



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**CITY OF CIRCLEVILLE
PICKAWAY COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

City of Circleville
Pickaway County
133 South Court Street
Circleville, Ohio 43113-1611

To the Members of 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, 1999. 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 generally accepted auditing standards and *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 117-6-01 requires the City to prepare its annual financial report in accordance with generally accepted accounting principles. As discussed in Note 1, the City prepares its financial statements on the cash basis, which is a comprehensive basis of accounting other than generally accepted accounting principles. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, can not 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, 1999, and the combined cash receipts and disbursements and its combined budgeted and actual receipts and budgeted actual disbursements and encumbrances, for the year then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 21, 2000 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.

Our audit was performed for the purpose of forming an opinion on the financial statements of the City taken as a whole. The accompanying Schedule of Federal Awards Expenditures is presented for purposes of 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. Such information has been subjected 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.

Members of Council
City of Circleville
Pickaway County
Report of Independent Accountants
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This report is intended solely for the information and use of management, City Council and other officials authorized to receive this report under Section 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, appearing to read "Jim Petro", with a large, stylized flourish at the end.

JIM PETRO
Auditor of State

July 21, 2000

**CITY OF CIRCLEVILLE
PICKAWAY COUNTY**

**COMBINED STATEMENT OF CASH
AND FUND CASH BALANCES - ALL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1999**

Cash and Cash Equivalents	\$9,404,463
Investments	<u>12,000</u>
Total Cash and Investments	<u><u>\$9,416,463</u></u>

FUND CASH BALANCE BY TYPE

GOVERNMENTAL FUND TYPES

General	\$1,268,648
Special Revenue	1,240,362
Debt Service	15,035
Capital Project	2,469,364
Expendable Trust	49,886

PROPRIETARY FUND TYPES

Enterprise	4,243,722
Nonexpendable Trust	11,108
Agency	<u>118,338</u>
TOTAL ALL FUND TYPES	<u><u>\$9,416,463</u></u>

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 GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>Governmental Fund Types</u>				<u>Fiduciary Fund Type</u>	Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
Cash Receipts:						
Property Tax and Other Local Taxes	\$2,027,124	\$1,811,241	\$102,375	\$1,280,553	\$0	\$5,221,293
Special Assessments	0	0	6,433	0	0	6,433
Intergovernmental	1,172,183	1,113,440	0	0	0	2,285,623
Charges for Services	242,431	4,455	0	0	0	246,886
Fines, Licenses, and Permits	652,770	132,558	0	0	448	785,776
Earnings on Investments	428,466	0	0	0	1,454	429,920
Miscellaneous	106,197	27,670	163,445	53,721	297	351,330
Total Cash Receipts	<u>4,629,171</u>	<u>3,089,364</u>	<u>272,253</u>	<u>1,334,274</u>	<u>2,199</u>	<u>9,327,261</u>
Cash Disbursements:						
Current:						
Security of Persons and Property	2,123,508	1,372,618	0	0	0	3,496,126
Public Health Services	89,571	0	0	0	0	89,571
Leisure Time Activities	197,688	26,861	0	0	1,608	226,157
Community Environment	69,156	141,328	0	0	0	210,484
Basic Utility Services	8,276	0	0	0	0	8,276
Transportation	0	350,175	0	0	1,420	351,595
General Government	2,180,223	225,683	660	0	5,871	2,412,437
Debt Service:						
Principal Payments	0	0	270,325	0	0	270,325
Capital Outlay	218,519	949,816	0	1,084,572	0	2,252,907
Total Cash Disbursements	<u>4,886,941</u>	<u>3,066,481</u>	<u>270,985</u>	<u>1,084,572</u>	<u>8,899</u>	<u>9,317,878</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(257,770)</u>	<u>22,883</u>	<u>1,268</u>	<u>249,702</u>	<u>(6,700)</u>	<u>9,383</u>
Other Financing Receipts/(Disbursements):						
Transfers-In	0	0	0	225,000	0	225,000
Transfers-Out	(50,000)	(100,000)	0	(75,000)	0	(225,000)
Other Uses	(15,666)	(6,768)	0	0	0	(22,434)
Total Other Financing Receipts/(Disbursements)	<u>(65,666)</u>	<u>(106,768)</u>	<u>0</u>	<u>150,000</u>	<u>0</u>	<u>(22,434)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>(323,436)</u>	<u>(83,885)</u>	<u>1,268</u>	<u>399,702</u>	<u>(6,700)</u>	<u>(13,051)</u>
Fund Cash Balances, January 1	<u>1,592,084</u>	<u>1,324,247</u>	<u>13,767</u>	<u>2,069,662</u>	<u>56,586</u>	<u>5,056,346</u>
Fund Cash Balances, December 31	<u>\$1,268,648</u>	<u>\$1,240,362</u>	<u>\$15,035</u>	<u>\$2,469,364</u>	<u>\$49,886</u>	<u>\$5,043,295</u>
Reserves for Encumbrances, December 31	<u>\$214,642</u>	<u>\$322,930</u>	<u>\$0</u>	<u>\$701,998</u>	<u>\$0</u>	<u>\$1,239,570</u>

