent is related to the operating of safety forces. A distant second, 25.71 percent, is the administration of general government activities within the City. All other forms of governmental operations represent 30.76 percent of expenditures. A comparison to the prior year demonstrates that expenses were relatively consistent with those in the previous year.

Business-Type Activities

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

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

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

City of Circleville
Management's Discussion and Analysis
For the Year Ended December 31, 2011
(Unaudited)

Program revenues for business-type activities, which are primarily represented by charges for water and sewer services provided to residents and businesses within the City, demonstrated an insignificant decrease from the prior year. Program expenses for business-type activities represented an insignificant decrease from the prior year as well.

The City's Funds

Information about the City's major governmental funds begins on page 22. All governmental funds had total revenues of \$10,993,302 and expenditures of \$10,619,410. The General Fund balance increased \$196,423. The increase in the General Fund balance is the result of a significant increase in income taxes revenues when compared to prior years as a result of the City reallocating its income taxes revenues in September 2011.

The Income Tax Fund balance increased \$2,066. This is the result of the City's income taxes revenues exceeding collection expenditures during the year.

The Safety Forces Tax Fund balance increased \$48,736 from the prior year. This was the result of greater income taxes revenues being receipted into this fund than were expenditures made from the fund.

The General Obligation Bond Retirement Fund balance decreased \$117,540. This was the result of annual debt service payments exceeding income taxes revenues received during the year.

The Capital Improvement Fund balance increased \$311,097 from the prior year. This increase was the result of the City transferring monies from the General Fund for future capital improvements.

General Fund Budgeting Highlights

During 2011, the City amended its General Fund budget as needed. Original budgeted revenues and other financing sources in the amount of \$4,592,868 were less than final budgeted revenues and other financing sources of \$5,097,784, which represents a significant increase. This increase was due to a conservative estimate made initially for estate tax collections. Once collections proved to be greater than originally anticipated, the City adjusts its budget. Final budgeted revenues and other financing sources were less than actual revenues and other financing sources of \$5,485,326. The difference of \$387,542 is primarily due to income tax collections being significantly greater than final estimates as a result of reallocation practices taken by the City during the latter portion of the year.

City of Circleville
Management's Discussion and Analysis
For the Year Ended December 31, 2011
(Unaudited)

The decrease in expenditures and other financing uses from the original to the final budget was \$460,365, which is attributed to the City amending its budget for transfers out to the Capital Improvement Fund. The difference in actual expenditures and other financing uses compared to the final budget and other financing uses was \$358,907, a significant reduction. The primary cause of this reduction was a decrease in actual expenditures for general government of \$220,473. This is primarily related to the City practicing cost savings measures through attrition. The City continues to place tight restraints on all general government expenditures. Contractual services and supplies and incidentals are closely evaluated and utilized in a priority only manner.

Actual General Fund revenues were less than expenditures by \$76,102. The decline in financing resources hampers the City's ability to fund existing programs. It has been the decision of the City to use the accumulated carryover balance from prior years to fund existing programs. The consensus has been that by using the reserves it will give the City time to acquire new revenue sources.

The City's ending unobligated cash balance for the General Fund was \$746,449 above the final budgeted amount.

Capital Assets and Debt Administration

Capital Assets

At the end of 2011, the City had \$22,997,655 in capital assets (net of accumulated depreciation) for governmental activities, a decrease of \$262,699. Increases included land, building improvements, various equipment, various vehicle purchases, and various street improvements. Disposals of capital assets included a network server, police cruisers, pickup trucks, and street resurfacing within the City. The decrease in capital assets is the result of current year depreciation exceeding current year additions for the year.

The City also had \$18,353,231 in capital assets (net of accumulated depreciation) for business-type activities, a decrease of \$599,409. Increases included a valve exerciser and a backwash pump. The decrease in capital assets is the result of annual depreciation exceeding current year additions for the year.

See Note 8 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, 2011
(Unaudited)

Debt

The City's outstanding debt obligations at year-end included general obligation bonds in the amount of \$3,405,000, premiums on bonds issued of \$64,187, and a deferred loss on refunding of \$34,912 for governmental activities. Business-type activities had debt obligations in the amount of \$2,670,000 relating to general obligation bonds. The City's long-term obligations also included capital leases for governmental activities, as well as compensated absences for governmental activities and business-type activities.

See Notes 12 and 13 of the Notes to the Basic Financial Statements for more detailed information.

Current Issues

On a cash basis, the City of Circleville's municipal income tax base increased 1.86 percent in 2011. The major contributor to the increase in municipal income tax receipts was business filing revenues which demonstrated a 13.96 percent increase. Business withholding accounts showed an increase of less than one percent as the employment rates started to recover. Individual filing receipts remained stagnant when compared to the prior year. Revenues from the reduced credit rose slightly from the prior year, reflecting the slow recovery in the unemployment rate in the neighboring areas. The municipal income tax continues to be the major factor in financing governmental operations. This is reflected by the fact that 40 percent of the City's cash basis revenues are generated by the income tax. Circleville City Council maintained the 50 percent split of the one percent split between the General Fund and the Capital Improvement Fund through September 2011. At that time, due to State budget cuts and revenue losses attributable to the Pickaway County Health Department, the General Fund received 78 percent of receipts and the Capital Improvement Fund received 22 percent of the receipts for the remaining three months of 2011. The 0.50 percent voter approved safety forces tax and the reduced credit tax revenue are used solely for safety forces expenditures. This designated revenue provides 38.70 percent of the dollars needed to operate the City's safety forces. The loss of revenues from other governmental sources has placed a heavier reliance on the City's municipal income tax receipts to fund critical services. This factor and the continued slow economic recovery are leading components behind the City's continued budgetary struggles.

City of Circleville
Management's Discussion and Analysis
For the Year Ended December 31, 2011
(Unaudited)

Table 3
Municipal Income Tax Cash Basis Revenues
2005 Through 2011

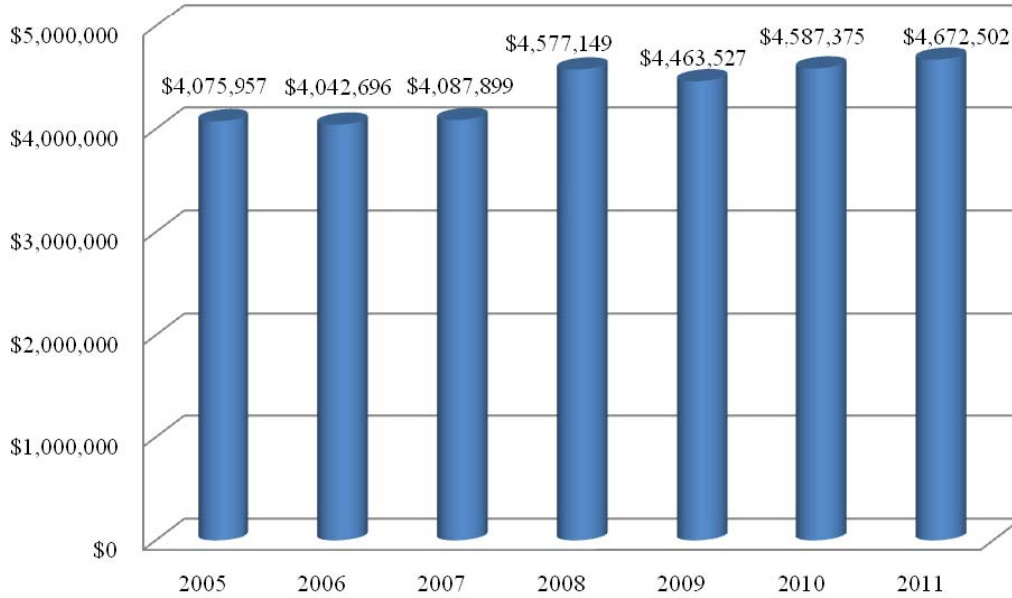
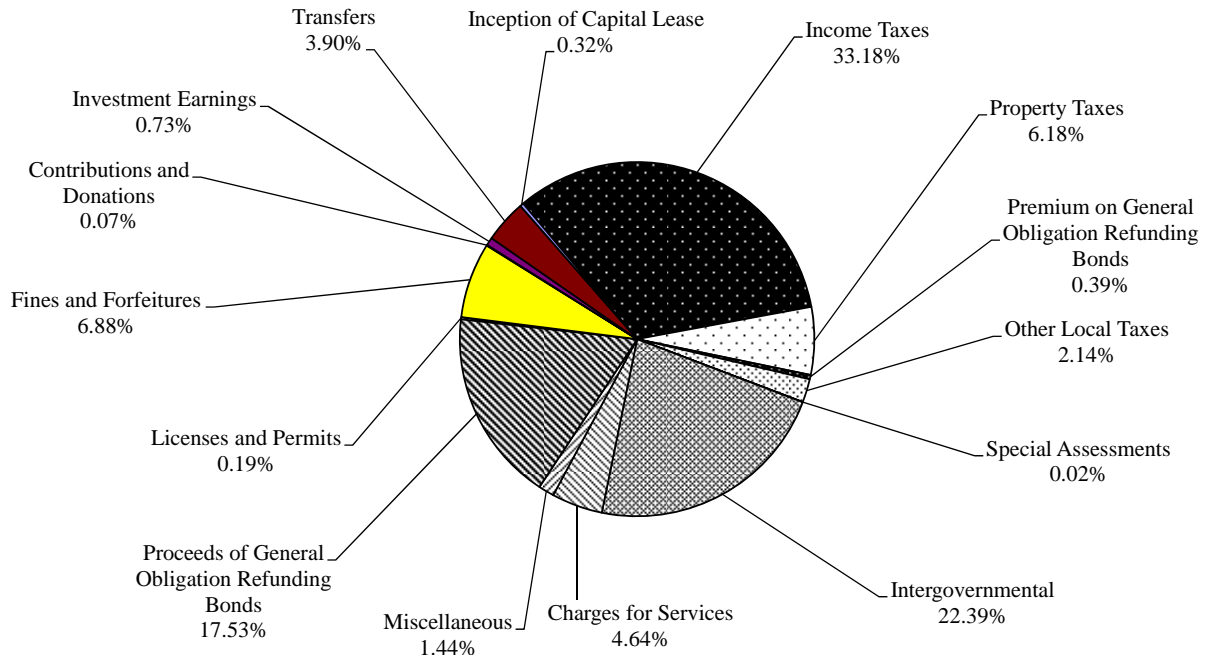
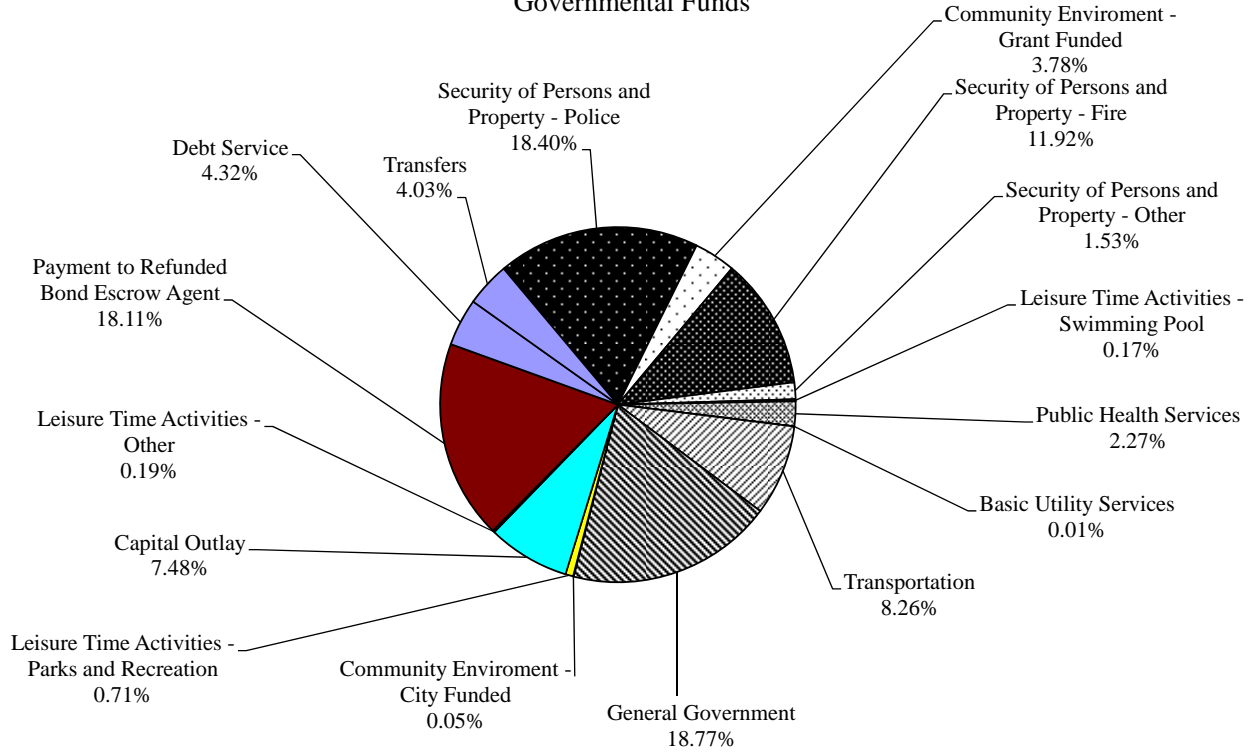


