



CLARK SCHAEFER HACKETT
BUSINESS ADVISORS

CITY OF CIRCLEVILLE, OHIO
PICKAWAY COUNTY
FINANCIAL STATEMENT AUDIT
FOR THE YEAR ENDED DECEMBER 31, 2025

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INDEPENDENT AUDITORS' REPORT

To the City Council
City of Circleville, Ohio:

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Circleville, Ohio ("the City"), as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of December 31, 2025, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General Fund, Safety Forces Tax Fund, and Safety Forces .5% Income Tax Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards* we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required pension and OPEB schedules, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 18, 2026 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Clark, Schaefer, Hackett & Co.

Columbus, Ohio
June 18, 2026

City of Circleville
Pickaway County, Ohio
Management's Discussion and Analysis
Year Ended December 31, 2025
(Unaudited)

The discussion and analysis of the City of Circleville's (the "City") financial performance provides an overall review of the City's financial activities for the year ended December 31, 2025. The intent of this discussion and analysis is to look at the City's performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the City's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2025 are as follows:

- In total, net position increased \$3,308,262 from 2024. Net position for governmental activities increased \$1,892,414, while net position for business-type activities increased \$1,415,848.
- General revenue accounted for \$14,903,775, or 45%, of total revenue. Program specific revenue in the form of charges for services, grants and contributions accounted for \$17,897,799, or 55%, of total revenue of \$32,801,574.
- The City had \$21,005,168 in expenses related to governmental activities. Program revenue of \$8,007,643 reduced the net cost of the City's functions to be financed from the City's general revenue to \$12,997,525.
- The City's unassigned fund balance in the General Fund was \$2,378,800 at year end, or 25% of General Fund expenditures.

USING THIS ANNUAL FINANCIAL REPORT

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

The statement of net position and statement of activities provide information about the activities of the City as a whole and present a long-term view of the City's finances. The fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term, as well as the amount of funds available for future spending. The fund financial statements focus on the City's most significant funds, with all other nonmajor funds presented in total in one column.

REPORTING THE CITY AS A WHOLE

Statement of Net Position and the Statement of Activities

The analysis of the City as a whole begins with the statement of net position and the statement of activities. These statements provide information that will help the reader to determine if the City is financially better or worse off because of the year's activities. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the accrual basis of accounting, which is similar to the accounting used by private sector companies. All current year revenues and expenses are considered regardless of when cash is received or paid.

These two statements report the City's net position and changes to that position. These changes inform the reader whether the City's financial position, as a whole, has improved or diminished. In evaluating the overall financial health, the reader of these financial statements needs to consider non-financial factors that also impact the City's financial well-being. Some of these factors include the City's tax base and the condition of capital assets.

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and a fiduciary fund.

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the year. Such information may be useful in assessing the City's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains several governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenue, expenditures and changes in fund balances for the General, Safety Forces Tax, Safety Forces .5% Income Tax, and Capital Improvement .4% Income Tax funds, which are considered to be major funds. Data from the other governmental funds are combined into a single aggregated presentation.

Proprietary Funds – There are two types of proprietary funds: enterprise and internal service funds. The City only maintains enterprise funds. The City uses enterprise funds to account for its waterworks and sanitary sewer operations. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the waterworks and sanitary sewer operations, both of which are considered to be major funds of the City.

Fiduciary Funds Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City’s own programs. The accounting used for the fiduciary funds is much like that used for proprietary funds.

THE CITY AS A WHOLE

As stated previously, the Statement of Net Position looks at the City as a whole. The table below provides a summary of the City’s net position for 2025 compared to 2024.

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Assets						
Current and other assets	\$ 17,802,261	\$ 15,652,474	\$ 11,001,955	\$ 9,424,130	\$ 28,804,216	\$ 25,076,604
Capital assets	35,552,914	34,352,658	69,807,581	62,929,027	105,360,495	97,281,685
Total assets	<u>53,355,175</u>	<u>50,005,132</u>	<u>80,809,536</u>	<u>72,353,157</u>	<u>134,164,711</u>	<u>122,358,289</u>
Total deferred outflows of resources	<u>5,785,232</u>	<u>7,350,396</u>	<u>608,356</u>	<u>952,782</u>	<u>6,393,588</u>	<u>8,303,178</u>
Liabilities						
Long-term liabilities:						
Due within one year	1,350,847	1,176,920	1,480,533	700,667	2,831,380	1,877,587
Net pension liability	18,386,564	17,877,987	2,326,583	2,567,030	20,713,147	20,445,017
Net OPEB liability	901,022	1,003,185	-	-	901,022	1,003,185
Other long-term liabilities	7,345,051	7,958,067	49,302,998	42,579,004	56,648,049	50,537,071
Current and other liabilities	674,429	700,375	342,098	901,743	1,016,527	1,602,118
Total liabilities	<u>28,657,913</u>	<u>28,716,534</u>	<u>53,452,212</u>	<u>46,748,444</u>	<u>82,110,125</u>	<u>75,464,978</u>
Total deferred inflows of resources	<u>2,587,596</u>	<u>2,636,510</u>	<u>43,853</u>	<u>51,516</u>	<u>2,631,449</u>	<u>2,688,026</u>
Net position						
Net investment in capital assets	28,391,933	26,480,876	19,367,773	19,509,543	47,759,706	45,990,419
Restricted	9,314,613	8,243,626	217,563	85,802	9,532,176	8,329,428
Unrestricted (deficit)	<u>(9,811,648)</u>	<u>(8,722,018)</u>	<u>8,336,491</u>	<u>6,910,634</u>	<u>(1,475,157)</u>	<u>(1,811,384)</u>
Total net position	<u>\$ 27,894,898</u>	<u>\$ 26,002,484</u>	<u>\$ 27,921,827</u>	<u>\$ 26,505,979</u>	<u>\$ 55,816,725</u>	<u>\$ 52,508,463</u>

The net pension liability is reported pursuant to GASB Statement 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27*, and the net other postemployment benefits (OPEB) asset and liability are reported pursuant to GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the City's actual financial condition by adding deferred inflows related to pension and OPEB, and the net pension and OPEB liabilities to the reported net position and subtracting the net OPEB asset and deferred outflows related to pension and OPEB.

Governmental Accounting Standards Board (GASB) standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB Statement No. 27) and postemployment benefits (GASB Statement No. 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability* or *net OPEB liability*. GASB Statement No. 68 and GASB Statement No. 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements. GASB Statement No. 68 and GASB Statement No. 75 require the net pension liability and the net OPEB asset to equal the City's proportionate share of each plan's collective:

1. Present value of estimated future pension/OPEB benefits attributable to active and inactive employees' past service.
2. Minus plan assets available to pay these benefits.

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the City is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The ORC permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement systems are responsible for the administration of the pension and OPEB plans.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities, but are outside the control of the local government. If contributions, investment returns, and other changes are insufficient to keep up with required payments, State statute does not assign/identify the responsible party for the unfunded portion.

Due to the unique nature of how the net pension liability and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

In accordance with GASB Statement No. 68 and GASB Statement No. 75, the City's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension and OPEB liabilities, respectively, not accounted for as deferred inflows/outflows.

The largest portion of the City's net position (\$47,759,706) reflects its investment in capital assets, less any related outstanding debt that was used to acquire those assets. The City uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (\$9,532,176) represents resources that are subject to external restrictions on how they may be used.

The remaining balance of unrestricted net position may be used to meet the City's ongoing obligations to citizens and creditors. The total balance of unrestricted net position is a deficit balance of \$1,475,157, due to the governmental activities unrestricted net position deficit balance of \$9,811,648. This deficit is attributable to the recognition of the City's proportionate share of net pension liability and net OPEB liability in accordance with GASB Statement Nos. 68 and 75. If the net pension liability and net OPEB liability and related deferrals were excluded, the total unrestricted net position would be a positive \$14,322,323. As the operation of the state-wide retirement systems are outside the control of the City and varies significantly from year to year based on the performance of investments, it's important to acknowledge the significant impact the recognition of the net pension liabilities and net OPEB liability have on the City's reported net position.

The City's total assets increased during the year, primarily driven by increases in capital assets. Capital asset activity for the year is discussed later on under the *Capital Assets and Debt Administration* section.

The City's total liabilities increased during the year, primarily due to the issuance of debt. Debt activity for the year is discussed later on under the *Capital Assets and Debt Administration* section. The total liabilities were also impacted by an increase in net pension liability as noted above.

The table below shows the changes in net position for the years ended December 31, 2025 and 2024.

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Revenues						
Program revenue:						
Charges for services	\$ 3,876,623	\$ 2,695,394	\$ 8,553,185	\$ 7,470,392	\$ 12,429,808	\$ 10,165,786
Operating grants	3,030,503	2,043,597	-	-	3,030,503	2,043,597
Capital grants	1,100,517	711,360	1,336,971	50,000	2,437,488	761,360
Total program revenue	8,007,643	5,450,351	9,890,156	7,520,392	17,897,799	12,970,743
General revenue:						
Property and other taxes	1,811,633	1,924,598	-	-	1,811,633	1,924,598
Income taxes	10,758,469	11,682,996	-	-	10,758,469	11,682,996
Payments in lieu of taxes	84,855	96,097	-	-	84,855	96,097
Unrestricted grants and entitlements	1,237,252	1,193,589	-	-	1,237,252	1,193,589
Investment earnings	532,751	560,950	-	-	532,751	560,950
Miscellaneous	453,230	428,461	25,585	379,909	478,815	808,370
Total general revenue	14,878,190	15,886,691	25,585	379,909	14,903,775	16,266,600
Total revenues	22,885,833	21,337,042	9,915,741	7,900,301	32,801,574	29,237,343
Expenses						
Security of persons and property	10,482,270	9,808,125	-	-	10,482,270	9,808,125
Public health services	243,884	262,210	-	-	243,884	262,210
Leisure time activities	593,302	547,575	-	-	593,302	547,575
Community development	163,826	208,926	-	-	163,826	208,926
Transportation	3,581,376	3,395,428	-	-	3,581,376	3,395,428
General government	5,695,156	5,854,950	-	-	5,695,156	5,854,950
Interest and fiscal charges	245,354	267,610	-	-	245,354	267,610
Waterworks operations	-	-	4,269,902	3,101,321	4,269,902	3,101,321
Sanitary sewer operations	-	-	4,218,242	4,768,853	4,218,242	4,768,853
Total expenses	21,005,168	20,344,824	8,488,144	7,870,174	29,493,312	28,214,998
Increase (decrease) in net position before transfers	1,880,665	992,218	1,427,597	30,127	3,308,262	1,022,345
Transfers	11,749	11,749	(11,749)	(11,749)	-	-
Change in net position	1,892,414	1,003,967	1,415,848	18,378	3,308,262	1,022,345
Beginning net position	26,002,484	24,998,517	26,505,979	26,487,601	52,508,463	51,486,118
Ending net position	\$ 27,894,898	\$ 26,002,484	\$ 27,921,827	\$ 26,505,979	\$ 55,816,725	\$ 52,508,463

The recognition of the City's proportionate share of the state retirement systems' net pension and OPEB liabilities and the annual changes can have a significant impact on the City's financial amounts, despite being outside the control of City management. That is the case this year, as the City recognized \$0.5 million less in pension and OPEB expenses, due primarily to changes in actuarial estimates made by the State-wide retirement systems. The impact of these changes is allocated across all of the City's operations and is the primary reason for the decrease in several of the governmental expense functions.

There was also an increase in expenses for the security of persons and property and transportation due to general inflationary increases in personnel and operating costs, as well as increased transportation expenses for repair and maintenance projects that were not capitalized.

Governmental Activities

The funding for the governmental activities comes from several different sources, the most significant being the municipal income tax. The City levies and collects a one percent unvoted income tax and a one percent voted income tax on all income earned within the City, as well as on incomes of residents earned out the City. The decrease in income taxes is attributable to the expiration of the Safety Forces .5% income tax in 2024.

In addition to income taxes, general revenues include property taxes and grants and entitlements, such as local government funds. Property taxes decreased due to the timing of collections, as a higher year-end receivable reduced revenue recognized on the full accrual basis. The City monitors its sources of revenue very closely for fluctuations.

Charges for services increased as additional One Ohio Opioid settlement funds were recognized as revenue on the full accrual basis in the current year based on updated settlement estimates. Capital grants increased in the enterprise funds due to the receipt of a \$1.3 million Ohio Water Development Authority (OWDA) grant for design of a 2 MGD reverse osmosis membrane water treatment plant. Operating grants increased in the governmental funds due to the receipt of \$1.2 million in federal Staffing for Adequate Fire and Emergency Response (SAFER) grant funds.

Police and fire represent the largest expense of the governmental activities. The police and fire departments operate out of the general fund, the safety forces tax fund and the safety forces .5% income tax fund. The City's Street Maintenance and Repair Department provides the City and its citizens many services that include public road salting, leaf and debris pickup, paint striping and alley profiling. The City also maintains several parks (leisure time activities) within the City.

General government expenses decreased primarily as a result of the decrease in pension expenses as discussed above.

The table below for governmental activities indicates the total cost of services and the net cost of services. The statement of activities reflects the cost of program services and the charges of services and sales, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by general revenues.

	Total Cost of Service 2025	Net Cost of Service 2025	Total Cost of Service 2024	Net Cost of Service 2024
Security of persons and property	\$ 10,482,270	\$ 6,295,692	\$ 9,808,125	\$ 7,382,380
Public health services	243,884	243,884	262,210	262,210
Leisure time activities	593,302	(610,009)	547,575	477,723
Community Development	163,826	(11,324)	208,926	179,551
Transportation	3,581,376	2,367,837	3,395,428	1,723,050
General government	5,695,156	4,466,091	5,854,950	4,601,949
Interest on long-term debt	245,354	245,354	267,610	267,610
Total expenses	<u>\$ 21,005,168</u>	<u>\$ 12,997,525</u>	<u>\$ 20,344,824</u>	<u>\$ 14,894,473</u>

Business-Type Activities

Business-type activities include waterworks and sanitary sewer operations. The revenues are generated primarily from charges for services.

The City experienced an increase in program revenue, driven primarily by growth in charges for services in the sanitary sewer operations enterprise fund (as sewer rates increased by 3%) and charges for services in the waterworks operating fund (as water rates increased by 4%). As previously discussed, the City also received an OWDA capital grant for water treatment plant design.

The change in net position for business-type activities was \$1,415,848 during 2025, compared to \$18,378 in 2024, as a capital contribution offset an operating loss in the waterworks operating fund.

THE CITY'S FUNDS

As noted earlier, the City's governmental funds are accounted for using the modified accrual method of accounting. The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of the fund balance which has not yet been limited to use for a particular purpose by either an external party, the City itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the City's Council.

The following table provides a summary of the City's governmental funds' net change in fund balances at December 31, 2025:

	<u>Fund Balance at 12/31/2025</u>	<u>Fund Balance at 12/31/2024</u>	<u>Net Change in Fund Balance</u>
General	\$ 3,696,559	\$ 3,958,059	\$ (261,500)
Safety Forces Tax	1,376,407	451,370	925,037
Safety Forces .5% Income Tax	681,604	1,143,949	(462,345)
Capital Improvement .4% Income Tax	1,516,912	1,764,672	(247,760)
Other Governmental Funds	<u>4,216,438</u>	<u>3,152,029</u>	<u>1,064,409</u>
	<u>\$ 11,487,920</u>	<u>\$ 10,470,079</u>	<u>\$ 1,017,841</u>

The general fund is the chief operating fund of the City. The fund balance of the general fund decreased slightly during the current fiscal year. General fund revenues from income taxes and property taxes increased (as discussed previously). There was also an increase in intergovernmental revenue due to a grant for the purchase of park property. This was offset by increased expenditures for security of persons and property and a transfer out of \$1,000,000 for a newly created fund for capital improvements to the railroad overpass grade separation.

The safety forces tax fund benefited from better income tax collections that led to increased fund balances, but the safety forces .5% income tax fund had a decrease in fund balance due to the expiration of the income tax levy in 2024.

The City's proprietary funds provide the same type of information found in the government-wide financial statements for the business-type activities, but in more detail.

General Fund Budgeting Highlights

The City's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the general fund.

During the course of 2025, the City amended its general fund budget on various occasions. All recommendations for appropriation changes come to Council from the City Auditor. The Finance Committee of Council reviews them, and they make their recommendation to the Council as a whole.

Original Budget Compared to Final Budget For 2025, the City's original and final estimated revenue budgets were the same. The most significant variance from original budgeted to final budgeted appropriations was an increase in estimated expenditures for capital outlay, and a \$1,000,000 transfer out to the railroad overpass grade separation fund as previously discussed.

Final Budget Compared to Actual Results Actual revenues were 22.7% higher than estimates, due to greater increases in property taxes, income taxes and intergovernmental revenues than originally anticipated. The most significant variances between estimated expenditures and actual expenditures were for general government and security of persons and property, which were lower than estimated as a result of conservative spending.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At December 31, 2025, the City's capital assets increased \$8,078,810.

