

In the opinion of Squire, Sanders & Dempsey (US) LLP, Bond Counsel, under existing law: (i) assuming continuing compliance with certain covenants and the accuracy of certain representations, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and the Bonds are qualified tax-exempt obligations as defined in Section 265(b)(3) of the Internal Revenue Code of 1986, as amended; and (ii) interest on, and any profit made on the sale, exchange or other disposition of, the Bonds are exempt from the Ohio personal income tax, the Ohio commercial activity tax, the net income base of the Ohio corporate franchise tax, and municipal, school district and joint economic development district income taxes in Ohio. Interest on the Bonds may be subject to certain federal taxes imposed only on certain corporations, including the corporate alternative minimum tax on a portion of that interest. For a more complete discussion of the tax aspects, see Tax Matters.

\$2,475,000
CITY OF CIRCLEVILLE, OHIO
GENERAL OBLIGATION (Limited Tax)
VARIOUS PURPOSE REFUNDING BONDS, SERIES 2011

Dated: Closing Date

The Bonds. The Bonds are unvoted general obligations of the City, issued to refund certain securities issued previously to finance permanent improvements, as described under **Authorization and Purpose**. Principal and interest, unless paid from other sources, are to be paid from the proceeds of the City's levy of ad valorem property taxes, which taxes are within the ten-mill limitation imposed by Ohio law.

Book-Entry Only. The Bonds will be initially issued only as fully-registered bonds, one for each maturity, issuable under a book-entry system, registered initially in the name of The Depository Trust Company or its nominee (DTC). There will be no distribution of Bonds to the ultimate purchasers. The Bonds in certificated form as such will not be transferable or exchangeable, except for transfer to another nominee of DTC or as otherwise described in this Official Statement. See **Appendix E**.

Payment. Principal and interest will be payable to the registered owner (DTC), principal upon presentation and surrender at the designated corporate trust office of The Savings Bank, in Circleville, Ohio (the Bond Registrar) and interest transmitted by the Bond Registrar on each interest payment date (June 1 and December 1 of each year, beginning December 1, 2011) to the registered owner (DTC) as of the 15th day of the calendar month next preceding that interest payment date.

PRINCIPAL MATURITY SCHEDULE
(see inside cover)

Prior Redemption. The Bonds are not subject to redemption prior to maturity.

The Bonds are offered when, as and if issued, and accepted by Fifth Third Securities, Inc. (the "Underwriter"), subject to the opinion on certain legal matters relating to their issuance by Squire, Sanders & Dempsey (US) LLP, Bond Counsel to the City. The Bonds are expected to be available for delivery to DTC or its agent on August 30, 2011.



This Official Statement has been prepared by the City in connection with its original offering for sale of the Bonds. The Cover includes certain information for quick reference only. *It is not a summary of the Bond issue.* Investors should read the entire Official Statement to obtain information as a basis for making informed investment judgments.

The date of this Official Statement is August 16, 2011, and the information herein speaks only as of that date.

**PRINCIPAL MATURITY SCHEDULE
ON DECEMBER 1**

\$2,475,000 SERIAL BONDS

Year	Amount	Interest Rate	Price	CUSIP®(a) No. 172702	Year	Amount	Interest Rate	Price	CUSIP®(a) No. 172702
2011	\$205,000	2.00%	100.378%	FJ6	2016	\$250,000	2.00%	102.260%	FP2
2012	235,000	2.00	101.555	FK3	2017	255,000	2.00	100.291	FQ0
2013	235,000	2.00	102.447	FL1	2018	265,000	3.00	104.649	FR8
2014	240,000	2.00	103.029	FM9	2019	270,000	3.00	102.951	FS6
2015	245,000	2.00	103.306	FN7	2020	275,000	3.00	101.209	FT4

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CITY OF CIRCLEVILLE, OHIO

CITY OFFICIALS

Chuck Taylor, Mayor
Gayle Spangler, City Auditor
Dianne Good, City Treasurer
Gary Kenworthy, Director of Law

City Council

David M. Crawford, President
Mike Logan, 1st Ward
Barry Keller, 2nd Ward
Todd Brady, 3rd Ward
Sr. Monica Justinger, 4th Ward
Bob Bensonhaver, At-Large
Patricia J. Fouch, At-Large
Dorcas Morrow, At-Large

Linda M. Chancey, Clerk of Council

Brad Jacobs, Director of Public Safety
Robert W. Evans, Director of Public Service

PROFESSIONAL SERVICES

Squire, Sanders & Dempsey (US) LLP, Bond Counsel

Fifth Third Securities, Inc., Underwriter

The Savings Bank, Registrar and Paying Agent

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REGARDING THIS OFFICIAL STATEMENT

This Official Statement does not constitute an offering of any security other than the original offering of the Bonds identified on the Cover (as defined herein). No dealer, broker, sales person or other person has been authorized by the City to give any information or to make any representation other than as contained in this Official Statement, and if given or made, such other information or representation must not be relied upon as having been given or authorized by the City. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, and there shall not be any sale of the Bonds by any person, in any jurisdiction in which it is unlawful to make that offer, solicitation or sale.

The information in this Official Statement is provided by the City in connection with the offering of the Bonds. Reliance should not be placed on any other information publicly provided, in any format including electronic, by the City for other purposes, including general information provided to the public or to portions of the public. The information in this Official Statement is subject to change without notice. Neither the delivery of this Official Statement nor any sale made under it shall, under any circumstances, give rise to any implication that there has been no change in the affairs of the City since its date.

This Official Statement contains statements that the City believes may be “forward-looking statements.” Words such as “plan,” “estimate,” “project,” “budget,” “anticipate,” “expect,” “intend,” “believe” and similar terms are intended to identify forward-looking statements. The achievement of results or other expectations expressed or implied by such forward-looking statements involve known and unknown risks, uncertainties and other factors that are difficult to predict, may be beyond the City’s control and could cause actual results, performance or achievements to be materially different from any results, performance or achievements expressed or implied by such forward-looking statements. The City undertakes no obligation, and does not plan, to issue any updates or revisions to such forward-looking statements.

UPON ISSUANCE, THE BONDS WILL NOT BE REGISTERED BY THE CITY UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR ANY STATE SECURITIES LAW, AND WILL NOT BE LISTED ON ANY STOCK OR OTHER SECURITIES EXCHANGE. NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY OTHER FEDERAL, STATE OR OTHER GOVERNMENTAL ENTITY OR AGENCY WILL HAVE AT THE REQUEST OF THE CITY PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT OR APPROVED OR DISAPPROVED THE BONDS FOR SALE.

CUSIP data herein are provided by Standard & Poor’s, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. CUSIP numbers have been assigned by an independent company not affiliated with the City and are included solely for the convenience of the holders of the Bonds. The City, the Bond Counsel and the Underwriter are not responsible for the selection or use of these CUSIP numbers and make no representation as to their correctness on the Bonds or the Cover or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions and events.

The Ohio Municipal Advisory Council (OMAC) has requested that this paragraph be included in this Official Statement. Certain information contained in the Official Statement is attributed to OMAC. OMAC compiles information from official and other sources. OMAC believes the information it compiles is accurate and reliable, but OMAC does not independently confirm or verify the information and does not guaranty its accuracy. OMAC has not reviewed this Official Statement to confirm that the information attributed to it is information provided by OMAC or for any other purpose.

In connection with this offering, the Underwriter may over allot or effect transactions that stabilize or maintain the market price of the Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriter may offer and sell the Bonds to certain dealers and dealer banks and banks acting as agent at prices lower than the public offering price stated on the Cover, which public offering price may be changed from time to time by the Underwriter.

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TABLE OF CONTENTS

	Page
INTRODUCTORY STATEMENT	1
THE BONDS	3
Authorization and Purpose.....	3
Use of Proceeds – Refunding.....	3
Certain Terms of the Bonds	3
General; Book-Entry System	3
Prior Redemption	4
Security and Sources of Payment	4
Basic Security	4
Additional Sources of Payment	5
Enforcement of Rights and Remedies.....	5
Bankruptcy.....	6
Refunding.....	6
Litigation.....	6
Opinion of Bond Counsel	7
Tax Matters	8
Original Issue Discount and Original Issue Premium.....	10
Eligibility for Investment and as Public Money Security	11
Underwriting	11
Rating	11
Transcript and Closing Certificates	12
Continuing Disclosure Agreement.....	12
Bond Registrar and Escrow Agent.....	13
THE CITY	13
General Information.....	13
City Government.....	15
Employees.....	18
Retirement Expenses.....	19
City Facilities; Insurance	20
Economic and Demographic Information.....	21
Population	21
Employment and Income	22
Housing and Building Permits	24
Utilities; Public Safety and Services.....	25
Community/Economic Development.....	25
Financial Matters	27
Introduction.....	27
Budgeting, Property Tax Levy and Appropriations Procedures.....	27
Financial Reports and Audits.....	28
Investments	29
Financial Outlook.....	30
General Fund.....	30
Ad Valorem Property Taxes	31
Assessed Valuation	31

TABLE OF CONTENTS

(continued)

	Page
Overlapping Governmental Entities	34
Tax Rates	35
Tax Table A Overlapping Tax Rates	35
Tax Table B City Tax Rates.....	36
Collections	37
Delinquencies.....	38
Municipal Income Tax.....	39
State Local Government Assistance Funds.....	40
Estate Taxes	40
City Debt and Other Long-Term Obligations.....	40
Security for General Obligation Debt; Bonds and BANs.....	41
Statutory Direct Debt Limitations.....	42
Indirect Debt and Unvoted Property Tax Limitations	44
Debt Outstanding	45
Bond Anticipation Notes.....	46
Bond Retirement Fund.....	46
Future Financings.....	46
Long-Term Financial Obligations Other Than Bonds and Notes.....	46
Concluding Statement.....	47

Debt Tables

A: Principal Amounts of Outstanding General Obligation (GO) Debt; Leeway for Additional Debt within Direct Debt Limitations	DT-1
B: Various City and Overlapping GO Debt Allocations (Principal Amounts).....	DT-2
C: Projected Debt Charges Requirements on City GO Debt.....	DT-3
D: Outstanding GO Bonds.....	DT-4

Appendix A: Comparative Cash-Basis Summary of General Fund Receipts and Expenditures for Fiscal Years 2006 through 2010 and Estimated Fiscal Year 2011

Appendix B: All-Funds Summary for Fiscal Years 2009 and 2010

Appendix C: Basic Financial Statements from the City's Financial Report for Fiscal Year 2010 (Audited)

Appendix D: Proposed Text of Opinion of Bond Counsel

Appendix E: Book-Entry System; DTC

Appendix F: Proposed Form of Continuing Disclosure Agreement

INTRODUCTORY STATEMENT

This Official Statement has been prepared by the City of Circleville, Ohio (the City) in connection with its original issuance and sale of the Bonds identified on the Cover (the Bonds). Certain information concerning the Bonds, including their authorization, purpose, terms and security and sources of payment, and the City is provided in this Official Statement.

This Introductory Statement briefly describes certain information relating to the Bonds and supplements certain information on the Cover. It is not intended as a substitute for the more detailed discussions in this Official Statement. Investors should read the entire Official Statement to obtain information as a basis for making informed investment judgments.

All financial and other information in this Official Statement has been provided by the City from its records, except for information expressly attributed to other sources and except for certain information on the Cover and under **Underwriting**. The presentation of information, including tables of receipts from taxes and other sources, is intended to show recent historical information, and is not intended to indicate future or continuing trends in the financial position or other affairs of the City. No representation is made that past experience, as is shown by that financial and other information, will necessarily continue or otherwise be predictive of future experience. See also **Regarding This Official Statement**.

This Official Statement should be considered in its entirety and no one subject should be considered less important than another by reason of location in the text. Reference should be made to laws, reports or documents referred to for more complete information regarding their contents. References to provisions of Ohio law, including the Revised Code and the Ohio Constitution, are references to those current provisions. Those provisions may be amended, repealed or supplemented.

As used in this Official Statement:

- **“Beneficial Owner”** means the owner of a book-entry interest in the Bonds, as defined in **Appendix E**.
- **“Council”** means the Council of the City.
- **“County”** means Pickaway County.
- **“County Auditor”** means the Auditor of the County.
- **“Cover”** means the cover page and the inside cover of this Official Statement.
- **“Debt charges”** means principal (including any mandatory redemption payments) of and interest and any redemption premium on the obligations referred to; debt charges may also be referred to as “debt service.”
- **“Fiscal Year”** means the 12-month period ending December 31, and reference to a particular Fiscal Year (such as “Fiscal Year 2010”) means the Fiscal Year ending on December 31 in that year.
- **“Revised Code”** means the Ohio Revised Code.

- “State” or “Ohio” means the State of Ohio.
- “State Budget Act” means Amended Substitute House Bill No. 153 passed by the Ohio General Assembly and signed by the Governor on June 30, 2011, providing State appropriations for its 2012-2013 biennium (beginning July 1, 2011 through June 30, 2013) and enacting other statutory provisions.

The Bonds are issued by the City of Circleville, Ohio. They are authorized by Chapter 133 of the Revised Code, and legislation passed by the Council. The Bonds are issued for the purpose of refunding bonds previously issued by the City for the purpose of paying the costs of (i) constructing a new safety facility to house a fire station, EMS facility, and fire department offices and (ii) constructing a City services building to house the City’s service and building departments, and in each case providing all related work and appurtenances. See **Authorization and Purpose**.

The Bonds are general obligations of the City, the full faith and credit and general property taxing power of which are pledged to the payment of debt charges. Unless paid from other sources, debt charges are to be paid from the proceeds of the City’s levy of ad valorem property taxes, which taxes are within the ten-mill limitation imposed by Ohio law. The City expects that the debt charges will be paid from municipal income tax revenues. See **Security and Sources of Payment**.

The Bonds will be initially issued only as fully-registered bonds, one for each maturity, issuable under a book-entry system and registered initially in the name of The Depository Trust Company, New York, New York, or its nominee (DTC). The Bonds will be issued in the denomination of \$5,000 or in whole multiples of \$5,000. See **General; Book-Entry System and Appendix E**.

Principal and interest will be payable to the registered owner (DTC). Principal will be payable on presentation and surrender at the designated corporate trust office of the Bond Registrar. See **Bond Registrar**. Interest will be transmitted by the Bond Registrar on each interest payment date (June 1 and December 1, beginning December 1, 2011) to the registered owner as of the 15th day of the calendar month next preceding that interest payment date.

The Bonds are not subject to redemption prior to maturity.

The opinion as to the validity of the Bonds and the tax-exempt status of the interest on the Bonds will be rendered by Squire, Sanders & Dempsey (US) LLP (Bond Counsel). See **Opinion of Bond Counsel and Tax Matters and Appendix D**.

THE BONDS

AUTHORIZATION AND PURPOSE

The Bonds are to be issued pursuant to Chapter 133 of the Revised Code, an ordinance passed by the Council and a certificate of award provided for by that ordinance (collectively, the Authorizing Legislation).

The Bonds are being issued and will be used to refund the outstanding \$2,375,000 Capital Facilities Improvement Bonds, Series 2000, dated as of August 1, 2000, and maturing on December 1, 2020 (the "Refunded Bonds"), and originally issued to provide funds for the purpose of paying the costs of (i) constructing a new safety facility to house a fire station, EMS facility, and fire department offices and (ii) constructing a City services building to house the City's service and building departments, and in each case providing all related work and appurtenances.

USE OF PROCEEDS – REFUNDING

Proceeds from the sale of the Bonds that will be used to current refund the Refunded Bonds will be deposited in an Escrow Fund held by The Savings Bank (the Escrow Agent), pursuant to an Escrow Agreement between the City and the Escrow Agent dated August 30, 2011 (the Escrow Agreement). The money deposited in the Escrow Fund will be held in cash for the payment of the principal amount of and accrued interest and redemption premium on the Refunded Bonds upon their prior optional redemption on October 4, 2011, as provided in the Authorizing Legislation. The Authorizing Legislation provides for an irrevocable call for optional redemption of the Refunded Bonds on October 4, 2011, at a redemption price equal to 102% of the principal amount redeemed, plus interest accrued to the redemption date.

Any premium received by the City on the sale of the Bonds in excess of that necessary to fully fund the Escrow Fund as described above and to pay costs of issuing the Bonds and refunding the Refunded Bonds and any interest accrued on the Bonds will be deposited in the Bond Retirement Fund. Money in that Fund is used to pay debt charges on City debt obligations.

CERTAIN TERMS OF THE BONDS

General; Book-Entry System

The Bonds will be dated their date of original issuance, will be payable in the principal amounts and on the dates and will bear interest (computed on the basis of a 360-day year and 12 30-day months) at the rates and be payable on the dates, at the place and in the manner, all as described on the Cover.

The Bond Registrar will act as the paying agent for the Bonds and will keep all books and records necessary for registration, exchange and transfer of the Bonds. See **Bond Registrar**.

The Bonds will be delivered in book-entry-only form and, when issued, registered in the name of The Depository Trust Company (DTC), New York, New York, or its nominee Cede & Co., which will act as securities depository for the Bonds. For discussion of the book-entry

system and DTC and the replacement of Bonds in the event that the book-entry system is discontinued, see **Appendix E**.

Prior Redemption

The Bonds are not subject to redemption prior to maturity.

SECURITY AND SOURCES OF PAYMENT

The Bonds will be unvoted general obligation debt of the City payable from the sources described, subject to bankruptcy laws and other laws affecting creditors' rights and to the exercise of judicial discretion.

Basic Security

The basic security for payment of the Bonds is the requirement that the City levy ad valorem property taxes within the ten-mill limitation imposed by Ohio law to pay debt charges on the Bonds. The State constitution specifically prohibits a subdivision such as the City from incurring general obligation indebtedness unless the authorizing legislation makes provision "for levying and collecting annually by taxation an amount sufficient to pay" the debt charges on the bonds. (Ohio Constitution Article XII Section 11.)

The Ohio Supreme Court has stated:

"Section 11 of Article XII of the Constitution of Ohio imposes a mandatory duty upon the State and its political subdivisions to pay the interest and principal of their indebtedness before provisions are to be made for current operating expenses." *State ex rel. Nat'l City Bank v. Bd. of Ed. of the Cleveland City School District*, 52 Ohio St. 2d 81, 85 (1977).

Under State law, the levy for debt charges on unvoted general obligations of the City is to be placed before and in preference to all other levies and for the full amount of those debt charges. See the further discussions under **Ad Valorem Property Taxes** and **City Debt and Other Long-Term Obligations**.

Ohio law requires the City to levy and collect that property tax to pay debt charges on the Bonds as they come due, unless and to the extent those debt charges are paid from other sources, such as described below.

The Authorizing Legislation provides further security by making a pledge of the full faith and credit and the general property taxing power of the City for the payment of debt charges on the Bonds as they come due. All funds of the City are included in that pledge, except those specifically limited to another use or prohibited from that use by the Ohio Constitution, or Ohio or federal law, or revenue bond trust agreements. Those exceptions as to portions of the Bonds include tax levies voted for specific purposes or expressly pledged to certain obligations, special assessments pledged to particular bonds or notes, and certain utility revenues. A similar pledge is made in each ordinance authorizing voted or unvoted general obligation debt.

Additional Sources of Payment

The Authorizing Legislation also contains specific covenants that debt charges will be paid from municipal income taxes, in accordance with Section 133.05(B)(7) of the Revised Code. See **Debt Table A** and **Debt Table C**. Those include covenants to appropriate annually from lawfully available municipal income taxes, and to continue to levy and collect those income taxes, in amounts necessary to meet the debt charges on the Bonds. See **Municipal Income Tax**.

Enforcement of Rights and Remedies

In addition to the right of individual bondholders to sue upon their particular Bonds, Ohio law authorizes the holders of not less than 10% in principal amount of the outstanding Bonds, whether or not then due and payable or reduced to judgment, to bring mandamus or other actions to enforce all contractual or other rights of the bondholders, including the right to require the City to levy, collect and apply the unvoted property taxes to pay debt charges, and in the case of any default in payment of debt charges to bring action to require the City to account as if it were the trustee of an express trust for the holders or to enjoin any acts that may be unlawful or in violation of bondholder rights.

The law also provides that the holders of not less than 25% in principal amount of the outstanding Bonds may appoint a trustee to represent the bondholders if the City defaults in the payment of debt charges on the Bonds and that default continues for a period of 30 days, or if the City fails or refuses to comply with the requirements of the State's Uniform Public Securities Law (Chapter 133 of the Revised Code) or the applicable bond proceedings. Such a trustee may (and if requested by bondholders of not less than 25% in principal amount of the outstanding Bonds shall) (i) bring an action for payment of any debt charges then due on the Bonds, (ii) by mandamus or other action enforce all rights of the bondholders, including requiring the City to assess, levy, charge, collect and apply pledged receipts (including without limitation ad valorem property taxes, income taxes, utility revenues and other receipts) in accordance with the Authorizing Legislation, (iii) bring action upon the Bonds, (iv) by action, require the City to account as if it were the trustee of an express trust for the bondholders and (v) by action, enjoin any acts or things that may be unlawful or in violation of the rights of the bondholders, but may not declare all Bonds due and payable (acceleration). See also **Appendix E**.

The State has pledged to and agreed with holders of securities such as the Bonds that

“...the State will not, by enacting any law or adopting any rule, repeal, revoke, repudiate, limit, alter, stay, suspend, or otherwise reduce, rescind, or impair the power or duty of a subdivision to exercise, perform, carry out, and fulfill its responsibilities or covenants under this Chapter [133, the State's Uniform Public Securities Law] or legislation or agreements as to its Chapter 133. securities, including a credit enhancement facility, passed or entered into pursuant to this chapter, or repeal, revoke, repudiate, limit, alter, stay, suspend, or otherwise reduce, rescind, or impair the rights and remedies of any such holders fully to enforce such responsibilities, covenants, and agreements or to enforce the pledge and

agreement of the State contained in this division, or otherwise exercise any sovereign power materially impairing or materially inconsistent with the provisions of such legislation, covenants, and agreements.”

Bankruptcy

Federal and State laws provide procedures for the adjustment of indebtedness of political subdivisions, such as the City. Chapter 9 of the U.S. Bankruptcy Code would permit the City to make such an adjustment if (i) it were “insolvent” (*i.e.*, the City was not paying its debt charges as they came due or it was unable to pay those debt charges as they became due), (ii) it met certain other criteria (*e.g.*, having negotiated in good faith with its creditors and failed to reach agreement or such negotiation was impractical because of time restrictions, the number of creditors or other reasons) and (iii) it is authorized under State law (by legislation or by a governmental officer) to seek relief under Chapter 9. The State’s Uniform Public Securities Law provides that the City or other subdivision must obtain the approval of the State Tax Commissioner in order to file a bankruptcy petition stating that it is insolvent and “that it desires to effect a plan for the composition or adjustment of its debts and to take such further proceedings” under the Bankruptcy Code. That law also states:

“No taxing subdivision shall be permitted, in availing itself of such acts of congress [the Bankruptcy Code], to scale down, cut down, or reduce the principal sum of its securities, except that interest thereon may be reduced in whole or in part.”

