



**Auditor of State
Betty Montgomery**

**CITY OF CIRCLEVILLE
PICKAWAY COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

City of Circleville
Pickaway County
133 South Court Street
Circleville, Ohio 43113

To the City Council:

We have audited the accompanying financial statements of the City of Circleville, Pickaway County, Ohio (the City) as of and for the year ended December 31, 2002. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Ohio Administrative Code Section 117-2-03(B) requires the City to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 1, the accompanying financial statements and notes have been prepared on a basis of accounting in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare annual reports in accordance with generally accepted accounting principles. This basis of accounting is a comprehensive basis of accounting other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash, investments, and combined fund cash balances of the City of Circleville, Pickaway County, Ohio as of December 31, 2002, and its combined cash receipts and disbursements and its combined budgeted and actual receipts and its combined budget and actual disbursements and encumbrances for the year then ended on the basis of accounting described in Note 1.

As further discussed in Note 11 to the financial statements, the City reclassified certain funds.

35 N. Fourth St. / Second Floor / Columbus, OH 43215
Telephone: (614) 466-3402 (800) 443-9275 Fax: (614) 728-7199
www.auditor.state.oh.us

In accordance with *Government Auditing Standards*, we have also issued our report dated April 15, 2003 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying schedule of federal awards expenditures is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. We subjected this information to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of the audit committee, management, City Council and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

April 15, 2003

**CITY OF CIRCLEVILLE
PICKAWAY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2002**

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Cash Receipts:						
Property Tax and Other Local Taxes	\$2,226,128	\$1,889,612	\$399,971	\$1,052,571	\$0	\$5,568,282
Special Assessments	836	0	0	15,582	0	16,418
Intergovernmental Receipts	1,288,661	1,034,542	0	295,076	0	2,618,279
Charges for Services	274,728	0	0	0	4,538	279,266
Fines, Licenses, and Permits	764,145	197,006	0	0	508	961,659
Miscellaneous	277,681	83,054	164,635	62,356	2,180	589,906
Total Cash Receipts	4,832,179	3,204,214	564,606	1,425,585	7,226	10,033,810
Cash Disbursements:						
Current:						
Security of Persons and Property	2,305,227	1,328,722	0	143,363	0	3,777,312
Public Health Services	160,624	0	0	0	0	160,624
Leisure Time Activities	278,839	29,892	0	0	0	308,731
Community Environment	77,514	334,032	0	0	0	411,546
Basic Utility Services	23,962	0	0	0	0	23,962
Transportation	174,289	558,253	0	40,742	2,824	776,108
General Government	2,089,612	352,701	0	165,659	6,010	2,613,982
Debt Service:						
Principal Payments	0	0	265,000	0	0	265,000
Interest Payments	0	0	299,606	0	0	299,606
Capital Outlay	29,353	756,539	0	4,161,735	1,045	4,948,672
Total Cash Disbursements	5,139,420	3,360,139	564,606	4,511,499	9,879	13,585,543
Total Receipts Over/(Under) Disbursements	(307,241)	(155,925)	0	(3,085,914)	(2,653)	(3,551,733)
Other Financing Receipts and (Disbursements):						
Transfers-In	0	0	0	0	30,000	30,000
Transfers-Out	(30,000)	0	0	0	0	(30,000)
Total Other Financing Receipts/(Disbursements)	(30,000)	0	0	0	30,000	0
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(337,241)	(155,925)	0	(3,085,914)	27,347	(3,551,733)
Fund Cash Balances, January 1 (Restated Note 11)	2,234,902	1,426,082	13,720	5,683,180	54,087	9,411,971
Fund Cash Balances, December 31	\$1,897,661	\$1,270,157	\$13,720	\$2,597,266	\$81,434	\$5,860,238
Reserves for Encumbrances, December 31	\$62,186	\$81,322	\$0	\$609,339	\$1,500	\$754,347

The notes to the financial statements are an integral part of this statement.