Capital Assets at Year-End (Net of accumulated depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Land	\$ 3,266,917	\$ 2,266,917	\$ 149,180	\$ 149,180	\$ 3,416,097	\$ 2,416,097
Construction in progress	1,894,594	-	45,724,827	38,655,983	47,619,421	38,655,983
Land improvements	387,326	78,222	35,407	38,302	422,733	116,524
Buildings and improvements	6,678,533	6,985,904	3,017,362	3,362,770	9,695,895	10,348,674
Machinery and equipment	2,367,410	2,654,912	3,040,778	3,261,125	5,408,188	5,916,037
Vehicles	993,914	1,071,485	207,748	260,419	1,201,662	1,331,904
Infrastructure	19,964,220	21,295,218	17,632,279	17,201,248	37,596,499	38,496,466
	<u>\$ 35,552,914</u>	<u>\$ 34,352,658</u>	<u>\$ 69,807,581</u>	<u>\$ 62,929,027</u>	<u>\$ 105,360,495</u>	<u>\$ 97,281,685</u>

The City continued to invest in equipment and infrastructure during 2025. The projects the City worked on during the year included various road and utility infrastructure improvements and wastewater treatment plant improvements. The City also purchased park property with an OWDA grant.

See Note 8 for additional information about the capital assets of the City.

Debt

At December 31, 2025, the City's outstanding debt increased \$6,909,250.

Outstanding Debt at Year-End

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
General obligation bonds	\$ 4,180,971	\$ 4,491,943	\$ 603,331	\$ 801,664	\$ 4,784,302	\$ 5,293,607
Lease-purchase obligations	2,642,007	3,032,229	184,310	360,052	2,826,317	3,392,281
OPWC loans	338,003	347,610	582,203	627,919	920,206	975,529
OWDA loans	-	-	48,981,308	40,941,466	48,981,308	40,941,466
	<u>\$ 7,160,981</u>	<u>\$ 7,871,782</u>	<u>\$ 50,351,152</u>	<u>\$ 42,731,101</u>	<u>\$ 57,512,133</u>	<u>\$ 50,602,883</u>

During 2025, the City drew down \$8.9 million in Ohio Water Development Authority loans for ongoing work on the wastewater treatment plant improvements, Montclair Avenue utility improvements and sewer line investigation and remediation.

See Note 9 for additional details.

Current Issues

The City went to the voters in November of 2025 with a new proposal for a .5% permanent tax levy, which would be separated into .4% for the Fire Department, and .1% for the Street Department. Until we were sure that the tax levy would pass, plans were put into place for laying off Fire Fighters due to lack of funding. Fortunately, the .5% levy passed so were able to retain the Fire Fighters. Municipal Income tax provides 39.75% of the operating revenues for general fund operations. The .6% municipal income tax provides 57.61% of the revenues required to fund safety forces expenditures. The voter approved .4% capital improvement tax passed in 2015 allowed the City to complete \$2.352 million in street improvements and \$177,361 in park enhancements. The overall unemployment rate is estimated at 4.6% and has consistently been between 4-5%; however, the labor participation rate is currently at 58.1%. This has ticked up slightly in the past few years. Wages have continued to increase due to the number of job openings versus the number of people looking for employment.

In 2025, the City received over \$2,790,810 in total grant dollars. The Municipal Court acquired grants totaling \$319,685 for probation services and addiction treatment. The Fire Department received \$1,212,865 to hire and retain 6 Fire Fighters. The Service Department received \$38,640 under the Safer Streets for All initiative. The Administration applied for and received \$154,818 through the Opioid Settlement fund. The Parks department received \$888,000 towards the purchase of land for two future parks, and they also received \$171,803 from the Interest Reduction Act for tree planting and upkeep. The utilization of grant dollars has allowed the City to accomplish projects far beyond its current financial capabilities.

The utility department is in the process of upgrading the wastewater treatment plant, with proceeds from an OWDA loan currently totaling \$44,733,494.

The City debt liabilities are budgeted and sufficient revenues are available to meet all debt obligations.

Contacting the City's Finance Department

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

CITY OF CIRCLEVILLE, OHIO
Statement of Net Position
December 31, 2025

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in pooled cash and investments	\$ 10,564,280	\$ 9,278,772	\$ 19,843,052
Cash and investments in segregated accounts	99,105	-	99,105
Cash and investments with fiscal agents	34,827	-	34,827
Restricted cash and investments	-	60,748	60,748
Receivables:			
Accounts	99,836	1,129,899	1,229,735
Intergovernmental	1,880,657	-	1,880,657
Property and other local taxes	1,416,534	-	1,416,534
Income taxes	2,767,457	-	2,767,457
Payment in lieu of taxes	77,000	-	77,000
Accrued interest	44,541	-	44,541
Prepaid items	242,997	52,535	295,532
Materials and supplies inventory	158,296	262,438	420,734
Net OPEB asset	416,731	217,563	634,294
Nondepreciable capital assets	5,161,511	45,874,007	51,035,518
Depreciable capital assets, net	30,391,403	23,933,574	54,324,977
Total assets	<u>53,355,175</u>	<u>80,809,536</u>	<u>134,164,711</u>
Deferred Outflows of Resources			
Deferred charges on refunding	-	18,150	18,150
Pensions	5,240,495	581,789	5,822,284
OPEB	544,737	8,417	553,154
Total deferred outflows of resources	<u>5,785,232</u>	<u>608,356</u>	<u>6,393,588</u>
Liabilities			
Accounts payable	260,058	89,846	349,904
Contracts payable	-	106,806	106,806
Refundable deposits	-	60,752	60,752
Accrued wages payable	217,365	65,251	282,616
Payroll withholdings payable	18,797	-	18,797
Intergovernmental payable	93,398	19,443	112,841
Matured bonds payable	20,000	-	20,000
Matured interest payable	14,831	-	14,831
Accrued interest payable	49,980	-	49,980
Noncurrent liabilities:			
Due within one year	1,350,847	1,480,533	2,831,380
Due in more than one year:			
Net pension liability	18,386,564	2,326,583	20,713,147
Net OPEB liability	901,022	-	901,022
Other amounts due in more than one year	7,345,051	49,302,998	56,648,049
Total liabilities	<u>28,657,913</u>	<u>53,452,212</u>	<u>82,110,125</u>
Deferred Inflows of Resources			
Property taxes and payment in lieu of taxes levied for next year	1,438,406	-	1,438,406
Pensions	228,320	-	228,320
OPEB	920,870	43,853	964,723
Total deferred inflows of resources	<u>2,587,596</u>	<u>43,853</u>	<u>2,631,449</u>
Net Position			
Net investment in capital assets	28,391,933	19,367,773	47,759,706
Restricted for:			
Debt service	501,839	-	501,839
Capital projects	1,884,192	-	1,884,192
Road improvements	740,473	-	740,473
Public safety	4,331,578	-	4,331,578
Municipal Court	544,411	-	544,411
Legal computer maintenance	852,843	-	852,843
Other purposes	459,277	217,563	676,840
Unrestricted (deficit)	(9,811,648)	8,336,491	(1,475,157)
Total net position	<u>\$ 27,894,898</u>	<u>\$ 27,921,827</u>	<u>\$ 55,816,725</u>

See accompanying notes to the basic financial statements.

CITY OF CIRCLEVILLE, OHIO
Statement of Activities
Year Ended December 31, 2025

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<u>Functions/Programs</u>							
Governmental activities:							
Security of persons and property	\$ 10,482,270	\$ 2,909,027	\$ 1,277,551	\$ -	\$ (6,295,692)	\$ -	\$ (6,295,692)
Public health services	243,884	-	-	-	(243,884)	-	(243,884)
Leisure time activities	593,302	34,565	280,746	888,000	610,009	-	610,009
Community development	163,826	14,491	160,659	-	11,324	-	11,324
Transportation	3,581,376	14,160	986,862	212,517	(2,367,837)	-	(2,367,837)
General government	5,695,156	904,380	324,685	-	(4,466,091)	-	(4,466,091)
Interest on long-term debt	245,354	-	-	-	(245,354)	-	(245,354)
Total governmental activities	<u>21,005,168</u>	<u>3,876,623</u>	<u>3,030,503</u>	<u>1,100,517</u>	<u>(12,997,525)</u>	<u>-</u>	<u>(12,997,525)</u>
Business-type activities:							
Waterworks operating	4,269,902	3,227,825	-	1,336,971	-	294,894	294,894
Sanitary sewer operating	<u>4,218,242</u>	<u>5,325,360</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,107,118</u>	<u>1,107,118</u>
Total business-type activities	<u>8,488,144</u>	<u>8,553,185</u>	<u>-</u>	<u>1,336,971</u>	<u>-</u>	<u>1,402,012</u>	<u>1,402,012</u>
Total	<u>\$ 29,493,312</u>	<u>\$ 12,429,808</u>	<u>\$ 3,030,503</u>	<u>\$ 2,437,488</u>	<u>(12,997,525)</u>	<u>1,402,012</u>	<u>(11,595,513)</u>
General revenues:							
Property and other taxes levied for:							
General purposes					1,615,670	-	1,615,670
Police, fire and community development					195,963	-	195,963
Income taxes levied for:							
General purposes					4,505,921	-	4,505,921
Debt service					511,649	-	511,649
Capital projects					459,559	-	459,559
Police and fire					5,281,340	-	5,281,340
Payment in lieu of taxes					84,855	-	84,855
Grants and contributions not restricted to specific programs					1,237,252	-	1,237,252
Investment earnings					532,751	-	532,751
Miscellaneous					453,230	25,585	478,815
Transfers					<u>11,749</u>	<u>(11,749)</u>	<u>-</u>
Total general revenues and transfers					<u>14,889,939</u>	<u>13,836</u>	<u>14,903,775</u>
Change in net position					1,892,414	1,415,848	3,308,262
Net position beginning of year					<u>26,002,484</u>	<u>26,505,979</u>	<u>52,508,463</u>
Net position end of year					<u>\$ 27,894,898</u>	<u>\$ 27,921,827</u>	<u>\$ 55,816,725</u>

See accompanying notes to the basic financial statements.

CITY OF CIRCLEVILLE, OHIO

Balance Sheet

Governmental Funds

December 31, 2025

	General	Safety Forces Tax	Safety Forces .5% Income Tax	Capital Improvement .4% Income Tax	Other Governmental Funds	Total Governmental Funds
Assets:						
Equity in pooled cash and investments	\$ 3,379,467	\$ 1,222,133	\$ 676,283	\$ 1,375,548	\$ 3,910,849	\$ 10,564,280
Cash in segregated accounts	57,421	-	-	-	41,684	99,105
Cash with fiscal agents	-	-	-	-	34,827	34,827
Receivables:						
Accounts	31,225	59,861	2,799	-	5,951	99,836
Intergovernmental	383,082	-	-	-	1,497,575	1,880,657
Property and other local taxes	1,180,659	-	-	-	235,875	1,416,534
Income taxes	1,023,694	631,910	150,320	506,110	455,423	2,767,457
Payment in lieu of taxes	-	-	-	-	77,000	77,000
Accrued interest	44,541	-	-	-	-	44,541
Prepaid items	157,724	51,500	9,064	5,368	19,341	242,997
Materials and supplies inventory	39,596	-	-	-	118,700	158,296
Total assets	<u>\$ 6,297,409</u>	<u>\$ 1,965,404</u>	<u>\$ 838,466</u>	<u>\$ 1,887,026</u>	<u>\$ 6,397,225</u>	<u>\$ 17,385,530</u>
Liabilities, Deferred Inflows of Resources and Fund Balances:						
Liabilities:						
Accounts payable	\$ 208,201	\$ 21,351	\$ -	\$ 6,506	\$ 24,000	\$ 260,058
Accrued wages payable	96,391	93,586	-	-	27,388	217,365
Payroll withholdings payable	18,797	-	-	-	-	18,797
Intergovernmental payable	30,570	20,343	11,747	-	30,738	93,398
Matured bonds payable	-	-	-	-	20,000	20,000
Matured interest payable	-	-	-	-	14,831	14,831
Total liabilities	<u>353,959</u>	<u>135,280</u>	<u>11,747</u>	<u>6,506</u>	<u>116,957</u>	<u>624,449</u>
Deferred Inflows of Resources:						
Property taxes and payment in lieu of taxes levied for next year	1,163,262	-	-	-	275,144	1,438,406
Unavailable revenue	1,083,629	453,717	145,115	363,608	1,788,686	3,834,755
Total deferred inflows of resources	<u>2,246,891</u>	<u>453,717</u>	<u>145,115</u>	<u>363,608</u>	<u>2,063,830</u>	<u>5,273,161</u>
Fund Balances:						
Nonspendable	216,745	51,500	9,064	5,368	138,041	420,718
Restricted	-	1,324,907	672,540	1,511,544	2,620,325	6,129,316
Committed	154,050	-	-	-	1,458,072	1,612,122
Assigned	946,964	-	-	-	-	946,964
Unassigned	2,378,800	-	-	-	-	2,378,800
Total fund balances	<u>3,696,559</u>	<u>1,376,407</u>	<u>681,604</u>	<u>1,516,912</u>	<u>4,216,438</u>	<u>11,487,920</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 6,297,409</u>	<u>\$ 1,965,404</u>	<u>\$ 838,466</u>	<u>\$ 1,887,026</u>	<u>\$ 6,397,225</u>	<u>\$ 17,385,530</u>

See accompanying notes to the basic financial statements.

CITY OF CIRCLEVILLE, OHIO
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
December 31, 2025

Total governmental fund balances	\$ 11,487,920
<i>Amounts reported for governmental activities in the statement of net position are different because:</i>	
Capital assets used in governmental activities are not financial resources and are not reported in the funds.	35,552,914
Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable in the funds.	3,834,755
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:	
General obligation bonds	(2,050,000)
Unamortized bond premiums	(22,971)
Capital facilities bonds	(2,108,000)
OPWC loans payable	(338,003)
Lease-purchase obligations	(2,642,007)
Accrued interest payable	(49,980)
Compensated absences	(1,534,917)
The net pension and OPEB liabilities are not due and payable in the current period; the net OPEB asset is not available to pay for current period expenditures, therefore, the liabilities, asset and related deferrals are not reported in the funds:	
Deferred outflows - pension	5,240,495
Deferred inflows - pension	(228,320)
Net pension liability	(18,386,564)
Deferred outflows - OPEB	544,737
Deferred inflows - OPEB	(920,870)
Net OPEB assets	416,731
Net OPEB liability	<u>(901,022)</u>
Net position of governmental activities	\$ <u>27,894,898</u>

CITY OF CIRCLEVILLE, OHIO

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

Year Ended December 31, 2025

	General	Safety Forces Tax	Safety Forces .5% Income Tax	Capital Improvement .4% Income Tax	Other Governmental Funds	Total Governmental Funds
Revenues:						
Property and other local taxes	\$ 1,116,665	\$ -	\$ -	\$ -	\$ 428,362	\$ 1,545,027
Income taxes	4,040,184	2,493,940	411,917	1,997,471	1,791,973	10,735,485
Payment in lieu of taxes	-	-	-	-	84,855	84,855
Special assessments	12,593	-	-	-	-	12,593
Charges for services	851,602	938,424	-	-	29,820	1,819,846
Licenses and permits	106,947	-	-	-	-	106,947
Fines and forfeitures	546,693	-	-	-	772,205	1,318,898
Intergovernmental	2,589,003	-	-	212,517	2,439,004	5,240,524
Investment earnings	529,114	-	-	-	3,637	532,751
Contributions and donations	296,182	49,250	-	-	-	345,432
Miscellaneous	140,055	32,395	6,939	230,323	18,410	428,122
Total revenues	<u>10,229,038</u>	<u>3,514,009</u>	<u>418,856</u>	<u>2,440,311</u>	<u>5,568,266</u>	<u>22,170,480</u>
Expenditures:						
Current:						
Security of persons and property	3,148,009	3,469,123	734,146	-	679,632	8,030,910
Public health services	243,884	-	-	-	-	243,884
Leisure time activities	224,811	-	-	16,880	-	241,691
Community development	288,889	-	-	-	-	288,889
Transportation	221,344	-	-	406,485	1,000,917	1,628,746
General government	3,801,718	-	-	-	1,381,942	5,183,660
Capital outlay	1,691,883	-	83,065	2,255,099	580,108	4,610,155
Debt service:						
Principal retirement	-	-	61,493	9,607	616,729	687,829
Interest and fiscal charges	-	-	2,497	-	270,707	273,204
Total expenditures	<u>9,620,538</u>	<u>3,469,123</u>	<u>881,201</u>	<u>2,688,071</u>	<u>4,530,035</u>	<u>21,188,968</u>
Excess (deficiency) of revenues over (under) expenditures	<u>608,500</u>	<u>44,886</u>	<u>(462,345)</u>	<u>(247,760)</u>	<u>1,038,231</u>	<u>981,512</u>
Other financing sources and (uses):						
Insurance recoveries	-	-	-	-	24,580	24,580
Transfers in	130,000	880,151	-	-	1,011,749	2,021,900
Transfers out	(1,000,000)	-	-	-	(1,010,151)	(2,010,151)
Total other financing sources	<u>(870,000)</u>	<u>880,151</u>	<u>-</u>	<u>-</u>	<u>26,178</u>	<u>36,329</u>
Net change in fund balance	(261,500)	925,037	(462,345)	(247,760)	1,064,409	1,017,841
Fund balance, beginning of year	<u>3,958,059</u>	<u>451,370</u>	<u>1,143,949</u>	<u>1,764,672</u>	<u>3,152,029</u>	<u>10,470,079</u>
Fund balance, end of year	<u>\$ 3,696,559</u>	<u>\$ 1,376,407</u>	<u>\$ 681,604</u>	<u>\$ 1,516,912</u>	<u>\$ 4,216,438</u>	<u>\$ 11,487,920</u>

See accompanying notes to the basic financial statements.