The County and the State may also initiate proceedings under the Bankruptcy Code. Because each collects or otherwise provides revenues to the City, the City’s financial condition could be affected by such action.

Refunding

State law authorizes the refunding and advance refunding of all or a portion of the Bonds. If the City places in escrow either money or direct obligations of, or obligations guaranteed as to payment by, the United States, or a combination of both, that with investment income thereon will be sufficient for the payment of debt charges on the refunded Bonds, those Bonds will no longer be considered to be outstanding. They will also not be considered in determining any direct or indirect limitation on City indebtedness, and the levy of taxes to pay debt charges on them will not be required. For this purpose, direct obligations of or obligations guaranteed by the United States include rights to receive payments or portions of payments of the principal of or interest or other investment income on (i) those U.S. obligations and (ii) other obligations fully secured as to payment by those U.S. obligations and the interest or other investment income on those obligations.

LITIGATION

To the knowledge of the appropriate City officials, no litigation or administrative action or proceeding is pending restraining or enjoining, or seeking to restrain or enjoin, the issuance and delivery of the Bonds, or the levy and collection of taxes to pay the debt charges on the

Bonds, or contesting or questioning the proceedings and authority under which the Bonds have been authorized and are to be issued, sold, signed or delivered, or the validity of the Bonds. No petitions for referendum with respect to the Authorizing Legislation or any other measure authorizing the payment of or security for the Bonds, or the carrying out of the government purposes to which the Bond proceeds are to be applied, and no petitions seeking to initiate any measure affecting the same or the proceedings therefor, have been filed. The City will deliver to the Underwriter a certificate to that effect at the time of original delivery of the Bonds to the Underwriter.

The City is a party to various legal proceedings seeking damages or injunctive or other relief and generally incidental to its operations. These proceedings are unrelated to the Bonds or the security for the Bonds, or the permanent improvements being financed. The ultimate disposition of these proceedings is not now determinable, but will not, in the opinion of the Director of Law, have a material adverse effect on the Bonds, the security for the Bonds, or those improvements or the City's operating revenues.

Under current Ohio law, City money, accounts and investments are not subject to attachment to satisfy tort judgments in State courts against the City.

See also **City Facilities; Insurance**.

OPINION OF BOND COUNSEL

Certain legal matters incident to the issuance of the Bonds and with regard to the tax-exempt status of the interest on the Bonds (see **Tax Matters**) are subject to the opinion of Squire, Sanders & Dempsey (US) LLP, Bond Counsel to the City. The signed legal opinion of Bond Counsel, substantially in the form attached hereto as **Appendix D**, dated and premised on law in effect on the date of issuance of the Bonds, will be delivered on the date of issuance of the Bonds. The text of the opinion to be delivered may vary from the text as set forth in **Appendix D** if necessary to reflect facts and law on the date of delivery. The opinion will speak only as of its date, and subsequent distribution of it by recirculation of this Official Statement or otherwise shall create no implication that Bond Counsel has reviewed or expresses any opinion concerning any of the matters referred to in the opinion subsequent to its date.

The opinion of Bond Counsel and any other legal opinions and letters of counsel to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions or advice regarding the legal issues and other matters expressly addressed therein. By rendering a legal opinion or advice, the giver of such opinion or advice does not become an insurer or guarantor of the result indicated by that opinion, or the transaction on which the opinion or advice is rendered, or of the future performance of parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

Bond Counsel has drafted those portions of this Official Statement under the captions **Certain Terms of the Bonds** (excluding the information concerning the book-entry system), **Security and Sources of Payment** (excluding the information under **Appendix E**) and **Tax Matters**. Bond Counsel and others, including the Underwriter, have assisted the City with its

preparation of certain other portions of this Official Statement. Bond Counsel and that other party, however, have not been engaged to, and will not, independently confirm or verify that information or any other information provided by the City or others, and will not express an opinion as to the accuracy, completeness or fairness of any such information or any other reports, financial information, offering or disclosure documents or other information pertaining to the Bonds that may be prepared or made available by the City or others to potential or actual purchasers of the Bonds, to owners of the Bonds, including Beneficial Owners, or to others.

In addition to rendering its opinion, Bond Counsel will assist in the preparation of and advise the City concerning documents for the bond transcript. The City has also retained the legal services of that law firm from time to time as special counsel in connection with matters that do not relate to City financings. Squire, Sanders & Dempsey (US) LLP also serves and has served as bond counsel for one or more of the political subdivisions that the City territorially overlaps and has also served as counsel to the Underwriter in connection with matters that do not relate to the Bonds.

TAX MATTERS

In the opinion of Squire, Sanders & Dempsey (US) LLP, Bond Counsel to the City, under existing law: (i) interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the Code), and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations and the Bonds are qualified tax-exempt obligations as defined in Section 265(b)(3) of the Code; and (ii) interest on, and any profit made on the sale, exchange or other disposition of, the Bonds are exempt from the Ohio personal income tax, the Ohio commercial activity tax, the net income base of the Ohio corporate franchise tax, and municipal, school district and joint economic development district income taxes in Ohio. Bond Counsel expresses no opinion as to any other tax consequences regarding the Bonds.

The opinion on tax matters will be based on and will assume the accuracy of certain representations and certifications, and continuing compliance with certain covenants, of the City contained in the transcript of proceedings and that are intended to evidence and assure the foregoing, including that the Bonds are and will remain obligations the interest on which is excluded from gross income for federal income tax purposes. Bond Counsel will not independently verify the accuracy of the City's certifications and representations or the continuing compliance with the City's covenants.

The opinion of Bond Counsel is based on current legal authority and covers certain matters not directly addressed by such authority. It represents Bond Counsel's legal judgment as to exclusion of interest on the Bonds from gross income for federal income tax purposes but is not a guaranty of that conclusion. The opinion is not binding on the Internal Revenue Service (IRS) or any court. Bond Counsel expresses no opinion about (i) the effect of future changes in the Code and the applicable regulations under the Code or (ii) the interpretation and the enforcement of the Code or those regulations by the IRS.

The Code prescribes a number of qualifications and conditions for the interest on state and local government obligations to be and to remain excluded from gross income for federal

income tax purposes, some of which require future or continued compliance after issuance of the obligations. Noncompliance with these requirements by the City may cause loss of such status and result in the interest on the Bonds being included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds. The City has covenanted to take the actions required of it for the interest on the Bonds to be and to remain excluded from gross income for federal income tax purposes, and not to take any actions that would adversely affect that exclusion. After the date of issuance of the Bonds, Bond Counsel will not undertake to determine (or to so inform any person) whether any actions taken or not taken, or any events occurring or not occurring, or any other matters coming to Bond Counsel's attention, may adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds or the market value of the Bonds.

A portion of the interest on the Bonds earned by certain corporations may be subject to a federal corporate alternative minimum tax. In addition, interest on the Bonds may be subject to a federal branch profits tax imposed on certain foreign corporations doing business in the United States and to a federal tax imposed on excess net passive income of certain S corporations. Under the Code, the exclusion of interest from gross income for federal income tax purposes may have certain adverse federal income tax consequences on items of income, deduction or credit for certain taxpayers, including financial institutions, certain insurance companies, recipients of Social Security and Railroad Retirement benefits, those that are deemed to incur or continue indebtedness to acquire or carry tax-exempt obligations, and individuals otherwise eligible for the earned income tax credit. The applicability and extent of these and other tax consequences will depend upon the particular tax status or other tax items of the owner of the Bonds. Bond Counsel will express no opinion regarding those consequences.

Payments of interest on tax-exempt obligations, including the Bonds, are generally subject to IRS Form 1099-INT information reporting requirements. If a Bond owner is subject to backup withholding under those requirements, then payments of interest will also be subject to backup withholding. Those requirements do not affect the exclusion of such interest from gross income for federal income tax purposes.

Legislation affecting tax-exempt obligations is regularly considered by the United States Congress and may also be considered by the State legislature. Court proceedings may also be filed, the outcome of which could modify the tax treatment of obligations such as the Bonds. There can be no assurance that legislation enacted or proposed, or actions by a court, after the date of issuance of the Bonds will not have an adverse effect on the tax status of interest or other income on the Bonds or the market value of the Bonds.

Prospective purchasers of the Bonds should consult their own tax advisors regarding pending or proposed federal and state tax legislation and court proceedings, and prospective purchasers of the Bonds at other than their original issuance at the respective prices indicated on the Cover should also consult their own tax advisors regarding other tax considerations such as the consequences of market discount, as to all of which Bond Counsel expresses no opinion.

Bond Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the City or the owners of the Bonds regarding the tax status of interest thereon in the event of an audit

examination by the IRS. The IRS has a program to audit tax-exempt obligations to determine whether the interest thereon is includible in gross income for federal income tax purposes. If the IRS does audit the Bonds, under current IRS procedures, the IRS will treat the City as the taxpayer and the Beneficial Owners of the Bonds will have only limited rights, if any, to obtain and participate in judicial review of such audit. Any action of the IRS, including but not limited to selection of the Bonds for audit, or the course or result of such audit, or an audit of other obligations presenting similar tax issues, may affect the market value of the Bonds.

Original Issue Discount and Original Issue Premium

Certain of the Bonds (Discount Bonds) may be offered and sold to the public at an original issue discount (OID). OID is the excess of the stated redemption price at maturity (the principal amount) over the "issue price" of a Discount Bond. The issue price of a Discount Bond is the initial offering price to the public (other than to bond houses, brokers or similar persons acting in the capacity of underwriters or wholesalers) at which a substantial amount of the Discount Bonds of the same maturity is sold pursuant to that offering. For federal income tax purposes, OID accrues to the owner of a Discount Bond over the period to maturity based on the constant yield method, compounded semiannually (or over a shorter permitted compounding interval selected by the owner). The portion of OID that accrues during the period of ownership of a Discount Bond (i) is interest excluded from the owner's gross income for federal income tax purposes to the same extent, and subject to the same considerations discussed above, as other interest on the Bonds, and (ii) is added to the owner's tax basis for purposes of determining gain or loss on the maturity, redemption, prior sale or other disposition of that Discount Bond. A purchaser of a Discount Bond in the initial public offering at the price for that Discount Bond stated on the Cover who holds that Discount Bond to maturity will realize no gain or loss upon the retirement of that Discount Bond.

Certain of the Bonds (Premium Bonds) as indicated on the Cover are being offered and sold to the public at a price in excess of their stated redemption price (the principal amount) at maturity. That excess constitutes bond premium. For federal income tax purposes, bond premium is amortized over the period to maturity of a Premium Bond, based on the yield to maturity of that Premium Bond (or, in the case of a Premium Bond callable prior to its stated maturity, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on that Premium Bond), compounded semiannually. No portion of that bond premium is deductible by the owner of a Premium Bond. For purposes of determining the owner's gain or loss on the sale, redemption (including redemption at maturity) or other disposition of a Premium Bond, the owner's tax basis in the Premium Bond is reduced by the amount of bond premium that is amortized during the period of ownership. As a result, an owner may realize taxable gain for federal income tax purposes from the sale or other disposition of a Premium Bond for an amount equal to or less than the amount paid by the owner for that Premium Bond. A purchaser of a Premium Bond in the initial public offering at the price for that Premium Bond stated on the Cover who holds that Premium Bond to maturity (or, in the case of a callable Premium Bond, to its earlier call date that results in the lowest yield on that Premium Bond) will realize no gain or loss upon the retirement of that Premium Bond.

Owners of Discount Bonds and Premium Bonds should consult their own tax advisors as to the determination for federal income tax purposes of the amount of OID or bond premium properly accruable or amortizable in any period with respect to the Discount Bonds or Premium Bonds and as to other federal tax consequences and the treatment of OID and bond premium for purposes of state and local taxes on, or based on, income.

ELIGIBILITY FOR INVESTMENT AND AS PUBLIC MONEY SECURITY

To the extent that the matter as to the particular investor is governed by Ohio law, and subject to any applicable limitations under other provisions of Ohio law, the Bonds are lawful investments for banks, savings and loan associations, credit union share guaranty corporations, trust companies, trustees, fiduciaries, insurance companies (including domestic for life and domestic not for life), trustees or other officers having charge of sinking and bond retirement or other funds of the State and State subdivisions and taxing districts, the Commissioners of the Sinking Fund, the Administrator of Workers' Compensation, and State retirement systems (Teachers, Public Employees, Public School Employees, and Police and Fire), notwithstanding any other provisions of the Revised Code or rules adopted pursuant to those provisions by any State agency with respect to investments by them.

The Bonds are acceptable under Ohio law as security for the repayment of the deposit of public money.

Beneficial Owners of the Bonds should make their own determination as to such matters as legality of investment in or pledgability of book-entry interests.

UNDERWRITING

The Bonds are being purchased by Fifth Third Securities, Inc. (the Underwriter), at a price of \$2,510,553.25, plus any interest accrued on the Bonds, resulting in a gross underwriting spread of \$20,000.00 from the public offering prices of the Bonds set forth on the Cover (the Offering Prices). In its bond purchase agreement with the City, the Underwriter has agreed to pay certain costs of issuance of the Bonds. The Underwriter has provided the information in this Official Statement pertaining to the Offering Prices and to the offering of the Bonds in the seventh paragraph of **Regarding This Official Statement**. As noted in that paragraph, the Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing into investment trusts) and others at prices lower than the Offering Prices. The Offering Prices may be changed after the initial offering by the Underwriter. The purchase of the Bonds by the Underwriter is subject to certain conditions and requires that the Underwriter will purchase all of the Bonds, if any are purchased.

RATING

The Bonds have been rated "Aa3" by Moody's Investors Service. The rating assigned is shown on the Cover. No application for a rating has been made by the City to any other rating service.

The rating reflects only the view of the rating service, and any explanation of the meaning or significance of the rating may only be obtained from the rating service. The City furnished to the rating service certain information and materials, some of which may not have been included in this Official Statement, relating to the Bonds and the City. Generally, rating services base their ratings on such information and materials and on their own investigation, studies and assumptions.

There can be no assurance that a rating when assigned will continue for any given period of time or that it will not be lowered or withdrawn entirely by a rating service if in its judgment circumstances so warrant. Any lowering or withdrawal of a rating may have an adverse effect on the marketability or market value of the Bonds.

The City expects to furnish the rating service with information and materials that may be requested. The City, however, assumes no obligation to furnish requested information and materials, and may issue debt for which a rating is not requested. Failure to furnish requested information and materials, or the issuance of debt for which a rating is not requested, may result in the suspension or withdrawal of a rating on the Bonds.

TRANSCRIPT AND CLOSING CERTIFICATES

A complete transcript of proceedings and a certificate (described under **Litigation**) relating to litigation will be delivered by the City when the Bonds are delivered by the City to the Underwriter. The City at that time will also provide to the Underwriter a certificate, signed by the City officials who sign this Official Statement and addressed to the Underwriter, relating to the accuracy and completeness of this Official Statement and to its being a “final official statement” in the judgment of the City for purposes of SEC Rule 15c2-12(b)(3).

CONTINUING DISCLOSURE AGREEMENT

The City has agreed, for the benefit of the holders and Beneficial Owners from time to time of the Bonds, in accordance with SEC Rule 15c2-12 (the Rule), to provide or cause to be provided to the Municipal Securities Rulemaking Board such annual financial information and operating data, audited financial statements and notices of the occurrence of certain events in such manner as may be required for purposes of paragraph (d)(2) of the Rule (the Continuing Disclosure Agreement). See **Appendix F** for the proposed form of the Continuing Disclosure Agreement.

The performance by the City of the Continuing Disclosure Agreement will be subject to the annual appropriation by the City of any funds that may be necessary to perform it. The Continuing Disclosure Agreement will remain in effect only for such period that the Bonds are outstanding in accordance with their terms and the City remains an obligated person with respect to the Bonds within the meaning of the Rule.

Within the last five years, the City has in a timely manner made all filings and given all notices required under its prior continuing disclosure agreements.

Questions regarding the Continuing Disclosure Agreement or the information provided pursuant thereto should be directed to Gayle Spangler, City Auditor, 133 South Court Street, Circleville, Ohio, 43113, (740) 477-8251.

BOND REGISTRAR AND ESCROW AGENT

The Savings Bank will act as bond registrar, paying agent, transfer agent and authenticating agent for the Bonds (the Bond Registrar) and as escrow agent for the Refunded Bonds (the Escrow Agent). The Bond Registrar will keep all books and records necessary for registration, exchange and transfer of the Bonds, in accordance with the terms of agreements between it and the City. The Bond Registrar is a state banking association. It has designated its principal corporate trust office in connection with the Bonds.

THE CITY

GENERAL INFORMATION

The City is located in (and is the County seat of) Pickaway County in central Ohio. It was incorporated as a village in 1811, and became a city in 1814.

In the 2010 Census classifications, the City is placed in the Columbus Ohio Metropolitan Statistical Area (MSA), comprised of the eight counties of Delaware, Fairfield, Franklin, Licking, Madison, Morrow, Pickaway and Union.

The City's 2010 population of 13,314 placed it as the largest city in the County and 125th largest in the State. See **Economic and Demographic Information – Population**.

The City's area is approximately 6.95 square miles. Land use, as measured by the assessed value of real property, is presented in the following table.

	Percent of Assessed Valuation of Real Property
Residential	71.17%
Commercial/Industrial	24.66
Public Utility	0.03
Agricultural	0.18
Undeveloped	(a)

(a)Included in above categories.
Source: County Auditor.

The City Council currently has legislation before it to annex 106.842 +/- acres. This land is owned by the Circleville City School District and will be home to the School District's new elementary and high school.

The City is served by diversified transportation facilities, including four State highways. Interstate highway 71 is 22 miles west of the City and Interstate 70 is 29 miles north of the City. It is served by Conrail and Norfolk and Southern Railroads and by the Pickaway County Airport. Passenger and freight air service is provided by the Columbus International Airport located approximately 40 miles north of the City and Rickenbacker Port Authority located approximately 20 miles north of the City.

Banking and financial services are provided to the City area by offices of one local bank and eight local offices of commercial banks and savings banks, all of which have their principal offices elsewhere.

One daily newspaper serves the City. The City is within the broadcast area of the Columbus media market television stations and a number AM and FM radio stations. Multichannel cable TV service, including educational, governmental and public access channels, is provided by Circleville Channel 5.

The educational systems and institutions discussed below operate independently of the City government. The City is not involved in the operation or financial matters of any educational system or institution.

The Circleville City School District (the School District) is the principal school system in the City and the largest school system in the County. It serves approximately 2,265 pupils in six elementary, middle, junior high and senior high schools. The Board of Education of the School District administers an annual operating budget of approximately \$20,000,000 million.

Portions of the City are located in two other public school districts. See **Ad Valorem Property Taxes – Overlapping Governmental Entities**. Only a very small number of the students within the City are within these other school districts. There are also two private and parochial schools in the City. Vocational education is offered by the Pickaway-Ross County Career Center Joint Vocational School District.

Within commuting distance are several public and private two-year and four-year colleges and universities providing a wide range of educational facilities and opportunities. These include The Ohio State University and the Ohio Christian University, an accredited four year institution.

Healthcare services are provided to the City residents by Berger Health System (BHS), which includes the 96-bed Berger Hospital. BHS offers comprehensive inpatient and outpatient services. This not-for-profit system includes Pickaway Health Services (multi-specialty physician group), Bradley Cancer Center, Berger Hospice Care, Deffenbaugh Occupational Health Center, Women's Health Center, Outpatient Diagnostic Center, Pickaway Professional Services (anesthesia group), Berger Medical Center (outpatient diagnostic center and physician offices) and Berger Health Foundation (www.bergerhealth.com).

The City maintains five recreational areas, Mary Virginia Crites Hannan Park, Ted Lewis Park, Barthelmas Park, Garden City Park and Smith Park. In 2010, the City held the dedication of the Mary Virginia Crites Hannan (MVCH) Park. The park was developed on the 72 acres it purchased in 1996. A collaborative effort lead by local citizens, not-for-profit entities, and the

City garnered over \$1.8 million dollars in donations and grants to develop the park. The features in the MVCH Park include a Boundless Playground, 1.2 miles of paved walking track, a splash pad, 22 acres of forested walking trails, wetlands, shelter houses, and a four season pavilion. This community effort has materialized into the City's first metro park, providing the recreational need of not only City residents but for the residents of the surrounding communities.

The City Maintains and operates a City swimming pool. The swimming pool has been leased out to the Pickaway County YMCA since 2005. The YMCA provides swimming lessons and rental opportunities for community events.

The City operates recreational facilities totaling 121 acres. The City's Recreational facilities are home to a variety of activities and programs. The guidance of these programs is overseen by the City's Park Board and in conjunction with local non-profit groups. The statistical attendance for all of these programs annually averages 12,000-15,000. The programs and activities include summer supervised playgrounds, team sports, fitness sessions for youth and adults, and athletic instruction for youth and adults.

The Police Department employs 22 full-time uniformed police officers. The department has a clerical support staff and four dispatchers. The officers are well trained and the department is equipped with state of the art communication equipment, late model marked and unmarked vehicles, and data processing equipment. Dispatching is provided by a county-wide emergency response (9-1-1) system. The crime laboratory facilities of the State of Ohio Bureau of Criminal Investigation are within a 30 minute drive of the City. The City contracts with the County for the services of an animal control officer.

The Circleville Fire Department employs a staff of 17 full-time positions. The full-time staff consists of 16 firefighters and one 40-hour paramedic. All staff members are at least an EMT-B with two personnel at the intermediate level and nine at the paramedic level. The department contains three bureaus of operation; investigations, inspections (code enforcement), and public safety education. The Circleville Fire Department operates out of one main station (headquarters). Services provided by the department are as follows: fire suppression; EMS services, both basic life support and advanced life support; hazardous materials technicians, all fire fighters are technicians to support the Pickaway County Hazardous Response team; fire investigations, inspections (code enforcement); public safety education; confined space rescue; high angle rescue; bike medics for special events; command and control of natural and manmade disasters.

Mission Statement - The Circleville Fire Department is committed to protecting life, property and the environment throughout the community we serve. We will provide the highest customer service through continuous improvement, reflecting our pride and respect for our citizens, our organization and ourselves.

City Government

The City operates under and is governed by the mayor-council form of government in accordance with general laws. Under the Ohio Constitution the City may exercise all powers of

local self-government, and police powers to the extent not in conflict with applicable general laws.

Legislative authority is vested in a seven-member Council, of whom three are elected at-large and four are elected from wards, for two-year terms. The presiding officer (who votes only in the case of a tie vote) is the President, who is elected by the voters for a two-year term. The Council fixes compensation of City officials and employees, and enacts ordinances and resolutions relating to the City services, tax levies, appropriating and borrowing money, licensing and regulating businesses and trades, and other municipal purposes.