Table 4
Modified Accrual Basis Revenues and Other Financing Sources by Type
Governmental Funds



City of Circleville
Management's Discussion and Analysis
For the Year Ended December 31, 2011
(Unaudited)

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



Governmental fund operating revenues of the City increased 8.90 percent in 2011. The City continues to budget with a cautionary agenda. The capital improvement program of the City was decreased 33.48 percent from 2010 expenditures. In 2010, the City received significant grant dollars for leisure time activities and transportation projects. In 2011, these dollars were not received by the City. The only capital projects undertaken in 2011 was the completion of 1.61 miles of roadway mill and fill. On a cash basis, the City spent 10.11 percent of its operating budget on capital improvements in 2011. The City's capital assets included current year additions of \$1,020,728 and annual depreciation of \$1,879,934 for the year. The City is a service provider to its residents, which explains why 53.75 percent of its operating budget is attributable to personnel services. This is down from 2010 and reflects an overall reduction in force. The safety forces (Police, Fire, and EMS) contribute 59.99 percent of the personnel services cost for the City. The City's administrative departments continue to operate with reduced staffing.

City of Circleville
Management's Discussion and Analysis
For the Year Ended December 31, 2011
(Unaudited)

The resources available to the City for operating and capital improvements remain limited. The City constantly utilizes grants and alternative funding opportunities coupled with City revenues to maximize its ability to implement capital projects. In 2011, \$152,000 in Community Development Block Grants were received for the improvement of City streets. The Circleville Police Department received \$31,220 in grant dollars that was used to enhance training and equipment. In 2011, the City, in conjunction with P³, continued to utilize \$3,978 in grants from the U.S. EPA and \$156,792 in Clean Ohio grants to address environmental concerns in the community. The clean-up of these environmental areas will allow the City to move forward with job ready sites for future economic development.

The operating revenues and base income tax revenues have stabilized and are starting to show recovery after the current economic downturn. The City administration and legislative body have taken proactive steps to modify budgetary expenditures to reflect existing revenue streams. The City of Circleville continues to analyze daily operations to execute the most cost effective services for its citizens. A vibrant working collaboration with P³, which is a consortium of other Pickaway County local governments and private industry, is the driving mechanism utilized for future economic development in the City. The City's legislative and administrative bodies aggressively pursue opportunities for economic development in order to restore vital resources to the community. Through collaborative efforts and cooperative development with surrounding area partners, the City of Circleville will be a notable and thriving community once again.

Contacting the City's Finance Department

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

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City of Circleville
Statement of Net Assets
December 31, 2011

	<i>Primary Government</i>		<i>Total</i>
	<i>Governmental Activities</i>	<i>Business-Type Activities</i>	
<u>Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	\$3,786,948	\$6,713,890	\$10,500,838
Cash and Cash Equivalents	0	0	0
Cash and Cash Equivalents with Fiscal Agents	34,835	0	34,835
Cash and Cash Equivalents with Escrow Agents	0	5,011	5,011
Investments	0	0	0
Accrued Interest Receivable	27,915	0	27,915
Accounts Receivable	3,574	561,729	565,303
Intergovernmental Receivable	1,828,425	0	1,828,425
Income Taxes Receivable	1,462,847	0	1,462,847
Materials and Supplies Inventory	198,985	89,992	288,977
Prepaid Items	33,696	21,460	55,156
Property Taxes Receivable	879,651	0	879,651
Other Local Taxes Receivable	52,868	0	52,868
Special Assessments Receivable	1,413	2,734	4,147
Loans Receivable	834,246	0	834,246
Deferred Charges	68,971	83,519	152,490
Capital Assets:			
Nondepreciable Capital Assets	1,150,990	149,180	1,300,170
Depreciable Capital Assets, Net	21,846,665	18,204,051	40,050,716
<i>Total Assets</i>	<u>32,212,029</u>	<u>25,831,566</u>	<u>58,043,595</u>
<u>Liabilities:</u>			
Accounts Payable	234,782	99,269	334,051
Retainage Payable	0	7,023	7,023
Accrued Wages and Benefits Payable	68,535	21,040	89,575
Intergovernmental Payable	374,417	68,215	442,632
Deferred Revenue	821,000	0	821,000
Matured Bonds Payable	20,000	0	20,000
Matured Interest Payable	14,835	0	14,835
Accrued Interest Payable	9,233	9,222	18,455
Long-Term Liabilities:			
Due Within One Year	668,844	167,577	836,421
Due in More Than One Year	3,298,577	2,645,829	5,944,406
<i>Total Liabilities</i>	<u>5,510,223</u>	<u>3,018,175</u>	<u>8,528,398</u>
<u>Net Assets:</u>			
Invested in Capital Assets, Net of Related Debt	20,382,910	15,766,750	36,149,660
Restricted for:			
Capital Outlay	437	0	437
Safety Forces	129,774	0	129,774
Streets	674,296	0	674,296
Community Development	319,647	0	319,647
Other Purposes	733,961	0	733,961
Permanent Endowments	0	0	0
Unrestricted	4,460,781	7,046,641	11,507,422
<i>Total Net Assets</i>	<u>\$26,701,806</u>	<u>\$22,813,391</u>	<u>\$49,515,197</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	\$10,500,838
11,456,468	11,456,468
0	34,835
0	5,011
24,990,704	24,990,704
0	27,915
8,464,811	9,030,114
641,470	2,469,895
0	1,462,847
1,313,791	1,602,768
2,396,429	2,451,585
0	879,651
0	52,868
0	4,147
0	834,246
92,914	245,404
3,598,401	4,898,571
35,742,307	75,793,023
<u>88,697,295</u>	<u>146,740,890</u>
2,973,240	3,307,291
0	7,023
2,991,421	3,080,996
0	442,632
0	821,000
0	20,000
0	14,835
76,504	94,959
4,263,458	5,099,879
20,545,625	26,490,031
<u>30,850,248</u>	<u>39,378,646</u>
23,074,424	59,224,084
617,893	618,330
0	129,774
0	674,296
0	319,647
0	733,961
53,077	53,077
34,101,653	45,609,075
<u>\$57,847,047</u>	<u>\$107,362,244</u>

See Accountants' Compilation Report

City of Circleville
Statement of Activities
For the Year Ended December 31, 2011

	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government				
<u>Governmental Activities:</u>				
Security of Persons and Property:				
Police	\$2,589,908	\$28,889	\$39,849	\$0
Fire	1,787,658	10,591	7,880	0
Other	228,191	435,453	0	0
Public Health Services	309,164	0	0	0
Leisure Time Activities:				
Parks and Recreation	166,942	12,180	0	0
Swimming Pool	30,350	0	0	0
Other	25,247	0	0	0
Community Development:				
City Funded	9,145	26,590	0	0
Grant Funded	515,001	0	86,000	0
Basic Utility Services	817	0	0	0
Transportation	1,951,190	74,137	713,204	349
General Government	2,719,916	1,131,488	78,400	0
Interest and Fiscal Charges	246,092	0	0	0
Total Governmental Activities	10,579,621	1,719,328	925,333	349
<u>Business-Type Activities:</u>				
Waterworks Operating	1,536,819	1,462,828	0	0
Sewer Operating	2,083,408	1,760,087	0	0
Total Business-Type Activities	3,620,227	3,222,915	0	0
Total - Primary Government	\$14,199,848	\$4,942,243	\$925,333	\$349
Component Unit				
Berger Health System	\$78,608,316	\$76,519,321	\$0	\$0

General Revenues:

Property Taxes Levied for:

 General Purposes

 Other Purposes

Income Taxes Levied for:

 General Purposes

 Safety Forces

 Debt Service

 Capital Projects

Other Local Taxes

Grants and Entitlements not Restricted to Specific Programs

Unrestricted Investment Earnings

Unrestricted Contributions and Donations

Miscellaneous

Total General Revenues

Change in Net Assets

Net Assets at Beginning of Year

Net Assets at End of Year

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

<i>Net (Expense) Revenue and Changes in Net Assets</i>				
<i>Primary Government</i>			<i>Component Unit</i>	
<i>Governmental Activities</i>	<i>Business-Type Activities</i>	<i>Total</i>	<i>Berger Health System</i>	<i>Total Reporting Entity</i>
(\$2,521,170)	\$0	(\$2,521,170)	\$0	(\$2,521,170)
(1,769,187)	0	(1,769,187)	0	(1,769,187)
207,262	0	207,262	0	207,262
(309,164)	0	(309,164)	0	(309,164)
(154,762)	0	(154,762)	0	(154,762)
(30,350)	0	(30,350)	0	(30,350)
(25,247)	0	(25,247)	0	(25,247)
17,445	0	17,445	0	17,445
(429,001)	0	(429,001)	0	(429,001)
(817)	0	(817)	0	(817)
(1,163,500)	0	(1,163,500)	0	(1,163,500)
(1,510,028)	0	(1,510,028)	0	(1,510,028)
(246,092)	0	(246,092)	0	(246,092)
(7,934,611)	0	(7,934,611)	0	(7,934,611)
0	(73,991)	(73,991)	0	(73,991)
0	(323,321)	(323,321)	0	(323,321)
0	(397,312)	(397,312)	0	(397,312)
(7,934,611)	(397,312)	(8,331,923)	0	(8,331,923)
0	0	0	(2,088,995)	(2,088,995)
769,345	0	769,345	0	769,345
120,418	0	120,418	0	120,418
1,851,204	0	1,851,204	0	1,851,204
1,739,241	0	1,739,241	0	1,739,241
299,050	0	299,050	0	299,050
856,946	0	856,946	0	856,946
261,245	0	261,245	0	261,245
1,859,815	0	1,859,815	0	1,859,815
95,828	0	95,828	202,732	298,560
10,000	0	10,000	0	10,000
203,422	8,806	212,228	2,566,114	2,778,342
8,066,514	8,806	8,075,320	2,768,846	10,844,166
131,903	(388,506)	(256,603)	679,851	423,248
26,569,903	23,201,897	49,771,800	57,167,196	106,938,996
\$26,701,806	\$22,813,391	\$49,515,197	\$57,847,047	\$107,362,244