CITY OF CIRCLEVILLE, OHIO
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
Year Ended December 31, 2025

Net change in fund balances - total governmental funds	\$ 1,017,841
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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 these assets is allocated over their estimated useful lives and reported as depreciation expense:

Capital asset additions	3,366,600	
Depreciation expense	<u>(2,166,344)</u>	1,200,256

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	691,745
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Some expenses 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:

Accrued interest on long-term debt	4,878	
Amortization of bond premiums	22,972	
Compensated absences	(271,712)	

Repayment of long-term obligations is reported as an expenditures in the governmental funds, but repayment reduces the long-term liabilities in the statement of net position. In the current year, these amounts consisted of bonds and lease-purchase obligations.	687,829
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Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports this amount as deferred outflows:

Pension	1,409,882	
OPEB	29,476	

Except for amounts reported as deferred outflows/inflows, changes in the net pension and OPEB liabilities and assets are reported as pension and OPEB expenses in the statement of activities.

Pension	(2,983,895)	
OPEB	<u>83,142</u>	

Change in net position of governmental activities	<u>\$ 1,892,414</u>
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CITY OF CIRCLEVILLE, OHIO

Statement of Revenues, Expenditures, and Changes in Fund Balance-

Budget and Actual (Budget Basis)

General Fund

Year Ended December 31, 2025

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
Revenues:				
Property and other local taxes	\$ 905,610	\$ 910,041	\$ 1,116,665	\$ 206,624
Income taxes	3,291,147	3,307,250	4,058,159	750,909
Special assessments	10,213	10,263	12,593	2,330
Charges for services	683,147	686,489	842,356	155,867
Licenses and permits	87,737	88,166	108,184	20,018
Fines and forfeitures	445,600	447,780	549,448	101,668
Intergovernmental	2,113,814	2,124,157	2,606,445	482,288
Investment earnings	276,379	277,731	340,790	63,059
Contributions and donations	240,202	241,377	296,182	54,805
Miscellaneous	121,151	121,746	149,387	27,641
Total revenues	<u>8,175,000</u>	<u>8,215,000</u>	<u>10,080,209</u>	<u>1,865,209</u>
Expenditures:				
Current:				
Security of persons and property	4,286,000	3,965,452	3,225,400	740,052
Public health services	242,132	243,132	242,884	248
Leisure time services	527,250	209,580	165,673	43,907
Community development	344,300	344,300	286,226	58,074
Transportation	502,200	331,424	219,546	111,878
General government	4,611,249	4,091,885	3,770,214	321,671
Capital outlay	-	1,776,170	1,691,883	84,287
Total expenditures	<u>10,513,131</u>	<u>10,961,943</u>	<u>9,601,826</u>	<u>1,360,117</u>
Excess (deficiency) of revenues				
Excess of expenditures over revenues	<u>(2,338,131)</u>	<u>(2,746,943)</u>	<u>478,383</u>	<u>3,225,326</u>
Other financing sources and (uses):				
Transfers in	40,000	-	130,000	130,000
Transfers out	<u>(40,000)</u>	<u>(1,000,000)</u>	<u>(1,073,704)</u>	<u>(73,704)</u>
Total other financing sources and (uses)	<u>-</u>	<u>(1,000,000)</u>	<u>(943,704)</u>	<u>56,296</u>
Net change in fund balance	(2,338,131)	(3,746,943)	(465,321)	<u>\$ 3,281,622</u>
Fund balance, beginning of year	<u>3,548,534</u>	<u>3,548,534</u>	<u>3,548,534</u>	
Fund balance, end of year	<u>\$ 1,210,403</u>	<u>\$ (198,409)</u>	<u>\$ 3,083,213</u>	

See accompanying notes to the basic financial statements.

CITY OF CIRCLEVILLE, OHIO

Statement of Revenues, Expenditures, and Changes in Fund Balance-

Budget and Actual (Budget Basis)

Safety Forces Tax Fund

Year Ended December 31, 2025

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Income taxes	\$ 2,353,295	\$ 2,353,295	\$ 2,505,036	\$ 151,741
Charges for services	894,686	894,686	952,375	57,689
Miscellaneous	29,502	29,502	31,405	1,903
Total revenues	<u>3,323,750</u>	<u>3,323,750</u>	<u>3,538,066</u>	<u>214,316</u>
Expenditures:				
Current:				
Security of persons and property	3,846,250	3,919,830	3,433,336	486,494
Capital outlay	-	89,188	-	89,188
Total expenditures	<u>3,846,250</u>	<u>4,009,018</u>	<u>3,433,336</u>	<u>575,682</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(522,500)</u>	<u>(685,268)</u>	<u>104,730</u>	<u>789,998</u>
Other financing sources (uses):				
Transfers in	-	-	880,151	880,151
Net change in fund balance	(522,500)	(685,268)	984,881	<u>\$ 1,670,149</u>
Fund balance, beginning of year	<u>237,252</u>	<u>237,252</u>	<u>237,252</u>	
Fund balance, end of year	<u>\$ (285,248)</u>	<u>\$ (448,016)</u>	<u>\$ 1,222,133</u>	

See accompanying notes to the basic financial statements.

CITY OF CIRCLEVILLE, OHIO

Statement of Revenues, Expenditures, and Changes in Fund Balance-

Budget and Actual (Budget Basis)

Safety Forces .5% Income Tax Fund

Year Ended December 31, 2025

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Income taxes	\$ 306,123	\$ 306,123	\$ 595,902	\$ 289,779
Miscellaneous	2,127	2,127	4,140	2,013
Total revenues	<u>308,250</u>	<u>308,250</u>	<u>600,042</u>	<u>291,792</u>
Expenditures:				
Current:				
Security of persons and property	682,000	1,001,610	781,209	220,401
Capital outlay	-	130,000	83,065	46,935
Debt service:				
Principal retirement	61,493	61,493	61,493	-
Interest and fiscal charges	<u>2,497</u>	<u>2,497</u>	<u>2,497</u>	<u>-</u>
Total expenditures	<u>745,990</u>	<u>1,195,600</u>	<u>928,264</u>	<u>267,336</u>
Net change in fund balance	(437,740)	(887,350)	(328,222)	<u>\$ 559,128</u>
Fund balance, beginning of year	<u>1,004,504</u>	<u>1,004,504</u>	<u>1,004,504</u>	
Fund balance, end of year	<u>\$ 566,764</u>	<u>\$ 117,154</u>	<u>\$ 676,282</u>	

See accompanying notes to the basic financial statements.

CITY OF CIRCLEVILLE, OHIO
Statement of Net Position
Proprietary Funds
December 31, 2025

	Enterprise Funds		
	Waterworks Operating	Sanitary Sewer Operating	Totals
Assets			
Current assets:			
Equity in pooled cash and investments	\$ 2,775,426	\$ 6,503,346	\$ 9,278,772
Receivables:			
Accounts	391,394	738,505	1,129,899
Prepaid items	26,307	26,228	52,535
Materials and supplies inventory	253,565	8,873	262,438
Total current assets	<u>3,446,692</u>	<u>7,276,952</u>	<u>10,723,644</u>
Noncurrent assets:			
Restricted cash and investments	30,372	30,376	60,748
Net OPEB asset	80,555	137,008	217,563
Nondepreciable capital assets	1,387,451	44,486,556	45,874,007
Depreciable capital assets, net	11,417,492	12,516,082	23,933,574
Total noncurrent assets	<u>12,915,870</u>	<u>57,170,022</u>	<u>70,085,892</u>
Total assets	<u>16,362,562</u>	<u>64,446,974</u>	<u>80,809,536</u>
Deferred outflows of resources			
Deferred charge on refunding	7,714	10,436	18,150
Pensions	215,362	366,427	581,789
OPEB	3,116	5,301	8,417
Total deferred outflows of resources	<u>226,192</u>	<u>382,164</u>	<u>608,356</u>
Liabilities			
Current liabilities:			
Accounts payable	48,966	40,880	89,846
Contracts payable	106,806	-	106,806
Accrued wages payable	24,992	40,259	65,251
Intergovernmental payable	7,312	12,131	19,443
Compensated absences payable	149,682	92,471	242,153
Lease purchase payable	92,155	92,155	184,310
OPWC loans payable	-	45,716	45,716
OWDA loans payable	786,594	31,760	818,354
General obligation bonds payable	80,000	110,000	190,000
Refundable deposits	30,376	30,376	60,752
Total current liabilities	<u>1,326,883</u>	<u>495,748</u>	<u>1,822,631</u>
Noncurrent liabilities:			
Compensated absences payable	113,632	76,594	190,226
OPWC loans payable	-	536,487	536,487
OWDA loans payable	3,375,998	44,786,956	48,162,954
General obligation bonds payable	173,516	239,815	413,331
Net pension liability	861,446	1,465,137	2,326,583
Total noncurrent liabilities	<u>4,524,592</u>	<u>47,104,989</u>	<u>51,629,581</u>
Total liabilities	<u>5,851,475</u>	<u>47,600,737</u>	<u>53,452,212</u>
Deferred Inflows of Resources			
OPEB	16,237	27,616	43,853
Total deferred inflows of resources	<u>16,237</u>	<u>27,616</u>	<u>43,853</u>
Net Position			
Net investment in capital assets	8,197,588	11,170,185	19,367,773
Restricted	80,555	137,008	217,563
Unrestricted	2,442,899	5,893,592	8,336,491
Total net position	<u>\$ 10,721,042</u>	<u>\$ 17,200,785</u>	<u>\$ 27,921,827</u>

See accompanying notes to the basic financial statements.

CITY OF CIRCLEVILLE, OHIO

Statement of Revenues, Expenses, and Changes in Net Position

Proprietary Funds

Year Ended December 31, 2025

	Enterprise Funds		
	Waterworks	Sanitary	
	Operating	Sewer Operating	Totals
Operating revenues:			
Charges for services	\$ 3,227,825	\$ 5,325,360	\$ 8,553,185
Miscellaneous	11,679	13,906	25,585
Total operating revenues	<u>3,239,504</u>	<u>5,339,266</u>	<u>8,578,770</u>
Operating expenses:			
Personnel services	616,258	1,160,562	1,776,820
Fringe benefits	541,980	182,396	724,376
Contractual services	836,005	845,230	1,681,235
Materials and supplies	1,684,873	1,277,462	2,962,335
Depreciation	495,417	601,205	1,096,622
Other	5,650	11,403	17,053
Total operating expenses	<u>4,180,183</u>	<u>4,078,258</u>	<u>8,258,441</u>
Operating income (loss)	(940,679)	1,261,008	320,329
Non-operating expenses:			
Interest expense and fiscal charges	<u>(89,719)</u>	<u>(139,984)</u>	<u>(229,703)</u>
Income (loss) before contributions and transfers	(1,030,398)	1,121,024	90,626
Capital contribution	1,336,971	-	1,336,971
Transfers out	<u>(8,553)</u>	<u>(3,196)</u>	<u>(11,749)</u>
Change in net position	298,020	1,117,828	1,415,848
Net position, beginning of year	<u>10,423,022</u>	<u>16,082,957</u>	<u>26,505,979</u>
Net position, end of year	<u>\$ 10,721,042</u>	<u>\$ 17,200,785</u>	<u>\$ 27,921,827</u>

See accompanying notes to the basic financial statements.

CITY OF CIRCLEVILLE, OHIO
Statement of Cash Flows
Proprietary Funds
Year Ended December 31, 2025

	Enterprise Funds		
	Waterworks Operating	Sanitary Sewer Operating	Totals
Cash flows from operating activities:			
Cash received from customers	\$ 3,212,621	\$ 5,288,941	\$ 8,501,562
Cash payments to suppliers for goods and services	(2,489,518)	(2,118,654)	(4,608,172)
Cash payments for employee services and benefits	(1,057,794)	(1,601,534)	(2,659,328)
Net cash from operating activities	<u>(334,691)</u>	<u>1,568,753</u>	<u>1,234,062</u>
Cash flows from noncapital financing activities:			
Transfers to other funds	<u>(8,553)</u>	<u>(3,196)</u>	<u>(11,749)</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets*	(1,645,804)	(6,929,099)	(8,574,903)
Capital grants	1,336,971	-	1,336,971
Proceeds from loan draws	1,720,016	7,216,433	8,936,449
Principal payments on debt	(286,516)	(1,021,549)	(1,308,065)
Interest payments on debt	(93,236)	(144,800)	(238,036)
Net cash from capital and related financing activities	<u>1,031,431</u>	<u>(879,015)</u>	<u>152,416</u>
Net change	688,187	686,542	1,374,729
Cash and investments beginning of year	<u>2,117,611</u>	<u>5,847,180</u>	<u>7,964,791</u>
Cash and investments end of year	<u>\$ 2,805,798</u>	<u>\$ 6,533,722</u>	<u>\$ 9,339,520</u>
Reconciliation of cash and investments:			
Equity in pooled cash and investments	\$ 2,775,426	\$ 6,503,346	\$ 9,278,772
Restricted cash and investments	<u>30,372</u>	<u>30,376</u>	<u>60,748</u>
Total cash and investments per Statement of Net Position	<u>\$ 2,805,798</u>	<u>\$ 6,533,722</u>	<u>\$ 9,339,520</u>
Reconciliation of operating income (loss) to net cash from operating activities:			
Operating income (loss)	\$ (940,679)	\$ 1,261,008	\$ 320,329
Adjustments to reconcile operating income (loss) to net cash from operating activities:			
Depreciation	495,417	601,205	1,096,622
Changes in assets, liabilities and deferred outflows and inflows:			
Receivables	(26,883)	(50,325)	(77,208)
Prepaid items	(9,298)	(1,961)	(11,259)
Supplies inventory	13,208	2,366	15,574
Accounts payable	33,100	15,036	48,136
Accrued wages payable	2,978	4,501	7,479
Intergovernmental payable	(5,364)	(8,611)	(13,975)
Compensated absences payable	(78,952)	(37,239)	(116,191)
Deferred outflows - pensions and OPEB	14,302	330,124	344,426
Deferred inflows - pensions and OPEB	3,430	(11,093)	(7,663)
Net pension and OPEB liabilities and assets	<u>164,050</u>	<u>(536,258)</u>	<u>(372,208)</u>
Net cash from operating activities	<u>\$ (334,691)</u>	<u>\$ 1,568,753</u>	<u>\$ 1,234,062</u>
Schedule of non-cash capital and related financing activities:			
*Capital assets from outstanding liabilities	<u>\$ 106,806</u>	<u>\$ -</u>	

See accompanying notes to the basic financial statements.

CITY OF CIRCLEVILLE, OHIO

Statement of Fiduciary Net Position

Fiduciary Funds

December 31, 2025

	Private- Purpose Trust Fund	Custodial Fund
Assets		
Equity in pooled cash and investments	\$ 11,264	\$ 21,142
Cash in segregated accounts	-	73,527
Total assets	<u>11,264</u>	<u>94,669</u>
Liabilities		
Intergovernmental payable	-	83,193
Net Position		
Restricted for private purposes	11,264	-
Restricted for other governments and individuals	-	\$ 11,476
Total net position	<u>\$ 11,264</u>	<u>\$ 11,476</u>

See accompanying notes to the basic financial statements.

CITY OF CIRCLEVILLE, OHIO

Statement of Changes in Fiduciary Net Position

Fiduciary Funds

Year Ended December 31, 2025

	Private- Purpose Trust Fund	Custodial Fund
Additions:		
Interest	\$ 128	\$ 1,423
Intergovernmental for other governments	-	56,644
Amounts received as fiscal agent	-	855,979
Licenses, permits and fees for other governments	-	52,943
Fines and forfeitures for other governments	-	179,105
Total additions	<u>128</u>	<u>1,146,094</u>
Deductions:		
Distributions as fiscal agent	-	968,703
Licenses, permits and fees distributions to other governments	-	52,631
Fines and forfeitures distributions to other governments	-	185,775
Total deductions	<u>-</u>	<u>1,207,109</u>
Change in net position	128	(61,015)
Net position, beginning of year	<u>11,136</u>	<u>72,491</u>
Net position, end of year	<u>\$ 11,264</u>	<u>\$ 11,476</u>

See accompanying notes to the basic financial statements.

CITY OF CIRCLEVILLE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2025

NOTE 1—DESCRIPTION OF THE ENTITY 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 operates under 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 Deputy Auditor, 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 two organizations which are defined as a jointly governed organization:

Pickaway Progress Partnership

The Pickaway Progress Partnership (P³) 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.

CITY OF CIRCLEVILLE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2025

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

Joint Economic Development District

In 2016, the City and Pickaway Township entered into a contract to create and provide for the operation of the City of Circleville-Pickaway Township Joint Economic Development District (JEDD). The JEDD is a not-for-profit Community Improvement Corporation formed under Sections 715.72 through 715.81 of the Ohio Revised Code. The JEDD was designated as the economic development agent for the City of Circleville and Pickaway Township. The purpose of the JEDD is to facilitate economic development to create or preserve jobs and employment opportunities and to improve the economic welfare of the people in the State, the Township, the City and the JEDD. The JEDD is administered by a Board of locally appointed officials and local business leaders. The JEDD is not dependent upon the City of Circleville for its existence.

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; (3) the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) 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 City has no component units.

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

A. Basis of Presentation

The City's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-wide Financial Statements The statement of net position 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. These statements distinguish between those activities of the City that are governmental and those that are considered business-type.