The City's chief executive and administrative officer is the Mayor, who is elected by the voters specifically to that office for a four-year term. The other elected officials are all elected to a four-year term. The Mayor, elected by the voters, is the City's ceremonial and official chief executive.

The Mayor appoints the Directors of Public Service, Public Safety, Public Utilities, the Chief of Police and the Chief of the Fire Department. The Mayor also appoints members to a number of boards and commissions, and appoints and removes, in accordance with civil service requirements, all appointed officers and employees, except the Auditor, Law Director, and Council officers and employees. The Auditor and Law Director are the appointing authorities for the Income Tax Office, the Auditor's Office and the Law Director's Office respectively.

The Mayor may veto any legislation passed by the Council. A veto may be overridden by a two-thirds vote of all members of the Council.

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All elected officials serve part-time, except the Auditor. The current elected officials, and some of the major appointed officials, are:

ELECTED

Office	Name	Years in Office	Years Service with the City	Vocation in Private Life
Mayor	Chuck Taylor	3.5	3.5	Retired
Director of Law	Gary Kenworthy	24	24	Attorney
Auditor	Gayle Spangler	11	20	Full-time
Treasurer	Dianne Good	5	5	Retired
President of Council	David M. Crawford	23	23	Public Relations/ Writer
Members of Council	Mike Logan	2	6	Realtor
	Barry Keller	21	21	Maintenance Trainer
	Todd Brady	2	2	Crane Operator
	Sr. Monica Justinger	1	1	Medical Professional
	Bob Bensonhaver	23	23	Retired
	Patricia J. Fouch	3	3	Retired
	Dorcas Morrow	3	33	Building Dept. Administrator

Mayor Chuck Taylor has been unable to perform his duties since April 11, 2011. Since that time and until Mayor Taylor is able to perform his duties or another person is elected to the office of Mayor, and in accordance with the Ohio Revised Code, the President of City Council, David M. Crawford, has and will continue to serve as the Acting Mayor of the City.

APPOINTED

Office	Name	Years in Position	Years Service with the City	Vocation in Private Life
Clerk of Council	Linda M. Chancey	13	13	
Director of Public Service	Brad Jacobs	3	3	Insurance Agent
Director of Public Safety	Robert W. Evans	9 months	9 months	Full-time

The present terms of all elected officials expire on December 31, 2011, except the terms of Treasurer, which expire on December, 2013. All appointed officials serve at the pleasure of

the Mayor with the exception of the Assistant Law Director and the Deputy Auditor who serve at the pleasure of the Law Director and Auditor, respectively.

Employees

The City has 99 full-time and 18 part-time employees. The number of full-time employees has decreased by 11 since December 31, 2008. A statewide public employee collective bargaining law applies generally to public employee relations and collective bargaining.

Senate Bill No. 5 (S.B. 5) was enacted by the General Assembly and signed by the Governor in March 2011, to take effect on July 1, 2011. Opponents of the legislation have filed petition signatures with the Ohio Secretary of State (the Secretary of State) for a November 2011 referendum. The Secretary of State and county boards of elections throughout the State will proceed to determine the number and validity of the petition signatures filed. If the required number of valid petition signatures has been filed, S.B. 5 would not take effect until after the referendum. If the referendum approves S.B. 5, it would then become effective. S.B. 5 impacts numerous aspects of public employment, affecting all public sector employers and employees. S.B. 5, among other things (1) makes significant changes in the State's civil service law, including those affecting fire and police supervisors and declassifying certain employees, (2) expands public employers' ability to control bargaining issues, benefits and pensions, (4) creates a new dispute resolution procedure for bargaining impasses giving public employers (and, in some cases, voters) the ultimate authority to resolve negotiation disputes and (5) prohibits all public employees from striking.

Full-time employees are represented by the following bargaining units:

Bargaining Unit	Agreement Duration	Number of Employees
Ohio Patrolman's Benevolent Association	December 31, 2011	25
Local 1232 International Association of Fire Fighters	December 31, 2012	15
Non-Uniformed Employees' Organization	May 12, 2012	30

The remaining full-time City employees are not eligible or have elected not to join a bargaining unit.

All three collective bargaining units had wage reopeners in 2010 and 2011. In 2010, all collective bargaining and exempt employees did not receive a wage increase. In the 2011 wage reopener, all collective bargaining units received a 1.5% increase for 2011. To date, exempt employees have not received a wage increase for 2011.

There have been no work stoppages in the last five years.

The Council by ordinance establishes salaries, wages and other economic benefits for City employees, the terms of which generally are the products of negotiations with representatives of the employees or bargaining unit.

The City offers health, dental, and life insurance to its full-time employees. Premiums for health and dental are paid 80% by the City and 20% by the employees. Life insurance premiums are paid 100% by the City. In addition to premiums, a deductible liability exists for the City and its employees. The City is responsible for 85% and employees are responsible for 15% of these deductibles. A health reimbursement account (HRA) is maintained and payroll deductions and City contributions are made monthly to provide adequate funding to meet the liabilities presented by these HRA deductibles.

In the City's judgment, its employee relations have been and are excellent. During these economically challenging times, the City and its respective collective bargaining units have worked together to minimize the disruption of services to the City's constituents and have mitigated the need to lay off employees by utilizing retirement options and implementing unilateral reductions in wages and benefits.

Retirement Expenses

Present and retired employees of the City are covered under two statewide public employee retirement (including disability retirement) systems. The Ohio Police and Fire Pension Fund (OP&F) covers uniformed members of the police and fire departments. All other eligible City employees are covered by the Ohio Public Employees Retirement System (OPERS).

In 2010, employees covered by OPERS contributed at a statutory rate of 10.0% of earnable salary or compensation. As the employer, the City's statutory contribution rate for those employees was 14.0% of the same base. In 2010, employees covered by OP&F contributed at a statutory rate of 10.0% of gross salary. As the employer, the City's statutory contribution rates, applied to the same base, were 19.5% for police personnel and 24.0% for fire personnel. In addition to the current OP&F employer contributions, the City is obligated to pay \$16,472.14 per year through 2035 for a prior unfunded accrued liability allocable to the City, as determined in 1967 when this statewide system was established. These employee and employer contribution rates are the maximums permitted under current State law.

The City has obligations to "pick-up" a portion of the employee's contributions to OPERS and OP&F. For OPERS employees, the pick-up is 8.5% of the 10.0% of the employee mandated contribution. For OP&F employees, the pick up is 10% of the 10% of the employee mandated contribution.

In the collective bargaining agreements, an allowance is provided to pay out accumulated compensated absences upon retirement. The payout includes accumulated vacation, comp time and sick time. The payout is based on provisions established in each collective bargaining agreement. In February 2010, the City Council passed Ordinance 2-14-2010 creating the Retirement Compensation Absence Fund 210 for all non-enterprise fund employees and Ordinance 2-13-2010 creating the Enterprise Compensated Absence Fund 890 for all enterprise

fund employees. Funds are credited to the respective accounts to allow for an available balance in order to meet future retirement liability obligations.

For further information on these pension plans, see Notes 10 and 11 to the Basic Financial Statements included in **Appendix C**. Financial and other information for OPERS and OP&F can also be found on the respective website for each retirement system including its Comprehensive Annual Financial Report.

OPERS and OP&F are two of five statewide public employee retirement systems created by and operating pursuant to Ohio law, all of which currently have unfunded actuarial accrued liabilities. The General Assembly has the power to amend (and in the past has amended) the format of those systems and could revise rates or methods of contributions to be made by the City and its employees to OPERS and/or OP&F and could also revise benefits or benefit levels. Legislation has been introduced in the current session of the General Assembly proposing certain changes to the statewide public retirement systems, including OPERS and OP&F. If enacted, this legislation would, depending on the retirement system, increase minimum retirement age and service requirements, reduce certain benefits, require increased employee contributions and decreased employer contributions and make other changes. The City cannot predict whether, when or in what form this legislation will be enacted into law. The City's obligation to contribute to OPERS and OP&F, however, is currently limited as described above, including with respect to their unfunded actuarial accrued liabilities.

The City's current employer contributions to OPERS and OP&F, and the payments toward the accrued OP&F liability, have been treated as current expenses and included in the City's operating expenditures, except to the extent paid from the proceeds of the "Police and Fire Pension" levy referred to under **Tax Rates**.

Federal law requires City employees hired after March 31, 1986 to participate in the federal Medicare program, which requires matching employer and employee contributions, each being 1.45% of the wage base. Otherwise, City employees who are covered by a State retirement system are not currently covered under the federal Social Security Act. OPERS and OP&F are not subject to the funding and vesting requirements of the federal Employee Retirement Income Security Act of 1974.

The City pays 80% of the cost of health care and dental insurance benefits and 100% of life insurance benefits.

City Facilities; Insurance

The City owns buildings and facilities consisting of a City Hall, fire stations, police headquarters, park complexes, recreational facilities, public works maintenance facility/garage, water and wastewater treatment facilities and owns machinery, equipment, safety and other vehicles. See also **Future Financing**.

The City currently carries real property and contents casualty insurance in the amount of \$50,002,504, with a deductible of \$5,000.

The City also maintains a variety of liability insurance coverages with varying deductibles. The liability insurance on City vehicles has a combined single-limit bodily injury and property damage coverage in the amount of \$6,000,000 per occurrence (with no deductible or aggregate). The City also carries public official and employee liability insurance coverage with a \$6,000,000 limit of liability (with \$80,000 aggregate) for each loss. The City's property, auto, and liability insurance will be up for renewal on February 18, 2012. The City is not self-insured and seeks proposals for coverage each year as part of the renewal process.

Economic and Demographic Information

Population

Recent Census population has been:

Year	City	County	MSA
1970	11,687	40,071	1,149,372
1980	11,700	43,662	1,243,827
1990	11,666	48,255	1,405,168
2000	13,485	52,727	1,540,157
2010	13,314	55,698	1,801,709

2010 Census figures show the following breakdown by age groups of the population of the City:

Under 18	20-24	25-34	35-49	50-64	65+	Total ^(a)
3,104	802	1,705	2,427	2,549	2,361	12,948

(a) Households reporting age break-down.

Educational attainment for the City's and the County's population (25 years or older) is set forth in the following table.

	City	County
Less than 9th Grade	236 (2.90%)	1,312 (3.6%)
9th to 12th Grade (no diploma)	1,080 (11.9%)	4,958 (13.6%)
High School graduate (includes GED)	4,946 (54.5%)	17,278 (47.4%)
Some college, no degree	1,152 (12.7%)	5,869 (16.1%)
Associate degree	472 (5.2%)	2,187 (6.0%)
Bachelor degree	672 (7.4%)	3,098 (8.5%)
Graduate or professional degree	517 (5.7%)	1,750 (4.8%)

Source: U.S. Census Bureau Selected Source Characteristics in the United States 2005-2009.

Employment and Income

The following table shows comparative employment and unemployment statistics for the indicated periods.

Year(a)	<u>Employed in</u>		<u>Unemployment Rate</u>			U.S.
	County	MSA	County	MSA	State(a)	
2006	22,800	896,500	5.8%	4.7%	5.4%	4.6%
2007	22,900	911,800	6.0	4.7	5.6	4.6
2008	23,000	912,200	7.1	5.5	6.6	5.8
2009	22,100	891,500	10.8	8.4	10.2	9.3
2010	22,100	881,100	11.0	8.9	10.1	9.6
2011						
Jan.	21,900	876,200	11.3	8.5	10.1	9.8
Feb.	21,900	878,500	11.2	8.2	9.8	9.5
Mar.	22,100	886,400	10.1	7.6	9.0	9.2
Apr.	22,200	888,900	9.3	7.3	8.4	8.7
May	22,400	898,200	9.0	7.4	8.5	8.7
June	22,300	892,000	10.0	8.2	9.2	9.3

(a) Not seasonally adjusted.

Source: Ohio Department of Job and Family Services – Bureau of Labor Market Information.

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The following table lists the employers (private and public) having the largest work forces within the City (as of April 30, 2011).

Employer	Nature of Activity or Business	Approximate Number of Employees
<u>Public Employers</u>		
Berger Hospital	Inpatient and Outpatient Healthcare	713
State of Ohio Payroll	State Government	468
Circleville City Schools	Public Education	419
Logan Elm Schools	Public Education	405
Pickaway County Auditor	County Government	366
Pickaway County Community Action	Community Action Agency	146
Circleville City	City Government	122
Berger Emergency Physicians	Emergency Room Providers	8
<u>Private</u>		
GE Lighting Inc.	Fluorescent Lamps	328
The Kroger Company	Retail Sales	130
Macintosh Company	Healthcare	190
Health Care Logistics	Medical Supply Provider	118
The Savings Bank	Banking	56
Orthopedic Sports Medicine	Healthcare	28
Conveyor Metal Works, Inc.	Conveyor Parts	11
Brown Memorial Home	Healthcare	75

Source: Regional Income Tax Agency

The 2009 median family and household incomes, as reported by the Census Bureau in its “2005-2009 American Community Survey 5-Year Estimates,” are set forth in the following table.

	2009 Median Income	
	Family	Household
City	\$45,027	\$25,230
County	60,028	29,309
State	59,208	47,144
United States	62,363	51,425

According to the Ohio Department of Taxation, the average federal adjusted gross income for residents within the Circleville City School District (which overlaps the City) filing Ohio personal income tax returns for calendar year 2009 was \$40,005, compared to the averages of \$58,564 for all Ohio school districts (for all tax returns filed, the 2009 State average for tax returns that indicated school districts was \$49,981) and \$46,112 for all school districts in the County.

The income per household in the City and County is estimated to be distributed as set forth in the following table.

Income and Benefits(a)	City	County
Less than \$10,000	555 (11.3%)	1,091 (6.1%)
\$10,000 to \$14,999	280 (5.7%)	805 (4.5%)
\$15,000 to \$24,999	702 (14.3%)	1,896 (10.6%)
\$25,000 to \$34,999	736 (15.0%)	2,039 (11.4%)
\$35,000 to \$49,999	947 (19.3%)	3,237 (18.1%)
\$50,000 to \$74,999	785 (16.0%)	3,738 (20.9%)
\$75,000 to \$99,999	491 (10.0%)	2,396 (13.4%)
\$100,000 to \$149,999	339 (6.9%)	2,164 (12.1%)
\$150,000 to \$199,999	30 (0.6%)	340 (1.9%)
\$200,000 or more	44 (0.9%)	179 (1.0%)

(a) In 2009 inflation-adjusted dollars.

Source: U.S. Census Bureau Selected Source Characteristics in the United States 2005-2009.

The U.S. Census Bureau also estimates that 20% of people in the City and 11.7% of the people in the County have incomes that fall below the poverty level.

Housing and Building Permits

The following is U.S. Census Bureau information concerning housing in the City, with comparative County and State statistics.

	2009 Median Value of Owner-Occupied Homes(a)	% Constructed Prior to 1940(a)	Number of Housing Units		% Change
			2000	2010(b)	
City	\$117,387	26.2%	5,700	6,204	+8.85%
County	140,900	22.0	18,596	21,275	+14.41
State	134,500	22.5	4,783,051	5,127,508	+7.2

(a) Source: U.S. Census Bureau Selected Source Characteristics in the United States 2005-2009.

(b) Source: U.S. Census Bureau American Fact-Finder 2010 Census Redistricting Data (Public Law 94-171) Summary File.

County Auditor figures for average sale prices of residential property in the City are shown in the following table.

Year	City	County
2006	\$133,894.18	\$145,895.67
2007	121,447.02	136,253.73
2008	129,731.00	141,430.46
2009	105,460.27	138,685.79
2010	107,887.18	133,394.57

The number and value of all building permits (including commercial, industrial, residential and public, and both remodeling and new construction) issued by the City are shown in the following table.

Year	Number	Value
2006	206	\$7,419,752
2007	260	2,572,901
2008	242	17,643,954
2009	217	3,175,084
2010	187	6,859,288

Utilities; Public Safety and Services

Water service within the City is provided by the City water system, and is purchased directly by the consumers. Sewage collection and disposal is provided by the City. Electricity is obtained from American Electric Power (AEP), and natural gas is supplied by Columbia Gas of Ohio. Fire protection is provided by the City's Fire Department. Trash collection is provided by a variety of private haulers and trash from the City is sent to the Rumpke Transfer Station landfill.

In 2008, the City issued various purpose bonds in the amount of \$3,360,000. Of the amount issued \$1,725,000 was issued for the extension of sanitary sewer and \$1,280,000 was issued for the extension of water. This sanitary sewer and water line improvement and extension project opened the City's northern corridor for economic development and expanded residential service. Dollars to pay the debt obligations are derived from water and sewer revenues generated by the public utility. Debt funds are maintained in special enterprise funds for the sole purpose of retiring the debt associated with the extension and improvement of the water and sanitary sewer systems.

Community/Economic Development

The City has several opportunities for growth over the next 5-8 years, both inside and outside its municipal boundaries. The former Thomson Consumer Electronics facility and site presents the greatest of these opportunities. When Thomson closed its doors in 2004 it left behind over 200 acres of developed land, a 167,000 square foot warehouse and 10,000 square

feet of class-A office space. In 2010, a \$3.5 million Jobs Ready Site Grant was awarded to the Pickaway Progress Partnership for the development of roadways, sewer and water on the site. Based on conservative estimates, over the next 5-8 years, 500 new jobs could be created at the site bringing in an additional \$260,000 per year in income tax revenue. Likewise, the former Smurfit-Stone Container Corp. paper mill, which closed in 1998 has undergone significant revitalization efforts enabled by a \$750,000 Clean Ohio Assistance Fund grant obtained by the City for environmental cleanup. CircleGreen, LLC, the current site owner, will complete demolition of the old mill in the summer of 2011. Based on conservative estimates, redevelopment of this site could result in 100 new jobs and an estimated \$50,000 in additional income tax revenue annually.

The Route 22 Corridor on the east side of the City is poised for significant growth and job creation in the coming years. Planned construction of the new Circleville City Schools campus and the continued growth of Ohio Christian University represents nearly \$100 million of new development in the next five years. Thoughtful planning on the part of the City of Circleville and Washington Township has laid the groundwork for the extension of city services and the sharing of tax revenues generated by the new development in this area. The creation of a new trail system and continued improvement to the City Park will help to maximize the development potential east of Circleville.

Realizing that few opportunities exist for growth of properties within its municipal boundaries, the City signed an historic pre-annexation agreement with Circleville Township that allows for the City to realize revenues from growth in the Township. The agreement calls for development in some 1,757 acres surrounding the City. Development in these areas will only be accomplished through an adequate investment in infrastructure. To that end, in 2008, the City made a sizeable investment in sewer and water to the north of the City bringing infrastructure to roughly 500 acres of undeveloped land. In 2010, the City entered into negotiations for the creation of a pre-annexation agreement with Washington Township. This historic agreement will allow for the cooperative development of over 1,875 acres of undeveloped land. Legislation for the acceptance and implementation of the Washington Township pre-annexation agreement have been approved by both parties. The City's Comprehensive Land Use Plan addresses road and rail infrastructure improvements in the areas designated by these historic pre-annexation agreements.

Growth in Circleville and the surrounding areas has been impacted greatly by the Rickenbacker Intermodal Terminal which opened in 2008 in the northern part of Pickaway County. Economic development from this terminal has created 120 new jobs and is estimated to bring 10,000 additional jobs over the next 15 years. Circleville expects to capture some of that growth in jobs at the Thomson site and the Commercial Development Districts in Circleville Township.

The City and Circleville Township entered into a cooperative annexation agreement and the City and Washington Township agreement is pending. The City and the Townships wish to collaborate in creating and preserving jobs through commercial, industrial and retail development and to combine forces in inducing and fostering economic development. The annexation agreements call for but are not limited to the cooperative development of water and sewer services and the development of coordinated planning standards in the territories to which

that agreements pertain. The joint agreements have resulted in the development of a Comprehensive Land Use Plan for designated Commercial Development Districts.

FINANCIAL MATTERS

Introduction

The City's Fiscal Year corresponds with the calendar year.

The main sources of City revenue have been and are property taxes, income taxes and State distributions, as described below.

The responsibilities for the major financial functions of the City are divided among the Mayor the Auditor, the Treasurer, and the Council.

Other important financial functions include general financial recommendations and planning by the Mayor; budget preparation by the Mayor with the assistance of the Auditor and the Treasurer; and express approval of appropriations by the Council.

The Auditor is the City's fiscal and chief accounting officer. Among that officer's duties are to keep the books and accurate statements of all money received and expended and of all taxes and assessments; at the end of each Fiscal Year, or more often if requested by the Council, to examine all accounts of City officers and departments; and not to allow the amount set aside for any appropriation to be overdrawn, or the amount appropriated for any one item of expense to be drawn upon for any other purpose, or a voucher to be paid unless sufficient funds are in the City treasury to the credit of the fund on which the voucher is drawn. The Treasurer is responsible for receiving, maintaining custody of and disbursing all City funds.

The Auditor has charge of the financial affairs of the City, including the keeping and supervision of all City accounts and the custody and disbursements of all City funds and money. The Auditor is elected.

For property taxation purposes, assessment of real property is by the County Auditor subject to supervision by the State Tax Commissioner, and assessment of public utility and tangible personal property is by the State Tax Commissioner. Property taxes and assessments are billed and collected by County officials.

Budgeting, Property Tax Levy and Appropriations Procedures

Detailed provisions for budgeting, property tax levies and appropriations are made in the Revised Code, including a requirement that the City levy a property tax in a sufficient amount, with any other money available for the purpose, to pay the debt charges on securities payable from property taxes.

The law requires generally that a subdivision prepare, and then adopt after a public hearing, a tax budget approximately six months before the start of the next fiscal year. The tax budget is then presented for review by the county budget commission, which is comprised of the county auditor, treasurer and prosecuting attorney. A county budget commission may, however,

waive the requirement for a tax budget and require an alternative form of more limited information required by the commission to perform its duties. The Pickaway County Budget Commission has not yet waived the requirement of a tax budget from the City.

The county budget commission then determines and approves levies for debt charges outside and inside the ten-mill limitation. The Revised Code provides that “if any debt charge is omitted from the budget, the commission shall include it therein.”

The county budget commission then certifies to each subdivision its action on the tax budget together with the estimate by the county auditor of the tax rates outside and inside the ten-mill limitation. Thereafter, and before the end of the then Fiscal Year, the taxing authority (the Council in the case of the City) approves the tax levies and certifies them to the county auditor. The approved and certified tax rates are then reflected in the tax bills sent to property owners. Real property taxes are payable in two equal installments, the first usually by January and the second in June.

The Council adopts a temporary appropriation measure in December and then, by April 1, a permanent appropriation measure for that Fiscal Year. Although called “permanent,” the annual appropriation measure may be, and often is, amended during the Fiscal Year. Annual appropriations may not exceed the County Budget Commission’s official estimates of resources, and the County Auditor must certify that the City’s appropriation measures do not appropriate money in excess of the amounts set forth in those estimates.