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
PROPRIETARY FUND TYPE AND SIMILAR FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 1999**

	Proprietary Fund Type	Fiduciary Fund Types		Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	Agency	
Operating Cash Receipts:				
Charges for Services	\$3,434,822	\$0	\$0	\$3,434,822
Interest Earnings	0	440	0	440
Miscellaneous	37,295	0	3,566	40,861
Total Operating Cash Receipts	3,472,117	440	3,566	3,476,123
Operating Cash Disbursements:				
Personal Services	1,478,713	0	0	1,478,713
Contractual Services	23,324	0	0	23,324
Supplies and Materials	558,693	0	0	558,693
Capital Outlay	697,018	0	0	697,018
Total Operating Cash Disbursements	2,757,748	0	0	2,757,748
Operating Income/(Loss)	714,369	440	3,566	718,375
Non-Operating Cash Receipts:				
Proceeds from Notes and Bonds	225,000	0	0	225,000
Other Non-Operating Receipts	19,815	0	1,224,207	1,244,022
Total Non-Operating Cash Receipts	244,815	0	1,224,207	1,469,022
Non-Operating Cash Disbursements:				
Debt Service	680,715	0	0	680,715
Other Non-Operating Cash Disbursements	34,243	0	1,252,257	1,286,500
Total Non-Operating Cash Disbursements	714,958	0	1,252,257	1,967,215
Excess of Receipts Over/(Under) Disbursements	244,226	440	(24,484)	220,182
Fund Cash Balances, January 1	3,999,496	10,668	142,822	4,152,986
Fund Cash Balances, December 31	\$4,243,722	\$11,108	\$118,338	\$4,373,168
Reserve for Encumbrances, December 31	\$360,320	\$0	\$34	\$360,354

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, 1999**

<u>Fund Types</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Governmental:			
General	\$4,325,148	\$4,629,171	\$304,023
Special Revenue	3,181,276	3,089,364	(91,912)
Debt Service	270,925	272,253	1,328
Capital Projects	1,598,473	1,559,274	(39,199)
Proprietary:			
Enterprise	4,314,799	3,716,932	(597,867)
Fiduciary:			
Expendable Trust	17,000	2,199	(14,801)
Non-Expendable Trust	0	440	440
Totals	<u>\$13,707,621</u>	<u>\$13,269,633</u>	<u>(\$437,988)</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, 1999

<u>Fund Types</u>	<u>Prior Year Carryover</u>	<u>1999 Appropriations</u>	<u>Total</u>	<u>Actual Disbursements</u>	<u>Encumbrances Outstanding At 12/31/99</u>	<u>Total</u>	<u>Variance Favorable (Unfavorable)</u>
Governmental:							
General	\$184,432	\$5,465,442	\$5,649,874	\$4,952,607	\$214,642	\$5,167,249	\$482,625
Special Revenue	183,199	3,716,719	3,899,918	3,173,249	322,930	3,496,179	403,739
Debt Service	0	270,985	270,985	270,985	0	270,985	0
Capital Projects	439,293	2,701,547	3,140,840	1,159,572	701,998	1,861,570	1,279,270
Proprietary:							
Enterprise	559,060	5,384,657	5,943,717	3,472,706	360,320	3,833,026	2,110,691
Fiduciary:							
Expendable Trust	2,520	39,000	41,520	8,899	0	8,899	32,621
Non-Expendable Trust	0	600	600	0	0	0	600
Totals	\$1,368,504	\$17,578,950	\$18,947,454	\$13,038,018	\$1,599,890	\$14,637,908	\$4,309,546

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

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**CITY OF CIRCLEVILLE
PICKAWAY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING DECEMBER 31, 1999**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The City of Circleville is a body politic and corporate established for the purpose of exercising 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.

Management believes the financial statements included in this report represent all of the 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 117-6-01 to prepare its annual financial report in accordance with generally accepted accounting principles, the City chooses to prepare its financial statements on the basis of accounting formerly prescribed or permitted by the Auditor of State. 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 matters, as formerly prescribed or permitted by the Auditor of State.