CITY OF CIRCLEVILLE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2025

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

The statement of net position 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. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

B. Fund Accounting

The City uses funds to maintain its financial records during the year. 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.

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 purposes 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 and deferred inflows is reported as fund balance. The following are the City's major governmental funds:

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

Safety Forces Tax Fund – This fund accounts for and reports the one-half percent voted income tax and charges for services restricted for safety purposes.

Safety Forces .5% Income Tax Fund – This fund accounts for and reports an additional one-half percent voted income tax restricted for safety purposes expiring in 2024.

CITY OF CIRCLEVILLE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2025

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

Capital Improvement .4% Income Tax Fund – This fund accounts for and reports the portion of the voted income tax which is restricted for capital projects as approved by Council.

The other governmental funds of the City account for grants and other resources to which the City is bound to observe constraints imposed upon the use of the resources.

Proprietary Funds. Proprietary funds focus on the determination of operating income, changes in net 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.

Sanitary 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 position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and custodial 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. The City has five custodial funds which are used to account for monies held for individuals and organizations for fines and forfeitures and to account for assets held by the City as fiscal agent for the Joint Economic Development District (JEDD), which is used to account for monies held for individuals and organizations for income taxes.

C. Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the City are included on the statement of net position. The statement of activities presents increases (i.e. revenues) and decreases (i.e. expenses) in total net position.

CITY OF CIRCLEVILLE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2025

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 deferred outflows of resources and all current liabilities and deferred inflows of resources 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 proprietary and fiduciary funds are accounted for on a flow of economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of these funds are included on the statement of fund net position. The statement of revenues, expenses and changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total position. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its enterprise activities.

Fiduciary funds present a statement of changes in fiduciary net position which reports additions to and deductions from custodial funds.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements and the financial statements of the enterprise and fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflows/outflows of resources, 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, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2025

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 taxes is recognized in the period 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 the modified accrual basis, revenue from nonexchange 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: income tax, interest on investments, intergovernmental revenues (including motor vehicle license tax, gasoline tax, and local government assistance), and grants.

Deferred Outflows/Inflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net assets that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, deferred outflows of resources are reported on the government-wide statement of net position for deferred charges on refunding, pension and OPEB. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to pension and OPEB are explained in Notes 10 and 11.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property and payment in lieu of taxes, pension, OPEB and unavailable revenue. Property and payment in lieu of taxes represent amounts for which there is an enforceable legal claim as of December 31, 2025, but which were levied to finance the subsequent year's operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City, unavailable revenue may include delinquent property taxes, income taxes, intergovernmental grants, and miscellaneous revenues. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position (see Notes 10 and 11).

CITY OF CIRCLEVILLE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2025

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

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.

E. Cash and Investments

To improve cash management, all cash received by the City is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through City records. Each share of the pool is presented on the financial statements in the account "Equity in Pooled Cash and Investments."

Cash and investments that are held separately within departments of the City and not held with the City Treasurer are recorded as "Cash and investments in segregated accounts." The City also utilizes financial institutions to service bonded debt as principal and interest payments as they come due and as an escrow account for unspent lease-purchase proceeds. This balance is presented as "Cash and investments with fiscal agents."

During the year, investments were limited to money market mutual funds, U.S. agency securities, and negotiable certificates of deposit.

Interest income is distributed to the funds according to Ohio constitutional and statutory requirements. Interest revenue credited to the general fund during 2025 (before unrealized gains and losses) amounted to \$341,314, which includes \$289,361 assigned from other funds.

Investments with an original maturity of three months or less at the time of purchase are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

F. 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.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2025 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.

CITY OF CIRCLEVILLE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2025

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

H. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the assets. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation. Customer deposits have been restricted in the enterprise funds because the deposit remains the property of the customer. The restricted asset account is balanced by a customer deposit payable liability account.

I. Capital Assets

General capital assets are capital assets that are associated with and generally rise from governmental activities. These assets generally result from expenditures in governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position 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 position 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 acquisition 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.

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:

Description	Estimated Lives
Land Improvements	10 – 25 years
Buildings and 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.

CITY OF CIRCLEVILLE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2025

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

J. Compensated Absences

The City recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled during or upon separation from employment. Based on the criteria listed, three types of leave qualify for liability recognition for compensated absences – vacation, personal/compensation time and sick leave.

A liability for compensated absences is recorded as incurred in the government-wide statement of net position using the first-in, first-out flow assumption, where the oldest accumulated leave is the leave used first. A liability for compensated absences is recorded in the governmental funds only if the liability has matured because of employee resignations or retirements. The liability for compensated absences includes salary related benefits, where applicable.

Vacation benefits and compensation time 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 more likely than not that the employer 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 and compensation time when earned for all employees.

Sick leave benefits considered more likely than not to be used or settled at termination are recognized as a liability in the financial statements. The amount is based on accumulated sick leave and employee wage rates at fiscal year-end taking into consideration any limits specified in the City's termination policy.

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, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2025

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

K. Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements; and all payables, accrued liabilities, and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements. 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, claims and judgments, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year.

Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits.

L. Pensions/Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension/OPEB liability/asset, deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, and pension/OPEB expense, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB plans report investments at fair value.

M. Unamortized Bond Premium

Bond premiums are presented as an increase to the face amount of the bonds payable. On the governmental fund financial statements, premiums are recorded when received/paid.

N. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets, 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. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. At December 31, 2025, there was no net position restricted by enabling legislation.

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

CITY OF CIRCLEVILLE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2025

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

O. Fund Balance

In accordance with Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the City classifies its fund balance based on the purpose for which the resources were received and the level of constraint placed on the resources. The classifications are as follows:

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

Restricted – Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or is imposed by law through constitutional provisions.

Committed – The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of City Council. Those committed amounts cannot be used for any other purpose unless Council removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned – Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the City. The City Council has by resolution authorized the City Auditor to assign fund balance. The City Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget.

Unassigned – Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed or assigned.

CITY OF CIRCLEVILLE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2025

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

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

P. Operating Revenues and Expenses

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

Q. Internal Activity

Transfers between governmental activities are eliminated on the government wide financial statements. Transfers between governmental and business-type activities on the government-wide 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. Interfund payments for 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. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

R. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America 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.

CITY OF CIRCLEVILLE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2025

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

S. Budgetary Process

All funds, other than custodial funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations 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 appropriations 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 City Council.

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

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

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CITY OF CIRCLEVILLE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2025

NOTE 3—BUDGETARY BASIS OF ACCOUNTING

While the City is 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 presented for the general and major special revenue funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are as follows:

1. Revenues and other financing sources are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget) rather than as a restricted, committed, or assigned fund balance (GAAP basis).
4. Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements.

	General	Safety Forces Tax	Safety Forces .5% Income Tax
Net change in fund balance - GAAP Basis	\$ (261,500)	\$ 925,037	\$ (462,345)
Increase / (decrease):			
Due to revenues	(148,066)	24,057	181,186
Due to expenditures	5,637	35,787	(47,063)
Due to other sources (uses)	(33,704)	-	-
Funds reclassified*	(27,688)	-	-
Net change in fund balance - Budget Basis	<u>\$ (465,321)</u>	<u>\$ 984,881</u>	<u>\$ (328,222)</u>

* As part of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the sick leave fund, unclaimed revenue fund, and municipal court unclaimed money fund.

CITY OF CIRCLEVILLE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2025

NOTE 4—DEPOSITS AND INVESTMENTS

State statutes classify monies held by the City into two categories, active and inactive.

Active monies are public deposits 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 monies 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.

Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institution's participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Interim monies to 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 or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above, provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Time certificates of deposit or savings or deposit accounts, including but not limited to passbook accounts;

CITY OF CIRCLEVILLE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2025

NOTE 4—DEPOSITS AND INVESTMENTS *(continued)*

5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio); and
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days and two hundred seventy days, respectively, in an amount not to exceed 40% of the interim monies available for investment at any one time if training requirements have been met; and
8. Under limited circumstances, corporate note interests noted in either of the two highest rating classifications by at least two nationally recognized rating agencies.

The City may also invest any monies not required to be used for a specific 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.
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 also prohibited. Investments may only be made through specified dealers and institutions.

Cash on Hand - At year-end, the City had \$318 undeposited cash on hand which is included as part of "equity in pooled cash and investments."

Deposits - At year-end, \$13,002,595 of the City's bank balance was exposed to custodial risk as discussed below. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the City to a successful claim by the Federal Deposit Insurance Corporation. The carrying balance of the City's deposits at year-end was \$12,272,675.

Custodial Credit Risk - Custodial credit risk is the risk that, in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. The City has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by:

- (1) eligible securities pledged to the City's and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105% of the deposits being secured, or

CITY OF CIRCLEVILLE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2025

NOTE 4—DEPOSITS AND INVESTMENTS *(continued)*

- (2) participation in the OPCS, a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102% of the deposits being secured or a rate set by the Treasurer of State. For 2025, the City's financial institutions were approved for a reduced collateral rate of 50% through the OPCS.

Segregated Cash - Various municipal court accounts and a private purpose trust are recorded in fiduciary funds of the City and the customer deposits and Pickaway County Utility accounts of the business-type activities are maintained separately from the City's deposits. The carrying amount of these deposits are reported as "Cash and investments in segregated accounts." The bank balances are covered by Federal depository insurance as previously discussed.

Cash with Fiscal Agent - The bond and coupon account, which is recorded in the general obligation bond retirement fund of the governmental activities, is maintained separately from the City's deposits. The carrying amount of this deposit is reported as "Cash and investments with fiscal agents." The bank balance as of December 31, 2025 was \$34,827, which was covered by Federal depository insurance.

Investments - As of December 31, 2025, the City had the following investments:

	Balance at 12/31/25	Average Weighted Maturity (Yrs)	Concentration	S&P Ratings
<u>Fair Value</u>				
<u>Level 1</u>				
US Treasury	\$ 5,403,972	1.75	69.0%	
<u>Level 2</u>				
Negotiable CDs	492,002	2.50	6.3%	<i>not rated</i>
U.S. Agency Securities	<u>1,565,178</u>	3.46	20.0%	AA+
	7,461,152			
<u>Amortized Cost</u>				
Money Market	<u>374,693</u>	0.10	<u>4.7%</u>	AAAm
Total	<u>\$ 7,835,845</u>		<u>100.0%</u>	

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The above table identifies the City's recurring fair value measurements as of December 31, 2025. The City's investments measured at fair value are valued using methodologies that incorporate market inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, and reference data including market research publications. Market indicators and industry and economic events are also monitored which could require the need to acquire further market data (Level 2 inputs).

CITY OF CIRCLEVILLE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2025

NOTE 4—DEPOSITS AND INVESTMENTS *(continued)*

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 six 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 agencies of the United States Government.

Concentration of Credit Risk: The City's investment policy limits the City's investments to the following: no more than 50% of the investment portfolio, excluding working cash, shall be deposited in any one financial institution; 100% 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% 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% of the total investment portfolio may be invested in bonds and other obligations of this State; no more than 50% of the total investment portfolio may be invested in securities issued by any federal government agency or instrumentality; and no more than 25% 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.

NOTE 5—RECEIVABLES

Receivables at December 31, 2025, consisted of accrued interest, accounts for weed and litter assessments, billed charges for utilities, intergovernmental receivables, payments in lieu of taxes, and taxes. 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. Property taxes and income taxes, although ultimately collectible, include some portion of delinquents that will not be collected within one year.

NOTE 6—MUNICIPAL INCOME TAX

The City levies and collects a one percent unvoted income tax and a one percent voted income tax on all income earned within the City as well as on incomes of residents earned outside the City. In the latter case, the City allows a credit of 100% 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.

CITY OF CIRCLEVILLE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2025

NOTE 6—MUNICIPAL INCOME TAX *(continued)*

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 2025, the proceeds were allocated to the General Fund, the Income Tax Fund, the Safety Forces Tax Fund, the Safety Forces .1% Tax Fund, the General Obligation Bond Retirement Fund, the Capital Improvement .4% Tax Fund and the Capital Improvement Fund. The City also deposits .5% income tax to the Safety Forces .5% Income Tax Fund as voted.

NOTE 7—PROPERTY TAX

Property taxes include amounts levied against all real, public utility and tangible personal property located in the City. Real property taxes (other than public utility) collected during 2025 were levied after October 1, 2024 on assessed values as of January 1, 2024, the lien date. Assessed values are established by the County Auditor at 35% of appraised market value. All property is required to be revalued sexennially, with a triennial update. Real property taxes are payable annually or semi-annually. If paid annually, payment is due in February. If paid semi-annually, the first payment is due in February, with the remainder payable by July. In certain circumstances, State statute permits earlier or later payment dates to be established.

Public utility real property taxes collected in 2025 were levied on assessed values as of January 1, 2024, the tax lien date. Public utility tangible personal property values are assessed by the Ohio Tax Commissioner at various assessment rates depending on the type of utility and property. Public utility property taxes are payable on the same dates as real property taxes described previously.

The County Treasurer collects property taxes on behalf of all taxing districts in the County. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real property taxes, public utility taxes, delinquent tangible personal property taxes and other outstanding delinquencies which are measurable as of December 31, 2025 and for which there is an enforceable legal claim. In the governmental funds, the current portion receivable has been offset by a deferred inflow of resources since the current taxes were not levied to finance 2025 operations and the collection of delinquent taxes has been offset by a deferred inflow of resources since the collection of the taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue is considered a deferred inflow of resources. The full tax rate for all City operations for the year ended December 31, 2025, was \$4.00 per \$1,000 of assessed valuation. The assessed values of real property and public utility tangible property upon which 2025 property tax receipts were based are as follows:

<u>Category</u>	<u>Assessed Value</u>
<i>Real Property</i>	
Agricultural/Residential	\$ 274,344,300
Commercial/Industrial/Mineral	67,744,730
Public Utility Real	75,925
<i>Tangible Personal Property</i>	
Public Utility	<u>29,277,328</u>
Total Assessed Value	<u><u>\$ 371,442,283</u></u>

CITY OF CIRCLEVILLE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2025

NOTE 8—CAPITAL ASSETS

A summary of changes in capital assets during 2025 is as follows:

	Balance 12/31/24	Additions	Deletions	Balance 12/31/25
Governmental Activities				
<i>Nondepreciable capital assets:</i>				
Land	\$ 2,266,917	\$ 1,000,000	\$ -	\$ 3,266,917
Construction in progress	-	1,894,594	-	1,894,594
<i>Total nondepreciable capital assets</i>	<u>2,266,917</u>	<u>2,894,594</u>	<u>-</u>	<u>5,161,511</u>
<i>Depreciable capital assets:</i>				
Land improvements	1,020,224	329,306	-	1,349,530
Buildings and improvements	12,055,934	30,000	-	12,085,934
Machinery and equipment	5,975,513	-	-	5,975,513
Vehicles	3,478,398	112,700	(6,500)	3,584,598
Infrastructure	52,487,864	-	-	52,487,864
<i>Total depreciable capital assets</i>	<u>75,017,933</u>	<u>472,006</u>	<u>(6,500)</u>	<u>75,483,439</u>
<i>Accumulated depreciation:</i>				
Land improvements	(942,002)	(20,202)	-	(962,204)
Buildings and improvements	(5,070,030)	(337,371)	-	(5,407,401)
Machinery and equipment	(3,320,601)	(287,502)	-	(3,608,103)
Vehicles	(2,406,913)	(190,271)	6,500	(2,590,684)
Infrastructure	(31,192,646)	(1,330,998)	-	(32,523,644)
<i>Total accumulated depreciation</i>	<u>(42,932,192)</u>	<u>(2,166,344)</u>	<u>6,500</u>	<u>(45,092,036)</u>
<i>Total capital assets being depreciated, net</i>	<u>32,085,741</u>	<u>(1,694,338)</u>	<u>-</u>	<u>30,391,403</u>
 <i>Total Governmental Activities</i>	 <u>\$ 34,352,658</u>	 <u>\$ 1,200,256</u>	 <u>\$ -</u>	 <u>\$ 35,552,914</u>

Depreciation expense was charged to governmental functions as follows:

General government	\$ 190,370
Security of persons and property	450,054
Transportation	1,410,822
Community development	37,518
Leisure time activities	77,580
Total Depreciation Expense	<u>\$ 2,166,344</u>

CITY OF CIRCLEVILLE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2025

NOTE 8—CAPITAL ASSETS *(continued)*

	Balance 12/31/24	Additions	Deletions	Balance 12/31/25
Business-Type Activities				
<i>Nondepreciable capital assets:</i>				
Land	\$ 149,180	\$ -	\$ -	\$ 149,180
Construction in progress	38,655,983	7,068,844	-	45,724,827
<i>Total nondepreciable capital assets</i>	<u>38,805,163</u>	<u>7,068,844</u>	<u>-</u>	<u>45,874,007</u>
<i>Depreciable capital assets:</i>				
Land improvements	380,653	-	-	380,653
Buildings and improvements	15,678,994	18,000	-	15,696,994
Machinery and equipment	4,640,863	55,930	(12,907)	4,683,886
Vehicles	768,819	-	(42,538)	726,281
Infrastructure	26,997,024	868,842	(303,785)	27,562,081
<i>Total depreciable capital assets</i>	<u>48,466,353</u>	<u>942,772</u>	<u>(359,230)</u>	<u>49,049,895</u>
<i>Accumulated depreciation:</i>				
Land improvements	(342,351)	(2,895)	-	(345,246)
Buildings and improvements	(12,316,224)	(363,408)	-	(12,679,632)
Machinery and equipment	(1,379,738)	(271,114)	7,744	(1,643,108)
Vehicles	(508,400)	(48,062)	37,929	(518,533)
Infrastructure	(9,795,776)	(411,143)	277,117	(9,929,802)
<i>Total accumulated depreciation</i>	<u>(24,342,489)</u>	<u>(1,096,622)</u>	<u>322,790</u>	<u>(25,116,321)</u>
<i>Total capital assets being depreciated, net</i>	<u>24,123,864</u>	<u>(153,850)</u>	<u>(36,440)</u>	<u>23,933,574</u>
 <i>Total Business-Type Activities</i>	 <u>\$ 62,929,027</u>	 <u>\$ 6,914,994</u>	 <u>\$ (36,440)</u>	 <u>\$ 69,807,581</u>