**CITY OF CIRCLEVILLE
PICKAWAY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL ENTERPRISE FUNDS AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	<u>Agency</u>	<u>Totals (Memorandum Only)</u>
Operating Cash Receipts:				
Charges for Services	\$3,190,252	\$0	\$2,928	\$3,193,180
Operating Cash Disbursements:				
Personal Services	1,691,421	0	0	1,691,421
Travel Transportation	5,122	0	0	5,122
Contractual Services	356,288	0	0	356,288
Supplies and Materials	339,058	0	0	339,058
Capital Outlay	480,249	0	0	480,249
Total Operating Cash Disbursements	<u>2,872,138</u>	<u>0</u>	<u>0</u>	<u>2,872,138</u>
Operating Income/(Loss)	<u>318,114</u>	<u>0</u>	<u>2,928</u>	<u>321,042</u>
Non-Operating Cash Receipts:				
Other Non-Operating Receipts	<u>28,073</u>	<u>420</u>	<u>1,346,371</u>	<u>1,374,864</u>
Non-Operating Cash Disbursements:				
Other Non-Operating Cash Disbursements	<u>0</u>	<u>0</u>	<u>1,320,309</u>	<u>1,320,309</u>
Net Receipts Over/(Under) Disbursements	346,187	420	28,990	375,597
Fund Cash Balances, January 1	<u>4,581,866</u>	<u>11,378</u>	<u>120,694</u>	<u>4,713,938</u>
Fund Cash Balances, December 31	<u>\$4,928,053</u>	<u>\$11,798</u>	<u>\$149,684</u>	<u>\$5,089,535</u>
Reserve for Encumbrances, December 31	<u>\$138,005</u>	<u>\$0</u>	<u>\$250</u>	<u>\$138,255</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF CIRCLEVILLE
PICKAWAY COUNTY**

**COMBINED STATEMENT OF RECEIPTS - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2002**

Fund Types	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Governmental:			
General	\$4,531,707	\$4,832,179	\$300,472
Special Revenue	2,976,369	3,133,134	\$156,765
Debt Service	564,607	564,606	(\$1)
Capital Projects	1,431,467	1,425,585	(\$5,882)
Proprietary:			
Enterprise	3,064,696	3,218,325	\$153,629
Fiduciary:			
Expendable Trust	38,100	37,226	(\$874)
Nonexpendable Trust	<u>440</u>	<u>420</u>	<u>(\$20)</u>
Totals	<u>12,607,386</u>	<u>13,211,475</u>	<u>604,089</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF CIRCLEVILLE
PICKAWAY COUNTY**

**COMBINED STATEMENT OF DISBURSEMENTS, AND ENCUMBRANCES
COMPARED WITH EXPENDITURE AUTHORITY FOR THE YEAR ENDED DECEMBER 31, 2002**

Fund Types	Prior Year Carryover	2002 Appropriations	Total	Actual Disbursements	Encumbrances Outstanding At 12/31/02	Total	Variance Favorable (Unfavorable)
Governmental:							
General	\$115,418	\$5,671,231	\$5,786,649	\$5,169,420	\$62,186	\$5,231,606	\$555,043
Special Revenue	333,126	3,474,441	\$3,807,567	3,289,059	81,322	3,370,381	\$437,186
Debt Service	0	564,606	\$564,606	564,606	0	564,606	\$0
Capital Projects	3,143,945	2,846,192	\$5,990,137	4,511,499	609,339	5,120,838	\$869,299
Proprietary							
Enterprise	194,496	4,333,563	\$4,528,059	2,872,138	138,005	3,010,143	\$1,517,916
Fiduciary							
Expendable Trust	200	44,500	\$44,700	9,879	1,500	11,379	\$33,321
Nonexpendable Trust	0	600	600	0	0	0	600
Totals	<u>\$3,787,185</u>	<u>\$16,935,133</u>	<u>\$20,722,318</u>	<u>\$16,416,601</u>	<u>\$892,352</u>	<u>\$17,308,953</u>	<u>\$3,413,365</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF CIRCLEVILLE
PICKAWAY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The City of Circleville, Pickaway County, Ohio, (the City) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The City operates under a Council-Mayor form of government and provides the following: public safety services including police and fire protection, utilities consisting of water and sewer services, emergency medical services, and judicial services via a Municipal Court. The City's management believes the financial statements included in this report represent all funds of the City over which it has the ability to exercise direct operating control.

B. Basis of Accounting

Although required by Ohio Administrative Code Section 117-2-03(B) to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America, the City chooses to prepare its financial statements and notes in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare annual financial reports in accordance with generally accepted accounting principles. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e. when an encumbrance is approved).