See Accountants' Compilation Report

City of Circleville
 Balance Sheet
 Governmental Funds
 December 31, 2011

	<i>General Fund</i>	<i>Income Tax Fund</i>	<i>Safety Forces Tax Fund</i>
<u>Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	\$1,036,243	\$21,933	\$517,205
Cash and Cash Equivalents with Fiscal Agents	0	0	0
Receivables:			
Accrued Interest	27,335	0	0
Accounts	3,574	0	0
Intergovernmental	1,299,073	0	0
Income Taxes	444,574	48,240	525,459
Property Taxes	749,853	0	0
Other Local Taxes	34,118	0	0
Loans	0	0	0
Special Assessments	0	0	0
Materials and Supplies Inventory	36,994	0	0
Prepaid Items	9,320	0	12,659
<i>Total Assets</i>	<u><u>\$3,641,084</u></u>	<u><u>\$70,173</u></u>	<u><u>\$1,055,323</u></u>
<u>Liabilities and Fund Balances:</u>			
<u>Liabilities:</u>			
Accounts Payable	\$40,413	\$1,673	\$66,122
Accrued Wages and Benefits Payable	51,619	343	10,268
Intergovernmental Payable	156,629	1,222	179,044
Deferred Revenue	1,703,972	38,320	417,405
Matured Bonds Payable	0	0	0
Matured Interest Payable	0	0	0
<i>Total Liabilities</i>	<u><u>1,952,633</u></u>	<u><u>41,558</u></u>	<u><u>672,839</u></u>
<u>Fund Balances:</u>			
Nonspendable	46,314	0	12,659
Restricted	0	0	0
Committed	17,028	28,615	369,825
Assigned	668,734	0	0
Unassigned	956,375	0	0
<i>Total Fund Balances</i>	<u><u>1,688,451</u></u>	<u><u>28,615</u></u>	<u><u>382,484</u></u>
<i>Total Liabilities and Fund Balances</i>	<u><u>\$3,641,084</u></u>	<u><u>\$70,173</u></u>	<u><u>\$1,055,323</u></u>

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

<i>General Obligation Bond Retirement Fund</i>	<i>Capital Improvement Fund</i>	<i>Nonmajor Funds</i>	<i>Total Governmental Funds</i>
\$21,015	\$780,154	\$1,410,398	\$3,786,948
34,835	0	0	34,835
0	0	580	27,915
0	0	0	3,574
0	0	529,352	1,828,425
153,275	291,299	0	1,462,847
0	0	129,798	879,651
0	0	18,750	52,868
810,000	0	24,246	834,246
0	1,413	0	1,413
0	0	161,991	198,985
0	10,910	807	33,696
<u>\$1,019,125</u>	<u>\$1,083,776</u>	<u>\$2,275,922</u>	<u>\$9,145,403</u>
\$4,649	\$60,188	\$61,737	\$234,782
0	0	6,305	68,535
0	0	37,522	374,417
121,756	232,810	607,445	3,121,708
20,000	0	0	20,000
14,835	0	0	14,835
<u>161,240</u>	<u>292,998</u>	<u>713,009</u>	<u>3,834,277</u>
0	10,910	162,798	232,681
0	0	1,218,571	1,218,571
857,885	779,868	181,544	2,234,765
0	0	0	668,734
0	0	0	956,375
<u>857,885</u>	<u>790,778</u>	<u>1,562,913</u>	<u>5,311,126</u>
<u>\$1,019,125</u>	<u>\$1,083,776</u>	<u>\$2,275,922</u>	<u>\$9,145,403</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, 2011

Total Governmental Fund Balances	\$5,311,126
 <i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:	
Land	1,150,990
Infrastructure	34,034,288
Other Capital Assets	13,721,587
Accumulated Depreciation	<u>(25,909,210)</u>
Total	22,997,655
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:	
Income Taxes	1,162,031
Property Taxes	58,651
Other Local Taxes	3,196
Special Assessments	1,413
Intergovernmental	1,063,313
Charges for Services	3,574
Investment Earnings	<u>8,530</u>
Total	2,300,708
Governmental funds report general obligation bond issuance costs as expenditures, whereas these amounts are deferred and amortized in the Statement of Activities.	68,971
In the Statement of Activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	(9,233)
Some liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Premium on General Obligation Bonds	(64,187)
Deferred Loss on General Obligation Bonds	34,912
General Obligation Bonds	(3,405,000)
Capital Leases	(78,830)
Compensated Absences	<u>(454,316)</u>
Total	<u>(3,967,421)</u>
Net Assets of Governmental Activities	<u><u>\$26,701,806</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 Balances
Governmental Funds
For the Year Ended December 31, 2011

	<i>General Fund</i>	<i>Income Tax Fund</i>	<i>Safety Forces Tax Fund</i>
<u>Revenues:</u>			
Income Taxes	\$1,662,384	\$188,699	\$1,697,067
Property Taxes	754,999	0	0
Other Local Taxes	210,458	0	0
Special Assessments	0	0	0
Intergovernmental	1,930,175	0	31,900
Charges for Services	184,342	0	448,768
Licenses and Permits	26,890	0	0
Fines and Forfeitures	574,687	0	0
Investment Earnings	99,371	0	0
Contributions and Donations	10,000	0	0
Miscellaneous	18,718	0	3,916
<i>Total Revenues</i>	<u>5,472,024</u>	<u>188,699</u>	<u>2,181,651</u>
<u>Expenditures:</u>			
Current Operations and Maintenance:			
Security of Persons and Property:			
Police	1,309,325	0	1,118,000
Fire	649,777	0	898,930
Other	101,453	0	107,690
Public Health Services	309,164	0	0
Leisure Time Activities:			
Parks and Recreation	96,569	0	0
Swimming Pool	23,840	0	0
Other	25,247	0	0
Community Development:			
City Funded	6,983	0	0
Grant Funded	0	0	0
Basic Utility Services	817	0	0
Transportation	296,608	0	0
General Government	1,895,229	186,633	0
Capital Outlay	0	0	0
Debt Service:			
Principal Retirement	9,381	0	7,656
Interest and Fiscal Charges	1,208	0	639
Issuance Costs	0	0	0
<i>Total Expenditures</i>	<u>4,725,601</u>	<u>186,633</u>	<u>2,132,915</u>
Excess of Revenues Over (Under) Expenditures	<u>746,423</u>	<u>2,066</u>	<u>48,736</u>
<u>Other Financing Sources (Uses):</u>			
Inception of Capital Lease	0	0	0
General Obligation Refunding Bonds Issued	0	0	0
Premium on General Obligations Refunding Bonds Issued	0	0	0
Payment to Refunded Bond Escrow Agent	0	0	0
Transfers In	0	0	0
Transfers Out	(550,000)	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>(550,000)</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	196,423	2,066	48,736
<i>Fund Balances at Beginning of Year - Restated (See Note 20)</i>	<u>1,492,028</u>	<u>26,549</u>	<u>333,748</u>
<i>Fund Balances at End of Year</i>	<u><u>\$1,688,451</u></u>	<u><u>\$28,615</u></u>	<u><u>\$382,484</u></u>

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

<i>General Obligation Bond Retirement Fund</i>	<i>Capital Improvement Fund</i>	<i>Nonmajor Funds</i>	<i>Total Governmental Funds</i>
\$309,564	\$826,922	\$0	\$4,684,636
0	0	117,886	872,885
0	0	91,298	301,756
0	2,586	0	2,586
0	0	1,199,876	3,161,951
0	0	22,739	655,849
0	0	0	26,890
0	0	396,110	970,797
0	0	3,159	102,530
0	0	0	10,000
52,897	5,836	122,055	203,422
362,461	835,344	1,953,123	10,993,302
0	0	82,950	2,510,275
0	124	76,522	1,625,353
0	0	0	209,143
0	0	0	309,164
0	0	0	96,569
0	0	0	23,840
0	0	0	25,247
0	0	0	6,983
0	0	515,001	515,001
0	0	0	817
0	54,600	776,026	1,127,234
0	51,782	427,149	2,560,793
0	972,463	47,676	1,020,139
335,000	15,933	10,238	378,208
145,001	2,050	1,411	150,309
60,335	0	0	60,335
540,336	1,096,952	1,936,973	10,619,410
(177,875)	(261,608)	16,150	373,892
0	22,705	22,933	45,638
2,475,000	0	0	2,475,000
55,553	0	0	55,553
(2,470,218)	0	0	(2,470,218)
0	550,000	0	550,000
0	0	0	(550,000)
60,335	572,705	22,933	105,973
(117,540)	311,097	39,083	479,865
975,425	479,681	1,523,830	4,831,261
\$857,885	\$790,778	\$1,562,913	\$5,311,126

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, 2011

Net Change in Fund Balances - Total Governmental Funds \$479,865

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	998,741	
Depreciation	<u>(1,258,538)</u>	
Excess of Capital Outlay over Depreciation		(259,797)

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		(2,902)
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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	61,805	
Property Taxes	16,878	
Other Local Taxes	(40,511)	
Special Assessments	(2,237)	
Intergovernmental	(306,190)	
Charges for Services	(4,821)	
Investment Earnings	<u>(6,702)</u>	
		(281,778)

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.

(45,638)

The issuance of long-term debt provides current financial resources to governmental funds, but in the Statement of Net Assets, the debt is reported as a liability.

Premium on General Obligation Refunding Bonds Issued	(55,553)	
General Obligation Refunding Bonds Issued	<u>(2,475,000)</u>	
		(2,530,553)

The difference between the amounts of debt principal refunded and the amounts paid to the escrow agent are reported as other financing uses in the governmental funds, whereas these amounts are deferred and amortized in the Statement of Activities.