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CITY OF CIRCLEVILLE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2025

NOTE 9—LONG-TERM OBLIGATIONS

Changes in long-term obligations of the City during the year ended December 31, 2025, were as follows:

	Balance 12/31/24	Issued	Retired	Balance 12/31/25	Amount Due Within One Year
Governmental Activities					
<i>General Obligation Bonds</i>					
2017 Various Purpose Refunding Bonds	\$ 2,200,000	\$ -	\$ (150,000)	\$ 2,050,000	\$ 160,000
Unamortized bond premiums	45,943	-	(22,972)	22,971	-
<i>Direct Placement</i>					
Capital Facilities Bonds	2,246,000	-	(138,000)	2,108,000	143,000
<i>Direct Borrowing</i>					
Lease Purchase Obligations	3,032,229	-	(390,222)	2,642,007	261,496
OPWC Loans	347,610	-	(9,607)	338,003	15,880
<i>Other Long-Term Obligations</i>					
Compensated Absences	<u>1,263,205</u>	<u>271,712</u>	<u>-</u>	<u>1,534,917</u>	<u>770,471</u>
Total Governmental Activities	<u>\$ 9,134,987</u>	<u>\$ 271,712</u>	<u>\$ (710,801)</u>	<u>\$ 8,695,898</u>	<u>\$ 1,350,847</u>

* the change in compensated absences above is a net change for the year

	Balance 12/31/24	Issued	Retired	Balance 12/31/25	Amount Due Within One Year
Business-Type Activities					
<i>General Obligation Bonds</i>					
2017 Various Purpose Refunding Bonds	\$ 785,000	\$ -	\$ (190,000)	\$ 595,000	\$ 190,000
Unamortized bond premiums	16,664	-	(8,333)	8,331	-
<i>Direct Borrowings</i>					
Lease Purchase Obligations	360,052	-	(175,742)	184,310	184,310
OPWC Loans	627,919	-	(45,716)	582,203	45,716
OWDA Loans	40,941,466	8,936,449	(896,607)	48,981,308	818,354
<i>Other Long-Term Obligations</i>					
Compensated Absences	<u>548,570</u>	<u>-</u>	<u>(116,191)</u>	<u>432,379</u>	<u>242,153</u>
Total Business-Type Activities	<u>\$ 43,279,671</u>	<u>\$ 8,936,449</u>	<u>\$ (1,432,589)</u>	<u>\$ 50,783,531</u>	<u>\$ 1,480,533</u>

* the change in compensated absences above is a net change for the year

CITY OF CIRCLEVILLE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2025

NOTE 9—LONG-TERM OBLIGATIONS *(continued)*

Various Purpose General Obligation Refunding Bonds

On September 6, 2017, the City issued \$5,020,000 in general obligation bonds for the purpose of financing an advance refunding of the remaining balances on the 2008 Various Purpose Bonds and to finance a current refunding for the 2016 Capital Facilities Bond Anticipation Note for the US Route 23 Connector. The bonds bear interest rates ranging from 2% to 4% and mature on December 1, 2037.

Of the total \$5,020,000 issued, \$3,170,000 was issued as governmental activities general obligation bonds and \$1,850,000 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 general obligation bond retirement 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.

Direct Placements

Capital Facilities Bonds

On October 5, 2022, the City issued \$2,500,000 in Series 2022 Capital Facilities Bonds for the purpose of retiring the Series 2021 and Series 2022 bond anticipation notes. The bonds bear an interest rate of 3.66% and mature on December 1, 2037.

The Capital Facilities Bonds are backed by the full faith and credit of the City.

Direct Borrowings

Lease Purchase Obligations

In 2021, the City entered into a lease-purchase agreement for the acquisition of an ambulance in the amount of \$267,349. This lease-purchase carried an interest rate of 1.60% and matured on November 16, 2025. The lease-purchase was paid from the capital improvement fund.

In 2022, the City entered into a lease-purchase agreement for the acquisition of a street sweeper in the amount of \$270,153. This lease-purchase carries an interest rate of 2.38% and a maturity date of January 10, 2028. The lease-purchase will be paid from the street construction, state highway improvement and capital improvement funds.

In 2022, the City entered into a lease-purchase agreement for energy efficiency improvements in the amount of \$2,436,836. This lease-purchase carries an interest rate of 3.544% and a maturity date of August 1, 2037. The lease-purchase will be paid from the capital improvement fund, with transfers in from legal research and computer maintenance, waterworks operating and sanitary sewer operating funds for their share of the project.

CITY OF CIRCLEVILLE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2025

NOTE 9—LONG-TERM OBLIGATIONS *(continued)*

In 2022, the City entered into a lease-purchase agreement for the acquisition of three police vehicles in the amount of \$177,375. This lease-purchase carried an interest rate of 4.06% and matured on September 9, 2025. The lease-purchase was paid from the capital improvement fund.

In 2022, the City entered into a lease-purchase agreement for the acquisition of a vehicle in the amount of \$60,375. This lease-purchase carried an interest rate of 4.91% and matured on October 14, 2025. The lease-purchase was paid from the capital improvement fund.

In 2022, the City entered into a lease-purchase agreement for the acquisition of a vehicle in the amount of \$53,170. This lease-purchase carries an interest rate of 5.1% and a maturity date of October 28, 2027. The lease-purchase will be paid from the municipal probation service fund.

In 2023, the City entered into a lease-purchase agreement for the acquisition of a sewer jet vacuum truck in the amount of \$527,624. This lease-purchase carries an interest rate of 4.875% and matures on March 31, 2026. The lease-purchase will be paid from both the water and sewer enterprise funds.

In 2024, the City entered into a lease-purchase agreement for the acquisition of a fire truck in the amount of \$498,132. This lease-purchase carries an interest rate of 4.277% and a maturity date of October 28, 2031. The lease-purchase will be paid from the capital improvement fund.

In the event of default, as defined by the lease agreements, the lessors have the right to take possession of the secured assets, or declare all unpaid lease payments be immediately due and payable.

OPWC Loans

During 2015, the City received an interest-free twenty-year loan from the OPWC in the amount of \$96,858 for the Force Main/Lift Station Project. Semi-annual payments are made to OPWC with the final payment due January 1, 2036. This loan is paid from the sanitary sewer operating fund.

During 2017, the City received an interest-free twenty-year loan from the OPWC in the amount of \$817,466 for the Wastewater Treatment Plant Influent Pump Project. Semi-annual payments are made to OPWC with the final payment due July 1, 2038. This loan is paid from the sanitary sewer operating fund.

During 2023, the City received an interest-free thirty-year loan from the OPWC in the amount of \$100,000 for Cedar Heights Road reconstruction. Semi-annual payments will be made to the OPWC beginning on January 1, 2024 with the final payment due July 1, 2053. This loan will be paid from the capital improvement fund.

During 2024, the City received an interest-free twenty-year loan from OPWC in the amount of \$250,000 for Bolender Pontious Road improvements Phase I. Semi-annual payments will be made to the OPWC beginning on July 1, 2025 with the final payment due on January 1, 2045. This loan will be paid from capital improvement fund.

CITY OF CIRCLEVILLE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2025

NOTE 9—LONG-TERM OBLIGATIONS *(continued)*

During 2024, the City entered into an interest-free twenty-year loan agreement with OPWC in the amount of \$171,594 for Bolender Pontious Road improvements Phase II. As of December 31, 2025, \$943 has been drawn and repayment began on July 1, 2025. Semi-annual payments will be made to the OPWC with the final payment due January 1, 2045.

In the event of default, as defined by each OPWC loan agreement, the amount of default will be subject to 8 percent interest on all amounts due from date of default. Additionally, the Lender may declare all amounts immediately due and payable or require the County Treasurer to pay the amounts due from funds appropriated to the county's undivided local government fund. The lender will also be entitled to collect any cost incurred in the event of default.

OWDA Loans

During 2021, the City entered into two OWDA loans to improve the Water Well No. 6. The first loan was for \$472,606, with an interest rate of 1.64% and the second loan was for \$95,150, with an interest rate of 2%, for a grand total of \$567,756 for the final loan amount. The final loan amount drawn down was \$508,416. Semi-annual payments will be made to the OWDA with the final payment due on January 1, 2053. This loan will be paid from the waterworks operating fund.

During 2021, the City entered into two OWDA loans for an Advance Metering Infrastructure (AMI) project. The first loan was for \$2,886,799, with an interest rate of 1.5%, and the second loan was for \$23,603, with an interest rate of 1.85%, for a grand total of \$2,910,401. The final loan amount drawn down as of December 31, 2025 is \$2,821,532. Semi-annual payments will be made to the OWDA with the final payment due on January 1, 2043. This loan will be paid from both the waterworks operating and sanitary sewer operating funds.

During 2022, the City entered into an OWDA loan for wastewater treatment plant improvements. The total authorized loan amount was \$42,411,718, with an interest rate of 0.31%. As of December 31, 2025, \$42,390,075 has been drawn. The City began making payments in December 2025 based on an estimated amortization schedule (which will be finalized in 2026), with payments from the sanitary sewer operating fund.

During 2022, the City was awarded an interest-free three-and-a-half-year loan from OWDA for an investigation and remediation project. The total authorized loan amount was \$273,843. In 2023, this project was rolled into a 2023 investigation and remediation project loan from OWDA that has a total authorized loan amount of \$2,110,575, with an interest rate of 3.43%. As of December 31, 2025, \$1,969,405 has been drawn. The City began making payments in December 2025 based on an estimated amortization schedule (which will be finalized in 2026), with payments from the sanitary sewer operating fund.

During 2023 the City entered into an OWDA loan for waterline improvements at Circle Drive. The total authorized loan amount is \$702,472 with an interest rate of 3.280%. As of December 31, 2023, the total loan amount of \$702,472 has been drawn. Semi-annual payments will be made to the OWDA with the final payment due on 1/1/2044. This loan will be paid from the waterworks operating fund.

CITY OF CIRCLEVILLE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2025

NOTE 9—LONG-TERM OBLIGATIONS *(continued)*

During 2025 the City entered into an OWDA loan agreement for utility improvements for Montclair Avenue. This loan agreement is for \$1,638,801 with an interest rate of 3.03%. The entire loan amount was drawn in 2025. Semi-annual payments will be made to the OWDA with the final payment due on July 1, 2055.

During 2025, the City entered into an OWDA loan agreement for \$65,000 for regionalization evaluation. The entire amount of the loan has been drawn as of December 31, 2025 but repayment has not begun and an amortization schedule is not available.

During 2025, The City entered into an OWDA loan agreement for \$91,215 for utility improvements for South Court Street. As of December 31, 2025, \$81,215 has been drawn against the loan. As this loan is still active, repayment has not begun and an amortization schedule is not available.

In the event of default, as defined by the OWDA loan agreement, the lender may declare the full amount of the unpaid Project Participation Principal amount immediately due and payable and require the County to pay any fines or penalties incurred along with interest.

Annual debt service requirements to maturity for long-term obligations at December 31, 2025 are:

	Governmental Activities						
Year Ending	General Obligation Bonds		Direct Placement		Direct Borrowing		OPWC
			Capital Facilities Bonds		Lease-Purchase Obligations		
December 31,	Principal	Interest	Principal	Interest	Principal	Interest	Principal
2026	\$ 160,000	\$ 79,200	\$ 143,000	\$ 77,153	\$ 261,496	95,551	\$ 15,880
2027	160,000	75,600	148,000	71,919	270,885	86,162	15,880
2028	165,000	69,200	154,000	66,502	268,308	76,425	15,880
2029	150,000	62,600	159,000	60,866	228,931	66,952	15,880
2030	155,000	56,600	165,000	55,046	237,586	58,297	15,880
2031-2035	865,000	185,400	922,000	179,999	972,247	171,793	79,400
2036-2040	395,000	23,800	417,000	23,021	402,554	21,524	79,400
2041-2045	-	-	-	-	-	-	73,131
2046-2050	-	-	-	-	-	-	16,670
2051-2054	-	-	-	-	-	-	10,002
	\$ 2,050,000	\$ 552,400	\$ 2,108,000	\$ 534,506	\$ 2,642,007	\$ 576,704	\$ 338,003

CITY OF CIRCLEVILLE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2025

NOTE 9—LONG-TERM OBLIGATIONS *(continued)*

	Business-Type Activities						
			Direct Borrowing				
Year Ending	General Obligation Bonds		Lease-Purchase Obligations		OWDA Loans		OPWC
December 31,	Principal	Interest	Principal	Interest	Principal	Interest	Principal
2026	190,000	\$ 20,475	184,310	\$ 8,985	\$ 818,354	212,090	\$ 45,716
2027	200,000	16,200	-	-	1,644,915	309,167	45,716
2028	205,000	8,200	-	-	1,656,020	298,062	45,716
2029	-	-	-	-	1,667,328	286,752	45,716
2030	-	-	-	-	1,678,847	275,234	45,716
2031-2035	-	-	-	-	8,574,765	1,195,642	228,580
2036-2040	-	-	-	-	8,897,799	872,606	125,043
2041-2045	-	-	-	-	8,588,034	519,289	-
2046-2050	-	-	-	-	7,692,232	271,894	-
2051-2055	-	-	-	-	7,616,799	97,144	-
	\$ 595,000	\$ 44,875	\$ 184,310	\$ 8,985	\$ 48,835,093	\$ 4,337,880	\$ 582,203

Note: Some OWDA loans were excluded from the above amortization schedules due to not being finalized as discussed above.

There are no repayment schedules for the net pension liability and net OPEB liability; however, employer pension and OPEB contributions are primarily made from the general fund and water, sewer, and sanitation funds. For additional information related to the net pension liability and net OPEB liability see Notes 10 and 11.

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CITY OF CIRCLEVILLE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2025

NOTE 10—DEFINED BENEFIT PENSION PLANS

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the City's proportionate share of the pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

The ORC limits the City's obligation for this liability to annually required payments. The City cannot control benefit terms or the manner in which pensions are financed; however, the City does receive the benefit of employees' services in exchange for compensation including pension.

GASB Statement No. 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees).

State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in intergovernmental payable on both the accrual and modified accrual bases of accounting.

CITY OF CIRCLEVILLE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2025

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

Plan Description—Ohio Public Employees Retirement System (OPERS)

Plan Description— City employees, other than full-time police and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers two separate pension plans. The traditional pension plan is a cost-share, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan. The traditional pension plan also includes members of the legacy combined plan, a hybrid defined benefit/defined contribution plan referred to as the combined plan division of the traditional pension plan throughout this disclosure. Prior to January 1, 2024, the combined plan was a separate pension plan. Effective January 1, 2022, the combined plan is no longer available for member selection. In October 2023, the legislature approved House Bill 33 which allowed for the consolidation of the combined plan into the traditional pension plan. The combined plan was consolidated into the traditional pension plan effective January 1, 2024 and is tracked as a separate division within the traditional pension plan. No changes were made to the benefit design features of the combined plan as part of the consolidation so that members in this plan will experience no changes.

While members (e.g., City employees) may have elected the member-directed plan, the majority of employee members are in OPERS' traditional pension plan; therefore, the following disclosure focuses on the traditional pension plan. Throughout this disclosure, references to the traditional pension plan are inclusive of the combined plan division, unless otherwise noted.

Members of the combined plan division earn a formula benefit similar to, but at a factor less than, the traditional pension plan benefit. This defined benefit is funded by employer contributions and associated investment earnings. Additionally, combined plan division member contributions are deposited into a defined contribution account in which the member self-directs the investment. Upon retirement or termination, the member may choose a defined contribution retirement distribution that is equal in amount to the member's contributions to the plan and investment gains or losses on those contributions. Members in this division may also elect to annuitize their defined contribution account balances.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the ORC. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS's fiduciary net position that may be obtained by visiting www.opers.org/financial/reports.shtml, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three-member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS' ACFR referenced above for additional information):

CITY OF CIRCLEVILLE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2025

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

Group A	Group B	Group C
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
<i>Age and Service Requirements:</i> Age 60 with 5 years of service credit or Age 55 with 25 years of service credit	<i>Age and Service Requirements:</i> Age 60 with 5 years of service credit or Age 55 with 25 years of service credit	<i>Age and Service Requirements:</i> Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
<i>Formula:</i> <u>Traditional Plan Formula:</u> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<i>Formula:</i> <u>Traditional Plan Formula:</u> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<i>Formula:</i> <u>Traditional Plan Formula:</u> 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35
<u>Combined Plan Division Formula:</u> 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	<u>Combined Plan Division Formula:</u> 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	<u>Combined Plan Division Formula:</u> 1% of FAS multiplied by years of service for the first 35 years and 1.25% For service years in excess of 35

Final average salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Traditional pension plan state and local members (excluding the combined plan division) who retire before meeting the age-and-years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount. The amount of a member's pension benefit vests at retirement.