These statements include adequate disclosure of material matters, in accordance with the basis of accounting described in the preceding paragraph.

C. Cash and Investments

Monies held in the City treasury are pooled for the purpose of investment management. The City is authorized to invest in those instruments identified in Section 135.35 of the Ohio Revised Code. Specifically, these authorized instruments consist of:

Bond, Notes or other obligations guaranteed by the United States or those for which the full faith and credit of the United States is pledged;

Bonds, Notes, debentures or other obligations or securities insured by any federal government agency;

Written repurchase agreements in the securities listed above;

Bonds and other obligations of Ohio, its political subdivisions or other unites or agencies of Ohio or its political subdivisions;

Time certificate of deposit or saving or deposit accounts, including but not limited to, passbook accounts;

No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) above and repurchase agreements secured by such obligations provided that investment in securities are made only through eligible institutions;

The State Treasurer's investment pool (StarOhio)

**CITY OF CIRCLEVILLE
PICKAWAY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Cash and Investments (Continued)

Deposits: Government Accounting Standards Board (GASB) Statement No. 3 requires that all deposits be classified as to risk. The following categories are most typically used:

- A. Insured or collateralized with securities held by the entity or by its agent in the entity's name
- B. Collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name;
- C. Uncollateralized (This includes any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the entity's name)

The City's deposits and investments are classified below using the criteria noted above.

At year-end, the carrying amount of the City's deposits was \$10,938,333 and the bank balance was \$11,116,891. Deposits are insured by the Federal Depository Insurance Corporation (FDIC) to \$400,000 and the balance is secured by pooled and pledged securities held by the Public Depository.

Investments: The City's investments include donated Common stock and United States series H Savings Bonds which are held by the City at the Fair Value at the time of donation (carrying value).

	Carrying Value	Fair Value
Common Stock	\$ 1,440	\$ 9,260
U.S. Series "H" Savings Bonds	<u>10,000</u>	<u>10,000</u>
Total Investments	<u>\$11,440</u>	<u>\$19,260</u>

D. Fund Accounting

The City uses fund accounting to segregate cash and investments that are restricted as to use. The City classifies its funds into the following types:

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Fund

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The City had the following significant Special Revenue Funds:

Street Construction, Maintenance and Repair Fund - This fund receives intergovernmental tax revenues for constructing, maintaining and repairing City streets.

**CITY OF CIRCLEVILLE
PICKAWAY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Fund (Continued)

Community Development Block Grant Fund – This fund receives grant monies from federal pass-through agencies and Pickaway County to pay for road repair.

Municipal Income Tax Fund -This fund receives income tax revenues assessed to the Citizens for the purpose of funding general activities of the City.

City Permissive and Motor Vehicle Tax Fund – This fund receives local government shared tax revenues for the purposes of repairing roads.

Safety Forces Tax Fund – This fund receives local tax and grant monies to partially fund the police and fire department activities.

Chip Grant- This fund receives grant monies as part of a development block grant to assist local home owners in the repair and rehabilitation of their primary residence.

3. Debt Service Fund

This fund is used to accumulate resources for the payment of general obligation indebtedness of the City and Berger Hospital, the component unit. The City had the following significant debt service fund:

General Obligation Fund - This fund received local tax monies and billing receipts from Berger Hospital, the component unit, to fund matured debt payments accruing to the City and the Hospital.

4. Capital Projects Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The City had the following significant capital projects funds:

Capital Improvement Fund - This fund receives income tax receipts which are set aside for future capital improvement projects.

OPW Kingston Pike Improvement Fund - This fund receives intergovernmental monies to make improvements on Kingston Pike.

5. Enterprise Funds

These funds account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges. The City had the following significant Enterprise Funds:

Water Operating Fund - This fund receives charges for services from residents to cover the cost of providing water service.

**CITY OF CIRCLEVILLE
PICKAWAY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

5. Enterprise Funds (Continued)

Sanitary Sewer Operating Fund - This fund receives charges for services from residents to cover the cost of providing sewer service.

Waterworks Improvement and Extensions Fund - This fund receives transfers from other water and sewer funds for special waterworks improvements.