38,791

Governmental funds report bond issuance costs as expenditures, whereas these amounts are deferred and amortized in the Statement of Activities. In the current period, these costs are:

Bond Issuance Costs		60,335
---------------------	--	--------

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	335,000	
General Obligation Bonds Refunded	2,375,000	
Capital Lease Payments	<u>43,208</u>	
		2,753,208

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

Amortization of Deferred Charges	(7,415)	
Amortization of Premium on General Obligation Bonds	6,390	
Amortization of Loss on Refunding	(3,879)	
Accrued Interest	<u>7,048</u>	
		2,144

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	(40,272)	
Unamortized Issuance Costs on Refunded Bonds	<u>(41,500)</u>	
		(81,772)

Change in Net Assets of Governmental Activities \$131,903

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, 2011

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Budgetary Actual</u>	<u>Variance Positive (Negative)</u>
<u>Revenues:</u>				
Income Taxes	\$1,390,663	\$1,390,663	\$1,658,506	\$267,843
Property Taxes	777,700	777,700	754,999	(22,701)
Other Local Taxes	159,000	159,000	181,368	22,368
Intergovernmental	1,384,205	1,866,093	1,909,727	43,634
Charges for Services	202,700	202,700	184,342	(18,358)
Licenses and Permits	14,000	14,000	26,890	12,890
Fines and Forfeitures	525,000	525,000	576,541	51,541
Investment Earnings	120,900	120,900	164,235	43,335
Contributions and Donations	1,200	11,200	10,000	(1,200)
Miscellaneous	2,500	15,528	18,718	3,190
<i>Total Revenues</i>	<u>4,577,868</u>	<u>5,082,784</u>	<u>5,485,326</u>	<u>402,542</u>
<u>Expenditures:</u>				
Current Operations and Maintenance:				
Security of Persons and Property:				
Police	1,384,433	1,398,843	1,347,634	51,209
Fire	675,804	669,634	653,667	15,967
Other	102,955	102,955	102,640	315
Public Health Services	185,265	310,714	309,164	1,550
Leisure Time Activities:				
Parks and Recreation	137,361	107,311	97,283	10,028
Swimming Pool	40,000	32,000	27,496	4,504
Other	30,000	30,000	28,417	1,583
Community Development:				
City Funded	10,100	9,750	7,041	2,709
Basic Utility Services	43,100	1,000	817	183
Transportation	395,584	352,284	326,898	25,386
General Government	2,430,368	2,330,844	2,110,371	220,473
<i>Total Expenditures</i>	<u>5,434,970</u>	<u>5,345,335</u>	<u>5,011,428</u>	<u>333,907</u>
Excess of Revenues Over (Under) Expenditures	(857,102)	(262,551)	473,898	736,449
<u>Other Financing Sources (Uses):</u>				
Transfer In	15,000	15,000	0	(15,000)
Transfers Out	(25,000)	(575,000)	(550,000)	25,000
<i>Total Other Financing Sources (Uses)</i>	<u>(10,000)</u>	<u>(560,000)</u>	<u>(550,000)</u>	<u>10,000</u>
<i>Net Change in Fund Balance</i>	(867,102)	(822,551)	(76,102)	746,449
<i>Fund Balance at Beginning of Year - Restated</i>	743,891	743,891	743,891	0
<i>Prior Year Encumbrances</i>	<u>200,557</u>	<u>200,557</u>	<u>200,557</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u>\$77,346</u>	<u>\$121,897</u>	<u>\$868,346</u>	<u>\$746,449</u>

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

City of Circleville
Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget (Non-GAAP Basis) and Actual
Income Tax Fund
For the Year Ended December 31, 2011

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Budgetary Actual</u>	<u>Variance Positive (Negative)</u>
<u>Revenues:</u>				
Income Taxes	\$201,921	\$193,921	\$193,921	\$0
<u>Expenditures:</u>				
Current Operations and Maintenance:				
General Government	204,590	196,590	188,845	7,745
<i>Net Change in Fund Balance</i>	(2,669)	(2,669)	5,076	7,745
<i>Fund Balance at Beginning of Year</i>	13,304	13,304	13,304	0
<i>Prior Year Encumbrances</i>	2,669	2,669	2,669	0
<i>Fund Balance at End of Year</i>	<u>\$13,304</u>	<u>\$13,304</u>	<u>\$21,049</u>	<u>\$7,745</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, 2011

	<i>Original Budget</i>	<i>Revised Budget</i>	<i>Budgetary Actual</i>	<i>Variance Positive (Negative)</i>
<i>Revenues:</i>				
Income Taxes	\$1,690,663	\$1,690,663	\$1,687,468	(\$3,195)
Intergovernmental	0	31,900	31,900	0
Charges for Services	352,000	352,000	448,768	96,768
Miscellaneous	1,800	1,800	3,916	2,116
<i>Total Revenues</i>	<u>2,044,463</u>	<u>2,076,363</u>	<u>2,172,052</u>	<u>95,689</u>
<i>Expenditures:</i>				
Current Operations and Maintenance:				
Security of Persons and Property:				
Police	1,224,532	1,259,432	1,172,629	86,803
Fire	1,117,897	1,064,897	940,934	123,963
Other	134,815	134,815	113,395	21,420
<i>Total Expenditures</i>	<u>2,477,244</u>	<u>2,459,144</u>	<u>2,226,958</u>	<u>232,186</u>
<i>Net Change in Fund Balance</i>	(432,781)	(382,781)	(54,906)	327,875
<i>Fund Balance at Beginning of Year</i>	340,243	340,243	340,243	0
<i>Prior Year Encumbrances</i>	<u>126,101</u>	<u>126,101</u>	<u>126,101</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u><u>\$33,563</u></u>	<u><u>\$83,563</u></u>	<u><u>\$411,438</u></u>	<u><u>\$327,875</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, 2011

	<i>Waterworks Operating Fund</i>	<i>Sewer Operating Fund</i>	<i>Total</i>
<u>Assets:</u>			
<u>Current Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	\$4,075,534	\$2,638,356	\$6,713,890
Receivables:			
Accounts	240,588	321,141	561,729
Special Assessments	0	2,734	2,734
Materials and Supplies Inventory	24,056	65,936	89,992
Prepaid Items	13,974	7,486	21,460
<i>Total Current Assets</i>	<u>4,354,152</u>	<u>3,035,653</u>	<u>7,389,805</u>
<u>Non-Current Assets:</u>			
Restricted Assets:			
Cash and Cash Equivalents with Escrow Agents	5,011	0	5,011
Deferred Charges	35,573	47,946	83,519
Nondepreciable Capital Assets	57,125	92,055	149,180
Depreciable Capital Assets, Net	6,441,332	11,762,719	18,204,051
<i>Total Non-Current Assets</i>	<u>6,539,041</u>	<u>11,902,720</u>	<u>18,441,761</u>
<i>Total Assets</i>	<u>10,893,193</u>	<u>14,938,373</u>	<u>25,831,566</u>
<u>Liabilities:</u>			
<u>Current Liabilities:</u>			
Accounts Payable	49,756	49,513	99,269
Retainage Payable from Restricted Assets	5,011	0	5,011
Retainage Payable	2,012	0	2,012
Accrued Wages and Benefits Payable	9,091	11,949	21,040
Intergovernmental Payable	27,819	40,396	68,215
Compensated Absences Payable	26,100	31,477	57,577
Accrued Interest Payable	3,950	5,272	9,222
General Obligation Bonds Payable	50,000	60,000	110,000
<i>Total Current Liabilities</i>	<u>173,739</u>	<u>198,607</u>	<u>372,346</u>
<u>Long-Term Liabilities (Net of Current Portion):</u>			
Compensated Absences Payable	38,480	47,349	85,829
General Obligation Bonds Payable	1,095,000	1,465,000	2,560,000
<i>Total Long-Term Liabilities (Net of Current Portion)</i>	<u>1,133,480</u>	<u>1,512,349</u>	<u>2,645,829</u>
<i>Total Liabilities</i>	<u>1,307,219</u>	<u>1,710,956</u>	<u>3,018,175</u>
<u>Net Assets:</u>			
Invested in Capital Assets, Net of Related Debt	5,389,030	10,377,720	15,766,750
Unrestricted	4,196,944	2,849,697	7,046,641
<i>Total Net Assets</i>	<u>\$9,585,974</u>	<u>\$13,227,417</u>	<u>\$22,813,391</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, 2011

	<i>Waterworks Operating Fund</i>	<i>Sewer Operating Fund</i>	<i>Total</i>
<i><u>Operating Revenues:</u></i>			
Charges for Services	\$1,462,828	\$1,760,087	\$3,222,915
<i><u>Operating Expenses:</u></i>			
Personal Services	471,209	684,870	1,156,079
Fringe Benefits	222,562	313,128	535,690
Materials and Supplies	403,297	302,358	705,655
Contractual Services	168,688	313,474	482,162
Depreciation	219,959	401,437	621,396
Miscellaneous	310	194	504
<i>Total Operating Expenses</i>	<u>1,486,025</u>	<u>2,015,461</u>	<u>3,501,486</u>
Operating Loss	<u>(23,197)</u>	<u>(255,374)</u>	<u>(278,571)</u>
<i><u>Non-Operating Revenues (Expenses):</u></i>			
Interest and Fiscal Charges	(50,794)	(67,947)	(118,741)
Other	7,820	986	8,806
<i>Total Non-Operating Revenues (Expenses)</i>	<u>(42,974)</u>	<u>(66,961)</u>	<u>(109,935)</u>
<i>Change in Net Assets</i>	(66,171)	(322,335)	(388,506)
<i>Net Assets at Beginning of Year</i>	<u>9,652,145</u>	<u>13,549,752</u>	<u>23,201,897</u>
<i>Net Assets at End of Year</i>	<u><u>\$9,585,974</u></u>	<u><u>\$13,227,417</u></u>	<u><u>\$22,813,391</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, 2011

	<u>Waterworks Operating Fund</u>	<u>Sewer Operating Fund</u>	<u>Total</u>
<u>Increase (Decrease) in Cash and Cash Equivalents:</u>			
<u>Cash Flows from Operating Activities:</u>			
Cash Received from Charges for Services	\$1,454,034	\$1,736,219	\$3,190,253
Cash Payments for Employee Services	(471,237)	(688,987)	(1,160,224)
Cash Payments for Employee Benefits	(218,744)	(310,407)	(529,151)
Cash Payments to Suppliers for Goods and Services	(561,700)	(618,844)	(1,180,544)
Cash Payments for Other Operating Expenses	(310)	(194)	(504)
Other Non-Operating Revenues	7,820	986	8,806
<i>Net Cash Provided by Operating Activities</i>	<u>209,863</u>	<u>118,773</u>	<u>328,636</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>			
Acquisition of Capital Assets	(21,987)	0	(21,987)
Principal Paid on General Obligation Bonds	(45,000)	(65,000)	(110,000)
Interest and Fiscal Charges Paid on General Obligation Bonds	(48,749)	(65,208)	(113,957)
Principal Paid on Capital Leases	(1,055)	(1,055)	(2,110)
Interest and Fiscal Charges Paid on Capital Leases	(21)	(21)	(42)
<i>Net Cash Used for Capital and Related Financing Activities</i>	<u>(116,812)</u>	<u>(131,284)</u>	<u>(248,096)</u>
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	93,051	(12,511)	80,540
<i>Cash and Cash Equivalents at Beginning of Year</i>	<u>3,982,483</u>	<u>2,650,867</u>	<u>6,633,350</u>
<i>Cash and Cash Equivalents at End of Year</i>	<u><u>\$4,075,534</u></u>	<u><u>\$2,638,356</u></u>	<u><u>\$6,713,890</u></u>
<u>Reconciliation of Operating Loss to Net Cash</u>			
<u>Provided by Operating Activities:</u>			
Operating Loss	(\$23,197)	(\$255,374)	(\$278,571)
<u>Adjustments to Reconcile Operating Loss to Net</u>			
<u>Cash Provided by Operating Activities:</u>			
Depreciation	219,959	401,437	621,396
Other Non-Operating Revenues	7,820	986	8,806
Changes in Assets and Liabilities:			
Increase in Accounts Receivable	(8,794)	(24,119)	(32,913)
Decrease in Special Assessments Receivable	0	251	251
(Increase) Decrease in Materials and Supplies Inventory	3,702	(17,795)	(14,093)
Increase in Prepaid Items	(2,706)	(2,424)	(5,130)
Increase in Accounts Payable	9,330	22,530	31,860
Increase (Decrease) in Accrued Wages and Benefits Payable	542	(975)	(433)
Decrease in Intergovernmental Payable	(582)	(8,357)	(8,939)
Decrease in Retainage Payable	(20)	0	(20)
Increase in Compensated Absences Payable	3,809	2,613	6,422
<i>Net Cash Provided by Operating Activities</i>	<u><u>\$209,863</u></u>	<u><u>\$118,773</u></u>	<u><u>\$328,636</u></u>