Law enforcement and public safety members who retire before meeting the age-and-years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

Combined plan division members retiring before age 65 with less than 30 years of service credit receive a percentage reduction in benefit.

When a traditional pension plan benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. Members retiring under the combined plan division receive a COLA on the defined benefit portion of their pension benefit. For those who retired prior to January 7, 2013, the COLA will continue to be a 3% simple annual COLA. For those retiring on or after January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3%.

CITY OF CIRCLEVILLE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2025

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

Defined contribution plan benefits are established in the plan documents, which may be amended by the Board. Member-directed plan and combined plan division members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the combined plan division consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. Combined plan division members wishing to receive benefits must meet the requirements for both the defined benefit and defined contribution plans. Member-directed participants must have attained the age of 55, have money on deposit in the defined contribution plan and have terminated public service to apply for retirement benefits. The amount available for defined contribution benefits in the member-directed plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20% each year. At retirement, members may select one of several distribution options for payment of the vested balance in their individual OPERS accounts. Options include the annuitization of the benefit (which includes joint and survivor options and will continue to be administered by OPERS), partial lump-sum payments (subject to limitations), a rollover of the vested account balance to another financial institution, receipt of entire account balance, net of taxes withheld, or a combination of these options. When members choose to annuitize their defined contribution benefit, the annuitized portion of the benefit is reclassified to a defined benefit.

Funding Policy—The ORC provides statutory authority for member and employer contributions. For 2025, member contribution rates were 10% of salary and employer contribution rates were 14%. Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$694,768 for 2025. Of this amount, \$52,073 is reported as an intergovernmental payable.

Plan Description—Ohio Police and Fire Pension Fund (OP&F)

Plan Description—The City's full-time police and firefighters participate in the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing, multiple-employer defined benefit pension plan administered OP&F. OP&F provides retirement and disability pension benefits, annual cost-of-living adjustment, 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 ORC. OP&F issues a publicly available financial report that includes financial statements, required supplementary information and detailed information about OP&F's fiduciary net position. That report may be obtained by visiting <https://www.op-f.org> or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Upon attaining a qualifying age with sufficient years of service, a member of OP&F may retire and receive a lifetime monthly pension. OP&F offers four types of service retirement: normal, service commuted, age/service commuted and actuarially reduced. Each type has different eligibility guidelines and is calculated using the member's average annual salary. The following discussion of the pension formula relates to normal service retirement.

CITY OF CIRCLEVILLE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2025

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

For members hired after July 1, 2013, the minimum retirement age is 52 for normal service retirement with at least 25 years of service credit. For members hired on or before after July 1, 2013, the minimum retirement age is 48 for normal service retirement with at least 25 years of service credit.

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit (see OP&F Annual Comprehensive Financial Report referenced above for additional information, including requirements for Deferred Retirement Option Plan provisions and reduced and unreduced benefits).

Under normal service retirement, retired members who are at least 55 years old and have been receiving OP&F benefits for at least one year may be eligible for a cost-of-living allowance adjustment. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit, surviving beneficiaries under optional plans, and statutory survivors. Members participating in the DROP program have separate eligibility requirements related to COLA.

The COLA amount for members who have 15 or more years of service credit as of July 1, 2013, and members who are receiving a pension benefit that became effective before July 1, 2013, will be equal to 3.0 percent of the member's base pension benefit.

The COLA amount for members who have less than 15 years of service credit as of July 1, 2013, and members whose pension benefit became effective on or after July 1, 2013, will be equal to a percentage of the member's base pension benefit where the percentage is the lesser of 3.0 percent or the percentage increase in the consumer price index, if any, over the twelve-month period that ends on the thirtieth day of September of the immediately preceding year, rounded to the nearest one-tenth of one percent.

Members who retired prior to July 24, 1986, or their surviving beneficiaries under optional plans are entitled to cost-of-living allowance increases. The annual increase is paid on July 1st of each year. The annual COLA increase is \$360 under a Single Life Annuity Plan with proportional reductions for optional payment plans.

CITY OF CIRCLEVILLE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2025

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

Funding Policy—The ORC provides statutory authority for member and employer contributions as follows:

	<u>Police</u>	<u>Firefighters</u>
2025 Statutory Maximum Contribution Rates		
Employer	19.50%	24.00%
Employee	12.25%	12.25%
2025 Actual Contribution Rates		
Employer:		
Pension	19.00%	23.50%
Post-employment Health Care Benefits	0.50%	0.50%
Total Employer	<u>19.50%</u>	<u>24.00%</u>
Employee	12.25%	12.25%

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contributions to OP&F was \$953,434 for 2025. Of this amount, \$60,768 is reported as an intergovernmental payable.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability for OPERS was measured as of December 31, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OP&F's total pension liability was measured as of December 31, 2024, and was determined by rolling forward the total pension liability as of January 1, 2024, to December 31, 2024. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Proportionate Share of Net Pension Liability	\$ 6,783,040	\$ 13,930,107	\$ 20,713,147
Proportion of Net Pension Liability	0.027668%	0.145900%	
Change in Proportion	0.000280%	0.008502%	
Pension Expense	\$ 1,010,802	\$ 2,248,383	\$ 3,259,185

CITY OF CIRCLEVILLE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2025

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

At December 31, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS	OP&F	Total
<u>Deferred Outflows of Resources</u>			
Differences between expected and actual experience	\$ 129,783	\$ 590,991	\$ 720,774
Net differences between projected and actual investment earnings	800,193	674,766	1,474,959
Change in assumptions	-	549,525	549,525
Change in proportionate share and difference in employer contributions	71,392	1,357,432	1,428,824
City contributions subsequent to the measurement date	694,768	953,434	1,648,202
	<u>\$ 1,696,136</u>	<u>\$ 4,126,148</u>	<u>\$ 5,822,284</u>
<u>Deferred Inflows of Resources</u>			
Differences between expected and actual experience	\$ -	\$ 70,441	\$ 70,441
Change in assumptions	-	157,879	157,879
	<u>\$ -</u>	<u>\$ 228,320</u>	<u>\$ 228,320</u>

\$1,648,202 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	OPERS	OP&F
Year Ending December 31:		
2026	\$ 530,319	\$ 1,129,995
2027	880,324	1,379,655
2028	(308,735)	79,983
2029	(100,540)	170,539
2030	-	159,453
Thereafter	-	24,769
	<u>\$ 1,001,368</u>	<u>\$ 2,944,394</u>

CITY OF CIRCLEVILLE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2025

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

Actuarial Assumptions—OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2024, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage inflation	2.75%
Future salary increases (including inflation)	2.75% to 10.75%
COLA or Ad Hoc COLA	Pre 1/7/2013 retirees: 3% simple; Post 1/7/2013 retirees: 2.90% simple through 2025, then 2.05% simple
Investment rate of return	6.90%
Actuarial cost method	Individual entry age

Pre-retirement mortality rates are based on 130% of the Pub-2010 General Employee Mortality tables (males and females) for State and Local Government divisions and 170% of the Pub-2010 Safety Employee Mortality tables (males and females) for the Public Safety and Law Enforcement divisions. Post-retirement mortality rates are based on 115% of the PubG-2010 Retiree Mortality Tables (males and females) for all divisions. Post-retirement mortality rates for disabled retirees are based on the PubNS-2010 Disabled Retiree Mortality Tables (males and females) for all divisions. For all of the previous described tables, the base year is 2010 and mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scales (males and females) to all of these tables.

The most recent experience study was completed for the five-year period ended December 31, 2020.

During 2024, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Defined Contribution portfolio and the Health Care portfolio. The Defined Benefit portfolio contains the investment assets of the Traditional Pension Plan, including the defined benefit component of the Combined Plan division, and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was a gain of 8.8% for 2024.

CITY OF CIRCLEVILLE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2025

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

The allocation of investment assets within the Defined Benefit portfolio is approved by the Board as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The long-term expected rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return over a 20-year period are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation. Best estimates of geometric real rates of return were provided by the Board's investment consultant. For each major asset class that is included in the Defined Benefit portfolio's target asset allocation as of December 31, 2024, these best estimates are summarized in the following table. A simple weighted sum of asset class returns will not yield the results shown on the table given the process followed to adjust for inflation, the compounding to a given time period, and the impact of volatility and correlations to the portfolio.

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Geometric)
Fixed Income	24.00%	2.42%
Domestic Equities	21.00%	5.70%
Real Estate	13.00%	4.17%
Private Equity	15.00%	8.40%
International Equities	20.00%	6.10%
Risk Parity	2.00%	4.40%
Other Investments	5.00%	2.54%
Total	<u>100.00%</u>	

Discount Rate. The discount rate used to measure the total pension liability was 6.90% for the Traditional Pension Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Employer's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following chart represents the City's proportionate share of the net pension liability at the 6.90% discount rate, as well as the sensitivity to a 1% increase and 1% decrease in the current discount rate:

	1% Decrease (5.9%)	Current Discount Rate of 6.9%	1% Increase (7.9%)
City's proportionate share of the net pension liability	\$ 11,096,904	\$ 6,783,040	\$ 3,198,529

CITY OF CIRCLEVILLE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2025

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

Actuarial Assumptions—OP&F

The total pension liability is determined by OP&F's actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing retirement plan involve estimates of the value of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements, and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future. A comprehensive experience study was performed during 2022 by OP&F's actuary and completed as of December 31, 2021. Changes in demographic and economic actuarial assumptions were made. Assumptions considered were: withdrawal rates, disability retirement, service retirement, DROP elections, mortality, percent married and forms of payment, DROP interest rate, CPI-based COLA, investment returns, salary increases and payroll growth. The changes in assumptions are being amortized over the estimated remaining useful life of the participants which was 6.16 years at December 31, 2024.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation are presented below:

Valuation date	January 1, 2024 with actuarial liabilities rolled forward to December 31, 2024
Actuarial cost method	Entry age normal (level of percent of payroll)
Actuarial assumption experience study date	5-year period ended December 31, 2021
Investment rate of return	7.50%
Cost of living increases (COLA)	2.2% per year
Simple salary increases	3.75% to 10.50%
Payroll growth	3.25 per annum, compounded annually, consisting of inflation rate of 2.75% plus productivity increase rate of 0.5%

Healthy mortality for service retirees is based on the Pub-2021 Below-Median Safety Amount-Weighted Healthy Retiree mortality table with rates adjusted by 96.2% for males and 98.7% for females. Disabled mortality for disabled retirees is based on the Pub-2010 Safety Amount-Weighted Disabled Retiree mortality table with rates adjusted by 135% for males and 97.9% for females. Contingent annuitant mortality for contingent annuitants is based on the Pub-2010 Below-Median Safety Amount-Weighted Contingent Annuitant Retiree mortality table with rates adjusted by 108.9% for males and 131% for females. Pre-retirement mortality for active members is based on the Pub-2010 Below-Median Safety Amount-Weighted Employee mortality table. All rates are projected using the MP-2021 Improvement Scale.

CITY OF CIRCLEVILLE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2025

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The assumption is intended to be a long-term assumption (30 to 50 years) and is not expected to change absent a significant change in asset allocation, a change in the underlying inflation assumption, or a fundamental change in the market that alters expected returns in future years.

Best estimates of the long-term expected real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2024 are summarized below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	18.6%	3.8%
Non-U.S. equity	12.4%	4.6%
Private markets	10.0%	5.6%
Core fixed income*	25.0%	2.6%
High yield fixed income	7.0%	4.3%
Private credit	5.0%	6.7%
U.S. inflation linked bonds*	15.0%	2.4%
Midstream energy infrastructure	5.0%	5.2%
Real assets	8.0%	6.1%
Gold	5.0%	3.2%
Private real estate	12.0%	5.3%
Commodities	2.0%	2.5%
	125.0%	

*Note: Assumptions are geometric. * Levered 2x*

OP&F's Board of Trustees has incorporated the risk parity concept into OP&F's asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return and creating a more risk-balanced portfolio based on their relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.25 times due to the application of leverage in certain fixed income asset classes.

CITY OF CIRCLEVILLE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2025

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

Discount Rate. The total pension liability was calculated using the discount rate of 7.5%. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return of 7.5%. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the Employer's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact, the following table presents the net pension liability calculated using a discount rate of 7.5%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.5%), or one percentage point higher (8.5%) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate of 7.5%	1% Increase (8.5%)
City's proportionate share of the net pension liability	\$ 18,653,715	\$ 13,930,107	\$ 10,001,653

NOTE 11—DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Net OPEB Liability/(Asset)

The net OPEB liability/(asset) represents the City's proportionate share of each OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan's fiduciary net position. The net OPEB liability/(asset) calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost-of-living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting these estimates annually.

ORC limits the City's obligation for this liability to annual required payments. The City cannot control benefit terms or the manner in which OPEB are financed; however, the City's does receive the benefit of employees' services in exchange for compensation, including OPEB.

GASB Statement No. 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The ORC permits, but does not require, the retirement systems to provide health care to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability/(asset). Resulting adjustments to the net OPEB liability/(asset) would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

CITY OF CIRCLEVILLE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2025

NOTE 11—DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

The proportionate share of each plan's funded or unfunded benefits are presented as either a long-term *net OPEB asset* or *net OPEB liability* on the accrual basis of accounting. Any liability for contractually-required OPEB contributions outstanding at the end of the year is included in intergovernmental payable on both the accrual and modified accrual bases of accounting.

Plan Description—OPERS

The OPERS administers two separate pension plans: the traditional pension plan, a cost-sharing, multiple-employer defined benefit pension plan; and the member-directed plan, a defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust. The 115 Health Care Trust (115 Trust or Health Care Trust) was established in 2014, under Section 115 of the Internal Revenue Code (IRC). The purpose of the 115 Trust is to fund health care for the Traditional Pension and Member-Directed plans. The Ohio Revised Code permits, but does not require, OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code. Retirees in the Traditional Pension and Combined plans may have an allowance deposited into a health reimbursement arrangement (HRA) account to be used toward the health care program of their choice and other eligible expenses. An OPERS vendor is available to assist with the selection of a health care program

With one exception, OPERS-provided health care coverage is neither guaranteed nor statutorily required. Ohio law currently requires Medicare Part A equivalent coverage or Medicare Part A premium reimbursement for eligible retirees and their eligible dependents.

OPERS offers a health reimbursement arrangement (HRA) allowance to benefit recipients meeting certain age and service credit requirements. The HRA is an account funded by OPERS that provides tax free reimbursement for qualified medical expenses such as monthly post-tax insurance premiums, deductibles, co-insurance, and co-pays incurred by eligible benefit recipients and their dependents.

OPERS members enrolled in the Traditional Pension Plan retiring with an effective date of January 1, 2022, or after must meet the following health care eligibility requirements to receive an HRA allowance:

Age 65 or older Retirees Minimum of 20 years of qualifying service credit

Age 60 to 64 Retirees Based on the following age-and-service criteria:

Group A 30 years of total service with at least 20 years of qualified health care service credit;

Group B 31 years of total service credit with at least 20 years of qualified health care service credit; or

Group C 32 years of total service credit with at least 20 years of qualified health care service credit.

CITY OF CIRCLEVILLE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2025

NOTE 11—DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

Age 59 or younger Based on the following age-and-service criteria:

Group A 30 years of qualified health care service credit;

Group B 32 years of qualified health care service credit at any age or 31 years of qualified health care service credit and at least age 52; or

Group C 32 years of qualified health care service credit and at least age 55.

Retirees who do not meet the requirement for coverage as a non-Medicare participant can become eligible for coverage at age 65 if they have at least 20 years of qualifying service.

Members with a retirement date prior to December 1, 2014, with at least 10 years of qualifying health care service credit will continue to be eligible for OPERS health care program. Members with a retirement date after December 1, 2014, but prior to January 1, 2022, who were eligible to participate in the OPERS health care program will continue to be eligible after January 1, 2022, as summarized in the following table:

Group A	Group B	Group C
Age and Service Requirements: December 1, 2014, or Prior Any age with 10 years of service credit	Age and Service Requirements: December 1, 2014, or Prior Any age with 10 years of service credit	Age and Service Requirements: December 1, 2014, or Prior Any age with 10 years of service credit
January 1, 2015, through December 31, 2021 Age 60 with 20 years of service credit or any age with 30 years of service credit	January 1, 2015, through December 31, 2021: Age 50 with 31 years of service credit or Age 60 with 20 years of service credit or Any age with 32 years of service credit	January 1, 2015, through December 31, 2021 Age 55 with 32 years of service credit or Age 60 with 20 years of service credit

See the Age and Service Retirement section of the OPERS ACFR for a description of Groups A, B, and C.

Beginning January 1, 2014, qualifying contributing service credit for health care will be accumulated only if the member's eligible salary is at least \$1,000 per month. Partial health care credit will not be granted for months in which eligible salary is less than \$1,000. Credit earned prior to January 2014 will not be affected by this requirement.

CITY OF CIRCLEVILLE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2025

NOTE 11—DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFITS (OPEB) *(continued)*

Recipients of disability benefits prior to January 1, 2014, have continued access to the health care program while the disability benefit continues and will not be subject to the five-year rule described below. The allowance will be determined in the same manner as an age-and-service retiree. If the recipient does not meet minimum age-and-service requirements, the minimum allowance will be used. Recipients with an initial disability effective date on or after January 1, 2014, will have coverage during the first five years of disability benefits. After five years, the recipient must meet minimum age-and-service health care eligibility requirements or be enrolled in Medicare (due to disability status) to remain enrolled in the OPERS health care program. If enrolled, the allowance will be determined in the same way as an age-and-service retiree.