6. Fiduciary Funds (Trust and Agency Funds)

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the City to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. Other trust funds are classified as expendable. Funds for which the City is acting in an agency capacity are classified as agency funds. The City had the following significant fiduciary funds:

Expendable Trust Fund:

Street Opening Trust Fund - This fund receives deposits and nominal fees for issuing bond permits for the performance of street excavation.

Nonexpendable Trust Fund

State Patrol Transfer Fund - This fund receives money collected by the City's Municipal Court that are due to the State Highway Patrol.

Agency Fund

Municipal Court Fund - This fund receives monies from fines and fees assessed by the court.

E. Budgetary Process

A budget of estimated cash receipts and cash disbursements is submitted to the county auditor as secretary of the county budget commission, by July 15 of each year, for the period January 1 to December 31 of the following year.

1. Appropriations

A temporary appropriation measure to control cash disbursements may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation measure must be passed by April 1 of each year for the period January 1 to December 31. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.

**CITY OF CIRCLEVILLE
PICKAWAY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

1. Appropriations (Continued)

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. Estimated Resources

The County Budget Commission certifies its actions to the City by September 1. As part of this certification, the City receives the official certificate of estimated resources which states the projected receipts of each fund. On or about January 1, this certificate is amended to include any unencumbered balances from the preceding year. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. Budget receipts as shown in the accompanying financials statements do not include January 1, 2002 unencumbered balances. However, those fund balances are available for appropriations.

3. Encumbrances

The City utilizes the encumbrance method of accounting. Under this system, purchase orders, contracts and other commitments for the expenditures of funds are recorded in order to reserve the portion of the applicable appropriation. At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it is appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the City's basis of accounting.

**CITY OF CIRCLEVILLE
PICKAWAY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

2. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by City Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due the following June 20.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the City.

3. LOCAL INCOME TAX

The City levies a municipal income tax of 1.5 percent on substantially all earned income arising from employment, residency, or business activities within the City as well as certain income of residents earned outside of the City.

Employers within the City withhold income tax on employee compensation and remit the tax to the City either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

4. DEBT

Debt outstanding at December 31, 2002 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Bonds	\$70,000	9.25%
Capital Improvement Bonds	3,550,000	4.45%
Hospital Improvement Bonds	<u>1,655,000</u>	4.1-5.4%
Total	<u><u>\$5,275,000</u></u>	

Outstanding general obligation bonds consist of a December 1998 issuance for the construction of the Justice Center, and for the improvement of the water system. Capital improvement bonds issued in December 2000 were issued to fund the construction of a new service building, a safety facility to house a fire station, emergency management system facility, and the fire department offices. The general obligation and capital improvement bonds are direct obligations of the City for which its full faith, credit, and resources are pledged and are payable from taxes levied on all taxable property in the City.

The Hospital Improvement bonds were issued by the City in 1998 for the benefit of Berger Hospital, the component unit (See Note 9). The Hospital Improvement Bonds are direct obligations of the City for which its full faith, credit, and resources are pledged and are payable from the operating revenues of Berger Hospital through the periodic billings by the City.

**CITY OF CIRCLEVILLE
PICKAWAY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

4. DEBT (Continued)

Amortization of the above debt, including interest, is scheduled as follows:

	General Obligation Bonds	Capital Improvement Bonds	Hospital Bonds
Year ending December 31:			
2003	\$76,475	\$316,621	\$161,335
2004	0	315,871	162,960
2005	0	314,826	164,280
2006	0	318,481	165,285
2007	0	316,594	161,010
Subsequent	0	4,114,510	1,631,360
Total	<u>\$76,475</u>	<u>\$5,696,903</u>	<u>\$2,446,230</u>

5. CONDUIT DEBT OBLIGATIONS

The City issued Ohio Hospital Facilities Revenue Bonds to provide financing to Berger Hospital, the component unit, for facilities improvements. These bonds are obligations of the Hospital, payable solely from the pledged receipts defined as (1) the Bond proceeds and (2) all monies received by the Hospital in connection with its operation. The City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of December 31, 2002, there were two series of individual Revenue Bonds outstanding, with an aggregated principle amount payable of \$10,000,000.

6. RETIREMENT SYSTEMS

Public Employees Retirement System of Ohio

Plan Description: The City contributes to the Public Employees Retirement System of Ohio (PERS) a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees Retirement Board. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits are established and amended by state statute and are contained in Chapter 145 of the Ohio Revised Code. PERS issues a stand-alone, publicly available annual financial report that includes financial statements and required supplementary information. This report may be obtained by writing to Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642.