Financial Reports and Audits

The City maintains its accounts, appropriations and other fiscal records in accordance with the procedures established and prescribed by the Ohio Auditor of State (the State Auditor). The State Auditor is charged by law with the responsibility of inspecting and supervising the accounts and records of each taxing subdivision and most public agencies and institutions.

City receipts and expenditures are compiled on a cash basis, pursuant to accounting procedures prescribed by the State Auditor that are generally applicable to all Ohio political subdivisions. The records of these cash receipts and expenditures are converted annually for reporting purposes to a modified accrual basis of accounting for governmental funds and an accrual basis for proprietary funds. These accounting procedures conform to generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). Those principles, among other things, provide for a modified accrual basis of accounting for the general fund, all special revenue funds and the debt service (bond retirement) fund and for a full accrual basis of accounting for all other funds, and for the preparation for each fund of balance sheets, statements of revenues and expenditures and statements showing changes in fund balances.

The City has issued Basic Financial Statements (Financial Statements), for each of the Fiscal Years 2003 through 2010.

Audits are made by the State Auditor, or by private auditing firms (CPAs) at the direction of that officer, pursuant to Ohio law and under certain federal program requirements. No other independent examination or audit of the City’s financial records is made.

The most recent audit (including compliance audit) of the City's accounts was completed through Fiscal Year 2010. The Basic Financial Statements (unaudited) of the City for Fiscal Year 2010 are set forth as **Appendix C**; they have been audited by J. L. Uhrig & Associates, independent auditors, as stated in their report appearing in those statements. No material findings, citations or items for adjustment, or material weaknesses in internal controls, were noted as part of the audit.

Annual financial reports are prepared by the City and are filed as required by law with the State Auditor after the close of each Fiscal Year.

See **Appendix A** for an unaudited comparative cash-basis summary, prepared by the City, of General Fund receipts and expenditures for the last five Fiscal Years and budgeted for Fiscal Year 2011. All funds receipts and expenditures for the two prior Fiscal Years are set forth in **Appendix B**. See **Appendix C** for the audited Basic Financial Statements for Fiscal Year 2010, including the audit letter/independent accountant's report.

The audited financial statements are public records, no consent to their inclusion is required, and no bring-down procedures have been undertaken by the State Auditor (or CPA) since their date.

Investments

Investments and deposits of City funds are governed by the Uniform Depository Law (Chapter 135 of the Revised Code) applicable to all subdivisions, and by ordinances. The Treasurer is responsible for those investments and deposits. Under recent and current practices, and the City's adopted investment policy, in addition to deposits evidenced by interest-bearing certificates of deposit, investments are made in federal or federal agency securities, (with the underlying federal or agency securities held on the City's behalf by Fifth Third and mutual funds consisting of federal or agency securities. See also Notes to the Basic Financial Statements in **Appendix C**.

The City does not invest in any securities that would be characterized as derivatives or in reverse repurchase agreements and purchases all investments with the intent to hold to maturity.

The weighted average maturity of the entire portfolio is 789.84 days. The following table presents a summary of the City's investment portfolio as of April 30, 2011.

	Investments	% of Portfolio
State Investment Pool (STAR Ohio)	\$-0-	0.00%
Repurchase Agreements	-0-	0.00
Certificates of Deposit	5,092,941.31	57.87
U.S. Treasury Securities	10,000.00	0.11
Federal Agency Securities	3,698,263.20	42.02
City bonds and notes	<u>-0-</u>	<u>0.00</u>
Total(a)	\$8,801,204.51	100.00%

(a) Does not include cash (\$2,358,817.65); see prior table.

Financial Outlook

The City's General Fund cash balance as of December 31 for each of the years 2006 through 2010 and estimated for 2011 are shown in **Appendix A**.

The current budgetary legislation before the Ohio legislature poses challenging financial circumstances for the City. The City anticipated a reduction in the LGFs and already made significant reductions in its 2010 estimated revenue projections. The acceleration of the elimination of the PPT reimbursement was not anticipated. The City has received its first installment for 2011, which it anticipates will be the last reimbursement. The City has been doing yearly systematic reductions for the ultimate elimination of the PPT. The current legislation will require immediate reductions in projected revenues for 2011 and subsequent years. The proposal for the elimination of the estate tax in 2013 will have some impact on the City's General Fund. Estate tax revenues represent less than 2% of the City's General Fund projected revenues due to the volatility in its distribution. The City administration and Circleville City Council Finance Committee are working on a plan of action to address the proposed revenue reductions legislated by the State of Ohio. These discussions center around reducing operating costs, consolidating services, and altering the distribution of income tax receipts between the General Fund and the Capital Improvement Fund.

GENERAL FUND

The General Fund is the City's main operating fund, from which most expenditures are paid and into which most revenues are deposited. The General Fund receives money from many sources, but primarily from ad valorem property taxes and income taxes levied by the City and State local government assistance distributions. **Appendices A** and **B** provide further information regarding other revenue sources for the General Fund and other City funds.

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AD VALOREM PROPERTY TAXES

Assessed Valuation

The following table shows the recent assessed valuations of property subject to ad valorem taxes levied by the City.

Collection Year	Real(a)	Tangible Personal(b)(c)	Public Utility(c)(d)	Total Assessed Valuation
2005	\$186,984,070	\$47,144,894	\$7,557,680	\$241,686,644
2006 ^(f)	216,270,660	21,444,439	7,681,260	245,396,359
2007	211,920,740	13,897,508	7,311,240	233,129,488
2008	212,992,830	7,880,551 ^(g)	6,536,850 ^(g)	227,410,231
2009 ^(e)	218,817,300	4,020,614 ^(g)	6,735,010 ^(g)	229,572,924
2010	217,372,050	382,500 ^(g)	6,990,660 ^(g)	224,745,210
2011	216,956,700	193,690 ^(g)	8,816,630 ^(g)	225,967,020

(a) Other than real property of railroads. The real property of public utilities, other than railroads, is assessed by the County Auditor. Real property of railroads is assessed, together with tangible personal property of all public utilities, by the State Tax Commissioner.

(b) Other than public utility.

(c) The State (i) reduced the valuation of tangible personal property of general businesses and railroads in increments beginning in 2006 to zero in 2009 and (ii) is reducing the valuation of tangible personal property of telecommunications companies in increments beginning in 2007 to zero in 2011; see the discussion of those reductions and related State makeup payments below.

(d) Tangible personal property of all public utilities and real property of railroads; see footnotes (a) and (c).

(e) Reflects triennial adjustment.

(f) Reflects sexennial reappraisal.

(g) Reflects, in part, the reclassification of tangible personal property of telecommunications companies from Public Utility to Tangible Personal.

Source: County Auditor.

Taxes collected on “Real” in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of that preceding year. Taxes collected on “Tangible Personal” in one calendar year were levied in the same calendar year on assessed values during and at the close of the taxpayer’s most recent fiscal year that ended on or before December 31 of the preceding calendar year, and at the tax rates determined in the preceding year. “Public Utility” (real and tangible personal) taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year.

Since January 1, 2000, 83,542 acres were annexed to the City and 107.85 acres are the subject of pending annexations. The estimated assessed valuation of this land is \$167,280 (which is not yet included in the above table of assessed valuation), based on the fact that the land is agricultural at the present time, but it is anticipated that this assessed valuation will increase as a result of school construction development that is expected to take place. While it will increase assessed valuation, it will bring in no new real estate tax revenue.

Based on County Auditor records of assessed valuations for the 2010 collection year, the largest City ad valorem property tax payers are:

Name of Taxpayer	Nature of Business	Total Assessed Valuation	% of Total Assessed Valuation
Berger Hospital	Healthcare	\$3,005,040	1.33%
GE Lighting, Inc.	Fluorescent Bulbs	2,597,520	1.15
Ohio II Investors	Commercial Real Estate	1,894,390	0.84
Kroger Co.	Retail Grocery	1,373,150	0.61
Coughlin Properties	Automotive	1,106,130	0.49
Circleville Pickaway	Commercial Real Estate	1,093,050	0.48
Ricky L. Collins	Residential Real Estate	1,087,400	0.48
Circle Investment Corp.	Commercial Real Estate	977,530	0.43
Circleville Limited	Commercial Real Estate	897,570	0.40
Ragha LTD	Motel	874,730	0.39
140 CM Group I	Medical Offices and Clinic	849,630	0.38
Circleville Shopping	Retail Shopping	820,880	0.36
IRG Circleville, LLC	Industrial Real Estate	784,040	0.35
Cargill, Inc.	Grain Shipping	781,820	0.35
Sharpe HCL LTD.	Medical Supply Distributor	766,590	0.34
RCG Circleville	Retail Shopping	743,090	0.33
Delta Investors I, Inc.	Nursing Home	706,180	0.31
Twin Oaks Limited	Apartments	690,980	0.31
Chesapeake Realty Dev.	Commercial Real Estate	664,790	0.29
Circleville Pickaway Corp.	Rest Home	648,980	0.29
Grandview Retail	Retail Shopping	512,480	0.23
All Others		\$203,091,050	89.87%
Total Assessed Valuation		225,967,020	100.00%

Pursuant to statutory requirements for sexennial reappraisals, in 2011 the County Auditor is currently adjusting the true value of taxable real property to reflect current fair market values. These adjustments will be first reflected in the 2011 duplicate (collection year 2012) and in the ad valorem taxes distributed to the City in 2012 and thereafter. The County Auditor is required to adjust (but without individual appraisal of properties except in the sexennial reappraisal), and has adjusted, taxable real property value triennially to reflect true values.

The “assessed valuation” of real property is fixed at 35% of true value and is determined pursuant to rules of the State Tax Commissioner. An exception is that real property devoted exclusively to agricultural use is to be assessed at not more than 35% of its current agricultural use value. Real property devoted exclusively to forestry or timber growing is taxed at 50% of the local tax rate upon its assessed value.

The taxation of all tangible personal property used in general businesses (excluding certain public utility tangible personal property) was phased out over four years, from tax year 2006 to tax year 2009. Previously, machinery and equipment and furniture and fixtures were generally taxed at 25% of true value, and inventory was taxed at 23%. The taxation of all tangible personal property used by telephone, telegraph or interexchange telecommunications companies (“telecommunications property”) is also being phased out over tax years 2007 to 2011. Previously, telecommunications property was taxed at 25% or 46% of true value (depending on the type of equipment and when it was placed into service). The percentages of true value of such property taxed have been, and are being, reduced to those set forth in the following table.

Tax Year	General Business Property	Telecommunications Property
2006	18.75%	(a)
2007	12.50	20.00%
2008	6.25	15.00
2009	0.00	10.00
2010	0.00	5.00
2011	0.00	0.00

(a) 25% or 46%; see discussion above.

To compensate for decreased revenue as the tangible personal property taxes have been phased out, the State in 2006 commenced making distributions to taxing subdivisions (such as the City) from revenue generated by the State’s commercial activity tax (the CAT). The CAT is levied annually on all persons or entities doing business in the State with taxable gross receipts from their business activities greater than \$150,000. Generally, these distributions were expected to fully compensate local taxing units (such as the City) for such tax revenue losses from the phaseout of the tax on tangible personal property used in general businesses through 2011, with gradual and increasing reductions in the reimbursement amount through 2017, and from the phaseout of the tax on telecommunications property in varying and decreasing amounts through 2018. The State Budget Act generally accelerates the reductions in those reimbursement amounts to be expected in 2011 through 2014, subject to certain annual limits on those reductions for subdivisions that were heavily reliant on tangible personal property taxes, and provides for a freeze of reimbursement amounts at 2013 levels in 2014 and all years thereafter. The State’s reimbursement payment to the City for Fiscal Year 2010 was \$151,678 and for Fiscal Year 2011 is expected to be \$31,563.

The application of the CAT to certain types of business receipts has been the subject of litigation. On September 17, 2009, the Ohio Supreme Court held that the CAT is not an excise tax “upon the sale or purchase of food” and does not violate the State’s constitutional prohibitions against such a tax. On July 26, 2011, an Ohio appellate court held the CAT “is not a tax upon motor vehicle fuel” and, thus, upheld constitutionality of the application of the CAT to gross receipts from the sales of motor fuels.

Public utility tangible personal property (with some exceptions) is currently assessed (depending on the type of property) from 25% to 88% of true value. Effective for collection year 2002, the assessed valuation of electric utility production equipment was reduced from 100% and natural gas utility property from 88% of true value, both to 25% of true value. The City has been receiving makeup payments from the State, in varying and declining amounts to offset those reductions. The State Budget Act generally accelerates the reductions in those makeup payments in 2011 through 2013, subject to certain annual caps for subdivisions that were heavily reliant on public utility tangible personal property taxes, and provides for a freeze of reimbursement amounts at 2013 levels for 2014 and all years thereafter. The City received \$12,488.74 in such makeup payments from the State in 2010 and expects to receive approximately \$5,859.89 in 2011.

Commencing in tax year 2006, the assessment rate for electric utility transmission and distribution equipment was reduced from 88% to 85%, and the assessment rate for all electric company taxable property was reduced from 25% to 24%.

As indicated herein, the General Assembly has from time to time exercised its power to revise the laws applicable to the determination of assessed valuation of taxable property and the amount of receipts to be produced by ad valorem taxes levied on that property and may continue to make similar revisions.

Ohio law grants tax credits to offset increases in taxes resulting from increases in the true value of real property. Legislation classifies real property as between residential and agricultural property and all other real property, and provides for tax reduction factors to be separately computed for and applied to each class.

These tax credits apply only to certain voted levies on real property, and they do not apply to unvoted levies or to voted levies to provide a specified dollar amount or to pay debt charges on general obligation debt. None of the City's tax levies are affected by these credits. These credits are discussed further following **Tax Table A**.

Overlapping Governmental Entities

The major political subdivisions or other governmental entities that overlap all or a portion of the territory of the City are listed below. The “(%)” figure is that approximate percentage of a recent assessed valuation of the overlapping entity that is located within the City.

- The County (functions allocated to counties by Ohio law, such as elections, health and human services and judicial). (19.26%)
- A portion of the Circleville City School District (K-12 educational responsibilities). (84.15%)
- Portions of other school districts are also included in the City as follows: Logan Elm Local School District (2.76%) and Westfall Local School District (0.03%).
- Pickaway-Ross County Career Center Joint Vocational School District (the Career Center) (vocational education program). (11.79%)

- Townships of Circleville (0.00%) and Yamarick (37.15%) (limited functions allocated to townships by Ohio law).
- Paint Valley Health District (miscellaneous). (5.59%)

Source: OMAC.

Each of these entities operates independently, with its own separate budget, taxing power and sources of revenue. Only the County, townships, school districts and the Career Center may, as may the City, levy ad valorem property taxes within the ten-mill limitation (subject to available statutory allocation of the 10 mills) described under **Indirect Debt and Unvoted Property Tax Limitations**.

Tax Rates

All references to tax rates under this caption are in terms of stated rates in mills per \$1.00 of assessed valuation.

The following are the rates at which the City and overlapping taxing subdivisions have in recent years levied ad valorem property taxes in that area of the City having the highest overlapping tax rate.

**Tax Table A
Overlapping Tax Rates**

Collection Year	City	County(a)	Circleville City School District	Pickaway- Ross Jt. Voc. School District	Total
2007	4.00	8.50	52.14	4.20	68.84
2008	4.00	8.50	52.14	4.20	68.84
2009	4.00	8.50	52.14	4.20	68.84
2010	4.00	9.50	52.14	4.20	69.84
2011	4.00	9.50	59.73	4.20	77.43

(a)Includes levies for the County Board of Developmental Disabilities.

Source: County Auditor.

Statutory procedures limit, by the application of tax credits, the amount realized by each taxing subdivision from real property taxation to the amount realized from those taxes in the preceding year plus both:

- the proceeds of any new taxes (other than renewals) approved by the electors, calculated to produce an amount equal to the amount that would have been realized if those taxes had been levied in the preceding year; and
- amounts realized from new and existing taxes on the assessed valuation of real property added to the tax duplicate since the preceding year.

These procedures were instituted initially in 1976 to limit in part the effect of increasing property values on the growth of those property taxes.

As noted above, all of the City’s property tax levies, as levies inside the ten-mill limitation, are exempt from those tax credit provisions. The tax credit provisions do not apply to amounts realized from taxes levied at whatever rate is required to produce a specified amount or an amount to pay debt charges, or from taxes levied inside the ten-mill limitation or any applicable charter tax rate limitation. To calculate the limited amount to be realized, a reduction factor is applied to the stated rates of the levies subject to these tax credits. A resulting “effective tax rate” reflects the aggregate of those reductions, and is the rate based on which real property taxes are in fact collected. As an example, the total overlapping tax rate for the 2011 tax collection year of 77.43 mills within the City (in the portion overlapping the Circleville City School District) is reduced by reduction factors of 0.283317 for residential/agricultural property and 0.174507 for all other real property, which results in “effective tax rates” of 55.492741 mills for residential and agricultural property and 63.917893 mills for all other real property. See **Tax Table A**.

Residential and agricultural real property tax amounts are generally further reduced by an additional 10% (12.5% in the case of owner-occupied residential property). See **Collections** for a discussion of the reimbursement by the State for this reduction.

The following are the rates at which the City levied property taxes for the general categories of purposes for the years shown, both inside and outside the ten-mill limitation.

**Tax Table B
City Tax Rates**

Inside the Limitation

Collection Year	Operating	Police and Fire Pension	Total
2007	3.40	0.60	4.00
2008	3.40	0.60	4.00
2009	3.40	0.60	4.00
2010	3.40	0.60	4.00
2011	3.40	0.60	4.00

See the discussion of the ten-mill limitation, and the priority of claim on that millage for debt charges on unvoted general obligation debt, under **Indirect Debt and Unvoted Property Tax Limitations**.

Collections

The following are the amounts billed and collected for City ad valorem property taxes for the tax collection years shown.

Collection Year	Current Billed	Current Collected	Current % Collected	<u>Delinquent Collected</u>	<u>Total Collected</u>
<i>Real and Public Utility Property</i>					
2006	\$873,865.00	\$800,941.33	91.66%	\$30,501.30	\$831,442.63
2007	873,533.80	833,550.13	95.42	57,910.55	891,460.68
2008	979,347.83	841,162.21	85.89	42,319.66	883,481.87
2009	988,733.01	849,866.51	85.96	28,032.63	877,899.44
2010	1,004,036.39	853,079.18	84.96	48,995.89	902,075.07
<i>Tangible Personal Property</i>					
2006	\$85,650.00	\$54,722.17	63.89%	\$30,927.83	\$85,650.00
2007	55,503.00	30,364.30	54.71	25,138.70	55,503.00
2008	30,973.04	22,722.47	73.36	0.00	22,722.47
2009	15,764.57	1,526.99	9.69	5,467.52	6,994.51
2010	1,499.60	730.70	48.73	1,497.45	2,228.15

N.A.= No information available.

Source: County Auditor.

Included in the “Billed” and “Collected” figures above are payments made from State revenue sources under two statewide real property tax relief programs (which do not apply to special assessments). Homestead exemptions are available for persons over 65 and the disabled. Payments to taxing subdivisions have been made in amounts equal to approximately 10% (12.5% with respect to owner-occupied residential property) of all ad valorem real property taxes levied, thereby reducing the tax obligations of real property owners in any given year by the applicable 10% or 12.5%. This State assistance reflected in the City’s tax collections for 2010 was \$121,134.00 for the elderly/disabled homestead payment and the rollback payment.

State legislation first effective with respect to tax bills payable in 2008 has provided for an expansion of the homestead property tax exemption. Under that legislation, an Ohio resident homeowner who (a) is at least 65 years old, (b) is totally and permanently disabled or (c) (i) is the surviving spouse of a person who was receiving the previous homestead exemption at the time of death and (ii) was at least 59 years old on the date of death of his or her spouse, may apply to exempt \$25,000 of the market value of the home from all local property taxes. This exemption commenced with tax bills payable in calendar year 2008. Local governments, such as the City, and school districts are to receive payments from the State to make up for the property tax loss due to this expanded exemption.

Real property taxes are payable in two installments, the first usually by February and the second in July.

Delinquencies

The following is a general description of delinquency procedures under Ohio law, the implementation of which may vary in practice among the counties. Under the Revised Code, taxes become a lien of the State on the first day of January, annually, and continue until the taxes, including any penalties, interest or other charges, are paid. Real estate taxes and special assessments that are not paid in the year they are due are to be certified by the county auditor's office as delinquent. Any amount of a previous tax bill not paid before new tax bills are mailed for the next half of the year is considered delinquent and becomes subject to a 10% penalty. A list of delinquent properties is compiled by the county auditor (the "delinquent land duplicate"). If delinquent taxes (and special assessments) are not paid within 60 days after a copy of the county auditor's delinquent land duplicate is delivered to the county treasurer, then the county treasurer is to enforce the lien of the State that attached on January 1 of the year the taxes first became payable. Under State law (Section 323.25 of the Revised Code), the county treasurer is to enforce the lien "in the same way mortgage liens are enforced," that is, by an action in the court of common pleas for foreclosure and sale of the property in satisfaction of the delinquency. If the county treasurer fails to bring an action to enforce the lien, then the State Tax Commissioner is to do so. In addition, one year after certification of a delinquent land list, the county prosecuting attorney is authorized to institute foreclosure proceedings in the name of the county treasurer to foreclose the lien.

The property owner may arrange a payment plan with the county treasurer providing for payments over a period not to exceed five years. If payments are made when due under the plan, no further interest will be assessed against delinquent balances covered by the plan; a default in any payment under the plan or in the payment of current taxes will invalidate the taxpayer's participation in the plan. If a payment plan is not adhered to or if none is arranged, foreclosure proceedings may be initiated by the county. Mass foreclosure proceedings and sales are permitted after three years' delinquency. Proceeds from delinquent property foreclosure sales become part of and are distributed as current collections to the taxing subdivisions.

In recent years, the State legislature has enacted several programs with respect to forestalling the foreclosure process or the forfeiture of property due to tax delinquency that may have the effect of delaying or eliminating the collection of certain property taxes. Notwithstanding the delay or loss of the tax revenues from those properties, an issuer of general obligation notes or bonds, such as the City, remains obligated to pay the debt charges on those notes or bonds from the available revenues. See **Security and Sources of Payment**.

Of the 5,412 nonexempt parcels in the City for collection year 2010, the number of delinquent parcels was 307.

There is no one taxpayer that accounts for more than 5% of any of the delinquencies of ad valorem real property taxes or special assessments identified above for tax collection year 2010.