C. Equity in Pooled Cash

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 Ohio Rev. Code 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 State is pledged;

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

Written repurchase agreements in the securities listed above;

Bonds and other obligations of Ohio, its political subdivisions, or other units 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
FOR THE YEAR ENDING DECEMBER 31, 1999
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Equity in Pooled Cash (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:

1. Insured or collateralized with securities held by the entity or by its agent in the entity's name;
2. Collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name;
3. 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 deposits and investments are classified below using the criteria noted above.

At year-end, the carrying amount of the City's deposits were \$9,404,463 and the bank balance was \$9,602,335. Deposits are insured by the Federal Depository Insurance Corporation 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 US series H Savings Bonds which are held by the City at the Fair Market Value (FMV) at the time of donation.

	<u>Carrying Value</u>	<u>Market Value</u>
Common Stock	\$ 2,000	\$ 2,000
U.S. Series "H" Saving Bonds	<u>10,000</u>	<u>10,000</u>
Total	<u><u>\$12,000</u></u>	<u><u>\$12,000</u></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:

General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required by law or contract to be restricted.

**CITY OF CIRCLEVILLE
PICKAWAY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING DECEMBER 31, 1999
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

Special Revenue Funds

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 capital project funds:

Street Construction Maintenance and Repair Fund - this fund receives intergovernmental tax revenues for the construction, maintenance and repair of City roads.

Municipal Income Tax Fund - this fund receives income tax revenue assessed to its citizen 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 purpose of repairing City roads.

Debt Service Fund

The debt service fund is used to accumulate resources for the payment of bonds and note indebtedness.

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.

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 Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

Sewer Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

**CITY OF CIRCLEVILLE
PICKAWAY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING DECEMBER 31, 1999
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

Fiduciary Funds (Trust and Agency Funds)

Trust funds are used to account for resources restricted by legally binding trust agreements. If the trust requires the maintenance 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 State Patrol Transfer Fund is a significant fiduciary fund and is used for moneys collected by the City's Municipal Court which are due to the State Highway Patrol.

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.

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.

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 financial statements do not include January 1, 1998 unencumbered fund balances. However, those fund balances are available for appropriations.

Encumbrances

The City utilizes the encumbrance method of accounting. Under this system, purchase orders, contracts and other commitments for the expenditure 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 was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be appropriated. The City did not always certify expenditures at the time of creating a purchase commitment. This is not in compliance with Ohio Rev. Code Section 5705.41(D).

**CITY OF CIRCLEVILLE
PICKAWAY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING DECEMBER 31, 1999
(Continued)**

2. DEBT

Debt outstanding at December 31, 1999 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Bonds	\$280,000	9.25%
Special Assessment Bonds	4,000	8.625-8.75%
O.W.D.A. Loan	189,086	5.50%
Water Works Note	225,000	4.35%
Hospital Improvement Bonds	<u>1,870,000</u>	3.85-5.40%
Total	<u><u>\$2,568,086</u></u>	

Outstanding general obligation bonds consist of an issue for the Justice Center construction and an issue for improvement of the water system. General Obligation 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. Outstanding special assessment bonds consist of sanitary sewer improvement projects. These bonds are payable from the proceeds of tax assessments against individual property owners.

The Ohio Water Development Authority (O.W.D.A.) Loans are for a sewage disposal construction project. Property and revenue of the utility facilities have been pledged to repay these debts.

Outstanding notes were of the bond anticipation type. Proceeds from the notes were used for improvement to the water treatment plant.

The Hospital Improvement Bonds were issued in 1998 for the benefit of Berger Hospital, the component unit. (See footnote No. 8) 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 from the City.

The Water Works Note are for improvements to the cities waterworks system. Property Tax revenues are pledged to repay this note.

**CITY OF CIRCLEVILLE
PICKAWAY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING DECEMBER 31, 1999
(Continued)**

2. DEBT (Continued)

The annual requirements to amortize all long-term debt outstanding as of December 31, 1999 including interest payments of \$1,144,322 are as follows:

Year Ending December 31	General Obligation Bonds	Special Assessment Bonds	OWDA Loan	Hospital Bonds	Waterworks Note
2000	\$95,900	\$4,350	\$198,214	\$165,585	\$225,000
2001	89,425			162,645	
2002	82,950			164,635	
2003	76,475			161,335	
2004				162,960	
2005-2016				2,121,935	
Total	\$344,750	\$4,350	\$198,214	\$2,939,095	\$225,000

3. PROPERTY TAXES

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 payment, 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 Village.

4. 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.

5. RETIREMENT SYSTEMS

The City contributes to the Public Employees Retirement System of Ohio (PERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State. 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. The 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 or by calling (614) 466-2085 or 1-800-222-PERS (7377).