Funding Policy: Contribution rates are also prescribed by the Ohio Revised Code. Plan members, other than those engaged in law enforcement, are required to contribute 8.5% of their gross salaries. The City is required to contribute an amount equal to 13.55% of participants' gross salaries.

**CITY OF CIRCLEVILLE
PICKAWAY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

6. RETIREMENT SYSTEMS (Continued)

Public Employees Retirement System of Ohio (Continued)

Funding Policy: (Continued)

In January, 2001 House Bill 415 divided the PERS law enforcement into two separate divisions with separate employees contributing rates and benefits. The law enforcement classification consisted of sheriffs, deputy sheriffs, and township police with an employee contributions rate of 10.1. All other members of the PERS law enforcement program were placed in a newly named public safety division and continued to contribute at 9%. The City's required contributions to PERS for the years ended December 31, 2002, 2001 and 2000 were \$746,706, \$680,102 and \$646,556, respectively. Unpaid liability at December 31, 2002 is \$124,520. This liability is not recorded in the accompany financial statements.

Post Employment Benefits: The PERS of Ohio also provides postemployment health care benefits to age and service retirees with 10 or more years of qualifying Ohio service credit and to primary survivor recipients of such retirees. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB No. 12. A portion of each employer's contribution to PERS is set aside for the funding of postemployment health care. The Ohio Revised Code provides statutory authority for employer contributions and requires public employees to fund postemployment health care through their contributions to PERS. The PERS law enforcement program was separated into two divisions, law enforcement and public safety, with separate employee contribution rate and benefits. For local government employer units the rate was 13.55% of covered payroll; 4.3% was the portion used to fund health care for the year. The 2002 employer rate as 16.70% and 4.30% was used to fund health care for both the law enforcement and public safety divisions.

Of the employer contributions made by the City for the year 2002, \$ 37,466 was the amount used to fund post employment health care.

Public Employees Retirement System of Ohio (Continued)

The assumptions and calculations below were based on the System's latest Actuarial Review performed as of December 31, 2001. Any entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of the unfunded actuarial accrued liability. All investments area carried at market value. For actuarial valuations purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25% of unrealized market appreciation or depreciation on investment assets. The investment assumption rate for 2001 was 8.0%. An annual increase of 4.0% compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees.

Additionally, annual pay increases, over and above the 4.0% base increase, were assumed to range from .50% to 6.30%. Health care costs were assumed to increase 4.0% annually.

As of December 31, 2001, the number of active contributing participants was 402,041. The actuarial value of the Retirement Systems' net assets available for OPEB at December 31, 2001 was \$11.6 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$16.4 billion and \$4.8 billion, respectively.

**CITY OF CIRCLEVILLE
PICKAWAY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

6. RETIREMENT SYSTEMS (Continued)

Police and Firemen's Disability and Pension Fund of Ohio

Plan Description: The City contributes to the Police and Firemen's Disability and Pension Fund of Ohio (PFDPF), a cost-sharing multiple-employer defined benefit pension plan administered by the Ohio Police and Firemen's Board of Trustees. PFDPF 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 re codified in Chapter 742 of the Ohio Revised Code.

The PFDPF issues a publicly available financial report that includes financial information and required supplementary information. This report may be obtained by writing to Ohio Police & Firemen's Disability and Pension Fund of Ohio, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy: Members are required to contribute 10.0% of their annual salary into the plan. The City is required to contribute 19.50% and 24.0%, respectively, for police officers and firefighters. The City's contribution for December 31, 2002, 2001, and 2000 were \$549,592 \$616,318 and \$ 563,440 respectively; 70% has been contributed for 2002 and 100% for years 2001 and 2000. Of the 2002 amount, \$153,917 was unpaid at December 31, 2002. This liability is not recorded in the accompanying financial statements.

Postemployment Benefits:The PFDPF System of Ohio provides postemployment health care coverage to any person who receives or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school or under the age of 18 whether or not the child is attending school or under the age of 22 if attending school full-time or on a 2/3 basis. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. The Ohio Revised Code provides that health care cost paid from other funds of the PFDPF shall be included in the employer's contribution rate, which is 19.5% of covered payroll for police officers and 24.0% of covered payroll for firefighters.