MUNICIPAL INCOME TAX

Ohio law authorizes a city or village to levy a municipal income tax on both business income and employee wages and salaries at a rate of up to 1% without voter authorization. On May 3, 1988, City voters authorized an additional 0.50% income tax effective July 1, 1988 to be used only for police, fire and EMS purposes. The City, pursuant to Council action and that voter authorization, currently levies the municipal income tax at the rate of 1.50%. On March 20, 2007, City Council passed Ordinance 03-11-2007 reducing the credit for tax paid to other municipalities. The credit of 50.0% shall be effective with respect to taxable income earned and/or received on and after July 1, 2007. This tax on business income and individuals' salaries and wages is collected and administered by the City.

The tax is in effect for a continuing period of time. It could be reduced or terminated by action of the Council, or by vote of the electors initiated by petition of 10% of the number of votes cast at the last preceding City election. Under current law, the Council could reimpose a 1% tax without authorization by the electors.

Income tax proceeds, after payment of collection expenses, have been allocated by the Council for the current year as follows: 50.0% to capital expenditures, including payment of debt charges, and 50.0% to the General Fund.

Annual income tax receipts have been and for 2011 are estimated to be:

Year	Receipts	Tax Rate	Accumulated Delinquency
2006	\$4,042,696	1.50%	\$297,474
2007	4,087,898	1.50	349,063
2008	4,577,149	1.50	274,188
2009	4,463,527	1.50	280,628
2010	4,587,375	1.50	309,533
2011 (est.)	4,673,910	1.50	300,000

Residents are currently permitted a credit against their City income tax liability for amounts equal to 50% of the income tax paid on the same income to another municipal corporation.

Certain of the income subject to the municipal income tax is also subject to the State income tax.

STATE LOCAL GOVERNMENT ASSISTANCE FUNDS

Statutory state-level local government assistance funds, comprised of designated State revenues, are another source of revenue to the General Fund. Most are distributed to each county and then allocated on a formula basis, or in some cases on an agreement basis, among the county and cities, villages and townships, and in some cases park districts, in the county. City receipts from those funds were and for 2011 are estimated to be as shown in the following table.

Year	Receipts
2006	\$797,641
2007	795,229
2008	790,800
2009	671,320
2010	687,963
2011 (est.)	638,000

The amounts of and formula for distribution of these funds may be revised. In particular and as an example, the State Budget Act limits allocations to the local government assistance fund to (1) 75% of the amount provided for the period July 1, 2010 to June 30, 2011 (the State Fiscal Year 2011) plus \$49.2 million for the period August 2011 through June 2012 and (2) 50% of the amount provided in State Fiscal Year 2011 for the period July 2012 through June 2013 (the State Fiscal Year 2013).

ESTATE TAXES

The State also distributes significant portions of the State estate tax to decedents' communities of residence. Due to the nature of this tax, the annual amounts received can vary significantly. The City received \$387,233 and \$266,678 from this source in 2009 and 2010, and projects receiving \$100,000 in 2011. The City credits these distributions to its General Fund. Due to the difficulty of predicting the amount of receipts from the estate tax, the Auditor currently intends to assume the receipt of \$100,000 from that source for budgeting purposes for the next several Fiscal Years. The State Budget Act eliminates the State estate tax for decedents dying on or after January 1, 2013.

CITY DEBT AND OTHER LONG-TERM OBLIGATIONS

The following describes the security for general obligation debt such as the Bonds, and applicable debt and ad valorem property tax limitations, and outstanding and projected bond and note indebtedness and certain other long-term financial obligations of the City.

As used in the discussions that follow, the term "BANs" refers to notes issued in anticipation of the issuance of general obligation bonds.

As further described below, the Bonds are:

- unvoted general obligation debt not subject to the direct debt limitations because they are exempt debt

The City has not issued any industrial development revenue bonds or any issues of hospital facility revenue bonds.

The City is not, and to the knowledge of current City officials has not ever been, in default in the payment of debt charges on any of the bonds or notes on which the City is obligor or in a condition of default under any financing documents relating to any issue of revenue bonds. The City, however, makes no representation as to the existence of a condition of default resulting from a default by any private entity under any financing documents relating to the industrial development or hospital revenue bonds referred to above.

Security for General Obligation Debt; Bonds and BANs

The following describes the security for City general obligation debt: bonds (such as the Bonds) and bond anticipation notes (BANs).

Voted Bonds. The basic security for voted City general obligation bonds is the authorization by the electors for the City to levy, and its levy pursuant to constitutional and statutory requirements of, ad valorem taxes, without limitation as to rate or amount, on all real and tangible personal property subject to ad valorem taxation by the City. These taxes are outside of the ten-mill limitation and are to be sufficient in amount to pay (to the extent not paid from other sources) as they come due the debt charges on the voted bonds (subject to the provisions of bankruptcy laws and other laws affecting creditors' rights and to the exercise of judicial discretion).

Unvoted Bonds. The basic security for unvoted City general obligation bonds is the City's ability to levy, and its levy pursuant to constitutional and statutory requirements of, ad valorem taxes on all real and tangible personal property subject to ad valorem taxation by the City, within the ten-mill limitation described below. These taxes are to be sufficient in amount to pay (to the extent not paid from other sources) as they come due the debt charges on unvoted general obligation bonds. The law provides that the levy necessary for debt charges has priority over any levy for other purposes within that tax limitation; that priority may be subject to the provisions of bankruptcy laws and other laws affecting creditors' rights and to the exercise of judicial discretion. See **Security and Sources of Payment** and the discussion under **Indirect Debt and Unvoted Property Tax Limitations** of the ten-mill limitation, and the priority of claim on it for debt charges on unvoted general obligation debt of the City and all overlapping taxing subdivisions.

BANs. While BANs are outstanding, Ohio law requires the levy of ad valorem property taxes in an amount not less than what would have been levied if bonds had been issued without the prior issuance of the BANs. That levy need not actually be collected if payment in fact is to be provided from other sources, such as the proceeds of the bonds anticipated or of renewal BANs. BANs, including renewal BANs, may be issued and outstanding from time to time up to a maximum period of 240 months from the date of issuance of the original notes (the maximum maturity for special assessment BANs is five years). Any period in excess of five years must be deducted from the permitted maximum maturity of the bonds anticipated. Portions of the principal amount of BANs outstanding for more than five years must be retired in amounts at

least equal to, and payable not later than, those principal maturities that would have been required if the bonds had been issued at the expiration of the initial five-year period.

The City has no outstanding BANs.

Statutory Direct Debt Limitations

The Revised Code provides two debt limitations on general obligation debt that are directly based on tax (assessed) valuation, applicable to all municipal corporations, including the City.

- The net principal amount of both voted and unvoted debt of the City, excluding “exempt debt” (discussed below), may not exceed 10½% of the total tax (assessed) valuation of all property in the City as listed and assessed for taxation.
- The net principal amount of unvoted debt of the City, excluding exempt debt, may not exceed 5½% of that valuation, as discussed below.

These two limitations, which are referred to as the “direct debt limitations,” may be amended from time to time by the General Assembly.

The City’s ability to incur unvoted debt (whether or not exempt from the direct debt limitations) is also restricted by the indirect debt limitation discussed under **Indirect Debt and Unvoted Property Tax Limitations**.

Certain debt (including the Bonds) that the City may issue is exempt from the direct debt limitations (exempt debt). Exempt debt includes, among others, the following categories.

- General obligation debt:
 - That is “self-supporting” debt (*i.e.*, nontax revenues from the facility or category of facilities are sufficient to pay operating and maintenance expenses and related debt charges and other requirements) issued for facilities for city utility systems, airports, railroads, mass transit systems, parking, health care, solid waste, urban development, recreation, sports, convention, museum and other public attractions, natural resource exploration, development, recovery, use or sale, correctional and other related rehabilitation.
 - To the extent debt charges are expected to be paid from tax increment financing payments in lieu of taxes pledged to the payment of those debt charges (subject to certain limitations).
 - For highway improvements if the municipality has covenanted to pay debt charges and financing costs from distributions of motor vehicle license and fuel taxes.
 - Issued in anticipation of the levy or collection of special assessments.
 - To pay final judgments or court-approved settlements.

- Securities issued to improve water or sanitary or storm water sewerage facilities to the extent that another subdivision has agreed to pay to the City amounts equal to debt charges on those securities.
- Unvoted general obligation bonds to the extent that debt charges will be met from lawfully available municipal income taxes, to be applied to debt charges pursuant to ordinance covenants.
- Revenue debt and mortgage revenue bonds to finance municipal utilities.
- Notes issued in anticipation of (i) the collection of current revenues (which have a latest maturity of the last day of the Fiscal Year in which issued) or (ii) the proceeds of a specific tax levy.
- Notes issued for certain energy conservation improvements or certain emergency purposes.
- Debt issued in anticipation of the receipt of federal or State grants for permanent improvements, or to evidence loans from the State capital improvements fund or State infrastructure bank.
- Voted debt for urban redevelopment purposes not in excess of 2% of the City's assessed valuation.
- Debt issued to make a single payment on certain accrued liability to the statewide Police and Fire Pension Fund.
- Debt issued for certain municipal educational and cultural facilities and sports facilities.

BANs issued in anticipation of exempt bonds also are exempt debt.

The City may incur debt for operating purposes, such as current tax revenue anticipation notes or tax anticipation notes, only under certain limited statutory authority.

In the calculation of debt subject to the direct debt limitations, the amount in a city's bond retirement fund allocable to the principal amount of nonexempt debt is deducted from gross nonexempt debt. Without consideration of amounts in the Bond Retirement Fund, and based on outstanding debt and the Bonds and the current tax (assessed) valuation, the City's voted and unvoted nonexempt debt capacities are:

Limitation	Nonexempt Debt Outstanding	Additional Debt Capacity Within Limitation*
10½% = \$23,726,537	\$-0-	\$23,726,537
5½% = \$12,428,186	\$-0-	\$12,428,186

This is further detailed in **Debt Table A**.

Indirect Debt and Unvoted Property Tax Limitations

Voted general obligation debt may be issued by the City if authorized by vote of the electors. Ad valorem taxes, without limitation as to amount or rate, to pay debt charges on voted bonds are authorized by the electors at the same time they authorize the issuance of the bonds.

General obligation debt such as the Bonds also may be issued by the City without a vote of the electors. This unvoted debt may not be issued unless the ad valorem property tax for the payment of debt charges on those bonds (or the bonds in anticipation of which BANs are issued) and all outstanding unvoted general obligation bonds (including bonds in anticipation of which BANs are issued) of the combination of overlapping taxing subdivisions including the City resulting in the highest tax required for such debt charges in any year is 10 mills or less per \$1.00 of assessed valuation. This indirect debt limitation, the product of what is commonly referred to as the “ten-mill limitation,” is imposed by a combination of provisions of the Ohio Constitution and the Revised Code.

The ten-mill limitation is the maximum aggregate millage for all purposes that may be levied on any single piece of property by *all* overlapping taxing subdivisions without a vote of the electors. The 10 mills are allocated pursuant to a statutory formula among certain overlapping taxing subdivisions in the County, including the City. The entire 10 mills, are currently being levied by the combination of the City and taxing subdivisions overlapping the City. The current allocation of the 10 mills (sometimes referred to as the “inside millage”) is as follows: 4.00 City, 3.00 County, 3.00 Circleville City School District. That allocation has remained constant for at least the last five years.

Present Ohio law requires the inside millage allocated to a taxing subdivision to be used first for the payment of debt charges on its unvoted general obligation debt, unless provision has been made for that payment from other sources, with the balance usable for other purposes. To the extent this inside millage is required for debt charges of a taxing subdivision (which may exceed the formula allocation to that subdivision), the amount that would otherwise be available to that subdivision for general fund purposes is reduced. Because the inside millage that may actually be required to pay debt charges on a subdivision’s unvoted general obligation debt may exceed the formula allocation of that millage to the subdivision, the excess reduces the amount of inside millage available to overlapping subdivisions. In the case of the City, however, a law applicable to all Ohio cities and villages requires that any lawfully available receipts from a municipal income tax or from voted property tax levies be allocated to pay debt charges on City unvoted debt before the formula allocations of the inside millage to overlapping subdivisions can be invaded for that purpose.

In the case of BANs issued in anticipation of unvoted general obligation bonds, the highest estimate of annual debt charges for the anticipated bonds is used to calculate the millage required.

Revenue bonds and notes and mortgage revenue bonds are not included in debt subject to the indirect limitation since they are not general obligations of the City, and the full faith and credit and property taxing power of the City is not pledged for their payment.

The indirect limitation applies to all outstanding unvoted general obligation debt even if debt charges on some of it is expected to be paid in fact from municipal income taxes, special assessments, utility revenues or other sources.

The estimated highest requirement for debt charges in any year for all City debt subject to the ten-mill limitation is estimated to be \$701,453.75. That debt includes the Bonds and, unvoted general obligation bonds outstanding. The payment of those annual debt charges would require a levy of an estimated 3.1042 mills based on current assessed valuation. Of this maximum annual requirement, all is expected by the City to be paid from sources other than ad valorem taxes, such as municipal income taxes, lease payments and utility revenues (see **Debt Table C**). If those other sources for any reason were not available, the debt charges could not be met from the amounts produced by the millage currently levied for all purposes by the City within the ten-mill limitation, and therefore inside millage allocated to the overlapping subdivisions might have to be preempted for those debt charges. (See the discussion of this preemption, and of limitations on it, above under this caption.)

The total millage theoretically required by the City, the Circleville City School District the County the Career Center (the highest overlapping taxing subdivisions that have issued unvoted debt) for debt charges on their outstanding unvoted general obligation debt (including the Bonds) is estimated to be 3.2405 mills for the year of the highest potential debt charges. There thus remains 6.7595 mills within the ten-mill limitation that has yet to be allocated to debt charges and that is available to the City and overlapping subdivisions in connection with the issuance of additional unvoted general obligation debt.

The City could, for example, issue such additional debt in the estimated principal amount of up to approximately \$17,500,000 (maturing over 20 years with substantially equal annual debt charges and with an estimated average interest rate of 6.00%) within this limitation (see **Debt Table C**). The estimated principal amount of such additional debt would be reduced accordingly if the average interest rate exceeded 6.00% or if issued with a maturity of less than 20 years or if the City's total assessed valuation decreased (see **Assessed Valuation**).

Debt Outstanding

The Debt Tables attached provide information concerning the City's outstanding debt represented by bonds and notes, City and overlapping subdivisions general obligation debt allocations and projected debt charges on the City's general obligation debt, including the Bonds. See **Debt Tables**.

The following table shows the principal amount of City general obligation debt (bonds and notes) outstanding as of December 31 in the years shown.

Year	Exempt	Total	Of GO Total	
			Voted	Unvoted
2006	\$9,840,000	\$9,840,000	-0-	\$9,840,000
2007	9,015,000	9,015,000	-0-	9,015,000
2008	7,210,000	7,210,000	-0-	7,210,000
2009	6,820,000	6,820,000	-0-	6,820,000
2010	6,420,000	6,420,000	-0-	6,420,000

Bond Anticipation Notes

None of the debt of the City is currently in the form of BANs. BANs may be retired at maturity from the proceeds of the sale of renewal notes or of the bonds anticipated by the BANs, or available funds of the City, or a combination of these sources.

Bond Retirement Fund

The Bond Retirement Fund is the fund from which the City pays debt charges on its general obligation debt and into which money required to be applied to those payments is deposited. The following table is an unaudited summary of Bond Retirement Fund receipts and disbursements (excluding proceeds of renewal or refunding obligations) for prior Fiscal Years and projected for the current Fiscal Year.

Year	Receipts	Disbursements	December 31 Balance
2006	\$490,275	\$483,766	\$20,284
2007	514,759	520,728	14,314
2008	516,118	513,128	15,463
2009	502,655	502,654	15,464
2010	507,755	503,786	19,433
2011(a)	512,451	512,551	19,333

(a) Estimated.

Future Financings

The City plans to issue an aggregate of \$3,000,000 in general obligation bonds or BANs during the next 12 months for various capital projects, of which amount \$3,000,000 will be unvoted debt payable primarily from special assessments/municipal income taxes/utility revenues.

Long-Term Financial Obligations Other Than Bonds and Notes

The City has no long-term debt obligations, other than the bonds described above.

CONCLUDING STATEMENT

To the extent that any statements made in this Official Statement involve matters of opinion or estimates, whether or not expressly stated to be such, they are made as such and not as representations of fact or certainty and no representation is made that any of those statements have been or will be realized. Information in this Official Statement has been derived by the City from official and other sources and is believed by the City to be accurate and reliable. Information other than that obtained from official records of the City has not been independently confirmed or verified by the City and its accuracy is not guaranteed.

Neither this Official Statement nor any statement that may have been or that may be made orally or in writing is to be construed as or as part of a contract with the original purchasers or subsequent holders or Beneficial Owners of the Bonds.

This Official Statement has been prepared and delivered by the City and signed for and on behalf of the City by its officials identified below.

CITY OF CIRCLEVILLE, OHIO

By: /s/ David M. Crawford
Acting Mayor

/s/ Gayle Spangler
City Auditor

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DEBT TABLE A

**Principal Amounts of Outstanding General Obligation (GO) Debt;
Leeway for Additional Debt within Direct Debt Limitations**

A.	Total debt including the Bonds (but excluding bonds being refunded with the Bonds):	\$6,520,000
B.	Exempt debt:	
	Category	Outstanding Principal Amount
	Income Tax	\$2,805,000
	Other (Hospital Improvement)	935,000
	Sewer	1,590,000
	Water	1,190,000
	Total exempt debt:	\$6,520,000
C.	Total nonexempt debt [A minus B]:	\$-0-
D.	5½% of tax (assessed) valuation (unvoted nonexempt debt limitation):	\$12,428,186
E.	Total nonexempt limited tax bonds and notes outstanding:	
	Bonds (including the Bonds)	\$-0-
	Notes	<u>-0-</u>
F.	Debt leeway within 5½% unvoted debt limitation [D minus E]:	\$12,428,186(a)
G.	10½% of tax (assessed) valuation (voted and unvoted debt limitation):	\$23,726,537
H.	Total nonexempt bonds and notes outstanding:	
	Bonds [(including the Bonds)]	\$-0-
	Notes	<u>-0-</u>
I.	Debt leeway within 10½% debt limitation [G minus H]:	\$23,726,537(a)

(a) Debt leeway in this table determined without considering money in the Bond Retirement Fund.

DEBT TABLE B

**Various City and Overlapping
GO Debt Allocations (Principal Amounts)**

	Amount	Per Capita(a)	% of City's Current Assessed Valuation(b)
City Nonexempt GO Debt	\$0.00	\$0.00	0.00%
Total City GO Debt (exempt and nonexempt)	6,520,000	489.71	2.88
Highest Total Overlapping GO Debt(c)	38,445,588	2,887.60	17.01

(a) Based on 2010 population of 13,314.

(b) The City's current assessed valuation is \$225,967,020.

(c) Includes, in addition to "Total City GO Debt," allocations of total GO debt of overlapping debt issuing subdivisions (as of June, 2011) resulting in the calculation of highest total overlapping debt based on percent of tax (assessed) valuation of territory of the subdivisions located within the City (% figures are resulting percent of total debt of subdivisions allocated to the City in this manner), as follows:

\$ 17,912 County (19.26%);
\$ 31,907,676 Circleville City School District (84.15%).

Allocation of GO debt of the remaining overlapping debt issuing subdivisions is as follows:

\$ 1,312 of Westfall Local School District (0.03%).

Source of tax (assessed) valuation and confirmation of GO debt figures for overlapping subdivisions: OMAC.

DEBT TABLE C

Projected Debt Charges Requirements on City GO Debt

Year	Debt Charges on			Portion of Total Anticipated to be Paid from*			
	The Bonds*	Outstanding Bonds	Total	Income Tax	Hospital Lease	Sewer	Water
2011	\$219,560.00	\$328,956.88	\$548,516.88	\$241,293.75	\$140,245.00	\$97,603.75	\$69,374.38
2012	288,500.00	412,953.75	701,453.75	316,517.50	164,280.00	123,257.50	97,398.75
2013	283,800.00	407,411.25	691,211.25	311,330.00	162,800.00	121,307.50	95,773.75
2014	284,100.00	406,286.25	690,386.25	311,105.00	166,050.00	119,207.50	94,023.75
2015	284,300.00	424,308.75	708,608.75	310,742.50	163,760.00	136,957.50	97,148.75
2016	284,400.00	416,123.75	700,523.75	310,280.00	161,200.00	133,957.50	95,086.25
2017	284,400.00	412,293.75	696,693.75	309,680.00	163,370.00	125,757.50	97,886.25
2018	289,300.00	242,923.75	532,223.75	313,980.00	0.00	122,757.50	95,486.25
2019	286,350.00	251,548.75	537,898.75	310,392.50	0.00	129,570.00	97,936.25
2020	283,250.00	254,742.50	537,992.50	311,673.75	0.00	131,063.75	95,255.00
2021	0.00	252,523.75	252,523.75	27,598.75	0.00	127,351.25	97,573.75
2022	0.00	249,963.75	249,963.75	26,758.75	0.00	128,571.25	94,633.75
2023	0.00	252,193.75	252,193.75	25,918.75	0.00	129,581.25	96,693.75
2024	0.00	248,906.25	248,906.25	25,068.75	0.00	130,331.25	93,506.25
2025	0.00	250,406.25	250,406.25	24,218.75	0.00	130,868.75	95,318.75
2026	0.00	256,218.75	256,218.75	28,343.75	0.00	131,056.25	96,818.75
2027	0.00	256,375.00	256,375.00	27,250.00	0.00	131,025.00	98,100.00
2028	0.00	250,800.00	250,800.00	26,125.00	0.00	130,625.00	94,050.00

DEBT TABLE D

Outstanding GO Bonds(a)

The following debt is reflected in **Debt Tables A, B and C.**

Bonds				
Issue	Date of Issuance	Final Maturity	Original Principal Amount	Outstanding Principal Amount
Hospital Improvement	7/1/1997	2017	\$2,000,000	\$ 935,000
Fire Dept. Facility(b)	8/1/2000	2020	3,785,000	2,375,000
City Hall	6/30/2008	2028	355,000	330,000
Sewer Improvement	6/30/2008	2028	1,725,000	1,590,000
Water Improvement	6/30/2008	2028	1,280,000	1,190,000

(a) Not included in this Table are City bond issues that have been refunded but have yet to be paid until they mature or are called for redemption in accordance with provisions of a related escrow agreement.

(b) A portion of the proceeds of the Bonds will be used on October 4, 2011 to redeem the City's bonds issued in 2000.