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

City of Circleville
Statement of Fiduciary Net Assets
Fiduciary Funds
December 31, 2011

	<u><i>Private Purpose Trust Fund William Renick Trust</i></u>	<u><i>Agency Funds</i></u>
<u>Assets:</u>		
Equity in Pooled Cash and Cash Equivalents	\$1,729	\$13,164
Cash and Cash Equivalents In Segregated Accounts	<u>10,000</u>	<u>114,674</u>
<i>Total Assets</i>	<u>11,729</u>	<u><u>\$127,838</u></u>
<u>Liabilities:</u>		
Intergovernmental Payable	0	\$5,700
Undistributed Assets	<u>0</u>	<u>122,138</u>
<i>Total Liabilities</i>	<u>0</u>	<u><u>\$127,838</u></u>
<u>Net Assets:</u>		
Held in Trust for Private Purposes	<u><u>\$11,729</u></u>	

See Accountants' Compilation Report

See Accompanying Notes to the Basic Financial Statements

City of Circleville
Statement of Changes in Fiduciary Net Assets
Private Purpose Trust Fund
For the Year Ended December 31, 2011

	<i>William Renick Trust</i>
<i><u>Additions:</u></i>	
Interest	\$173
<i><u>Deductions:</u></i>	
	0
<i>Change in Net Assets</i>	173
<i>Net Assets at Beginning of Year</i>	11,556
<i>Net Assets at End of Year</i>	\$11,729

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, 2011

NOTE 1 – DESCRIPTION OF THE CITY AND REPORTING ENTITY

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

Reporting Entity

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

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

The City is associated with one organization which is defined as a jointly governed organization. This organization is the Pickaway Progress Partnership and is presented in Note 17 to the Basic Financial Statements.

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

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

City of Circleville
Notes To The Basic Financial Statements
For The Year Ended December 31, 2011

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

Berger Health System

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

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental and business-type activities and to its enterprise funds provided they do not conflict with or contradict GASB pronouncements. The City does not apply FASB Statements and Interpretations issued after November 30, 1989, to its business-type activities or enterprise funds. The more significant of the City’s accounting policies are described below.

Basis of Presentation

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

City of Circleville
Notes To The Basic Financial Statements
For The Year Ended December 31, 2011

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

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

Fund Accounting

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

City of Circleville
Notes To The Basic Financial Statements
For The Year Ended December 31, 2011

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

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

Safety Forces Tax Fund – This fund accounts for and reports the portion of the unvoted income tax which is committed for safety purposes such as a portion of police and fire salaries and the emergency medical team salaries, as well as the one-half percent voted income tax restricted for safety purposes.

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

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

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, 2011

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

Proprietary Funds

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

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

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

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

Fiduciary Funds

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

Measurement Focus

Government-Wide Financial Statements

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

City of Circleville
Notes To The Basic Financial Statements
For The Year Ended December 31, 2011

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

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, all enterprise funds are accounted for using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the Statement of Fund Net Assets. The Statement of Revenues, Expenses and Changes in Fund Net Assets presents increases (e.g., revenues) and decreases (e.g., expenses) in total net assets. The Statement of Cash Flows provides information about how the City finances and meets the cash flow needs of its enterprise activities.

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

Basis of Accounting

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

Revenues – Exchange and Non-Exchange Transactions

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

City of Circleville
Notes To The Basic Financial Statements
For The Year Ended December 31, 2011

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, 2011, but were levied to finance 2012 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, 2011

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

Budgets and Budgetary Accounting

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

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

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

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 a financial institution to service bonded debt as principal and interest payments come due. This balance is presented as "Cash and Cash Equivalents with Fiscal Agents". The City also has an escrow account to hold retainage amounts still owed to contractors. The balance in this account is presented as "Cash and Cash Equivalents with Escrow Agents" on the financial statements.

City of Circleville
Notes To The Basic Financial Statements
For The Year Ended December 31, 2011

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

During the year, investments were limited to Federal Farm Credit Bank Consolidation System Bonds, Federal Home Loan Bank Bonds, Federal National Mortgage Association Notes, Federal National Mortgage Association Bonds, and negotiable certificates of deposit. Investments are reported at fair value which is based on quoted market prices.

Interest income is distributed to the funds according to Ohio constitutional and statutory requirements. Interest revenue credited to the General Fund during 2011 amounted to \$99,371, which includes \$88,010 assigned from other funds.

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

Materials and Supplies Inventory

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

Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2011, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

Capital Assets

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

Capital assets are capitalized at cost (or estimated historical cost, which is determined by indexing the current replacement cost back to the year of acquisition) and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market values on the date donated. The City maintains a capitalization threshold of \$5,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are expensed.

City of Circleville
Notes To The Basic Financial Statements
For The Year Ended December 31, 2011

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

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

<u>Descriptions</u>	<u>Estimated Life</u>
Land Improvements	10-25 years
Buildings and Building Improvements	20-50 years
Machinery and Equipment	7-20 years
Vehicles	5-20 years
Infrastructure	10-75 years

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

Compensated Absences

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

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

Accrued Liabilities and Long-Term Obligations

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

Unamortized Bond Premiums and Bond Issuance Costs

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

City of Circleville
Notes To The Basic Financial Statements
For The Year Ended December 31, 2011

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

Loss on Advance Refunding

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

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.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable

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

Restricted

The restricted fund balance category includes amounts that can be spent only for specific purposes stipulated by constitution, external resource providers, or through enabling legislation. Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation (City ordinances).

City of Circleville
Notes To The Basic Financial Statements
For The Year Ended December 31, 2011

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

Enabling legislation authorizes the City to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the City can be compelled by an external party—such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed

The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution) of City Council. Those committed amounts cannot be used for any other purpose unless City Council removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by City Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints are not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned

Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the City.

Unassigned

Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

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

City of Circleville
Notes To The Basic Financial Statements
For The Year Ended December 31, 2011

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

Internal Activities

Transfers within governmental activities are eliminated on the government-wide financial statements.

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

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

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes include funds for the operation of recreational activities and the improvement of the living environment of the City. The government-wide Statement of Net Assets reports \$1,858,115 of restricted net assets, \$52,574 of which is restricted by enabling legislation.

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

Operating Revenues and Expenses

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

City of Circleville
Notes To The Basic Financial Statements
For The Year Ended December 31, 2011

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

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, results of operations, and changes in fund balance on the basis of accounting principles generally accepted in the United States of America (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 restricted, committed, or assigned balance (GAAP basis).
- (d) Unrecorded cash represents amounts received but not included as revenue on the budget basis operating statements. These amounts are included as revenue on the GAAP basis operating statements.
- (e) Investments are reported at fair value (GAAP basis) rather than at cost (budget basis).

City of Circleville
Notes To The Basic Financial Statements
For The Year Ended December 31, 2011

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	\$196,423	\$2,066	\$48,736
Increases (Decreases) Due To:			
Revenue Accruals	(50,476)	5,222	(9,599)
Expenditure Accruals	(132,460)	(1,328)	11,724
Encumbrances	(153,367)	(884)	(105,767)
Unrecorded Cash - 2011	(46,300)	0	0
Unrecorded Cash - 2010	81,329	0	0
Change in Fair Value of Investments - 2011	31,770	0	0
Change in Fair Value of Investments - 2010	(3,021)	0	0
Budget Basis	(\$76,102)	\$5,076	(\$54,906)

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, 2011

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

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

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

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

City of Circleville
Notes To The Basic Financial Statements
For The Year Ended December 31, 2011

NOTE 4 – DEPOSITS AND INVESTMENTS (continued)

Investments: As of December 31, 2011, the City had the following investments:

	Fair Value	Investment Maturities (in Years)		S&P Rating	Percent of Total Investments	Call Date
		Less than 1	1 - 4			
Federal Farm Credit Bank Consolidation System Bonds	\$315,912	\$0	\$315,912	AA+	6.43%	
Federal Home Loan Bank Bonds	1,000,370	0	1,000,370	AA+	20.35%	1/9/2012
Federal National Mortgage Association Notes	1,000,420	0	1,000,420	AA+	20.35%	9/28/2012
Federal National Mortgage Association Bonds	599,936	0	599,936	AA+	12.20%	5/1/12 - 10/19/12
Negotiable Certificates of Deposits	1,999,554	499,610	1,499,944	N/A	40.67%	
Totals	<u>\$4,916,192</u>	<u>\$499,610</u>	<u>\$4,416,582</u>		<u>100.00%</u>	

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

Credit Risk: The City’s investment policy limits investments to those authorized by State statute which restricts investments to those that are highly rated or backed by the enterprises of the United States Government. The Standard and Poor’s (S&P) rating of each investment is listed in the table above.

Concentration of Credit Risk: The City’s investment policy limits the City’s investments to the following: no more than 50 percent of the investment portfolio, excluding working cash, shall be deposited in any one financial institution; 100 percent of the investment portfolio may be invested in securities guaranteed by the United States, or those securities for which the full faith of the United States is pledged for the payment of principal and interest; 100 percent of the investment portfolio may be invested in Time Certificates of Deposits, Savings, or Deposit Accounts which have been fully collateralized; no more than 50 percent of the total investment portfolio may be invested in bonds and other obligations of this State; no more than 50 percent of the total investment portfolio may be invested in securities issued by any federal government agency or instrumentality; and no more than 25 percent of the total investment portfolio may be invested in no-load money market mutual funds consisting exclusively of government securities or repurchase agreements secured by government securities. The percentage that each investment represents of the total investments is listed in the table above.

City of Circleville
Notes To The Basic Financial Statements
For The Year Ended December 31, 2011

NOTE 5 – MUNICIPAL INCOME TAX

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

Income tax proceeds are to be used to pay the cost of administering the tax, General Fund operations, capital improvements, debt service and other governmental functions when needed, as determined by Council. In 2011, 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 and public utility property located in the City. Property tax revenue received during 2011 for real and public utility property taxes represents collections of 2010 taxes.

2011 real property taxes are levied after October 1, 2011, on the assessed value as of January 1, 2011, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2011 real property taxes are collected in and intended to finance 2012.

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

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2011 public utility property taxes became a lien December 31, 2010, are levied after October 1, 2011, and are collected in 2012 with real property taxes.

City of Circleville
Notes To The Basic Financial Statements
For The Year Ended December 31, 2011

NOTE 6 – PROPERTY TAX *(continued)*

The full tax rate for all City operations for the year ended December 31, 2011, was \$4.00 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2011 property tax receipts were based are as follows:

<u>Category</u>	<u>Assessed Value</u>
Real Property:	
Agricultural/Residential	\$161,231,520
Commercial/Industrial/Mineral	55,725,180
Public Utility Real	66,190
Tangible Personal Property:	
General Business	193,690
Public Utility	8,750,440
Total Assessed Value	<u><u>\$225,967,020</u></u>

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City of Circleville. The County Auditor periodically remits to the City its portion of the taxes. Property taxes receivable represents real, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2011, 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 2011 operations, and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as revenue while the remainder of the receivable is deferred.