Eligible retirees may receive a monthly HRA allowance for reimbursement of health care coverage premiums and other qualified medical expenses. Monthly allowances are determined using a percentage based on years of service and the age when the individual is first eligible for the HRA, multiplied by the base allowance as determined by the Board.

The base allowance was \$1,200 per month for non-Medicare retirees and \$350 per month for Medicare retirees throughout 2024. The base allowance for Medicare retirees increased to \$400 per month in January 2025. Monthly allowances range between 51% and 90% of the base allowance for both non-Medicare and Medicare retirees.

Retirees will have access to the OPERS Connector, which is a relationship with a vendor selected by OPERS to assist retirees participating in the health care program. The OPERS Connector may assist retirees in selecting and enrolling in the appropriate health care plan. While Medicare eligible retirees must use the Connector to select a vendor to be eligible to receive an HRA, non-Medicare eligible retirees may use the Connector or another vendor and still be eligible to receive an HRA.

When members become Medicare-eligible, recipients enrolled in OPERS health care programs must enroll in Medicare Part A (hospitalization) and Medicare Part B (medical).

OPERS reimburses retirees who are not eligible for premium-free Medicare Part A (hospitalization) for their Part A premiums as well as any applicable surcharges (late-enrollment fees). Retirees within this group must enroll in Medicare Part A and select medical coverage, and may select prescription coverage, through the OPERS Connector. OPERS also will reimburse 50% of the Medicare Part A premium and any applicable surcharges for eligible spouses. Proof of enrollment in Medicare Part A and confirmation that the retiree is not receiving reimbursement or payment from another source must be submitted. The premium reimbursement is added to the monthly pension benefit.

Participants in the Member-Directed Plan have a portion of the employer contribution credited to an individual retiree medical account. Interest accrues based on the investment performance of the stable value fund, not to exceed 4%. Members with an account prior to July 1, 2015, become vested in the account at a rate of 20% for each year of participation until the member is fully vested at the end of five years. Members establishing accounts on or after July 1, 2015, vest over 15 years at a rate of 10% each year starting with the sixth year of participation.

CITY OF CIRCLEVILLE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2025

NOTE 11—DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml>, 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 ORC provides the statutory authority allowing public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS Board of Trustees, a portion of each employer’s contribution to OPERS is set aside to fund OPERS health care plans. Beginning in 2018, OPERS no longer allocated a portion of its employer contributions to health care for the traditional plan (except for the combined division).

Employer contribution rates are expressed as a percentage of the earnable salary of active members. For fiscal year 2025, state and local employers contributed at a rate of 14.0% of earnable salary. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. For 2025, OPERS did not allocate any employer contribution to health care for members in the Traditional Pension Plan. Beginning July 1, 2022, there was a 2% allocation to health care for the Combined Plan Division which continued through 2025. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the member-directed plan for 2025 was 4.0%. Effective July 1, 2022, a portion of the health care rate was funded with reserves which has continued through 2025.

The City’s contractually required contribution to OPERS for OPEB was \$11,476 for 2025.

Plan Description—OP&F

The City contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored healthcare program, a cost-sharing, multiple-employer defined post-employment health care plan administered by a third-party provider. This program is not guaranteed and is subject to change at any time upon action of the Board of Trustees. On January 1, 2019, OP&F implemented a new model for health care. Under this new model, OP&F provides eligible retirees with a fixed stipend earmarked to pay for health care and Medicare Part B reimbursements.

OP&F contracted with a vendor who assists eligible retirees in choosing health care plans that are available where they live (both Medicare-eligible and pre-65 populations). A stipend funded by OP&F is available to these members through a Health Reimbursement Arrangement and can be used to reimburse retirees for qualified health care expenses.

CITY OF CIRCLEVILLE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2025

NOTE 11—DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFITS (OPEB) *(continued)*

Regardless of a benefit recipient's participation in the health care program, OP&F is required by law to pay eligible recipients of a service pension, disability benefit and spousal survivor benefit for their Medicare Part B insurance premium, up to the statutory maximum provided the benefit recipient is not eligible to receive reimbursement from any other source. Once OP&F receives the necessary documentation, a monthly reimbursement is included as part of the recipient's next benefit payment. The stipend provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in Governmental Accounting Standards Board (GASB) Statement No. 75.

OP&F maintains funds for health care in two separate accounts: one account for health care benefits and one account for Medicare Part B reimbursements. A separate health care trust accrual account is maintained for health care benefits under IRS Code Section 115 trust. IRS Code Section 401(h) account is maintained for Medicare Part B reimbursements.

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. The report may be obtained by visiting the OP&F website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy—The ORC provides for contribution requirements of the participating employers and of plan members to the OP&F defined benefit pension plan. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently 19.5% and 24.0% of covered payroll for police and fire employer units. The ORC states that the employer contribution may not exceed 19.5% of covered payroll for police employer units and 24% of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

The Board of Trustees is authorized to allocate a portion of the total employer contributions for retiree health care benefits. For 2025, the portion of the employer contributions allocated to health care was 0.5% 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.

The City's contractually required contribution to OP&F for OPEB was \$21,937 for 2025.

CITY OF CIRCLEVILLE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2025

NOTE 11—DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

OPEB Liabilities/(Asset), OPEB Expense, and Deferred Outflows and Inflows of Resources Related to OPEB

The net OPEB (asset) and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2023, rolled forward to the measurement date of December 31, 2024, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. OP&F's total OPEB liability was measured as of December 31, 2024, and was determined by rolling forward the total OPEB liability as of January 1, 2024, to December 31, 2024. The City's proportion of the net OPEB liability was based on the City's share of contributions to the retirement plan relative to the contributions of all participating entities.

Following is information related to the proportionate share:

	OPERS	OP&F	Total
Proportionate Share of Net OPEB Liability/(Asset)	\$ (634,294)	\$ 901,022	\$ 266,728
Proportion of Net OPEB Liability/(Asset)	0.027058%	0.145900%	
Change in Proportion	0.000502%	0.008502%	
OPEB Expense	\$ (211,907)	\$ 60,287	\$ (151,620)
Contractually required contributions	\$11,476	\$21,937	

At December 31, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	OPERS	OP&F	Total
<u>Deferred Outflows of Resources</u>			
Differences between expected and actual experience	\$ -	\$ 40,465	\$ 40,465
Net differences between projected and actual investment earnings	13,061	36,694	49,755
Change in assumptions	-	189,922	189,922
Change in proportionate share and difference in employer contributions	-	239,599	239,599
City contributions subsequent to the measurement date	11,476	21,937	33,413
	<u>\$ 24,537</u>	<u>\$ 528,617</u>	<u>\$ 553,154</u>

CITY OF CIRCLEVILLE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2025

NOTE 11—DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

	OPERS	OP&F	Total
<u>Deferred Inflows of Resources</u>			
Differences between expected and actual experience	\$ 30,873	\$ 183,842	\$ 214,715
Change in assumptions	91,523	637,645	729,168
Change in proportionate share and difference in employer contributions	5,456	15,384	20,840
	<u>\$ 127,852</u>	<u>\$ 836,871</u>	<u>\$ 964,723</u>

\$33,413 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as an addition to the net OPEB (asset) or a reduction of the net OPEB liability in the year ended December 31, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	OPERS	OP&F
Year Ending December 31:		
2026	\$ (69,646)	\$ (34,335)
2027	58,232	(12,165)
2028	(76,449)	(71,194)
2029	(26,928)	(86,934)
2030	-	(106,685)
Thereafter	-	(18,878)
	<u>\$ (114,791)</u>	<u>\$ (330,191)</u>

Actuarial Assumptions—OPERS

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of health care costs for financial reporting purposes are based on the substantive plan and include the types of coverages provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2023, rolled forward to the measurement date of December 31, 2024.

CITY OF CIRCLEVILLE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2025

NOTE 11—DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFITS (OPEB) *(continued)*

The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB Statement No. 74:

Wage inflation	2.75%
Projected salary increases	2.75% to 10.75%, including wage inflation
Single discount rate:	
Current measurement period	6.00%
Prior measurement period	5.70%
Investment rate of return	6.00%
Municipal bond rate:	
Current measurement period	4.08%
Prior measurement period	3.77%
Health care cost trend rate:	
Current measurement period	5.5% initial, 3.50% ultimate in 2039
Prior measurement period	5.5% initial, 3.50% ultimate in 2038
Actuarial cost method	Individual entry age

Pre-retirement mortality rates are based on 130% of the Pub-2010 General Employee Mortality tables (males and females) for State and Local Government divisions and 170% of the Pub-2010 Safety Employee Mortality tables (males and females) for the Public Safety and Law Enforcement divisions. Post-retirement mortality rates are based on 115% of the PubG-2010 Retiree Mortality Tables (males and females) for all divisions. Post-retirement mortality rates for disabled retirees are based on the PubNS-2010 Disabled Retiree Mortality Tables (males and females) for all divisions. For all of the previous described tables, the base year is 2010 and mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scales (males and females) to all of these tables.

The most recent experience study was completed for the five-year period ended December 31, 2020.

During 2024, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Defined Contribution portfolio, and the Health Care portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan division and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio was a gain of 10.0% for 2024.

CITY OF CIRCLEVILLE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2025

NOTE 11—DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

The allocation of investment assets within the Health Care portfolio is approved by the Board as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. The System's primary goal is to achieve and maintain a fully funded status for benefits provided through the defined benefit pension plans. Health care is a discretionary benefit. The long-term expected rate of return on health care investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return over a 20-year period are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation. Best estimates of geometric real rates of return were provided by the Board's investment consultant. For each major asset class that is included in the Health Care portfolio's target asset allocation as of December 31, 2024, these best estimates are summarized on the following page. A simple weighted sum of asset class returns will not yield the results shown on the table given the process followed to adjust for inflation, the compounding to a given time period, and the impact of volatility and correlations to the portfolio.

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Geometric)
Fixed Income	37.00%	2.37%
Domestic Equities	26.00%	5.70%
REITs	5.00%	5.00%
International Equities	26.00%	6.10%
Risk Parity	3.00%	4.40%
Other Investments	<u>3.00%</u>	2.50%
Total	<u>100.00%</u>	

Discount Rate. A single discount rate of 6.00% was used to measure the total OPEB liability on the measurement date of December 31, 2024; however, the single discount rate used at the beginning of the year was 5.70%. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) a tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). The single discount rate was based on the actuarial assumed rate of return of 6.00%. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through the year 2124. As a result, the single discount rate was set as the actuarial assumed long-term expected rate of return on health care investments and was applied to projected costs through the year 2124, the duration of the projection period through which projected health care payments are fully funded. The tax-exempt municipal bond rate was not needed in the determination of the single discount rate.

CITY OF CIRCLEVILLE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2025

NOTE 11—DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

Sensitivity of the City's Proportionate Share of the Net OPEB Asset to Changes in the Discount Rate.

The following table presents the City's proportionate share of the net OPEB asset calculated using the single discount rate of 6.00%, as well as what the City's proportionate share of the net OPEB asset would be if it were calculated using a discount rate that is 1.0% point lower (5.00%) or 1.0% point higher (7.00%) than the current rate:

	1% Decrease (5.00%)	Current Discount Rate of 6.00%	1% Increase (7.00%)
City's proportionate share of the net OPEB (asset)	\$ (314,982)	\$ (634,294)	\$ (900,838)

Sensitivity of the City's Proportionate Share of the Net OPEB Asset to Changes in the Health Care Cost Trend Rate. Changes in the health care cost trend rate may also have a significant impact on the net OPEB asset. The following table presents the net OPEB asset calculated using the assumed trend rates, and the expected net OPEB asset if it were calculated using a health care cost trend rate that is 1.0% lower or 1.0% higher than the current rate.

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2025 is 5.50%. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.50% in the most recent valuation.

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
City's proportionate share of the net OPEB (asset)	\$ (644,036)	\$ (634,294)	\$ (623,070)

CITY OF CIRCLEVILLE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2025

NOTE 11—DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFITS (OPEB) *(continued)*

Actuarial Assumptions—OP&F

The total OPEB liability is determined by OP&F's actuaries in accordance with GASB Statement No. 74, as part of their annual valuation. Actuarial valuations of an ongoing retirement plan involve estimates of the value of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefit for financial purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and applicable contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

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CITY OF CIRCLEVILLE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2025

NOTE 11—DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFITS (OPEB) *(continued)*

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation are presented below:

Valuation date	January 1, 2024, with actuarial liabilities rolled forward to December 31, 2024
Actuarial cost method	Entry age normal (level of percent of payroll)
Actuarial assumption experience study date	5-year period ended December 31, 2021
Discount rate:	
Current measurement period	4.69%
Prior measurement period	4.07%
Municipal bond index rate:	
Current measurement period	4.04%
Prior measurement period	3.38%
Investment rate of return	OP&F OPEB long term rate is 7.50%
Cost of living increases (COLA)	2.2% simple per year
Salary increases	3.50% to 10.50%
Payroll growth	3.25%
Projected depletion year of OPEB assets	2039

Healthy mortality for service retirees is based on the Pub-2021 Below-Median Safety Amount-Weighted Healthy Retiree mortality table with rates adjusted by 96.2% for males and 98.7% for females. Disabled mortality for disabled retirees is based on the Pub-2010 Safety Amount-Weighted Disabled Retiree mortality table with rates adjusted by 135% for males and 97.9% for females. Contingent annuitant mortality for contingent annuitants is based on the Pub-2010 Below-Median Safety Amount-Weighted Contingent Annuitant Retiree mortality table with rates adjusted by 108.9% for males and 131% for females. Pre-retirement mortality for active members is based on the Pub-2010 Below-Median Safety Amount-Weighted Employee mortality table. All rates are projected using the MP-2021 Improvement Scale.

The long-term expected rate of return on OPEB plan investments was determined using a building-block approach and assumes a time horizon, as defined in the OP&F's Statement of Investment Policy. A forecasted rate of inflation serves as a baseline for the return expected. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted average of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes.

CITY OF CIRCLEVILLE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2025

NOTE 11—DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

Best estimates of the long-term expected real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2024, are summarized below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	18.6%	3.8%
Non-U.S. equity	12.4%	4.6%
Private markets	10.0%	5.6%
Core fixed income*	25.0%	2.6%
High yield fixed income	7.0%	4.3%
Private credit	5.0%	6.7%
U.S. inflation linked bonds*	15.0%	2.4%
Midstream energy infrastructure	5.0%	5.2%
Real assets	8.0%	6.1%
Gold	5.0%	3.2%
Private real estate	12.0%	5.3%
Commodities	2.0%	2.5%
	<u>125.0%</u>	

*Note: Assumptions are geometric. * Levered 2x*

OP&F's Board of Trustees has incorporated the risk parity concept into OP&F's asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return and creating a more risk-balanced portfolio based on their relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.25 times due to the application of leverage in certain fixed income asset classes.

Discount Rate. Total OPEB liability was calculated using a discount rate of 4.69%. The projection of cash flows used to determine the discount rate assumed the contributions from employers and members would be computed based on contribution requirements as stipulated by state statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return of 7.5%. Based on those assumptions, OP&F's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the long-term assumed rate of return on investments of 7.5% was applied to periods before December 31, 2038, and the municipal bond rate of 4.04% was applied to periods on and after December 31, 2038, resulting in a blended discount rate of 4.69%.

CITY OF CIRCLEVILLE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2025

NOTE 11—DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate.

Net OPEB liability is sensitive to changes in the discount rate, and to illustrate the potential impact, the following table presents the net OPEB liability calculated using the discount rate of 4.69%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1% point lower (3.69%) and 1% point higher (5.69%) than the current discount rate.

	1% Decrease (3.69%)	Current Discount Rate of 4.69%	1% Increase (5.69%)
City's proportionate share of the net OPEB liability	\$ 1,118,766	\$ 901,022	\$ 716,559

NOTE 12—RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City maintains comprehensive insurance coverage with private carriers for real property, building contents, vehicles, general liability insurance, crime and police professional liability insurance. The City also carries public officials and employment practices liability insurance. Settlements have not exceeded coverage in any of the last three years. The City has taken steps to counter the increase in the number of lawsuits filed in the areas of law enforcement. The City 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. There has not been a significant reduction of coverage from the prior year and settled claims have not exceeded commercial coverage in any of the last three years.

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

NOTE 13—OTHER EMPLOYEE BENEFITS

A. Insurance Benefits

For the year, the City's health insurance was provided by United Healthcare; vision insurance was provided by Superior Vision Plan; dental insurance was provided by Delta Dental; and life and accident insurance was provided by Hartford Life and Colonial Life and Accident Insurance Company.

B. Deferred Compensation

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

CITY OF CIRCLEVILLE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2025

NOTE 14—SIGNIFICANT COMMITMENTS

Encumbrances

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year-end the amount of encumbrances expected to be honored upon performance by the vendor in the next fiscal year were as follows:

Capital Improvement .4% Income Tax Fund	\$ 332,423
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NOTE 15—INTERFUND TRANSFERS

Interfund transfers for the year ended December 31, 2025, consisted of the following as reported on the fund financial statements:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 130,000	\$ 1,000,000
Safety Forces Tax	880,151	-
Other Governmental Funds	1,011,749	1,010,151
Waterworks Operating	-	8,553
Sanitary Sewer Operating	-	3,196
	<u>\$ 2,021,900</u>	<u>\$ 2,021,900</u>

The \$ 1,000,000 transfer from the General Fund to the other governmental funds was a transfer to the newly created fund for capital improvements to the railroad overpass grade separation. The transfer to the Safety Forces Tax fund was a transfer of SAFER grant funds. The transfers from the waterworks and sanitary sewer operating funds to the governmental funds were to fund a portion of the lease-purchase payments for energy efficiency improvements.