APPENDIX A

**Comparative Cash-Basis Summary of General Fund Receipts
and Expenditures for Fiscal Years 2006 through 2010
and Estimated Fiscal Year 2011**

	2006	2007	2008	2009	2010	Estimated 2011
BEGINNING BALANCE	\$1,390,996	\$1,433,867	\$1,395,540	\$1,107,540	\$1,109,118	\$930,111
RECEIPTS						
Local Taxes	\$919,526	\$964,863	\$891,842	\$864,495	\$863,571	\$867,700
Intergovernmental Revenues	1,151,672	1,294,458	1,321,480	1,515,060	1,437,158	1,984,205
Special Assessments	0	0	0	0	0	0
Charges for Services	179,997	203,459	291,821	273,673	210,810	202,700
Fines, Licenses and Permits	900,847	941,934	890,135	630,358	605,856	619,200
Miscellaneous	582,320	556,545	334,908	282,979	139,636	122,900
Transfers In – Income Tax	1,278,888	1,277,715	1,374,264	1,436,050	1,362,120	1,390,663
Transfers In – Other	0	0	0	0	0	0
Other Sources	0	0	0	0	0	0
TOTAL REVENUES	\$5,013,250	\$5,238,974	\$5,104,810	\$5,002,614	\$4,619,151	\$5,187,368
EXPENDITURES						
Security of Persons & Property	\$2,200,698	\$2,417,162	\$2,421,203	\$2,173,232	\$2,099,781	\$2,146,080
Public Health Services	143,250	174,750	171,750	177,630	183,508	185,265
Leisure Time Activities	84,738	132,826	185,507	165,294	113,957	175,350
Community Environment	320,147	334,740	331,398	24,879	10,002	9,750
Basic Utility	3,060	2,312	3,100	2,700	0	1,000
Transportation	212,826	191,941	310,309	325,958	273,823	350,837
General Government	1,995,660	2,013,570	1,969,544	2,121,344	2,097,088	2,227,131
Transfers Out	10,000	10,000	0	0	0	0
TOTAL EXPENDITURES	\$4,970,379	\$5,277,301	\$5,392,810	\$5,100,036	\$4,798,158	\$5,670,413
ENDING BALANCE	\$1,433,867	\$1,395,540	\$1,107,540	\$1,109,118	\$930,111	\$447,066

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APPENDIX B

All-Funds Summary 2010 (Cash Basis)

Fund	Beginning Balance	Receipts	Expenditures	Ending Balance
101 General Fund	\$1,109,117.98	\$4,619,150.53	\$4,798,158.39	\$930,110.12
202 Income Tax	28,870.21	209,434.35	222,332.39	15,972.17
203 Street Constr.	94,801.69	548,038.35	502,845.91	139,994.13
204 State Highway Imp.	40,191.86	44,102.27	29,240.94	55,053.19
205 City Permissive MV	9,087.58	90,507.01	68,063.39	31,531.20
207 Law Enforcement	82.20	3,984.00	579.20	3,487.00
208 Drug Law Enforce.	5,176.66	1,603.20	5,000.00	1,779.86
209 Legal Res Comp & Maint.	562,638.22	260,680.23	162,798.12	660,520.33
210 Retirement Comp/Absence	52,572.40	11,766.08	50,000.00	14,338.48
211 Cable Television	47,005.37	85,289.45	57,349.22	74,945.60
212 Safety Forces Tax	444,478.64	2,030,176.83	2,008,312.92	466,342.55
213 Enforce & Education	10,676.21	806.34	0.00	11,482.55
214 Ind Drivers ALCO Tr.	41,589.24	26,805.00	16,851.77	51,542.47
215 Law Enforce Reimburse	6,648.43	35.00	0.00	6,683.43
217/617 Police Fire Pension	23,219.34	165,000.02	167,304.96	20,914.40
218/615 Ted Lewis Park	9,892.69	97.39	0.00	9,990.08
219 Muni Probation Service	42,413.58	66,962.52	62,894.56	46,481.54
220 Muni Immobilizing Device	15,732.77	6,643.16	3,079.36	19,296.57
239 Small Cities Block Grant	19,042.08	401,591.00	360,088.71	60,544.37
240 Housing Revolving Loan Fund	40,905.12	125,753.28	107,508.22	59,150.18
243 EPA Brownfield CW Petroleum Fd	0.00	46,555.42	46,555.42	0.00
244 EPA Brownfield CW Hazardous Substance Fd.	0.00	132,597.93	132,597.93	0.00
306 Capital Improvement	737,339.94	1,215,827.49	1,442,781.53	510,385.90
311 OPWC Projects	0.00	123,486.21	123,486.21	0.00
315 Barthelmas Park Improv.	200.00	0.00	0.00	200.00
320 MV Crites Hanna Park	121,185.03	0.00	120,948.41	236.62
328 Vehicle Replacement	10,000.66	10,000.00	0.00	20,000.66
335 Public Safety Bldg.	70,843.99	0.00	16,406.13	54,437.86
422 GO Bond Retirement	15,463.72	507,755.39	503,786.26	19,432.85
501/701 Build Standards	2,456.42	0.00	0.00	2,456.42
513/613 State Patrol Trans	2,864.21	48,536.04	43,273.54	8,126.71
518/618 Street Opening Tr	7,405.27	0.00	830.00	6,575.27
536/636 MC Unclaimed Trust	5,498.92	0.00	0.00	5,498.92
616 William Renick Tr	11,370.28	185.00	0.00	11,555.28
808 Waterworks Oper.	2,367,480.30	1,487,750.99	1,474,108.78	2,381,122.51
811 Water Guaranty Tr	81,217.00	34,372.35	32,892.35	82,697.00
819 Water Impr. & Ext.	1,310,328.29	156,100.00	15,193.00	1,451,235.29
821 Waterworks GO Bond Ret.	49,072.94	95,088.76	95,098.76	49,062.94
838 Water Plant Rehab.	29,021.15	0.00	0.00	29,021.15
890 Ent. Retirement Comp/Absence	50,920.13	10,000.00	15,000.00	45,920.13
909 Sanitary Sewer Oper.	1,231,8762.93	1,769,606.46	1,881,743.17	1,119,726.22
920 Sanitary Sewer Impr. & Ext.	804,935.92	129,756.76	7,831.34	926,861.34
933 Sewage Disposal Works Debt	31,099.04	132,157.50	132,157.20	31,099.04
934 Replacement Fund Renick Trust	452,805.85 10,000.00	65,000.00 0.00	1,260.00 0.00	516,545.85 10,000.00
Totals	\$9,987,514.26	\$14,663,202.31	\$14,708,358.39	\$9,942,358.18

APPENDIX B

All-Funds Summary 2009 (Cash Basis)

Fund	Beginning Balance	Receipts	Expenditures	Ending Balance
101 General Fund	\$1,107,540.21	\$5,002,614.11	\$5,001,036.34	\$1,109,117.98
202 Income Tax	28,851.86	227,078.13	227,059.78	28,870.21
203 Street Constr.	64,811.84	545,116.20	515,126.35	94,801.69
204 State Highway Imp.	17,115.08	42,862.10	19,785.32	40,191.86
205 City Permissive MV	13,488.94	90,769.44	95,170.80	9,087.58
207 Law Enforcement	782.20	0.00	700.00	82.20
208 Drug Law Enforce.	10,004.90	12,665.76	17,494.00	5,176.66
209 Legal Res Comp & Maint.	437,748.93	263,062.73	138,173.44	562,638.22
210 Retirement Comp/Absence	70,753.91	2,174.65	20,356.16	52,572.40
211 Cable Television	73,064.75	82,017.28	108,076.66	47,005.37
212 Safety Forces Tax	638,075.98	2,063,651.95	2,257,249.29	444,478.64
213 Enforce & Education	10,529.77	860.00	713.56	10,676.21
214 Ind Drivers ALCO Tr.	47,023.85	14,565.39	20,000.00	41,589.24
215 Law Enforce Reimburse	6,543.43	105.00	0.00	6,648.43
217/617 Police & Fire Pension	22,695.11	162,277.58	161,753.35	23,219.34
218/615 Ted Lewis Park	9,847.33	45.36	0.00	9,892.69
219 Muni Probation Service	45,469.36	68,031.62	71,087.40	42,413.58
220 Muni Immobilizing Device	150.00	15,582.77	0.00	15,732.77
239 Small Cities Block Grant	58,720.88	372,419.00	412,097.80	19,042.08
240 Housing Revolving Loan Fund	32,248.86	27,811.26	19,155.00	40,905.12
243 EPA Brownfield CW Petroleum Fd	0.00	85,281.995	85,281.95	0.00
244 EPA Brownfield CW Hazardous Substance Fd.	0.00	36,275.30	36,275.30	0.00
245 FEMA DR 1805 Fund	0.00	27,613.00	27,613.00	0.00
250 Cities Develop. Block Grant	4,099.09	0.00	4,099.09	4,099.09
306 Capital Improvement	816,350.31	1,158,221.83	1,2370,232.20	737,339.94
311 OPWC Projects	0.00	187,592.52	187,592.52	0.00
315 Barthelmas Park Improv.	200.00	0.00	0.00	200.00
320 MV Crites Hanna Park	127,775.45	61,261.27	67,851.69	121,185.03
328 Vehicle Replacement	33,835.66	10,000.00	33,835.00	10,000.66
335 Public Safety Bldg.	95,275.00	0.00	24,431.61	70,843.99
422 GO Bond Retirement	15,462.90	502,654.58	502,653.76	15,463.72
501/701 Build Standards	2,550.29	0.00	93.87	2,456.42
513/613 State Patrol Trans	3,639.34	55,224.87	56,000.00	2,864.21
518/618 Street Opening Tr	8,135.27	870.00	1,600.00	7,405.27
536/636 MC Unclaimed Trust	4,688.43	810.49	0.00	5,498.92
616 William Renick Tr	11,785.28	185.00	600.00	11,370.28
808 Waterworks Oper.	2,420,741.94	1,496,056.64	1,549,318.28	2,367,480.30
811 Water Guaranty Tr	80,422.77	36,650.70	35,856.47	81,217.00
819 Water Impr. & Ext.	1,286,418.26	161,150.00	137,239.97	1,310,328.29
821 Waterworks GO Bond Ret.	47,309.94	98,211.76	96,448.76	49,072.94
838 Water Plant Rehab.	29,021.15	0.00	0.00	29,021.15
890 Ent. Retirement Comp/Absence	62,888.59	0.00	11,968.46	50,920.13
909 Sanitary Sewer Oper.	1,365,559.24	1,807,943.05	1,941,639.36	1,231,862.93
920 Sanitary Sewer Impr. & Ext.	747,808.48	152,624.34	95,496.90	804,935.92
933 Sewage Disposal Works Debt	27,961.04	142,395.50	139,257.50	31,099.04
934 Replacement Fund Renick Trust	395,707.20 10,000.00	65,000.00 0.00	7,901.35 0.00	452,805.85 10,000.00
Totals	\$10,273,103.42	\$15,079,733.13	\$15,365,322.29	\$9,987,514.26

APPENDIX C

**Basic Financial Statements from
the City's Financial Report for Fiscal Year 2010
(Audited)**

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Independent Auditor's Report

Members of Council
City of Circleville
133 South Court Street
Circleville, OH 43113

We have audited the accompanying financial statements of the governmental activities, business-type activities, discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Circleville, Ohio, (the City) as of and for the year ended December 31, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. 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 did not audit the financial statements of Berger Health System. Those financial statements were audited by other auditors whose report thereon has been furnished to us and our opinion, insofar as it relates to the amounts included for Berger Health System, is based on the report of the other auditors.

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 of America. 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 and the report of other auditors provides a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to in the first paragraph above present fairly, in all material respects, the financial position of the governmental activities, business-type activities, discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of December 31, 2010, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparisons for the General Fund and major special revenue funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 10, 2011 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. While we do not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. 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 when considering the results of our audit.

Members of Council
City of Circleville, Ohio
Independent Auditor's Report

The Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the County's basic financial statements. The schedule of federal awards expenditures is required by the 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 basic financial statements. The schedule of federal awards expenditures has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

J. L. Uhrig and Associates, Inc.

J. L. UHRIG AND ASSOCIATES, INC.

June 10, 2011

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City of Circleville
Statement of Net Assets
December 31, 2010

	<i>Primary Government</i>		<i>Total</i>
	<i>Governmental Activities</i>	<i>Business-Type Activities</i>	
<u>Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	\$3,393,851	\$6,633,350	\$10,027,201
Cash and Cash Equivalents	0	0	0
Cash and Cash Equivalents with Fiscal Agents	34,839	0	34,839
Cash and Cash Equivalents with Escrow Agents	2,500	5,000	7,500
Investments	0	0	0
Accrued Interest Receivable	35,983	0	35,983
Accounts Receivable	8,395	528,816	537,211
Intergovernmental Receivable	2,118,674	0	2,118,674
Income Taxes Receivable	1,388,909	0	1,388,909
Materials and Supplies Inventory	181,652	75,899	257,551
Prepaid Items	34,670	16,330	51,000
Property Taxes Receivable	850,773	0	850,773
Other Local Taxes Receivable	45,539	0	45,539
Special Assessments Receivable	3,650	2,985	6,635
Loans Receivable	957,626	0	957,626
Deferred Charges	57,551	88,431	145,982
Capital Assets:			
Nondepreciable Capital Assets	1,105,680	149,180	1,254,860
Depreciable Capital Assets, Net	22,154,674	18,803,460	40,958,134
<i>Total Assets</i>	<u>32,374,966</u>	<u>26,303,451</u>	<u>58,678,417</u>
<u>Liabilities:</u>			
Accounts Payable	342,962	67,409	410,371
Retainage Payable	2,500	7,032	9,532
Accrued Wages and Benefits Payable	68,840	21,473	90,313
Intergovernmental Payable	385,173	77,154	462,327
Deferred Revenue	809,000	0	809,000
Matured Bonds Payable	20,000	0	20,000
Matured Interest Payable	14,839	0	14,839
Accrued Interest Payable	16,281	9,392	25,673
Long-Term Liabilities:			
Due Within One Year	601,615	174,548	776,163
Due in More Than One Year	3,543,853	2,744,546	6,288,399
<i>Total Liabilities</i>	<u>5,805,063</u>	<u>3,101,554</u>	<u>8,906,617</u>
<u>Net Assets:</u>			
Invested in Capital Assets, Net of Related Debt	20,530,905	16,258,961	36,789,866
Restricted for:			
Capital Outlay	759,579	0	759,579
Debt Service	146,990	0	146,990
Safety Forces	748,958	0	748,958
Streets	658,000	0	658,000
Community Development	626,699	0	626,699
Other Purposes	839,555	0	839,555
Permanent Endowments	0	0	0
Unrestricted	2,259,217	6,942,936	9,202,153
<i>Total Net Assets</i>	<u>\$26,569,903</u>	<u>\$23,201,897</u>	<u>\$49,771,800</u>

See Accompanying Notes to the Basic Financial Statements

<i>Component Unit Berger Health System</i>	<i>Total Reporting Entity</i>
\$0	\$10,027,201
11,848,273	11,848,273
0	34,839
0	7,500
24,553,056	24,553,056
0	35,983
8,338,486	8,875,697
1,244,991	3,363,665
0	1,388,909
1,359,266	1,616,817
2,811,686	2,862,686
0	850,773
0	45,539
0	6,635
0	957,626
120,235	266,217
3,559,449	4,814,309
37,526,934	78,485,068
<hr/>	<hr/>
91,362,376	150,040,793
<hr/>	<hr/>
3,441,078	3,851,449
0	9,532
2,575,778	2,666,091
0	462,327
0	809,000
0	20,000
0	14,839
88,700	114,373
4,002,417	4,778,580
24,087,207	30,375,606
<hr/>	<hr/>
34,195,180	43,101,797
<hr/>	<hr/>
23,512,667	60,302,533
604,618	1,364,197
0	146,990
0	748,958
0	658,000
0	626,699
0	839,555
25,906	25,906
33,024,005	42,226,158
<hr/>	<hr/>
\$57,167,196	\$106,938,996

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

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

General Revenues:

Property Taxes Levied for:

 General Purposes

 Other Purposes

Income Taxes Levied for:

 General Purposes

 Safety Forces

 Debt Service

 Capital Projects

Other Local Taxes

Grants and Entitlements not Restricted to Specific Programs

Unrestricted Investment Earnings

Miscellaneous

Total General Revenues

Change in Net Assets

Net Assets at Beginning of Year

Net Assets at End of Year

See Accompanying Notes to the Basic Financial Statements

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

City of Circleville
Balance Sheet
Governmental Funds
December 31, 2010

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

See Accompanying Notes to the Basic Financial Statements

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

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City of Circleville
 Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 December 31, 2010

Total Governmental Fund Balances \$4,831,261

Amounts reported for governmental activities in the Statement of Net Assets are different because:

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

Land	1,105,680
Infrastructure	33,558,478
Other Capital Assets	13,478,156
Accumulated Depreciation	<u>(24,881,960)</u>

Total 23,260,354

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

Income Taxes	1,100,226
Property Taxes	41,773
Other Local Taxes	43,707
Special Assessments	3,650
Intergovernmental	1,369,503
Charges for Services	8,395
Interest	<u>15,232</u>

Total 2,582,486

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

57,551

In the Statement of Activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.

(16,281)

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

Premium on General Obligation Bonds	(15,024)
General Obligation Bonds	(3,640,000)
Capital Leases	(76,400)
Compensated Absences	<u>(414,044)</u>

Total (4,145,468)

Net Assets of Governmental Activities \$26,569,903

See Accompanying Notes to the Basic Financial Statements

City of Circleville
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2010

	<i>General Fund</i>	<i>Income Tax Fund</i>	<i>Safety Forces Tax Fund</i>
<u>Revenues:</u>			
Income Taxes	\$1,349,333	\$208,709	\$1,641,999
Property Taxes	768,950	0	0
Other Local Taxes	160,355	0	0
Special Assessments	0	0	0
Intergovernmental	2,057,540	0	5,180
Charges for Services	211,192	0	366,709
Licenses and Permits	14,448	0	0
Fines and Forfeitures	520,834	0	0
Investment Earnings	202,019	0	0
Contributions and Donations	1,503	0	0
Miscellaneous	4,942	0	2,388
<i>Total Revenues</i>	<u>5,291,116</u>	<u>208,709</u>	<u>2,016,276</u>
<u>Expenditures:</u>			
Current Operations and Maintenance:			
Security of Persons and Property:			
Police	1,402,927	0	1,041,742
Fire	574,624	0	851,853
Other	99,015	0	97,448
Public Health Services	183,508	0	0
Leisure Time Activities:			
Parks and Recreation	73,525	0	0
Swimming Pool	19,545	0	0
Other	25,523	0	0
Community Development:			
City Funded	9,952	0	0
Grant Funded	0	0	0
Transportation	281,787	0	0
General Government	2,108,837	222,784	0
Capital Outlay	0	0	0
Debt Service:			
Principal Retirement	31,095	0	17,128
Interest and Fiscal Charges	2,323	0	3,027
<i>Total Expenditures</i>	<u>4,812,661</u>	<u>222,784</u>	<u>2,011,198</u>
Excess of Revenues Over (Under) Expenditures	<u>478,455</u>	<u>(14,075)</u>	<u>5,078</u>
<u>Other Financing Sources (Uses):</u>			
Transfers In	0	0	0
Transfers Out	(20,000)	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>(20,000)</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	458,455	(14,075)	5,078
<i>Fund Balances at Beginning of Year</i>	<u>1,019,235</u>	<u>40,624</u>	<u>328,670</u>
<i>Fund Balances at End of Year</i>	<u><u>\$1,477,690</u></u>	<u><u>\$26,549</u></u>	<u><u>\$333,748</u></u>

See Accompanying Notes to the Basic Financial Statements

<i>General Obligation Bond Retirement Fund</i>	<i>Capital Improvement Fund</i>	<i>Nonmajor Funds</i>	<i>Total Governmental Funds</i>
\$343,270	\$1,006,062	\$0	\$4,549,373
0	0	120,155	889,105
0	0	70,436	230,791
0	7,157	0	7,157
0	176,690	1,370,246	3,609,656
0	0	25,883	603,784
0	0	0	14,448
0	0	370,077	890,911
0	0	5,031	207,050
0	0	0	1,503
60,128	12,487	105,295	185,240
403,398	1,202,396	2,067,123	11,189,018
0	0	89,231	2,533,900
0	0	73,996	1,500,473
0	0	0	196,463
0	0	0	183,508
0	0	0	73,525
0	0	0	19,545
0	0	0	25,523
0	0	0	9,952
0	0	634,119	634,119
0	26,803	588,414	897,004
0	20,285	355,155	2,707,061
0	1,405,987	211,785	1,617,772
290,000	3,298	11,512	353,033
214,849	647	2,014	222,860
504,849	1,457,020	1,966,226	10,974,738
(101,451)	(254,624)	100,897	214,280
0	0	45,932	45,932
0	(25,932)	0	(45,932)
0	(25,932)	45,932	0
(101,451)	(280,556)	146,829	214,280
1,076,876	760,237	1,391,339	4,616,981
\$975,425	\$479,681	\$1,538,168	\$4,831,261

City of Circleville
 Reconciliation of the Statement of Revenues, Expenditures and Changes
 in Fund Balances of Governmental Funds to the Statement of Activities
 For the Year Ended December 31, 2010

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

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

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

Some revenues that will not be collected for several months after the City's year-end are not considered "available" revenues and are deferred in the governmental funds. Deferred revenues changed by these amounts this year:

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

Repayment of long-term obligations is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. In the current year, these amounts consist of:

General Obligation Bond Principal Payments	290,000	
Capital Lease Payments	<u>63,033</u>	
		353,033

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

Net Decrease in Deferred Charges	(5,531)	
Net Decrease in Premium on General Obligation Bonds	835	
Net Decrease in Accrued Interest	<u>1,339</u>	
		(3,357)

Some items reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. These activities consist of:

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

See Accompanying Notes to the Basic Financial Statements

City of Circleville
Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget (Non-GAAP Basis) and Actual
General Fund
For the Year Ended December 31, 2010

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

See Accompanying Notes to the Basic Financial Statements

City of Circleville
Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget (Non-GAAP Basis) and Actual
Income Tax Fund
For the Year Ended December 31, 2010

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

See Accompanying Notes to the Basic Financial Statements

City of Circleville
Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget (Non-GAAP Basis) and Actual
Safety Forces Tax Fund
For the Year Ended December 31, 2010

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

See Accompanying Notes to the Basic Financial Statements

City of Circleville
Statement of Fund Net Assets
Enterprise Funds
December 31, 2010

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

See Accompanying Notes to the Basic Financial Statements

City of Circleville
Statement of Revenues, Expenses and Changes in Fund Net Assets
Enterprise Funds
For the Year Ended December 31, 2010

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

See Accompanying Notes to the Basic Financial Statements

City of Circleville
Statement of Cash Flows
Enterprise Funds
For the Year Ended December 31, 2010

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

See Accompanying Notes to the Basic Financial Statements

City of Circleville
Statement of Fiduciary Net Assets
Fiduciary Funds
December 31, 2010

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

See Accompanying Notes to the Basic Financial Statements

City of Circleville
Statement of Changes in Fiduciary Net Assets
Private Purpose Trust Fund
For the Year Ended December 31, 2010

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

See Accompanying Notes to the Basic Financial Statements

City of Circleville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010

NOTE 1 – DESCRIPTION OF THE CITY AND REPORTING ENTITY

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

Reporting Entity

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

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

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

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

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

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

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

Berger Health System

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

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Presentation

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

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

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

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

Fund Accounting

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

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

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

Governmental Funds

Governmental funds are those through which most governmental functions are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the City's major governmental funds:

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

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

Safety Forces Tax Fund – This fund accounts for the portion of the income tax which is used for safety purposes such as a portion of police and fire salaries and the emergency medical team salaries.