City of Circleville
Notes To The Basic Financial Statements
For The Year Ended December 31, 2011

NOTE 7 – RECEIVABLES

Receivables at December 31, 2011, consisted of interest, accounts for weed and litter assessments, intergovernmental receivables arising from grants, entitlements or shared revenues, taxes, loans, and special assessments. All receivables are considered fully collectible, including water and sewer charges receivable which, if delinquent, may be certified and collected as a special assessment, subject to foreclosure for nonpayment. Special assessments expected to be collected in more than one year amount to \$1,413. The entire amount of the special assessments receivable at December 31, 2011, are delinquent. Property taxes and income taxes, although ultimately collectible, include some portion of delinquents that will not be collected within one year.

The City entered into a loan agreement with Berger Health System, in which Berger Health System is repaying the City for the bonds issued by the City on behalf of Berger Health System. The loan agreement is for the \$2,000,000 principal amount of bonds and the related interest. The loans receivable balance relating to this agreement at December 31, 2011, is \$810,000, of which \$120,000 is considered to be due within one year. The City also had loans receivable related to program housing. At December 31, 2011, the balance of these loans was \$24,246, of which \$16,021 is considered to be due within one year.

A summary of the principal items of intergovernmental receivables follows:

	<u>Amount</u>
<u>Governmental Activities</u>	
Ohio HOME Investment Partnerships Grant	\$7,000
EPA Petroleum Assessment Grant	65,371
EPA Hazardous Substance Grant	26,257
Community Development Block Grants	90,000
Clean Ohio Assistance Fund Grant	10,632
Pickaway County Neighborhood Stabilization Program	12,000
Estate Taxes	883,635
Homestead and Rollback	54,000
Electric Deregulation	201
Permissive Motor Vehicle License Tax	43,377
Gasoline Tax	218,598
Motor Vehicle License Tax	58,548
Local Government	321,611
Undivided State Local Government	37,195
Total Intergovernmental Receivable	<u><u>\$1,828,425</u></u>

City of Circleville
Notes To The Basic Financial Statements
For The Year Ended December 31, 2011

NOTE 8 – CAPITAL ASSETS

Capital assets activity of the governmental activities for the year ended December 31, 2011, was as follows:

	<u>Balance At 12/31/2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance At 12/31/2011</u>
<u>Governmental Activities</u>				
Capital Assets, Not Being Depreciated:				
Land	\$1,105,680	\$45,310	\$0	\$1,150,990
Depreciable Capital Assets:				
Land Improvements	1,476,420	0	0	1,476,420
Buildings and Building Improvements	8,346,969	9,959	0	8,356,928
Machinery and Equipment	1,773,169	194,346	(40,290)	1,927,225
Vehicles	1,881,598	194,828	(115,412)	1,961,014
Infrastructure	33,558,478	554,298	(78,488)	34,034,288
Total Depreciable Capital Assets	<u>47,036,634</u>	<u>953,431</u>	<u>(234,190)</u>	<u>47,755,875</u>
Less Accumulated Depreciation:				
Land Improvements	(1,230,495)	(21,902)	0	(1,252,397)
Buildings and Building Improvements	(2,994,326)	(191,346)	0	(3,185,672)
Machinery and Equipment	(975,381)	(148,766)	40,290	(1,083,857)
Vehicles	(1,593,772)	(109,782)	112,510	(1,591,044)
Infrastructure	(18,087,986)	(786,742)	78,488	(18,796,240)
Total Accumulated Depreciation	<u>(24,881,960)</u>	<u>(1,258,538)</u>	<u>231,288</u>	<u>(25,909,210)</u>
Depreciable Capital Assets, Net	<u>22,154,674</u>	<u>(305,107)</u>	<u>(2,902)</u>	<u>21,846,665</u>
Governmental Activities Capital Assets, Net	<u>\$23,260,354</u>	<u>(\$259,797)</u>	<u>(\$2,902)</u>	<u>\$22,997,655</u>

City of Circleville
Notes To The Basic Financial Statements
For The Year Ended December 31, 2011

NOTE 8 – CAPITAL ASSETS *(continued)*

Depreciation expense was charged to governmental programs as follows:

Security of Persons and Property - Police	\$82,553
Security of Persons and Property - Fire	125,611
Security of Persons and Property - Other	19,986
Leisure Time Activities - Parks and Recreation	70,373
Leisure Time Activities - Swimming Pool	6,510
Community Development - City Funded	2,162
Transportation	830,859
General Government	120,484
Total Depreciation Expense	<u><u>\$1,258,538</u></u>

Capital assets activity of the business-type activities for the year ended December 31, 2011, was as follows:

	<u>Balance At</u> <u>12/31/2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance At</u> <u>12/31/2011</u>
<u>Business-Type Activities</u>				
Capital Assets, Not Being Depreciated:				
Land	\$149,180	\$0	\$0	\$149,180
Depreciable Capital Assets:				
Land Improvements	322,752	0	0	322,752
Buildings and Building Improvements	12,804,038	10,310	0	12,814,348
Machinery and Equipment	509,011	11,677	0	520,688
Vehicles	236,649	0	0	236,649
Infrastructure	19,755,210	0	0	19,755,210
Total Depreciable Capital Assets	<u>33,627,660</u>	<u>21,987</u>	<u>0</u>	<u>33,649,647</u>
Less Accumulated Depreciation:				
Land Improvements	(302,769)	(9,990)	0	(312,759)
Buildings and Building Improvements	(8,066,414)	(307,942)	0	(8,374,356)
Machinery and Equipment	(463,150)	(12,967)	0	(476,117)
Vehicles	(198,006)	(9,082)	0	(207,088)
Infrastructure	(5,793,861)	(281,415)	0	(6,075,276)
Total Accumulated Depreciation	<u>(14,824,200)</u>	<u>(621,396)</u>	<u>0</u>	<u>(15,445,596)</u>
Depreciable Capital Assets, Net	<u>18,803,460</u>	<u>(599,409)</u>	<u>0</u>	<u>18,204,051</u>
Business-Type Activities Capital Assets, Net	<u><u>\$18,952,640</u></u>	<u><u>(\$599,409)</u></u>	<u><u>\$0</u></u>	<u><u>\$18,353,231</u></u>

City of Circleville
Notes To The Basic Financial Statements
For The Year Ended December 31, 2011

NOTE 9 – DEFINED BENEFIT PENSION PLANS

Ohio Public Employees Retirement System

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

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

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units. Member contribution rates, as set forth in the Ohio Revised Code, are not to exceed 10 percent of covered payroll for members in State and local divisions. For the year ended December 31, 2011, members in State and local divisions contributed 10 percent of covered payroll. Members in the State and local divisions may participate in all three plans. For 2011, member and employer contribution rates were consistent across all three plans.

The City's 2011 contribution rate was 14.0 percent. The portion of employer contributions used to fund pension benefits is net of post-employment health care benefits. The portion of employer contribution allocated to health care for members in the Traditional Plan was 4.00 percent for 2011. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05 percent for 2011. Employer contribution rates are actuarially determined.

City of Circleville
Notes To The Basic Financial Statements
For The Year Ended December 31, 2011

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

The City's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2011, 2010, and 2009 were \$306,956, \$273,890, and \$292,970, respectively. For 2011, 83.47 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2010 and 2009. Contributions to the Member-Directed Plan for 2011 were \$5,917 made by the City and \$4,227 made by plan members.

Ohio Police and Fire Pension Fund

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

Funding Policy – The Ohio Revised Code requires plan members to contribute 10.0 percent of their annual covered salary, while employers are required to contribute 19.5 percent for police officers and 24.0 percent for firefighters.

The OP&F Pension Fund is authorized by the Ohio Revised Code to allocate a portion of the employer contributions to retiree health care benefits. The portion of employer contributions used to fund pension benefits was 12.75 percent of covered payroll for police officers and 17.25 percent of covered payroll for firefighters. The City's contributions to OP&F for police and firefighters were \$157,894 and \$146,488 for the year ended December 31, 2011, \$164,415 and \$151,407 for the year ended December 31, 2010, and \$183,178 and \$150,873 for the year ended December 31, 2009. For 2011, 60.34 percent for police and 61.27 percent for firefighters has been contributed with the balance for both police and firefighters being reported as an intergovernmental payable. The full amount has been contributed for 2010 and 2009.

NOTE 10 – POSTEMPLOYMENT BENEFITS

Ohio Public Employees Retirement System

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

City of Circleville
Notes To The Basic Financial Statements
For The Year Ended December 31, 2011

NOTE 10 – POSTEMPLOYMENT BENEFITS *(continued)*

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

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not mandate, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

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

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2011, state and local employers contributed at a rate of 14.0 percent of covered payroll. These are the maximum employer contribution rates permitted by the Ohio Revised Code.

Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4.0 percent for 2011. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05 percent for 2011.

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

City of Circleville
Notes To The Basic Financial Statements
For The Year Ended December 31, 2011

NOTE 10 – POSTEMPLOYMENT BENEFITS *(continued)*

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2011, 2010, and 2009 were \$122,782, \$152,161, and \$189,569, respectively. For 2011, 83.47 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2010 and 2009.

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

Ohio Police and Fire Pension Fund

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

OP&F provides access to post-retirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45.

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

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

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

City of Circleville
Notes To The Basic Financial Statements
For The Year Ended December 31, 2011

NOTE 10 – POSTEMPLOYMENT BENEFITS *(continued)*

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2011, the employer contribution allocated to the health care plan was 6.75 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

The City's contributions to OP&F which were allocated to fund post-employment health care benefits for police and firefighters were \$83,591 and \$57,321 for the year ended December 31, 2011, \$87,043 and \$59,246 for the year ended December 31, 2010, and \$96,977 and \$59,037 for the year ended December 31, 2009. For 2011, 60.34 percent has been contributed for police and 61.27 percent has been contributed for firefighters with the balance for both police and firefighters being reported as an intergovernmental payable. The full amount has been contributed for 2010 and 2009.

NOTE 11 – EMPLOYEE BENEFITS

Compensated Absences

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

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

City of Circleville
Notes To The Basic Financial Statements
For The Year Ended December 31, 2011

NOTE 11 – EMPLOYEE BENEFITS *(continued)*

Insurance Benefits

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

Deferred Compensation

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

NOTE 12 – CAPITAL LEASES – LESSEE DISCLOSURE

In 2011 and in prior years, the City has entered into capitalized leases for copiers, radios, a durapatching machine, and rescue equipment. 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 \$189,160 for governmental 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. Principal payments in 2011 totaled \$43,208 in the governmental funds and \$2,110 in the enterprise funds.