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CITY OF CIRCLEVILLE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2025

NOTE 16—CONTINGENCIES

A. Litigation

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

B. Grants

The City received financial assistance from State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the City at December 31, 2025.

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CITY OF CIRCLEVILLE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2025

NOTE 17—FUND BALANCES

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

Fund Balances	General Fund	Safety Forces Tax Fund	Safety Forces .5% Income Tax Fund	Capital Improvement .4% Income Tax Fund	Other Governmental Funds	Total Governmental Funds
<i>Nonspendable</i>						
Inventory	\$ 39,596	\$ -	\$ -	\$ -	\$ 118,700	\$ 158,296
Prepays	157,724	51,500	9,064	5,368	19,341	242,997
Unclaimed funds	19,425	-	-	-	-	19,425
<i>Total Nonspendable</i>	<u>216,745</u>	<u>51,500</u>	<u>9,064</u>	<u>5,368</u>	<u>138,041</u>	<u>420,718</u>
<i>Restricted for</i>						
Road improvements	-	-	-	-	239,779	239,779
Public safety	-	1,324,907	672,540	-	521,596	2,519,043
Legal computer maintenance	-	-	-	-	851,618	851,618
Municipal court	-	-	-	-	540,787	540,787
Leisure time services	-	-	-	-	12,951	12,951
Community development	-	-	-	-	20,275	20,275
Debt service	-	-	-	-	424,442	424,442
Capital improvements	-	-	-	1,511,544	637	1,512,181
Other purposes	-	-	-	-	8,240	8,240
<i>Total Restricted</i>	<u>-</u>	<u>1,324,907</u>	<u>672,540</u>	<u>1,511,544</u>	<u>2,620,325</u>	<u>6,129,316</u>
<i>Committed to</i>						
Future severance payments	154,050	-	-	-	-	154,050
Income tax administration	-	-	-	-	35,899	35,899
Capital improvements	-	-	-	-	1,278,846	1,278,846
Cable franchise operations	-	-	-	-	143,327	143,327
<i>Total Committed</i>	<u>154,050</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,458,072</u>	<u>1,612,122</u>
<i>Assigned to</i>						
Other purposes	-	-	-	-	-	-
Subsequent year appropriations	946,964	-	-	-	-	946,964
<i>Total Assigned</i>	<u>946,964</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>946,964</u>
<i>Unassigned</i>	<u>2,378,800</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,378,800</u>
<i>Total Fund Balance</i>	<u>\$ 3,696,559</u>	<u>\$ 1,376,407</u>	<u>\$ 681,604</u>	<u>\$ 1,516,912</u>	<u>\$ 4,216,438</u>	<u>\$ 11,487,920</u>

CITY OF CIRCLEVILLE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2025

NOTE 18 – OHIO OPIOID SETTLEMENT

In 2021, Ohio reached an \$808 million agreement with the three largest distributors of opioids. The state developed the OneOhio plan, a mechanism to ensure that any money from a negotiated settlement is distributed fairly to the communities hit hardest by the opioid crisis.

The settlement agreement allocates 30% to local governments, 55% to a foundation that will distribute funds to projects, and 15% to the Office of the Ohio Attorney General as Counsel for the State of Ohio. According to the terms of the settlement, these funds must be used for programs and services which (1) expand the availability of treatment for individuals affected by substance use disorders, (2) develop, promote and provide evidence-based substance use prevention strategies, (3) provide substance use avoidance and awareness education, (4) decrease the oversupply of licit and illicit opioids, and (5) support recovery from addiction services performed by qualified and appropriately licensed providers.

During 2025, the contingencies related to the specific settlements with certain distributors have been resolved, and these settlements can now be recognized as revenue to the extent collectible at December 31, 2025. As a result, the City of Circleville recognized an intergovernmental receivable for the OneOhio opioid funds settlement in the amount of \$1,043,955 at December 31, 2025. The entire receivable is unavailable revenue as it is estimated to be distributed in annual increments through June 2038 and no portion was received during the available period for revenue recognition (January 2026).

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CIRCLEVILLE

Required Supplementary Information

Schedule of City's Proportionate Share of the Net Pension Liability

and City Pension Contributions

Ohio Public Employees Retirement System - Traditional Pension Plan

Measurement Year (1)	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability	City's Covered Payroll	City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2016	0.022936%	\$ 3,972,804	\$ 2,855,692	139.12%	81.08%
2017	0.023685%	5,378,435	3,060,733	175.72%	77.25%
2018	0.023332%	3,660,403	3,083,407	118.71%	84.66%
2019	0.024072%	6,592,833	3,251,371	202.77%	74.70%
2020	0.024301%	4,803,257	3,419,100	140.48%	82.17%
2021	0.024830%	3,676,782	3,497,114	105.14%	86.88%
2022	0.025892%	2,252,666	3,757,643	59.95%	92.62%
2023	0.026188%	7,735,946	4,059,436	190.57%	75.74%
2024	0.027389%	7,170,477	4,505,864	159.14%	79.01%
2025	0.027668%	6,783,040	4,891,900	138.66%	80.99%

Calendar Year	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
2016	\$ 367,288	\$ (367,288)	\$ -	\$ 3,060,733	12.00%
2017	400,843	(400,843)	-	3,083,407	13.00%
2018	455,192	(455,192)	-	3,251,371	14.00%
2019	478,674	(478,674)	-	3,419,100	14.00%
2020	489,596	(489,596)	-	3,497,114	14.00%
2021	526,070	(526,070)	-	3,757,643	14.00%
2022	568,321	(568,321)	-	4,059,436	14.00%
2023	630,821	(630,821)	-	4,505,864	14.00%
2024	684,866	(684,866)	-	4,891,900	14.00%
2025	694,768	(694,768)	-	4,962,629	14.00%

(1) Amounts presented for each year were determined as of the City's measurement date, which is the prior year-end.

CITY OF CIRCLEVILLE

Required Supplementary Information

Schedule of City's Proportionate Share of the Net Pension Liability

and City Pension Contributions

Ohio Police and Fire Pension Fund

Measurement Year (1)	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability	City's Covered Payroll	City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2016	0.115939%	\$ 7,458,437	\$ 2,368,955	314.84%	66.77%
2017	0.117753%	7,458,357	2,546,021	292.94%	68.36%
2018	0.108513%	6,659,936	2,397,883	277.74%	70.91%
2019	0.114433%	9,340,757	2,606,622	358.35%	63.07%
2020	0.103439%	6,968,177	2,608,881	267.09%	69.89%
2021	0.110576%	7,538,072	2,615,425	288.22%	70.65%
2022	0.126517%	7,904,028	3,452,017	228.97%	75.03%
2023	0.128957%	12,249,637	3,474,310	352.58%	62.90%
2024	0.137398%	13,274,540	3,551,542	373.77%	63.63%
2025	0.145900%	13,930,107	4,326,140	322.00%	65.26%

Calendar Year	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
2016	\$ 535,917	\$ (535,917)	\$ -	\$ 2,546,021	21.05%
2017	501,565	(501,565)	-	2,397,883	20.92%
2018	545,999	(545,999)	-	2,606,622	20.95%
2019	547,138	(547,138)	-	2,608,881	20.97%
2020	556,231	(556,231)	-	2,615,425	21.27%
2021	730,023	(730,023)	-	3,452,017	21.15%
2022	740,151	(740,151)	-	3,474,310	21.30%
2023	770,631	(770,631)	-	3,551,542	21.70%
2024	939,616	(939,616)	-	4,326,140	21.72%
2025	953,434	(953,434)	-	4,387,486	21.73%

(1) Amounts presented for each year were determined as of the City's measurement date, which is the prior year-end.

CITY OF CIRCLEVILLE

Required Supplementary Information

Schedule of City's Proportionate Share of the Net OPEB Liability/(Asset)

and City OPEB Contributions

Ohio Public Employees Retirement System

Measurement Year (1) (2)	City's Proportion of the Net OPEB Liability/(Asset)	City's Proportionate Share of the Net OPEB Liability/(Asset)	City's Covered Payroll	City's Proportionate Share of the Net OPEB Liability/(Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2017	0.023722%	\$ 2,396,003	\$ 3,060,733	78.28%	54.04%
2018	0.023160%	2,514,997	3,083,407	81.57%	54.14%
2019	0.023452%	3,057,587	3,251,371	94.04%	46.33%
2020	0.023592%	3,258,668	3,419,100	95.31%	47.80%
2021	0.024118%	(429,681)	3,497,114	(12.29%)	115.57%
2022	0.025143%	(787,522)	3,757,643	(20.96%)	128.23%
2023	0.025432%	160,354	4,059,436	3.95%	94.79%
2024	0.026556%	(239,670)	4,505,864	(5.32%)	107.76%
2025	0.027058%	(634,294)	4,891,900	(12.97%)	121.51%

Calendar Year	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
2016	\$ 61,215	\$ (61,215)	\$ -	\$ 3,060,733	2.00%
2017	30,834	(30,834)	-	3,083,407	1.00%
2018	-	-	-	3,251,371	0.00%
2019	-	-	-	3,419,100	0.00%
2020	-	-	-	3,497,114	0.00%
2021	-	-	-	3,757,643	0.00%
2022	3,488	(3,488)	-	4,059,436	0.09%
2023	4,859	(4,859)	-	4,505,864	0.11%
2024	6,079	(6,079)	-	4,891,900	0.12%
2025	11,476	(11,476)	-	4,962,629	0.23%

(1) Information prior to 2017 is not available. The City will continue to present information for years available until a full ten-year trend is compiled.

(2) Amounts presented for each year were determined as of the City's measurement date, which is the prior year-end.

CITY OF CIRCLEVILLE

Required Supplementary Information

Schedule of City's Proportionate Share of the Net OPEB Liability

and City OPEB Contributions

Ohio Police and Fire Pension Fund

Measurement Year (1) (2)	City's Proportion of the Net OPEB Liability	City's Proportionate Share of the Net OPEB Liability	City's Covered Payroll	City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2017	0.117753%	\$ 5,589,470	\$ 2,546,021	219.54%	15.96%
2018	0.108513%	6,148,200	2,397,883	256.40%	14.13%
2019	0.114433%	1,042,088	2,606,622	39.98%	46.57%
2020	0.103439%	1,021,738	2,608,881	39.16%	47.08%
2021	0.110576%	1,171,572	2,615,425	44.79%	45.42%
2022	0.126517%	1,386,733	3,452,017	40.17%	46.90%
2023	0.128957%	918,134	3,474,310	26.43%	52.60%
2024	0.137398%	1,003,185	3,551,542	28.25%	51.90%
2025	0.145900%	901,022	4,326,140	20.83%	56.05%

Calendar Year	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
2016	\$ 12,730	\$ (12,730)	\$ -	\$ 2,546,021	0.50%
2017	11,989	(11,989)	-	2,397,883	0.50%
2018	13,033	(13,033)	-	2,606,622	0.50%
2019	13,044	(13,044)	-	2,608,881	0.50%
2020	13,077	(13,077)	-	2,615,425	0.50%
2021	17,260	(17,260)	-	3,452,017	0.50%
2022	17,371	(17,371)	-	3,474,310	0.50%
2023	17,758	(17,758)	-	3,551,542	0.50%
2024	21,631	(21,631)	-	4,326,140	0.50%
2025	21,937	(21,937)	-	4,387,486	0.50%

(1) Information prior to 2017 is not available. The City will continue to present information for years available until a full ten-year trend is compiled.

(2) Amounts presented for each year were determined as of the City's measurement date, which is the prior year-end.

CITY OF CIRCLEVILLE

Required Supplementary Information

Notes to Required Supplementary Information

Ohio Public Employees Retirement System (OPERS)

Notes to Pension Information

Changes of Benefit and Funding Terms

There have been no changes in benefit terms.

Changes of Assumptions

In 2017, changes in assumptions were made based upon an updated experience study that was completed for the five-year period ended December 31, 2015. Significant changes included a reduction of the discount rate from 8.0% to 7.5%, a reduction in the wage inflation rate from 3.75% to 3.25%, and transition from the RP-2000 mortality tables to the RP-2014 mortality tables.

In 2019, a reduction of the discount rate was made from 7.5% to 7.2%.

In 2022, changes in assumptions were made based upon an updated experience study that was completed for the five-year period ended December 31, 2020. Significant changes included a reduction of the discount rate from 7.2% to 6.9%, a reduction in wage inflation from 3.25% to 2.75%, and transition from RP-2014 mortality tables to Pub-2010 mortality tables.

Effective January 1, 2024, the Combined Plan was consolidated into the Traditional Pension Plan as a separate division. No changes were made to the benefit design features of the Combined Plan as part of this consolidation. Members in this plan will continue to receive benefits under the Combined Plan provisions in effect prior to the consolidation, subject to future changes to the Traditional Pension Plan.

Notes to OPEB Information

Changes of Benefit and Funding Terms

There have been no changes in benefit terms.

CITY OF CIRCLEVILLE

Required Supplementary Information

Notes to Required Supplementary Information

Ohio Public Employees Retirement System (OPERS)

Notes to OPEB Information (continued)

Changes of Assumptions

In 2018, the single discount rate changed from 4.23% to 3.85%.

In 2019, the single discount rate changed from 3.85% to 3.96%, the investment rate of return changed from 6.50% to 6.00%, and the health care cost trend rate changed from 7.5% initial to 10.0% initial.

In 2020, the single discount rate changed from 3.96% to 3.16% and the health care cost trend rate changed from 10.0% initial, 3.25% ultimate in 2028 to 10.5% initial, 3.50% ultimate in 2030.

In 2021, the single discount rate changed from 3.16% to 6.00% and the health care cost trend rate changed from 10.5% initial, 3.50% ultimate in 2030 to 8.5% initial, 3.50% ultimate in 2035.

In 2022, changes in assumptions were made based upon an updated experience study that was completed for the five-year period ended December 31, 2020. Significant changes included a reduction in wage inflation from 3.25% to 2.75%, and transition from RP-2014 mortality tables to Pub-2010 mortality tables.

In 2023, the single discount rate changed from 6.00% to 5.22% and the health care cost trend rate changed from 5.5% initial, 3.50% ultimate in 2034 to 5.5% initial, 3.50% ultimate in 2036.

In 2024, the single discount rate changed from 5.22% to 5.70% and the health care cost trend rate changed from 5.5% initial, 3.50% ultimate in 2036 to 5.5% initial, 3.50% ultimate in 2038.

In 2025, the single discount rate changed from 5.70% to 6.00% and the health care cost trend rate changed from 5.5% initial, 3.50% ultimate in 2038 to 5.5% initial, 3.50% ultimate in 2039.

CITY OF CIRCLEVILLE

Required Supplementary Information

Notes to Required Supplementary Information

Ohio Police and Fire Pension Fund

Notes to Pension Information

Changes of Benefit and Funding Terms

There have been no changes in benefit terms.

Changes of Assumptions

In 2018, changes in assumptions were made based upon an updated experience study that was completed for the five-year period ended December 31, 2016. Significant changes included a reduction of the discount rate from 8.25% to 8.0%, a reduction in the wage inflation rate from 3.75% to 3.25%, and transition from the RP-2000 mortality tables to the RP-2014 mortality tables.

In 2022, the single discount rate changed from 8.0% to 7.5%.

In 2023, changes in assumptions were made based upon an updated experience study that was completed for the five-year period ended December 31, 2021. Significant changes included transition from RP-2014 mortality tables to the Pub-2010 Safety mortality tables projected using the MP-2021 Improvement Scale.

Notes to OPEB Information

Changes of Benefit and Funding Terms

Beginning January 1, 2019, OP&F changed its retiree health care model to a stipend-based health care model, depositing stipends into individual health reimbursements accounts that retirees will use to be reimbursed for health care expenses.

CITY OF CIRCLEVILLE

Required Supplementary Information

Notes to Required Supplementary Information

Ohio Police and Fire Pension Fund

Notes to OPEB Information (continued)

Changes of Assumptions

In 2018, the single discount rate changed from 3.79% to 3.24%.

In 2019, the single discount rate changed from 3.24% to 4.66%.

In 2020, the single discount rate changed from 4.66% to 3.56%.

In 2021, the single discount rate changed from 3.56% to 2.96%.

In 2022, the single discount rate changed from 2.96% to 2.84%.

In 2023, changes in assumptions were made based upon an updated experience study that was completed for the five-year period ended December 31, 2012. Significant changes included an increase of the single discount rate from 2.84% to 4.27% and transition from the RP-2014 mortality tables to the Pub-2010 Safety mortality tables projected using the MP-2021 Improvement Scale.

In 2024, the single discount rate changed from 4.27% to 4.07%.

In 2025, the single discount rate changed from 4.07% to 4.69%.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the City Council
City of Circleville, Ohio:

We have audited, in accordance with the 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 (*Government Auditing Standards*), the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Circleville, Ohio ("the City"), as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 18, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Clark, Schaefer, Hackett & Co.

Columbus, Ohio
June 18, 2026