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

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

The other governmental funds of the City account for grants and other resources whose use is restricted for a particular purpose.

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

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

Proprietary Funds

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

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

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

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

Fiduciary Funds

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

Measurement Focus

Government-Wide Financial Statements

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

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

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

Fund Financial Statements

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

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

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

Basis of Accounting

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

Revenues – Exchange and Non-Exchange Transactions

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

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

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

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income tax is recognized in the year in which the income is earned. Revenue from property taxes is recognized in the year for which the taxes are levied. (See Note 7.) Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the City must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: weed assessments, income taxes, interest on investments, intergovernmental revenues (including motor vehicle license tax, gasoline tax, and local government assistance), and grants.

Deferred Revenues

Deferred revenues arise when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of December 31, 2010, but were levied to finance 2011 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met have also been recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

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

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

Budgets and Budgetary Accounting

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

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

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

Cash and Cash Equivalents

Cash balances of the City's funds, except cash in segregated accounts, are pooled and invested in short-term investments in order to provide improved cash management. Each share of the pool is presented on the financial statements in the account "Equity in Pooled Cash and Cash Equivalents." Cash and cash equivalents that are held separately within departments of the City and not held with the City Treasurer are recorded as "Cash and Cash Equivalents in Segregated Accounts". The City utilizes financial institutions to service bonded debt as principal and interest payments come due. The balances in these accounts are presented as "Cash and Cash Equivalents with Fiscal Agents". The City also has an escrow account to hold retainage amounts still owed to contractors. The balance in this account is presented as "Cash and Cash Equivalents with Escrow Agents" on the financial statements.

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

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

During the year, investments were limited to Federal Home Loan Mortgage Corporation Notes, Federal Home Loan Bank Bonds, Federal National Mortgage Association Notes, Federal National Mortgage Association Bonds, and negotiable certificates of deposit. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts, such as nonnegotiable certificates of deposit, are reported at cost.

Interest income is distributed to the funds according to Ohio constitutional and statutory requirements. Interest revenue credited to the General Fund during 2010 amounted to \$202,019, which includes \$179,896 assigned from other funds.

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

Materials and Supplies Inventory

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

Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2010, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

Capital Assets

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

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

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

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

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

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

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

Compensated Absences

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

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

Accrued Liabilities and Long-Term Obligations

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

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

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, compensated absences that will be paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current year. Bonds and capital leases are recognized as liabilities on the governmental fund financial statements when due.

Unamortized Bond Premiums and Bond Issuance Costs

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

Reserves of Fund Balance

Reserves of fund equity in governmental funds indicate that a portion of fund balance is not available for expenditure or is legally segregated for a specific future use. Fund balances are reserved for encumbrances and loans receivable.

Internal Activities

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

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

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

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

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

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes include funds for the operation of recreational activities and the improvement of the living environment of the City. The government-wide Statement of Net Assets reports \$3,779,781 of restricted net assets, \$62,335 of which is restricted by enabling legislation.

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

Operating Revenues and Expenses

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

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 3 – ACCOUNTABILITY

The U.S. EPA Petroleum Assessment and the U.S. Hazard Substances Assessment Special Revenue Funds had deficit fund balances of \$300 and \$1,928, respectively, at December 31, 2010. The General Fund is liable for the deficits and provides transfers when cash is required, not when accruals occur.

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

NOTE 4 – BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis, as provided by law, is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual is presented for the General Fund and the major special revenue funds on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
- (b) Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
- (c) Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).
- (d) Unrecorded cash represents amounts received but not included as revenue on the budget basis operating statements. These amounts are included as revenue on the GAAP basis operating statements.
- (e) Investments are reported at fair value (GAAP basis) rather than at cost (budget basis).

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

NOTE 4 – BUDGETARY BASIS OF ACCOUNTING *(continued)*

The adjustments necessary to convert the results of operations for the year on the GAAP basis to the budget basis for the General Fund and major special revenue funds are as follows:

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

NOTE 5 – DEPOSITS AND INVESTMENTS

State statutes classify monies held by the City into three categories.

Active monies are public monies necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the City Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that Council has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

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

NOTE 5 – DEPOSITS AND INVESTMENTS *(continued)*

Interim monies may be deposited or invested in the following securities:

1. United States Treasury notes, bills, bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Commercial paper and bankers acceptances if training requirements have been met;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2); and
7. The State Treasurer's investment pool (STAROhio).

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

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

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

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

NOTE 5 – DEPOSITS AND INVESTMENTS *(continued)*

Investments: As of December 31, 2010, the City had the following investments:

	Fair Value	Investment Maturities (in Years)		S&P Rating	Percent of Total Investments	Call Date
		Less than 1	1 - 4			
Federal Home Loan Mortgage Corporation Notes	\$495,245	\$0	\$495,245	AAA	12.93%	9/15/2011
Federal Home Loan Banks Bonds	1,023,260	0	1,023,260	AAA	26.71%	1/9/2012
Federal National Mortgage Association Notes	1,000,340	0	1,000,340	AAA	26.12%	1/13/2011
Federal National Mortgage Association Bonds	602,799	0	602,799	AAA	15.74%	3/18/11 - 5/1/12
Negotiable Certificates of Deposit	708,421	458,097	250,324	N/A	18.50%	
Totals	<u>\$3,830,065</u>	<u>\$458,097</u>	<u>\$3,371,968</u>		<u>100.00%</u>	

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

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

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

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

NOTE 6 – MUNICIPAL INCOME TAX

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

Income tax proceeds are to be used to pay the cost of administering the tax, General Fund operations, capital improvements, debt service and other governmental functions when needed, as determined by Council. In 2010, the proceeds were allocated to the General Fund, the Income Tax Special Revenue Fund, the Safety Forces Tax Special Revenue Fund, the General Obligation Bond Retirement Debt Service Fund, and the Capital Improvement Capital Projects Fund.

NOTE 7 – PROPERTY TAX

Property taxes include amounts levied against all real, public utility, and tangible personal property (used in business) located in the City. Property tax revenue received during 2010 for real and public utility property taxes represents collections of 2009 taxes. Property tax payments received during 2010 for tangible personal property (other than public utility property) are for 2010 taxes.

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

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

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2010 public utility property taxes became a lien December 31, 2009, are levied after October 1, 2010, and are collected in 2011 with real property taxes.

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

NOTE 7 – PROPERTY TAX *(continued)*

Tangible personal property tax revenue received during 2010 (other than public utility property tax) represents the collection of 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, furniture and fixtures is no longer levied and collected. Tangible personal property taxes received from telephone companies in 2010 were levied after October 1, 2009, on the value as of December 31, 2009. Tangible personal property taxes from telephone companies will no longer be levied and collected after 2010.

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

The full tax rate for all City operations for the year ended December 31, 2010, was \$4.00 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2010 property tax receipts were based are as follows:

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

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City of Circleville. The County Auditor periodically remits to the City its portion of the taxes. Property taxes receivable represents real, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2010, and for which there is an enforceable legal claim. In the governmental funds, the entire receivable has been offset by deferred revenue since the current taxes were not levied to finance 2010 operations, and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as revenue while the remainder of the receivable is deferred.

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

NOTE 8 – RECEIVABLES

Receivables at December 31, 2010, consisted of interest, accounts for weed and litter assessments, intergovernmental receivables arising from grants, entitlements or shared revenues, taxes, loans, and special assessments. All receivables are considered fully collectible, including water and sewer charges receivable which, if delinquent, may be certified and collected as a special assessment, subject to foreclosure for nonpayment. Special assessments expected to be collected in more than one year amount to \$3,650. The entire amount of the special assessments receivable at December 31, 2010, are delinquent. Property taxes and income taxes, although ultimately collectible, include some portion of delinquents that will not be collected within one year.

The City entered into a loan agreement with Berger Health System, in which Berger Health System is repaying the City for the bonds issued by the City on behalf of Berger Health System. The loan agreement is for the \$2,000,000 principal amount of bonds and the related interest. The loans receivable balance relating to this agreement at December 31, 2010, is \$926,250, of which \$115,000 is considered to be due within one year. The City also had loans receivable related to program housing. At December 31, 2010, the balance of these loans was \$31,376, of which \$7,049 is considered to be due within one year.

A summary of the principal items of intergovernmental receivables follows:

	<u>Amount</u>
<u>Governmental Activities</u>	
Ohio HOME Investment Partnerships Grant	\$169,778
EPA Petroleum Assessment Grant	66,321
EPA Hazardous Substance Grant	29,285
Community Development Block Grant	222,438
Clean Ohio Assistance Fund Grant	189,825
Estate Taxes	707,574
Homestead and Rollback	53,000
Electric Deregulation	5,368
Permissive Motor Vehicle License Tax	45,372
Gasoline Tax	224,485
Motor Vehicle License Tax	58,963
Local Government	346,265
Total Intergovernmental Receivable	<u>\$2,118,674</u>

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

NOTE 9 – CAPITAL ASSETS

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

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

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

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

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

NOTE 9 – CAPITAL ASSETS *(continued)*

Depreciation expense was charged to governmental programs as follows:

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

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

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

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

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

NOTE 10 – DEFINED BENEFIT PENSION PLANS

Ohio Public Employees Retirement System

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

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

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions and currently limits the employer contribution to a rate not to exceed 14.0 percent of covered payroll for State and local employer units and 18.1 percent of covered payroll for law and public safety employer units. Member contribution rates, as set in the Ohio Revised Code, are not to exceed 10.0 percent. For the year ended December 31, 2010, members in State and local classifications contributed 10.0 percent of covered payroll and public safety and law enforcement members contributed 10.5 percent and 11.1 percent, respectively. While members in the State and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Pension Plan. For 2010, member and employer contribution rates were consistent across all three plans.

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

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

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

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

Ohio Police and Fire Pension Fund

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

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

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

NOTE 11 – POSTEMPLOYMENT BENEFITS

Ohio Public Employees Retirement System

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

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

NOTE 11 – POSTEMPLOYMENT BENEFITS *(continued)*

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

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

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

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

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2010, State and local employers contributed at a rate of 14.0 percent of covered payroll, and public safety and law enforcement employers contributed at 17.87 percent. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.0 percent of covered payroll for State and local employer units and 18.1 percent of covered payroll for law and public safety employer units.

Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 5.5 percent from January 1 through February 28, 2010, and five percent from March 1 through December 31, 2010. The portion of employer contributions allocated to health care for members in the Combined Plan was 4.73 percent from January 1 through February 28, 2010, and 4.23 percent from March 1 through December 31, 2010.

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

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

NOTE 11 – POSTEMPLOYMENT BENEFITS *(continued)*

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

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

Ohio Police and Fire Pension Fund

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

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

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

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

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

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

NOTE 11 – POSTEMPLOYMENT BENEFITS *(continued)*

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2010, the employer contribution allocated to the health care plan was 6.75 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

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

NOTE 12 – EMPLOYEE BENEFITS

Compensated Absences

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

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

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

NOTE 12 – EMPLOYEE BENEFITS *(continued)*

Insurance Benefits

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

Deferred Compensation

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

NOTE 13 – CAPITAL LEASES – LESSEE DISCLOSURE

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

Capital assets acquired by lease were initially capitalized in the amount of \$360,219 for governmental activities and \$41,796 for business-type activities, which is equal to the present value of the minimum lease payments at the time of acquisition. Corresponding liabilities were recorded on the Statement of Net Assets for governmental and business-type activities. Principal payments in 2010 totaled \$63,033 in the governmental funds and \$6,935 in the enterprise funds.

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

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

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

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

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2010, for governmental activities:

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

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

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

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

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

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2010, for business-type activities:

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

NOTE 14 – OUTSTANDING DEBT AND OTHER LONG-TERM OBLIGATIONS

Bonded Debt and Other Long-Term Obligations

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

Types / Issues	Balance 12/31/2009	Issued	Retired	Balance 12/31/2010	Due Within One Year
<u>Business-Type Activities</u>					
<u>General Obligation Bonds</u>					
2008 - Various Purpose Bonds \$3,005,000					
Term Bonds 4.125% - 4.50%	\$1,800,000	\$0	\$0	\$1,800,000	\$0
Serial Bonds 3.00% - 4.25%	1,090,000	0	110,000	980,000	110,000
Total General Obligation Bonds	2,890,000	0	110,000	2,780,000	110,000
<u>Other Long-Term Obligations</u>					
Capital Leases	9,045	0	6,935	2,110	2,110
Compensated Absences	113,343	108,677	85,036	136,984	62,438
Total Other Long-Term Obligations	122,388	108,677	91,971	139,094	64,548
Total Business-Type Activities	\$3,012,388	\$108,677	\$201,971	\$2,919,094	\$174,548

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

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

Types / Issues	Balance 12/31/2009	Issued	Retired	Balance 12/31/2010	Due Within One Year
<u>Governmental Activities</u>					
<u>General Obligation Bonds</u>					
1997 - Berger Health System					
Bonds \$2,000,000					
Term Bonds 4.80% - 5.40%	\$1,040,000	\$0	\$105,000	\$935,000	\$115,000
2000 - Capital Facilities Improvement					
Safety Services Building Bonds \$3,285,000					
Term Bonds 5.625%	2,060,000	0	0	2,060,000	160,000
Serial Bonds 4.45% - 5.95%	145,000	0	145,000	0	0
2000 - Capital Facilities Improvement					
City Services Building Bonds \$500,000					
Term Bonds 5.625%	315,000	0	0	315,000	25,000
Serial Bonds 4.45% - 5.95%	25,000	0	25,000	0	0
2008 - Various Purpose Bonds \$355,000					
Term Bonds 4.125% - 4.50%	210,000	0	0	210,000	0
Serial Bonds 3.00% - 4.25%	135,000	0	15,000	120,000	15,000
Premium on Bonds Issued	15,859	0	835	15,024	0
Total General Obligation Bonds	3,945,859	0	290,835	3,655,024	315,000
<u>Other Long-Term Obligations</u>					
Capital Leases	139,433	0	63,033	76,400	40,527
Compensated Absences	372,262	288,265	246,483	414,044	246,088
Total Other Long-Term Obligations	511,695	288,265	309,516	490,444	286,615
Total Governmental Activities	\$4,457,554	\$288,265	\$600,351	\$4,145,468	\$601,615

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

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

NOTE 14 – OUTSTANDING DEBT AND OTHER LONG-TERM OBLIGATIONS

(continued)

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

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

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

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

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

NOTE 14 – OUTSTANDING DEBT AND OTHER LONG-TERM OBLIGATIONS

(continued)

General Obligation Bonds

Berger Health System Bonds

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

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

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

Capital Facilities Improvement Safety Services Building Bonds

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

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

NOTE 14 – OUTSTANDING DEBT AND OTHER LONG-TERM OBLIGATIONS

(continued)

The term bonds, issued at \$2,060,000 maturing on December 1, 2020, are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed plus accrued interest to the date of redemption, on December 1, in the years and in the respective principal amounts as follows:

Year	Amount
2011	\$160,000
2012	170,000
2013	180,000
2014	185,000
2015	195,000
2016	210,000
2017	220,000
2018	235,000
2019	245,000
2020	260,000
Totals	<u><u>\$2,060,000</u></u>

The serial bonds, issued at \$1,225,000, matured December 1, 2010.

Capital Facilities Improvement City Services Building Bonds

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

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

NOTE 14 – OUTSTANDING DEBT AND OTHER LONG-TERM OBLIGATIONS

(continued)

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

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

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

2008 Various Purpose Bonds

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

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

NOTE 14 – OUTSTANDING DEBT AND OTHER LONG-TERM OBLIGATIONS

(continued)

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

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

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

Conduit Debt

During 2003, the City issued revenue bonds in the aggregate principal amount of \$26,000,000 for Berger Health System. The proceeds are to be used by Berger Health System for future capital expenditures and to retire \$9,000,000 of old debt. On November 1, 2007, the City issued revenue bonds in the aggregate principal amount of \$13,275,000 for Berger Health System. The proceeds are to be used by Berger Health System to fund operations and to retire \$8,000,000 of old debt. During 2008, the City issued revenue bonds in the aggregate principal amount of \$1,375,000 for Berger Health System. The proceeds are to be used by Berger Health System to fund operations. During 2010, the City issued revenue bonds in the aggregate principal amount of \$24,783,000 for Berger Health System. The proceeds are to be used by Berger Health System for future capital expenditures and to retire \$16,667,000 of old debt. The bonds are to be repaid by the recipient of the proceeds and do not represent an obligation of the City. There has not been, and currently is not any condition of default under the bonds or the related financing documents. The City is not obligated in any way to pay debt charges on the bonds from any of its funds, and therefore they have been excluded entirely from the City's debt presentation. Neither is the full faith and credit or taxing power of the City pledged to make repayment. The balance outstanding as of December 31, 2010, is \$25,652,000.

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

NOTE 14 – OUTSTANDING DEBT AND OTHER LONG-TERM OBLIGATIONS

(continued)

Compensated Absences/Capital Leases

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

NOTE 15 – RISK MANAGEMENT

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

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

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

NOTE 16 – INTERFUND ACTIVITY

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

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

The transfers from the General Fund to Nonmajor Funds were made to fund the future replacement of Fire Department vehicles. Transfers from the Capital Improvement Fund to Nonmajor Funds were made to meet the matching requirements related to an Ohio Public Works Commission grant the City received during the year.

NOTE 17 – JOINTLY GOVERNED ORGANIZATION

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

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

NOTE 18 – CONTINGENT LIABILITIES

Litigation

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

Federal and State Grants

For the period January 1, 2010, to December 31, 2010, the City received federal and State grants for specific purposes that are subject to review and audit by the grantor agencies or their designees. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowance, if any, would be immaterial.

NOTE 19 – BERGER HEALTH SYSTEM

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

Basis of Accounting

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

Budgetary Basis of Accounting

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

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

NOTE 19 – BERGER HEALTH SYSTEM *(continued)*

Deposits and Investments

Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the System’s deposits may not be returned to it. The System does not have a deposit policy for custodial credit risk. At year-end, the System had approximately \$12,048,000 of bank deposits (certificates of deposit, checking and savings accounts) that were uninsured but are collateralized with securities held by the pledging financial institution. The System believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the System evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Investments

Custodial Credit Risk of Investments

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

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

Interest Rate Risk

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

<u>Investment</u>	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
US Agency Bonds	\$22,757,000	0.63 Years
STAROhio	258,000	-----
Totals	<u>\$23,015,000</u>	

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

NOTE 19 – BERGER HEALTH SYSTEM *(continued)*

Credit Risk

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

<u>Investment</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating on</u>
US Agency Bonds	\$22,757,000	AAA	Standard & Poor's
STAROhio	258,000	AAAm	Standard & Poor's
Totals	<u>\$23,015,000</u>		

Capital Assets

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

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

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

NOTE 19 – BERGER HEALTH SYSTEM *(continued)*

Long-Term Obligations

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

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

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

NOTE 19 – BERGER HEALTH SYSTEM *(continued)*

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

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

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

On September 1, 2003, the System entered into a financing agreement with the City of Circleville in which the City issued \$10,000,000 of Hospital Facilities Revenue Bonds (Series 2003B Bonds). During 2007, the System refinanced the Series 2003B Bonds to change maturity of the instrument. The System will pay interest-only payments, at a rate of 4.10 percent, until December 2011, at which time a lump-sum payment of \$3,500,000 will be due followed by quarterly principal installments ranging from \$167,000 in March 2012 to \$3,500,000 in September 2013, plus interest. In November 2010, the System retired the remaining outstanding debt with proceeds from the Series 2010 Hospital Facilities Revenue Bonds.

On November 1, 2007, the System entered into a financing agreement with the City of Circleville in which the City issued \$9,950,000 of Hospital Facilities Revenue Bonds (Series 2007A Bonds). The proceeds were used to retire prior obligations and to fund operations. The Series 2007A Bonds mature in quarterly principal installments ranging from \$264,000 in December 2007 to \$2,558,000 in September 2014, at a rate of 3.85 percent. In November 2010, the System retired the remaining outstanding debt with proceeds from the Series 2010 Hospital Facilities Revenue Bonds.

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

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

NOTE 19 – BERGER HEALTH SYSTEM *(continued)*

On November 1, 2007, the System entered into a financing agreement with the City of Circleville in which the City issued \$1,375,000 of Hospital Facilities Revenue Bonds (Series 2008A Bonds). The proceeds were used to fund operations. The Series 2008A Bonds mature in quarterly principal installments of \$34,000 from March 2008 to December 2014, at a rate of 3.85 percent. In November 2010, the System retired the remaining outstanding debt with proceeds from the Series 2010 Hospital Facilities Revenue Bonds.

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

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

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

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

Self-Insured Benefits

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

CITY OF CIRCLEVILLE, PICKAWAY COUNTY
Schedule of Federal Awards Expenditures
For the Year Ended December 31, 2010

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<u>U.S. Department of Housing and Urban Development</u>			
<i>Passed through the Ohio Department of Development/State's Program</i>			
Community Development Block Grants:			
Homeles Prevention/Home/Building Repair	A-C-08-105-1	14.228	69,982
Homeles Prevention/Home/Building Repair	A-C-10-2AX-1	14.228	37,635
Neighborhood Stabilization Program	B-Z-08-066-1	14.228	227,740
<i>Total Community Development Block Grants</i>			<u>335,357</u>
HOME Investment Partnerships Program	A-C-08-105-2	14.239	12,431
HOME Investment Partnerships Program	A-C-10-2AX-2	14.239	12,300
<i>Total HOME Investment Partnerships Program</i>			<u>24,731</u>
Total U.S. Department of Housing and Urban Development			360,088
<u>U.S. Environmental Protection Agency</u>			
<i>Direct from the Federal Government</i>			
CW Hazardous Substances Assessment	G5DDNY00	66.818	132,598
CW Petroleum Assessment Grant	B5DDOR00	66.818	46,555
Total U.S. Environmental Protection Agency			179,153
<u>U.S. Department of Health and Human Services</u>			
<i>Passed through the Ohio Department of Job and Family Services</i>			
TANF	31-6400-083	93.714	18,723
Total Ohio Department of Job and Family Services			<u>18,723</u>
Total Federal Expenditures			<u><u>\$557,964</u></u>

Note 1 - Significant Accounting Policies

The City prepares its Schedule of Federal Awards Expenditures on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local governments and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the general purpose financial statements.