Of these employer contribution rates for the City, 7.5% was used to pay health care benefits for the year 2002, which amounted to \$ 52,763.

The Ohio Revised Code provides the statutory authority allowing the PFDPF Board of Trustees to provide health care coverage to all eligible individuals. Health care funding and accounting is on a pay-as-you-go-basis. A percentage of covered payroll, as defined by the Board, is used to pay retiree health care expenses. The Board defined allocation was 7.5% and 7.75% of covered payroll in 2001 and 2002, respectively. In addition, since July 1, 1992 most retirees have been required to contribute a portion of their health care coverage through a deduction from their monthly benefit payment. As of December 31, 2001 the number of participants eligible to receive health care benefits was 13,174 for police officers and 10, 239 for firefighters. The Fund's total health care expenses for the year ended December 31, 2001 were \$122,298,771.

**CITY OF CIRCLEVILLE
PICKAWAY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

7. RISK MANAGEMENT

The City is exposed to various risk of loss related to torts, damage to or destruction of assets, errors and omissions, employee injuries and natural disasters. The City has addressed these various types of risk by purchasing insurance through commercial carriers.

General liability insurance is maintained in the amount of \$1,000,000 for each occurrence and \$2,000,000 in the aggregate. Other liability insurance includes \$1,000,000 for law enforcement professional liability, \$ 1,000,000 for public officials' errors and omissions liability, \$ 1,000,000 for employment practices liability, \$1,000,000 for automobile liability, and \$1,000,000 for uninsured motorist liability.

In addition, the City maintains replacement cost insurance on buildings and contents in the amount of \$20,000,000.

The City participates in the Workers' Compensation Program provided by the State of Ohio. The City belongs to a pool with other Ohio cities for a workers compensation group rating program. Settled claims have not exceeded any coverage limits in the past three years.

With the exception of Workers' Compensation, all insurance is held with commercial carries. The City pays all elected officials bonds by statue. Plan deductibles on commercial polices are no greater than \$10,000 per occurrence for any given policy.

8. CONTINGENT LIABILITIES

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.

9. COMPONENT UNIT

Berger Health Systems (the Hospital) which provides diversified health care services to residents of the City and surrounding communities is a component unit of the City. The Hospital is governed by a nine member Board of which the Pickaway County Commissioners and the City Council appoint four members each. The Mayor of the City acts as the president and votes in the event of a tie among the voting majority. The financial activity of the Hospital is not included as a part of the accompanying financial statements. To obtain the Hospital's financial statements, contact Berger Health Systems, Finance Department, 600 North Pickaway Street, Circleville, Ohio 43113.

10. RELATED PARTY TRANSACTION

The City issued the Hospital Improvement Bonds in 1998 for the benefit of the component unit, the Hospital. The Hospital remits to the City, upon billing, monies for payment on the semi-annual debt payments due on the bond issuance (See Note 4).

The City billed and received from the Hospital \$164,636 for the year ended December 31, 2002. In the accompanying financial statements the transaction was recorded and paid out of the debt service fund.

**CITY OF CIRCLEVILLE
PICKAWAY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

11. RESTATEMENT – PRIOR PERIOD ADJUSTMENT

The City reported its' Police Equipment and Repair Fund and Road Equipment fund as part of the Capital Projects Fund type in the previous year. Through evaluation of the fund's purpose and its continued/planned use, the City reclassified these funds into the Special Revenue Fund type, as reported in the accompanying financial statements. The change had the following affect on fund type fund balances and excess of cash receipts and other financing receipts over/under disbursements and other financing disbursements at December 31, 2001.

	Balance at December 31, 2001	Adjustment	Restated Balance at January 1, 2002
Capital Projects Fund Type	\$5,859,864	(\$176,684)	\$5,683,180
Special Revenue Fund Type	1249,399	176,684	1,426,083

	Excess of Receipts and Other Financing Sources over/(under) Disbursements and Other Financing Uses during 2001	Adjustment	Excess of Receipts and Other Financing Sources over/(under) Disbursements and Other Financing Uses during 2001
Capital Projects Fund Type	(\$274,450)	\$16,649	(\$257,801)
Special Revenue Fund Type	(169,734)	(16,649)	(186,383)

12. SUBSEQUENT EVENT

On July 29, 2003, the City Council by ordinance authorized the City Law Director to enter into agreement with an employee who filed an illegal termination suit against the City. The ordinance authorized the Director to execute an agreement which would pay the employee back wages in the amount of \$57,000. The agreement was executed on August 5, 2003. The accompanying financial statements do not reflect this liability.