City of Circleville
Notes To The Basic Financial Statements
For The Year Ended December 31, 2011

NOTE 12 – CAPITAL LEASES – LESSEE DISCLOSURE *(continued)*

The assets acquired through capital leases for governmental activities as of December 31, 2011, are as follows:

	<u>Asset Value</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Copier Equipment	\$77,596	\$50,668	\$26,928
Radio Equipment	40,783	40,783	0
Durapatching Machine	48,076	24,038	24,038
Rescue Equipment	22,705	1,892	20,813
Totals	<u>\$189,160</u>	<u>\$117,381</u>	<u>\$71,779</u>

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2011, for governmental activities:

<u>Year Ending December 31,</u>	<u>Amount</u>
2012	\$45,612
2013	19,145
2014	12,974
2015	5,580
2016	4,185
Total	<u>87,496</u>
Less: Amount representing Interest	<u>(8,666)</u>
Present Value of Minimum Lease Payment	<u>\$78,830</u>

City of Circleville
Notes To The Basic Financial Statements
For The Year Ended December 31, 2011

NOTE 13 – OUTSTANDING DEBT AND OTHER LONG-TERM OBLIGATIONS

Bonded Debt and Other Long-Term Obligations

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

Types / Issues	Balance 12/31/2010	Issued	Retired	Balance 12/31/2011	Due Within One Year
<u>Business-Type Activities</u>					
<u>General Obligation Bonds</u>					
2008 - Various Purpose Bonds \$3,005,000					
Term Bonds 4.125% - 4.50%	\$1,800,000	\$0	\$0	\$1,800,000	\$0
Serial Bonds 3.00% - 4.25%	980,000	0	110,000	870,000	110,000
Total General Obligation Bonds	<u>2,780,000</u>	<u>0</u>	<u>110,000</u>	<u>2,670,000</u>	<u>110,000</u>
<u>Other Long-Term Obligations</u>					
Capital Leases	2,110	0	2,110	0	0
Compensated Absences	136,984	71,745	65,323	143,406	57,577
Total Other Long-Term Obligations	<u>139,094</u>	<u>71,745</u>	<u>67,433</u>	<u>143,406</u>	<u>57,577</u>
Total Business-Type Activities	<u>\$2,919,094</u>	<u>\$71,745</u>	<u>\$177,433</u>	<u>\$2,813,406</u>	<u>\$167,577</u>
<u>Governmental Activities</u>					
<u>General Obligation Bonds</u>					
1997 - Berger Health System					
Bonds \$2,000,000					
Term Bonds 4.80% - 5.40%	\$935,000	\$0	\$115,000	\$820,000	\$120,000
2000 - Capital Facilities Improvement					
Safety Services Building Bonds \$3,285,000					
Term Bonds 5.625%	2,060,000	0	2,060,000	0	0
2000 - Capital Facilities Improvement					
City Services Building Bonds \$500,000					
Term Bonds 5.625%	315,000	0	315,000	0	0
2008 - Various Purpose Bonds \$355,000					
Term Bonds 4.125% - 4.50%	210,000	0	0	210,000	0
Serial Bonds 3.00% - 4.25%	120,000	0	15,000	105,000	15,000
Premium on Bonds Issued	15,024	0	835	14,189	0
2011 - Various Purpose Refunding					
Bonds \$2,475,000					
Term Bonds 2.00% - 3.00%	0	2,475,000	205,000	2,270,000	235,000
Premium on Bonds Issued	0	55,553	5,555	49,998	0
Deferred Loss on Refunding	0	(38,791)	(3,879)	(34,912)	0
Total General Obligation Bonds	<u>3,655,024</u>	<u>2,491,762</u>	<u>2,712,511</u>	<u>3,434,275</u>	<u>370,000</u>
<u>Other Long-Term Obligations</u>					
Capital Leases	76,400	45,638	43,208	78,830	40,978
Compensated Absences	414,044	263,523	223,251	454,316	257,866
Total Other Long-Term Obligations	<u>490,444</u>	<u>309,161</u>	<u>266,459</u>	<u>533,146</u>	<u>298,844</u>
Total Governmental Activities	<u>\$4,145,468</u>	<u>\$2,800,923</u>	<u>\$2,978,970</u>	<u>\$3,967,421</u>	<u>\$668,844</u>

City of Circleville
Notes To The Basic Financial Statements
For The Year Ended December 31, 2011

NOTE 13 – OUTSTANDING DEBT AND OTHER LONG-TERM OBLIGATIONS

(continued)

The City's overall legal debt margin was \$21,179,422, with an unvoted debt margin of \$9,881,071 at December 31, 2011.

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

Year	Business-Type Activities					
	Waterworks Operating General Obligation Bonds		Sewer Operating General Obligation Bonds		Total Principal	Total Interest
	Total Principal	Total Interest	Total Principal	Total Interest		
2012	\$50,000	\$47,398	\$60,000	\$63,258	\$110,000	\$110,656
2013	50,000	45,774	60,000	61,307	110,000	107,081
2014	50,000	44,024	60,000	59,208	110,000	103,232
2015	55,000	42,149	80,000	56,957	135,000	99,106
2016	55,000	40,086	80,000	53,958	135,000	94,044
2017-2021	320,000	164,137	415,000	221,500	735,000	385,637
2022-2026	385,000	91,972	525,000	125,408	910,000	217,380
2027-2028	180,000	12,150	245,000	16,650	425,000	28,800
Totals	<u>\$1,145,000</u>	<u>\$487,690</u>	<u>\$1,525,000</u>	<u>\$658,246</u>	<u>\$2,670,000</u>	<u>\$1,145,936</u>

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

Year	Governmental Activities					
	General Obligation Bonds		General Obligation Bonds		General Obligation Bonds	
	Serial Bonds Principal	Serial Bonds Interest	Term Bonds Principal	Term Bonds Interest	Total Principal	Total Interest
2012	\$15,000	\$13,017	\$355,000	\$97,780	\$370,000	\$110,797
2013	15,000	12,530	360,000	86,600	375,000	99,130
2014	15,000	12,005	375,000	75,150	390,000	87,155
2015	15,000	11,443	385,000	63,060	400,000	74,503
2016	15,000	10,880	395,000	50,600	410,000	61,480
2017-2021	30,000	19,960	1,275,000	111,735	1,305,000	131,695
2022-2026	0	0	105,000	25,310	105,000	25,310
2027-2028	0	0	50,000	3,375	50,000	3,375
Totals	<u>\$105,000</u>	<u>\$79,835</u>	<u>\$3,300,000</u>	<u>\$513,610</u>	<u>\$3,405,000</u>	<u>\$593,445</u>

City of Circleville
Notes To The Basic Financial Statements
For The Year Ended December 31, 2011

NOTE 13 – OUTSTANDING DEBT AND OTHER LONG-TERM OBLIGATIONS

(continued)

General Obligation Bonds

Berger Health System Bonds

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

The term bonds, issued at \$1,235,000, maturing on December 1, 2017, are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed plus accrued interest to the date of redemption, on December 1, in the years and in the respective principal amounts as follows:

<u>Year</u>	<u>Amount</u>
2012	\$120,000
2013	125,000
2014	135,000
2015	140,000
2016	145,000
2017	155,000
Totals	<u><u>\$820,000</u></u>

Capital Facilities Improvement Safety Services Building Bonds

On June 1, 2000, the City of Circleville issued \$3,285,000 in general obligation bonds for the purpose of constructing a new safety facility to house a fire station, an EMS facility, and fire department offices. The bonds were issued for a 20 year period with final maturity on December 1, 2020. During 2011, the City refunded the remaining balance of these bonds.

City of Circleville
Notes To The Basic Financial Statements
For The Year Ended December 31, 2011

NOTE 13 – OUTSTANDING DEBT AND OTHER LONG-TERM OBLIGATIONS

(continued)

Capital Facilities Improvement City Services Building Bonds

On June 1, 2000, the City of Circleville issued \$500,000 in general obligation bonds for the purpose of purchasing and renovating a service building. The bonds were issued for a 20 year period with final maturity on December 1, 2020. During 2011, the City refunded the remaining balance of these bonds.

2008 Various Purpose Bonds

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

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

Year	Amount
2019	\$165,000
2020	175,000
2021	180,000
2022	185,000
2023	195,000
2024	200,000
2025	210,000
2026	225,000
2027	235,000
2028	240,000
Totals	\$2,010,000

City of Circleville
Notes To The Basic Financial Statements
For The Year Ended December 31, 2011

NOTE 13 – OUTSTANDING DEBT AND OTHER LONG-TERM OBLIGATIONS

(continued)

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

2011 Various Purpose Refunding Bonds

On August 30, 2011, the City issued \$2,475,000 in general obligation bonds for the purpose of advance refunding the remaining balances on the Capital Facilities Improvement Safety Services Building Bonds and the Capital Facilities Improvement City Services Building Bonds. The difference between the amount of the refunding bond issue and the total of the outstanding principal on the debt issue refunded was used to pay for issuance costs, interest due at the time of refunding, and the amount paid to the escrow agent above the principal outstanding. The refunding resulted in a difference of \$38,791 between the net carrying amount of the old bonded debt and the acquisition price. This difference, reported in the accompanying financial statements as a decrease to bonds payable, is being amortized to interest expense over the life of the bonds using the straight-line method. The unamortized amount of the loss at December 31, 2011, was \$34,912. Total debt service payments decreased \$1,643,147 as a result of the refunding. The City also incurred an economic gain (difference between the present values of the old and new debt service payments) of \$1,303,119.

At December 31, 2011, \$2,270,000 of the refunded bonds were outstanding.

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

Year	Amount
2012	\$195,000
2013	205,000
2014	215,000
2015	225,000
2016	240,000
2017	255,000
2018	270,000
2019	285,000
Totals	\$1,890,000

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

City of Circleville
Notes To The Basic Financial Statements
For The Year Ended December 31, 2011

NOTE 13 – OUTSTANDING DEBT AND OTHER LONG-TERM OBLIGATIONS

(continued)

Conduit Debt

During 2003, the City issued revenue bonds in the aggregate principal amount of \$26,000,000 for Berger Health System. The proceeds are to be used by Berger Health System for future capital expenditures and to retire \$9,000,000 of old debt. On November 1, 2007, the City issued revenue bonds in the aggregate principal amount of \$13,275,000 for Berger Health System. The proceeds are to be used by Berger Health System to fund operations and to retire \$8,000,000 of old debt. During 2008, the City issued revenue bonds in the aggregate principal amount of \$1,375,000 for Berger Health System. The proceeds are to be used by Berger Health System to fund operations. During 2011, the City issued revenue bonds in the aggregate principal amount of \$24,783,000 for Berger Health System. The proceeds are to be used by Berger Health System for future capital expenditures and to retire \$16,667,000 of old debt. The bonds are to be repaid by the recipient of the proceeds and do not represent an obligation of the City. There has not been, and currently is not any condition of default under the bonds or the related financing documents. The City is not obligated in any way to pay debt charges on the bonds from any of its funds, and therefore they have been excluded entirely from the City's debt presentation. Neither is the full faith and credit or taxing power of the City pledged to make repayment. The balance outstanding as of December 31, 2011, is \$22,521,000.

Compensated Absences/Capital Leases

Compensated absences will be paid from the General Fund, Income Tax Fund, Street Construction and Maintenance Fund, City Permissive Motor Vehicle Fund, Safety Forces Tax Fund, Municipal Probation Fund, Waterworks Operating Fund and Sewer Operating Fund. Capital leases will be paid from the General Fund, Street Construction Fund, Legal Research and Computer Maintenance Fund, Safety Forces Tax Fund, and Capital Improvement Fund.

NOTE 14 – RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City maintains comprehensive insurance coverage with private carriers for real property, building contents, vehicles, general liability insurance, crime and police professional liability insurance. The City also carries public officials and employment practices liability insurance. Settlements have not exceeded coverage in any of the last three years. The City has taken steps to counter the increase in the number of lawsuits filed in the areas of Law Enforcement. The City's deductible is \$10,000 for each claim filed under affected liability coverage. The City has instituted policies and procedures as recommended by the City's liability insurance carrier to prevent further lawsuits. In addition, advanced risk management training has been incorporated into the training cycle for the City's personnel.