**CITY OF CIRCLEVILLE
PICKAWAY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING DECEMBER 31, 1999
(Continued)**

5. RETIREMENT SYSTEMS (Continued)

The Ohio Revised Code provides statutory authority for employee and employer contribution rates. Plan members, other than those engaged in law enforcement, are required to contribute 8.5% of their annual covered salary and the City is required to contribute 13.55%. For law enforcement employees, the member contribution is 9.0% and the City's contribution is 16.70%.

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. Health care coverage for disability recipients. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement 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 employers to fund postemployment health care through their contributions to PERS.

OPEB is financed through employer contributions and the investment income earned thereon. The contributions allocated to retiree health care and Medicare, along with the investment income on allocated assets and periodic adjustments in health care provisions are expected to be sufficient to maintain the program indefinitely.

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 State. 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 are 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 Police & Firemen's Disability and Pension Fund of Ohio, 140 East Town Street, Columbus, Ohio 43125-5164 or by (614) 228-2975.

Plan members are required to contribute 10.0% of their annual covered salary, while the City is required to contribute 19.50% and 24.0%, respectively, for police officers and firefighters.

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 costs paid from the funds of 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, 6.5% was used to pay health care benefits for the year 1999.

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. Currently, 6.5% of the covered payroll, as defined by the Board of Trustees, is used to pay retiree health care expenses. In addition, since July 1, 1997, most retirees have been required to contribute a portion of their health care coverage through a deduction from their monthly benefit amount.

**CITY OF CIRCLEVILLE
PICKAWAY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING DECEMBER 31, 1999
(Continued)**

6. RISK MANAGEMENT

The City maintains comprehensive insurance coverage with private carriers for real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents are 90% coinsured.

7. STATE AND FEDERAL GRANTS

The state and federal financial assistance grants are audited by the Auditor of State as part of their regular audit. Instances of noncompliance with state and/or federal grant requirements, if any, would be disclosed in a separate part of this presentation.

8. COMPONENT UNIT

Berger Health Systems (the hospital) which provides diversified health care services to the community is a Component Unit of the City. The hospital is governed by a 9 member board of which the Pickaway County Commissioners and the City Council each appoint four members. 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 City's financial statements that accompany these footnotes. To obtain the hospital's audited financial statements contact Berger Health Systems, Finance Department, 600 North Pickaway Street, Circleville, Ohio 43113.

9. SUBSEQUENT EVENTS

The City Council approved the issuance and sale of bonds in June 2000, in the amount of \$3,785,000 of which \$500,000 is earmarked for the construction of a service building and \$3,285,000 a new safety facility to house a fire station, emergency management system facility, and the fire department offices.

**CITY OF CIRCLEVILLE
PICKAWAY COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 1999**

Federal Grantor/ Pass-Through Grantor/ Program Grant Title	Pass- Through Grantor Number	CFDA Number	Expenditures
U.S. Department of Housing and Urban Development			
<i>Passed Through Ohio Department of Development</i>			
Community Housing Improvement Project	A-C-97-105-1	14.228	\$3,283
Community Housing Improvement Project	A-C-98-105-1	14.228	61,847
Community Housing Improvement Project	A-C-99-105-1	14.228	23,664
CDBG Street Improvement	B-F-97-060-1	14.228	76,000
CDBG Downtown Revitalization	A-T-98-105-1	14.228	24,957
Sub-Total Community Development Block Grants/State's Program Passed through Ohio Department of Development			189,751
HOME Investment Partnership	A-C-98-105-2	14.239	206,148
HOME Investment Partnership	A-C-99-105-2	14.239	130,738
Total HOME Investment Partnership Program			336,886
Total U.S. Department of Housing and Urban Development			\$526,637

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of federal awards expenditures is a summary of the activity of the City's federal award programs. The schedule has been prepared on the cash basis accounting.

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STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS

City of Circleville
Pickaway County
133 South Court Street
Circleville, Ohio 43113-1611

To the Members of Council:

We have audited the financial statements of the City of Circleville, Pickaway County, Ohio (the City), as of and for the year ended December 31, 1999 and have issued our report thereon dated July 21, 2000 wherein we emphasized that the City's financial statements were prepared on the basis of accounting formerly prescribed by the Auditor of State (similar to the cash basis of accounting). The Ohio Administrative Code requires that the City follow generally accepted accounting principles. We conducted our audit in accordance with generally accepted auditing standards 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 instances of noncompliance which are described in the accompanying schedule of findings as items 1999-20665-001 and 1999-20665-002. We also noted a certain immaterial instance of noncompliance that we have reported to management of the City in a separate letter dated July 21, 2000.