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**CITY OF CIRCLEVILLE
PICKAWAY COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2002**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
U.S DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
<i>Community Development Block Grants:</i>			
<i>Passed through the Ohio Department of Development</i>			
Downtown Revitalization	A-T-98-105-1	14.228	\$37,833
Home Repair	A-C-02-105-1		50,995
	A-C-01-105-1		186,845
<i>Passed through Pickaway County</i>			
Community Development Block Grant	B-F-02-060-1	14.228	69,157
Total Community Development Block Grants			344,830
<i>Home Investment Partership Programs</i>			
<i>Passed through the Ohio Department of Development</i>			
HOME Improvements Partnerships Programs	A-C-02-105-2	14.239	10,000
	A-C-01-105-2		152,735
Total HOME Investment Partnership			162,735
Total Federal Awards Expenditures			\$507,565

NOTE A- SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the City's federal award programs. The schedule has been prepared on the cash basis of accounting.

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**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

City of Circleville
Pickaway County
133 South Court Street
Circleville, Ohio 43113

To the City Council:

We have audited the accompanying financial statements of the City of Circleville, Pickaway County, Ohio (the City) as of and for the year ended December 31, 2002, and have issued our report thereon dated April 15, 2003, which noted the City prepares its financial statements on a basis of accounting other than that prescribed by Ohio Administrative Code Section 117-2-03(B) and the City reclassified certain funds. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2002-001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

35 N. Fourth St. / Second Floor / Columbus, OH 43215
Telephone: (614) 466-3402 (800) 443-9275 Fax: (614) 728-7199
www.auditor.state.oh.us

This report is intended solely for the information and use of the audit committee, management, City Council, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

April 15, 2003



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

City of Circleville
Pickaway County
133 South Court Street
Circleville, Ohio 43113

To the City Council:

Compliance

We have audited the compliance of the City of Circleville, Pickaway County, Ohio (the City) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2002. The City's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City of Circleville, Pickaway County, Ohio complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2002. However we noted an instance of noncompliance that does not require inclusion in this report that we have reported to the management of the City in a separate letter dated April 15, 2003.

35 N. Fourth St. / Second Floor / Columbus, OH 43215
Telephone: (614) 466-3402 (800) 443-9275 Fax: (614) 728-7199
www.auditor.state.oh.us

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on the major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the audit committee, management, City Council, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



Betty Montgomery
Auditor of State

April 15, 2003

**CITY OF CIRCLEVILLE
PICKAWAY COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505
DECEMBER 31, 2002**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Community Development Block Grant CFDA # 14.228
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

**CITY OF CIRCLEVILLE
PICKAWAY COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505
DECEMBER 31, 2002
(Continued)**

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

Finding Number	2002-001
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Financial Statement Reporting

Ohio Rev. Code Section 117.38 provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the auditor of state has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code Section 117-2-03 further clarifies the requirements of Ohio Rev. Code Section 117-2-03 further clarifies the requirements of Ohio Rev. Code Section 117.38.

Ohio Administrative Code Section 117-2-03(B) requires the City to prepare its annual financial statements in accordance with accounting principles generally accepted in the United States of America. However, the City prepares its financial statements in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with general accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities and fund equity and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38, the City may be fined and subjected to various other administrative remedies for its failure to file the required financial report.

We recommend the City comply with Ohio Admin. Code Section 117-2-03(B) and prepare and file financial statements in accordance with generally accepted accounting principles.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

**CITY OF CIRCLEVILLE
PICKAWAY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2001-20665-001	Ohio Admin. Code Section 117-2-03(B) requires that all cities are to report and prepare its financial statements in accordance with generally accepted accounting principles	Not Corrected	The City has contracted to have its fiscal June 30, 2003 financial statements prepared in accordance with GAAP.



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

CITY OF CIRCLEVILLE

PICKAWAY COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
OCTOBER 20, 2005**