City of Circleville
Notes To The Basic Financial Statements
For The Year Ended December 31, 2011

NOTE 14 – RISK MANAGEMENT *(continued)*

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

NOTE 15 – INTERFUND ACTIVITY

During the year ended December 31, 2011, the City made transfers from the General Fund to the Capital Improvement Fund in the amount of \$550,000. The transfers from the General Fund to the Capital Improvement Fund were made to fund capital related expenditures of the City.

NOTE 16 – CONTRACTUAL COMMITMENT

The City has entered into various contracts for the construction and acquisition of capital assets. At December 31, 2011, the City had one outstanding contractual commitment. The City contracted with Cox Paving, Inc. for the Street Improvement Program #3 Crack Seal project in the amount of \$34,200. As of year-end, no work had been completed on this project.

NOTE 17 – JOINTLY GOVERNED ORGANIZATION

The Pickaway Progress Partnership (P³), formerly known as the Circleville-Pickaway County Community Improvement Corporation, was created as a not-for-profit corporation under Section 1724.01 et. seq., Ohio Revised Code. P³ is governed by a 15 member Board of Trustees, three of which are elected or appointed officials of the City, three are appointed by Pickaway County, one is a representative of the North Gate Alliance Cooperative Economic Development Agreement, and eight are volunteer citizens. P³ is the economic development agent for Pickaway County and its municipalities. P³ has three main objectives: promote and market the advantages of locating business in the County; promote a stronger business environment by facilitating retention and expansion efforts of local employers; and deliver a seamless network of economic development services and value-added programs to existing businesses, local government, and prospective companies throughout Pickaway County. Because P³ is subject to joint control and the participants have no equity interest in P³, P³ is a jointly governed organization of the City. The City contributed \$39,000 to P³ during the year.

City of Circleville
Notes To The Basic Financial Statements
For The Year Ended December 31, 2011

NOTE 18 – FUND BALANCES

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below.

Fund Balances	General Fund	Income Tax Fund	Safety Forces Tax Fund	General Obligation Bond Retirement Fund	Capital Improvement Fund	Nonmajor Funds	Total
<u>Nonspendable:</u>							
Inventory	\$36,994	\$0	\$0	\$0	\$0	\$161,991	\$198,985
Prepays	9,320	0	12,659	0	10,910	807	33,696
<i>Total Nonspendable</i>	<u>46,314</u>	<u>0</u>	<u>12,659</u>	<u>0</u>	<u>10,910</u>	<u>162,798</u>	<u>232,681</u>
<u>Restricted for:</u>							
Road Improvements	0	0	0	0	0	251,944	251,944
Safety Forces	0	0	0	0	0	112,775	112,775
Legal Computer Maintenance	0	0	0	0	0	640,236	640,236
Municipal Court	0	0	0	0	0	84,029	84,029
Leisure Time Services	0	0	0	0	0	10,131	10,131
Community Development	0	0	0	0	0	119,019	119,019
Capital Improvements	0	0	0	0	0	437	437
<i>Total Restricted</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,218,571</u>	<u>1,218,571</u>
<u>Committed to:</u>							
Future Severance Payments	17,028	0	0	0	0	0	17,028
Income Tax Administration	0	28,615	0	0	0	0	28,615
Safety Forces	0	0	369,825	0	0	0	369,825
Debt Service Payments	0	0	0	857,885	0	0	857,885
Capital Improvements	0	0	0	0	779,868	49,695	829,563
Cable Franchise Operations	0	0	0	0	0	131,849	131,849
<i>Total Committed</i>	<u>17,028</u>	<u>28,615</u>	<u>369,825</u>	<u>857,885</u>	<u>779,868</u>	<u>181,544</u>	<u>2,234,765</u>
<u>Assigned to:</u>							
Other Purposes	148,716	0	0	0	0	0	148,716
Subsequent Future Budgets	520,018	0	0	0	0	0	520,018
<i>Total Assigned</i>	<u>668,734</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>668,734</u>
<u>Unassigned:</u>							
	956,375	0	0	0	0	0	956,375
Total Fund Balances	<u><u>\$1,688,451</u></u>	<u><u>\$28,615</u></u>	<u><u>\$382,484</u></u>	<u><u>\$857,885</u></u>	<u><u>\$790,778</u></u>	<u><u>\$1,562,913</u></u>	<u><u>\$5,311,126</u></u>

City of Circleville
Notes To The Basic Financial Statements
For The Year Ended December 31, 2011

NOTE 19 – CONTINGENT LIABILITIES

Litigation

The City of Circleville is party to various legal proceedings seeking damages or injunctive relief generally incidental to its operations and pending projects. The City’s management is of the opinion that the ultimate disposition of various claims and legal proceedings will not have a material effect, if any, on the financial condition of the City.

Federal and State Grants

For the period January 1, 2011, to December 31, 2011, 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 FUND BALANCE

The City has implemented Governmental Accounting Standards Board (GASB) Statements No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions” and No. 59, “Financial Instruments Omnibus”. GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. GASB Statement No. 59 updates and improves existing standards regarding financial reporting of certain financial instruments and external investment pools. The implementation of these statements resulted in the following changes to fund balances and net assets at December 31, 2010, as previously reported:

	General Fund	Nonmajor Funds
Fund Balance, December 31, 2010, as Previously Reported	\$1,477,690	\$1,538,168
Reclassification of Funds	14,338	(14,338)
Fund Balance, December 31, 2010, as Restated	\$1,492,028	\$1,523,830

City of Circleville
Notes To The Basic Financial Statements
For The Year Ended December 31, 2011

NOTE 21 – BERGER HEALTH SYSTEM

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

Basis of Accounting

The System uses the government model of *GASB Statement No. 34, “Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments,”*. The System follows the “business-type” activities reporting requirements of GASB Statement No. 34, which provides a comprehensive look at the System’s financial activities. The System also applies the Financial Accounting Standards Board Statements and Interpretations to the extent that they do not conflict with or contradict GASB pronouncements.

Budgetary Basis of Accounting

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

Deposits and Investments

Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the System’s deposits may not be returned to it. The System does not have a deposit policy for custodial credit risk. At year-end, the System had approximately \$11,959,000 of bank deposits (certificates of deposit, checking and savings accounts) that were uninsured but are collateralized with securities held by the pledging financial institution. The System believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the System evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

City of Circleville
Notes To The Basic Financial Statements
For The Year Ended December 31, 2011

NOTE 21 – BERGER HEALTH SYSTEM *(continued)*

Investments

Custodial Credit Risk of Investments

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

<u>Type of Investment</u>	<u>Fair Value</u>	<u>How Held</u>
US Agency Bonds	\$22,818,000	Counterparty
STAROhio	258,000	System's Name
Totals	<u>\$23,076,000</u>	

Interest Rate Risk

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

<u>Investment</u>	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
US Agency Bonds	\$22,818,000	0.72 Years
STAROhio	258,000	-----
Totals	<u>\$23,076,000</u>	

Credit Risk

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

<u>Investment</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating on</u>
US Agency Bonds	\$22,818,000	AA+	Standard & Poor's
STAROhio	258,000	AAA	Standard & Poor's
Totals	<u>\$23,076,000</u>		

City of Circleville
Notes To The Basic Financial Statements
For The Year Ended December 31, 2011

NOTE 21 – BERGER HEALTH SYSTEM *(continued)*

Capital Assets

Capital assets activity for the year ended December 31, 2011, was as follows:

	Balance At 12/31/2010	Additions	Deletions	Balance At 12/31/2011
Capital Assets, Not Being Depreciated:				
Land	\$3,238,880	\$0	\$0	\$3,238,880
Construction in Progress	320,569	1,194,052	(1,155,100)	359,521
Total Capital Assets, Not Being Depreciated	<u>3,559,449</u>	<u>1,194,052</u>	<u>(1,155,100)</u>	<u>3,598,401</u>
Depreciable Capital Assets:				
Land Improvements	1,604,282	0	0	1,604,282
Buildings	35,849,178	15,529	0	35,864,707
Building Improvements	20,922,933	1,113,295	0	22,036,228
Equipment	48,399,287	2,222,682	0	50,621,969
Total Depreciable Capital Assets	<u>106,775,680</u>	<u>3,351,506</u>	<u>0</u>	<u>110,127,186</u>
Less Accumulated Depreciation:				
Land Improvements	(1,579,419)	(74,793)	0	(1,654,212)
Buildings	(16,409,200)	(1,424,635)	0	(17,833,835)
Building Improvements	(12,364,849)	(1,140,751)	0	(13,505,600)
Equipment	(38,895,278)	(2,495,954)	0	(41,391,232)
Total Accumulated Depreciation	<u>(69,248,746)</u>	<u>(5,136,133)</u>	<u>0</u>	<u>(74,384,879)</u>
Depreciable Capital Assets, Net	<u>37,526,934</u>	<u>(1,784,627)</u>	<u>0</u>	<u>35,742,307</u>
Capital Assets, Net	<u><u>\$41,086,383</u></u>	<u><u>(\$590,575)</u></u>	<u><u>(\$1,155,100)</u></u>	<u><u>\$39,340,708</u></u>

City of Circleville
Notes To The Basic Financial Statements
For The Year Ended December 31, 2011

NOTE 21 – BERGER HEALTH SYSTEM *(continued)*

Long-Term Obligations

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

Types / Issues	Balance 12/31/2010	Issued	Retired	Balance 12/31/2011	Due Within One Year
1997 - 5.036% - 5.400% City of Circleville Loan \$2,000,000	\$926,250	\$0	\$116,250	\$810,000	\$120,417
<u>Revenue Bonds</u>					
2007 - City of Circleville Hospital Facilities Revenue Bonds Series 2007B \$3,325,000 5.95%	1,167,000	0	664,000	503,000	503,000
2010 - City of Circleville Hospital Facilities Revenue Bonds Series 2010A \$12,391,500 3.87%	12,242,500	0	1,233,500	11,009,000	1,450,500
2010 - City of Circleville Hospital Facilities Revenue Bonds Series 2010B \$12,391,500 3.87%	12,242,500	0	1,233,500	11,009,000	1,450,500
Total Revenue Bonds	25,652,000	0	3,131,000	22,521,000	3,404,000
<u>Other Long-Term Obligations</u>					
Compensated Absences	1,511,374	2,711,950	2,745,241	1,478,083	739,041
Total Long-Term Obligations	\$28,089,624	\$2,711,950	\$5,992,491	\$24,809,083	\$4,263,458

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

Year	Long-Term Debt	
	Principal	Interest
2012	\$3,524,417	\$871,656
2013	3,664,833	726,127
2014	3,812,417	580,359
2015	3,953,417	428,803
2016	4,107,833	280,118
2017	4,268,083	111,472
Total	\$23,331,000	\$2,998,535

City of Circleville
Notes To The Basic Financial Statements
For The Year Ended December 31, 2011

NOTE 21 – BERGER HEALTH SYSTEM *(continued)*

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

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

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

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

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

The Series 2007B, Series 2010A, and Series 2010B Bonds are collateralized by System revenues and receipts, capital assets, and unexpended bond proceeds and income from bond fund related investments of which there is \$7,064,716 outstanding as of December 31, 2011.

Self-Insured Benefits

The System is partially self-insured under a plan covering substantially all employees for health benefits. The plan is covered by a stop-loss policy that covers claims over \$125,000 per employee. Claims, charged to operations when incurred, were approximately \$4,600,000 for the year ended December 31, 2011.

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