Independent Accountant's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by Government Auditing Standards

City of Circleville
133 South Court Street
Circleville, OH 43113

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Circleville, Pickaway County, Ohio (the City), as of and for the years ended December 31, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 10, 2011. We did not audit the financial statements of Berger Health System, which were audited by other auditors whose reports thereon have been furnished to us, and our opinion insofar as it relates to the amounts included for Berger Health System, is solely based on the reports of the other auditors. 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 of America.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the City's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the City's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

Compliance and Other Matters

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 no instance of noncompliance or other matters we must report under *Government Auditing Standards*.

Members of Council
City of Circleville, Pickaway County
Independent Accountant's Report on Internal Control over Financial
Reporting and on Compliance and Other Matters Required by
Government Auditing Standards

We did note certain matters not requiring inclusion in this report that we have reported to the Members of Council and management in a separate letter dated June 10, 2011.

This report is intended for the information and use of the Members of Council, management, audit committee, 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.

J. L. Uhrig and Associates, Inc.

J. L. UHRIG AND ASSOCIATES, INC.

June 10, 2011

**Independent Accountant's Report on Compliance with Requirements
Applicable to Each Major Federal Program and on Internal Control
over Compliance in Accordance with OMB Circular A-133**

City of Circleville
133 South Court Street
Circleville, Ohio 43113

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, 2010. The summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs identifies the City's major federal programs. The City's management is responsible for complying with the requirements of laws, regulations, contracts and grants applicable to each major federal program. 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 reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect on a major federal program. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Authority's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended December 31, 2010.

Internal Control over Compliance

The City's management is responsible for establishing and maintaining effective internal control over compliance with the 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 directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of internal control over compliance.

Members of Council
City of Circleville, Pickaway County
Independent Accountant's Report on Compliance with Requirements
Applicable to Each Major Federal Program and on Internal Control
over Compliance in Accordance with OMB Circular A-133

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

We intend this report solely for the information and use of the Members of Council, management federal awarding agencies and pass-through entities. It is not intended for anyone other than these specified parties.

J. L. Uhrig and Associates, Inc.

J. L. UHRIG AND ASSOCIATES, INC.

June 10, 2011

CITY OF CIRCLEVILLE
PICKAWAY COUNTY, OHIO
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2010

A. SUMMARY OF AUDITOR'S RESULTS

1. Type of Financial Statement Opinion	Unqualified
2. Were there any material internal control weaknesses reported at the financial statement level (GAGAS)?	No
3. Were there any other reportable internal control weaknesses reported at the financial statement level (GAGAS)?	No
4. Was there any material noncompliance reported at the financial statement level (GAGAS)?	No
5. Were there any material internal control weaknesses reported for major federal programs?	No
6. Were there any other reportable internal control weaknesses reported for major federal programs?	No
7. Type of Major Programs' Compliance Opinion	Unqualified
8. Are there any reportable findings under § .510?	No
9. Major Programs (list):	CFDA # 14.228 Community Development Block
10. Dollar Threshold: Type A/B Programs	Type A: >\$300,000 Type B: All Other Programs
11. Low Risk Auditee?	No

*CITY OF CIRCLEVILLE
PICKAWAY COUNTY, OHIO
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2010*

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

There were no findings related to the financial statements.

C. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

There were no findings and questioned costs for federal awards.

APPENDIX D

Proposed Text of Opinion of Bond Counsel

August 30, 2011

To: City of Circleville, Ohio
Fifth Third Securities, Inc.

We have served as bond counsel to the City of Circleville, Ohio (the “City”) and not as counsel to any other person in connection with the issuance by the City of its \$2,475,000 Various Purpose Refunding Bonds, Series 2011 (the “Bonds”), dated the date of this letter and issued for the purpose of paying the costs of refunding bonds previously issued by the City for the purpose of paying the costs of (i) constructing a new safety facility to house a fire station, EMS facility, and fire department offices and (ii) constructing a City services building to house the City’s service and building departments, and in each case providing all related work and appurtenances. In our capacity as bond counsel, we have examined the transcript of proceedings relating to the issuance of the Bonds, a conformed copy of the signed and authenticated Bond of the first maturity and such other documents, matters and law as we deem necessary to render the opinions set forth in this letter.

Based on that examination and subject to the limitations stated below, we are of the opinion that under existing law:

1. The Bonds constitute valid and binding general obligation of the City, and the principal of and interest on the Bonds, unless paid from other sources, are to be paid from the proceeds of the levy of ad valorem taxes, within the ten-mill limitation imposed by law, on all property subject to ad valorem taxes levied by the City.
2. Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”) and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, portions of the interest on the Bonds earned by certain corporations may be subject to a corporate alternative minimum tax. The Bonds are qualified tax-exempt obligations as defined in Section 265(b)(3) of the Code. Interest on, and any profit made on the sale, exchange or other disposition of, the Bonds are exempt from the Ohio personal income tax, the Ohio commercial activity tax, the net income base of the Ohio corporate franchise tax, and municipal, school district and joint economic development district income taxes in Ohio. We express no opinion as to any other tax consequences regarding the Bonds.

The opinions stated above are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. In rendering all such opinions, we assume, without independent verification, and rely upon (i) the accuracy of the factual matters represented, warranted or certified in the proceedings and documents we have examined and (ii) the due and legal authorization, execution and delivery of those documents by, and the valid, binding and enforceable nature of those documents upon, any parties other than the City.

In rendering those opinions with respect to the treatment of the interest on the Bonds and the status of the Bonds as qualified tax-exempt obligations under the federal tax laws, we further assume and rely upon compliance with the covenants in the proceedings and documents we have examined, including those of the City. Failure to comply with certain of those covenants subsequent to issuance of the Bonds may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to their date of issuance and may cause the Bonds not to be qualified tax-exempt obligations.

The rights of the owners of the Bonds and the enforceability of the Bonds are subject to bankruptcy, insolvency, arrangement, fraudulent conveyance or transfer, reorganization, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion, and to limitations on legal remedies against public entities.

The opinions rendered in this letter are stated only as of this date, and no other opinion shall be implied or inferred as a result of anything contained in or omitted from this letter. Our engagement as bond counsel with respect to the Bonds has concluded on this date.

Respectfully submitted,

APPENDIX E

Book-Entry System; DTC

Book-Entry System

The information set forth in the following numbered paragraphs is based on information provided by The Depository Trust Company in its “Sample Offering Document Language Describing DTC and Book-Entry-Only Issuance” (December 2007). As such, the City believes it to be reliable, but the City takes no responsibility for the accuracy or completeness of that information. It has been adapted to the Bond issue by substituting “Bonds” for “Securities,” “City” for “Issuer” and “Bond Registrar” for “registrar” and by the addition of the italicized language set forth in the text. See also the additional information following those numbered paragraphs.

1. The Depository Trust Company, New York, New York (DTC), will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, each in the principal amount of such maturity, and will be deposited with and retained in the custody of DTC or its agent.

2. DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org. *(These internet sites are included for reference only, and the information in these internet sites is not incorporated by reference in this Official Statement.)*

3. Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual

purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

4.To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5.Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Bond Registrar and request that copies of the notices be provided directly to them.

6.Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7.Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC’s MMI procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.’s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8.Redemption proceeds, distributions and dividends (*debt charges payments*) on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC’s practice is to credit Direct Participants’ accounts, upon DTC’s receipt of funds and corresponding detail information from the City or the Bond Registrar, on the payable date in accordance with their respective holdings shown on DTC’s records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case

with securities held for the accounts of customers in bearer form or registered in “street name,” and will be the responsibility of such Participant and not of DTC, the Bond Registrar, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions and dividends (*debt charges*) to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Bond Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9.(*Not Applicable to the Bonds.*)

10.DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the City or the Bond Registrar. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed (*or otherwise produced*) and delivered.

11.The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed (or otherwise produced) and delivered to DTC. (*See also Revision of Book-Entry System; Replacement Bonds.*)

12.The information above in this section concerning DTC and DTC’s book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

Direct Participants and Indirect Participants may impose service charges on Beneficial Owners in certain cases. Purchasers of book-entry interests should discuss that possibility with their brokers.

The City and the Bond Registrar have no role in the purchases, transfers or sales of book-entry interests. The rights of Beneficial Owners to transfer or pledge their interests, and the manner of transferring or pledging those interests, may be subject to applicable state law. Beneficial Owners may want to discuss with their legal advisors the manner of transferring or pledging their book-entry interests.

The City and the Bond Registrar have no responsibility or liability for any aspects of the records or notices relating to, or payments made on account of, beneficial ownership, or for maintaining, supervising or reviewing any records relating to that ownership.

The City and the Bond Registrar cannot and do not give any assurances that DTC, Direct Participants, Indirect Participants or others will distribute to the Beneficial Owners payments of debt charges on the Bonds made to DTC as the registered owner, or redemption, if any, or other notices, or that they will do so on a timely basis, or that DTC, Direct Participants or Indirect Participants will serve or act in a manner described in this Official Statement.

For all purposes under the Bond proceedings (except the Continuing Disclosure Agreement under which others as well as DTC may be considered an owner or holder of the Bonds, see

Continuing Disclosure Agreement), DTC will be and will be considered by the City and the Bond Registrar to be the owner or holder of the Bonds.

Beneficial Owners will not receive or have the right to receive physical delivery of Bonds, and, except to the extent they may have rights as Beneficial Owners or holders under the Continuing Disclosure Agreement, will not be or be considered by the City and the Bond Registrar to be, and will not have any rights as, owners or holders of Bonds under the Bond proceedings.

Reference herein to “DTC” includes when applicable any successor securities depository and the nominee of the depository.

Revision of Book-Entry System; Replacement Bonds

The Bond proceedings provide for issuance of fully-registered Bonds (Replacement Bonds) directly to owners of Bonds other than DTC only in the event that DTC (or a successor securities depository) determines not to continue to act as securities depository for the Bonds. Upon occurrence of this event, the City may in its discretion attempt to have established a securities depository book-entry relationship with another securities depository. If the City does not do so, or is unable to do so, and after the Bond Registrar has made provision for notification of the Beneficial Owners of the Bonds by appropriate notice to DTC, the City and the Bond Registrar will authenticate and deliver Replacement Bonds of any one maturity, in authorized denominations, to or at the direction of any persons requesting such issuance, and, if the event is not the result of City action or inaction, at the expense (including legal and other costs) of those requesting.

Debt charges on Replacement Bonds will be payable when due without deduction for the services of the Bond Registrar as paying agent. Principal of and any premium on Replacement Bonds will be payable when due to the registered owner upon presentation and surrender at the designated corporate trust office of the Bond Registrar. Interest on Replacement Bonds will be payable on the interest payment date by the Bond Registrar by transmittal to the registered owner of record on the Bond Register as of the 15th day of the calendar month next preceding the interest payment date. Replacement Bonds will be exchangeable for other Replacement Bonds of authorized denominations, and transferable, at the designated corporate trust office of the Bond Registrar without charge (except taxes or governmental fees). Exchange or transfer of then-redeemable Replacement Bonds is not required to be made: (i) between the 15th day preceding the mailing of notice of redemption of Replacement Bonds and the date of that mailing, or (ii) of a particular Replacement Bond selected for redemption (in whole or part).

APPENDIX F

Proposed Form of Continuing Disclosure Agreement

This CONTINUING DISCLOSURE AGREEMENT, dated August 30, 2011 (the “*Agreement*”), is made, signed and delivered by the City of Circleville, Ohio, a municipal corporation and political subdivision duly organized and existing under the Constitution and laws of the State of Ohio (the “*City*”), for the benefit of the Holders and Beneficial Owners (as defined herein) from time to time of the City’s \$2,475,000 Various Purpose Refunding Bonds, Series 2011 (the “*Bonds*”), authorized by Ordinance No. 07-29-2011 passed by the City Council on July 5, 2011 (the “*Bond Ordinance*”).

RECITAL

The City, by passage of the Bond Ordinance, has determined to issue the Bonds to provide funds for City purposes, and Fifth Third Securities, Inc. (the “*Participating Underwriter*”) has agreed to provide those funds to the City by purchasing the Bonds. As a condition to the purchase of the Bonds from the City and the sale of Bonds to Holders and Beneficial Owners, the Participating Underwriter is required to reasonably determine that the City has undertaken, in a written agreement for the benefit of Holders and Beneficial Owners of the Bonds, to provide certain information in accordance with the Rule (as defined herein).

NOW, THEREFORE, in accordance with the Bond Ordinance, the City covenants and agrees as set forth in this Continuing Disclosure Agreement.

Section 1. Purpose of Continuing Disclosure Agreement. This Agreement is being entered into, signed and delivered for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter of the Bonds in complying with Rule 15c2-12(d)(2) promulgated by the Securities and Exchange Commission (SEC) pursuant to the Securities Exchange Act of 1934, as may be amended from time to time (the “*Rule*”).

Section 2. Definitions. In addition to the definitions set forth above, the following capitalized terms shall have the following meanings in this Agreement, unless the context clearly otherwise requires. Reference to “Sections” shall mean sections of this Agreement.

“*Annual Filing*” means any Annual Information Filing provided by the City pursuant to, and as described in, Sections 3 and 4.

“*Audited Financial Statements*” means the audited basic financial statements of the City, prepared in conformity with generally accepted accounting principles.

“*Beneficial Owner*” means any person that (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

“*EMMA*” means the Electronic Municipal Market Access system of the MSRB; information regarding submissions to EMMA is available at <http://emma.msrb.org>.

“*Filing Date*” means the last day of the ninth month following the end of each Fiscal Year (or the next succeeding business day if that day is not a business day), beginning September 30, 2012.

“*Fiscal Year*” means the 12-month period beginning on January 1 of each year or such other 12-month period as the City shall adopt as its fiscal year.

“*Holder*” means, with respect to the Bonds, the person in whose name a Bond is registered in accordance with the Bond Ordinance.

“*MSRB*” means the Municipal Securities Rulemaking Board.

“*Obligated Person*” means, any person, including the issuer of municipal securities (such as the Bonds), who is generally committed by contract or other arrangement to support payment of all or part of the obligations on the municipal securities being sold in an offering document (such as the Official Statement); the City is the only Obligated Person for the Bonds.

“*Official Statement*” means the Official Statement for the Bonds dated August 16, 2011.

“*Participating Underwriter*” means any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“*Specified Events*” means any of the events with respect to the Bonds as set forth in Section 5(a).

“*State*” means the State of Ohio.

Section 3. Provision of Annual Information.

(a) The City shall provide (or cause to be provided) not later than the Filing Date to the MSRB an Annual Filing, which is consistent with the requirements of Section 4. The Annual Filing shall be submitted in an electronic format and contain such identifying information as is prescribed by the MSRB, and may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4; provided that the Audited Financial Statements of the City may be submitted separately from the balance of the Annual Filing and later than the Filing Date if they are not available by that date. If the City’s Fiscal Year changes, it shall give notice of such change in the same manner as for a Specified Event under Section 5.

(b) If the City is unable to provide to the MSRB an Annual Filing by the Filing Date, the City shall, in a timely manner, send a notice to the MSRB in an electronic format as prescribed by the MSRB.

Section 4. Content of Annual Filing. The City’s Annual Filing shall contain or include by reference the following:

(a) Financial information and operating data regarding the City that includes, at a minimum, that financial information and operating data that is customarily prepared by the City and is publicly available.

(b) The Audited Financial Statements of the City utilizing generally accepted accounting principles applicable to governmental units as described in the Official Statement, except as may be modified from time to time and described in such financial statements.

The foregoing shall not obligate the City to prepare or update projections of any financial information or operating data.

Any or all of the items listed above may be included by specific reference to other documents, including annual informational statements of the City or official statements of debt issues of the City or related public entities, which have been submitted to the MSRB or the Securities and Exchange Commission. The City shall clearly identify each such other document so included by reference.

Section 5. Reporting Specified Events.

(a) The City shall provide to the MSRB, in an electronic format and containing such identifying information as is prescribed by the MSRB and in a timely manner but not later than ten business days after the occurrence of the event, notice of any of the following events with respect to the Bonds, as specified by the Rule:

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults, if material;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties; (a)
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties; (a)
- (5) Substitution of credit or liquidity providers, or their failure to perform; (a)
- (6) (Issuance of) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security (*i.e.*, the Bonds), or other material events affecting the tax status of the security;
- (7) Modifications to rights of security holders, if material;
- (8) Bond calls, if material, and tender offers;
- (9) Defeasances;
- (10) Release, substitution, or sale of property securing repayment of the securities, if material; (b)
- (11) Rating changes;
- (12) Bankruptcy, insolvency, receivership or similar event of the Obligated Person;
Note: For the purposes of the event identified in this subparagraph, the event is considered to occur when any of the following occur: the appointment of a

receiver, fiscal agent or similar officer for an Obligated Person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Obligated Person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Obligated Person.

- (13) The consummation of a merger, consolidation, or acquisition involving an Obligated Person or the sale of all or substantially all of the assets of the Obligated Person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

Note:

- (a) *The City has not obtained or provided, and does not expect to obtain or provide, any debt service reserves, credit enhancements or credit or liquidity providers for the Bonds.*
- (b) *Repayment of the Bonds is not secured by a lien on any property capable of release or sale or for which other property may be substituted.*

For the Specified Events described in Section 5(a) (2), (6, as applicable), (7), (8, as applicable), (10), (13) and (14), the City acknowledges that it must make a determination whether such Specified Event is material under applicable federal securities laws in order to determine whether a filing is required.

Section 6. Amendments. The City reserves the right to amend this Agreement, and noncompliance with any provision of this Agreement may be waived, as may be necessary or appropriate to (a) achieve its compliance with any applicable federal securities law or rule, (b) cure any ambiguity, inconsistency or formal defect or omission and (c) address any change in circumstances arising from a change in legal requirements, change in law or change in the identity, nature or status of the City or type of business conducted by the City. Any such amendment or waiver shall not be effective unless the Agreement (as amended or taking into account such waiver) would have materially complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any applicable amendments to or official interpretations of the Rule, as well as any change in circumstances, and until the City shall have received either (i) a written opinion of bond counsel or other qualified independent special counsel selected by the City that the amendment or waiver would not materially impair the interests of Holders of at least a majority of the principal amount of the Bonds then outstanding. An Annual Filing containing any revised operating data or financial information shall explain, in narrative form, the reasons for any such amendment or waiver

and the impact of the change on the type of operating data or financial information being provided. If the amendment relates to the accounting principles to be followed in preparing Audited Financial Statements, (A) the City shall provide notice of such change in the same manner as for a Specified Event under Section 5 and (B) the Annual Filing for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements or information as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 7. Additional Information. Nothing in this Agreement shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Agreement or providing any other means of communication, or including any other information in any Annual Filing or providing notice of the occurrence of an event, in addition to that which is required by this Agreement. If the City chooses to include any information in any document or notice of occurrence of an event in addition to that which is specifically required by this Agreement, the City shall have no obligation under this Agreement to update such information or include it in any future Annual Filing or notice of occurrence of a Specified Event.

Section 8. Remedy for Breach. This Agreement shall be solely for the benefit of the Holders and Beneficial Owners from time to time of the Bonds. The exclusive remedy for any breach of the Agreement by the City shall be limited, to the extent permitted by law, to a right of Holders and Beneficial Owners to institute and maintain, or to cause to be instituted and maintained, such proceedings as may be authorized at law or in equity to obtain the specific performance by the City of its obligations under this Agreement in a court in Pickaway County, Ohio. Any such proceedings shall be instituted and maintained only in accordance with Section 133.25(B)(4)(b) or (C)(1) of the Revised Code (or any like or comparable successor provisions); provided that any Holder or Beneficial Owner may exercise individually any such right to require the City to specifically perform its obligation to provide or cause to be provided a pertinent filing if such a filing is due and has not been made. Any Beneficial Owner seeking to require the City to comply with this Agreement shall first provide at least 30 days' prior written notice to the City of the City's failure, giving reasonable detail of such failure, following which notice the City shall have 30 days to comply. A default under this Agreement shall not be deemed an event of default under the Bond Ordinance, and the sole remedy under this Agreement in the event of any failure of the City to comply with this Agreement shall be an action to compel performance. No person or entity shall be entitled to recover monetary damages under this Agreement.

Section 9. Appropriation. The performance by the City of its obligations under this Agreement shall be subject to the availability of funds and their annual appropriation to meet costs that the City would be required to incur to perform those obligations. The City shall provide notice to the MSRB in the same manner as for a Specified Event under Section 5 of the failure to appropriate funds to meet costs to perform the obligations under this Agreement.

Section 10. Termination. The obligations of the City under the Agreement shall remain in effect only for such period that the Bonds are outstanding in accordance with their terms and the City remains an Obligated Person with respect to the Bonds within the meaning of the Rule. The obligation of the City to provide the information and notices of the events described above shall terminate, if and when the City no longer remains such an Obligated Person. If any person, other than the City,

becomes an Obligated Person relating to the Bonds, the City shall use its best efforts to require such Obligated Person to comply with all provisions of the Rule applicable to such Obligated Person.

Section 11. Dissemination Agent. The City may, from time to time, appoint or engage a dissemination agent to assist it in carrying out its obligations under this Agreement, and may discharge any such agent, with or without appointing a successor dissemination agent.

Section 12. Beneficiaries. This Agreement shall inure solely to the benefit of the City, any dissemination agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Section 13. Recordkeeping. The City shall maintain records of all Annual Filings and notices of Specified Events and other events including the content of such disclosure, the names of the entities with whom such disclosures were filed and the date of filing such disclosure.

Section 14. Governing Law. This Agreement shall be governed by the laws of the State.

(REMAINDER OF PAGE INTENTIONALLY LEFT BLANK – SIGNATURE PAGE TO FOLLOW)

IN WITNESS WHEREOF, the City has caused this Continuing Disclosure Agreement to be duly signed and delivered to the Participating Underwriter, as part of the Bond proceedings and in connection with the original delivery of the Bonds to the Participating Underwriter, on its behalf by its officials signing below, all as of the date set forth above, and the Holders and Beneficial Owners from time to time of the Bonds shall be deemed to have accepted this Agreement made in accordance with the Rule.

CITY OF CIRCLEVILLE, OHIO

By: _____

Title: _____ City Auditor _____

Approved as to form and correctness:

By: _____

Title: _____ Law Director _____

FISCAL OFFICER'S CERTIFICATE – CONTINUING DISCLOSURE AGREEMENT

As fiscal officer of the City of Circleville, Ohio, I certify that the money required to meet the obligations of the City under the Agreement made by the City in accordance with the Rule, as set forth in the Bond Ordinance and the attached Continuing Disclosure Agreement, during Fiscal Year 2011, has been lawfully appropriated by the City for those purposes and is in the City treasury or in the process of collection to the credit of an appropriate fund, free from any previous encumbrances. This Certificate is given in compliance with Sections 5705.41 and 5705.44 of the Revised Code.

Dated: August 30, 2011

City Auditor
City of Circleville, Ohio