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. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the City in a separate letter dated July 21, 2000.

This report is intended for the information and use of the 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, appearing to read "Jim Petro", written in a cursive style.

JIM PETRO
Auditor of State

July 21, 2000



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH 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 43113-1611

To the Members of 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, 1999. 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 generally accepted auditing standards; 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 a 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.

As described in item 1999-20665-003 of the accompanying schedule of findings, the City did not comply with requirements regarding reporting that are applicable to its Home Investment Partnership Program. Compliance with such requirements is necessary, in our opinion, for the City to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the City 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, 1999.

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 a 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 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.



JIM PETRO
Auditor of State

July 21, 2000

**CITY OF CIRCLEVILLE
PICKAWAY COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 1999**

1. SUMMARY OF AUDITOR'S RESULTS
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(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Qualified
(d)(1)(vi)	Are there any reportable findings under § .510?	Yes
(d)(1)(vii)	Major Programs (list):	CFDA #14.239 Home Investment Partnership Program
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: \$300,000 Type B: All others
(d)(1)(ix)	Low Risk Auditee?	No

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

Finding Number	1999-20665-001
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Ohio Admin. Code Section 117-6-01 requires that all cities are to report and prepare its financial report in accordance with generally accepted accounting principles.

The City prepares its financial statements on the basis of accounting formerly permitted or prescribed by the Auditor of State, which is a basis of accounting other than generally accepted accounting principles. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, can not be determined at this time. The City can be fined and various other administrative remedies may be taken against the City.

**CITY OF CIRCLEVILLE
PICKAWAY COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 1999
(Continued)**

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)	
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Finding Number	1999-20665-001 (Continued)
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It is recommended that the City file it's annual financial report to the Auditor of State's office on the generally accepted accounting principle basis of accounting.

Finding Number	1999-20665-002
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Fiscal Officer Certifying the Funds

Ohio Rev. Code Section 5705.41(D) states no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. The amount so certified shall be recorded against the applicable appropriation account.

This section also provides an exception to the above requirement:

Then and Now Certificate - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Council may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.

If the amount involved is less than one thousand dollars, the fiscal officer may authorize it to be paid without the affirmation of the Council with the issuance of a certificate.

Thirty-seven percent of disbursements tested did not contain the required certificate of the fiscal officer prior to the purchase being made. The fiscal officer did not issue "Then and Now Certificates" for these payments.

We recommended that the fiscal officer certify the funds at the time the commitment is incurred as required.

3. FINDINGS FOR FEDERAL AWARDS	
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Finding Number	1999-20665-003
CFDA Title and Number	Home Investments Partnership Program#14.239
Federal Award Number/Year	A-C-98-105-2/1998 A-C-99-105-2/1999
Federal Agency	U.S. Department of Housing and Development
Pass-Through Agency	None

**CITY OF CIRCLEVILLE
PICKAWAY COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 1999
(Continued)**

3. FINDINGS FOR FEDERAL AWARDS (Continued)

Compliance Requirement -Financial Reporting

According to Article Seven, *Accounting of Funds*, of the grant agreement by and between the Ohio Department of Development (pass- through agency) and the City of Circleville, the Home Investment Partnership Program, CFDA#14.239, requires that the City to keep federal accounting records in a manner which is consistent with generally accepted accounting principles.

The City prepares its federal financial reports on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. The City concluded the cost to comply does not exceed the benefit derived, and therefore continues to report on the cash basis of accounting.

We recommend the City maintain its accounting records in a manner which is consistent with generally accepted accounting principles as required by the Ohio Department of Development.

**CITY OF CIRCLEVILLE
PICKAWAY COUNTY**

<p>SCHEDULE OF PRIOR AUDIT FINDINGS <i>OMB CIRCULAR A-133 § .315(b)</i></p>
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Finding Number	Finding Summary	Status	Not Corrected/Explanation
98-20665-1	Ohio Admin. Code Section 117-6-01 requires the City to prepare it's financial report in accordance with generally accepted accounting principles.	Not corrected	The City Council and City Auditor feel the added cost to convert to financial statements prepared in accordance with GAAP exceeded the added benefits.
98-20665-2	Article Seven of the Grant agreement with the State of Ohio Home Investment Partnership program (CFDA#14.239) requires the City to keep federal accounting records in a manner which is consistent with generally accepted accounting principles.	Not corrected	As stated above, the City Council and City Auditor feel the added cost to convert to financial statements prepared in accordance with GAAP exceeded the added benefits.



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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
NOVEMBER 14, 2000**