CITY OF LONDON

Madison County, Ohio

Basic Financial Statements

December 31, 2018

PLATTENBURG
Certified Public Accountants

OHIO AUDITOR OF STATE
KEITH FABER

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Honorable Mayor and City Council
City of London
20 S. Walnut Street Suite 101
London, Ohio 43140

We have reviewed the *Independent Auditors' Report* of the City of London, Madison County, prepared by Plattenburg & Associates, Inc., for the audit period January 1, 2018 through December 31, 2018. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The City of London is responsible for compliance with these laws and regulations.

Keith Faber

Keith Faber
Auditor of State
Columbus, Ohio

August 28, 2019

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INDEPENDENT AUDITORS' REPORT

Honorable Mayor and City Council
City of London

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of London (the City) as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the 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, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and Fire Department Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Emphasis of Matter

As discussed in Note 19 to the financial statements, during the year ended December 31, 2018, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pension. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and schedules of pension information and other postemployment information to be presented to supplement the basic financial statements. Such information, 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 auditing standards generally accepted in the United States of America, 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 July 16, 2019, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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.

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.
Cincinnati, Ohio
July 16, 2019

CITY OF LONDON, OHIO
MADISON COUNTY

MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018
(UNAUDITED)

This discussion and analysis of the City of London's (the "City") financial performance provides an overall review of the City's financial activities for the fiscal year ended December 31, 2018. 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 2018 are as follows:

- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by approximately $25.4 million (net position).
- The City's net position increased by approximately $3.0 million in 2018. This increase is the result of an approximate $1.7 million increase in governmental activities net position and an approximate $1.3 million increase in business-type activities net position.
- For governmental activities, general revenues accounted for approximately $7.7 million, or 69 percent of total revenues, and program specific revenues accounted for the remaining 31 percent, or approximately $3.4 million.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of approximately $8.3 million, a $614,189 decrease in comparison with the prior year. Of this amount, approximately $1.9 million is available for spending at the City's discretion (unassigned fund balance).
- At the close of the current fiscal year, unassigned fund balance for the General Fund was approximately $2.0 million, or 48 percent of General Fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to private-sector business.

The *Statement of Net Position* presents information on all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *Statement of Activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, security of persons and property, leisure time activities, community and economic development, and transportation. The business-type activities of the City include water treatment and distribution, sewage collection, and sanitation.

The government-wide financial statements can be found on pages 15-17 of this report.

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 fiduciary funds.

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 fiscal year. Such information may be useful in evaluating 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 statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund 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 38 individual governmental funds. Information is presented separately in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, Fire Department Fund, Walnut Street Property Fund, and Capital Improvements Fund, which are considered to be major funds. Data from the other 30 governmental funds are combined into a single, aggregated presentation.

The basic governmental fund financial statements can be found on pages 18-27 of this report.

Proprietary Funds. The City utilizes only one type of proprietary fund: enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water treatment and distribution, sewage collection, and sanitation.

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 each enterprise fund, each of which are considered to be major funds of the City.

The basic proprietary fund financial statements can be found on pages 28-31 of this report.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the City. 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 fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statement can be found on page 32 of this report.

Notes to the basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found starting on page 33 of this report.

Other Information - In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees. This required supplementary information can be found on pages 82-90 of this report.

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GOVERNMENT-WIDE FINANCIAL ANALYSIS

The table below provides a summary of the City's net position for 2018 compared to 2017:

	Governmental Activites		Business-Type Activities		Total	
	Restated 2017	2018	Restated 2017	2018	Restated 2017	2018
Current and Other Assets	$ 11,921,935	$ 11,605,590	$ 7,814,834	$ 8,441,843	$ 19,736,769	$ 20,047,433
Capital Assets, Net	13,955,700	17,363,356	37,166,203	36,335,191	51,121,903	53,698,547
Net Pension Asset	4,476	9,102	4,142	9,065	8,618	18,167
Total Assets	25,882,111	28,978,048	44,985,179	44,786,099	70,867,290	73,764,147
Deferred Outflows of Resources	2,276,098	2,251,222	810,939	476,848	3,087,037	2,728,070
Current and Other Liabilities	884,540	699,046	772,973	347,418	1,657,513	1,046,464
Long-Term Liabilities	5,707,453	6,042,398	27,720,702	26,352,899	33,428,155	32,395,297
Net Pension Liability	7,448,883	6,692,447	1,941,786	1,381,647	9,390,669	8,074,094
Net OPEB Liability	4,950,660	5,861,598	870,751	960,176	5,821,411	6,821,774
Total Liabilities	18,991,536	19,295,489	31,306,212	29,042,140	50,297,748	48,337,629
Deferred Inflows of Resources	1,221,888	2,335,476	38,593	420,608	1,260,481	2,756,084
Net Position:						
Net Investment in Capital Assets	10,550,344	12,514,605	9,269,407	10,301,431	19,819,751	22,816,036
Restricted	4,443,112	4,963,214	-	-	4,443,112	4,963,214
Unrestricted	(7,048,671)	(7,879,514)	5,181,906	5,498,768	(1,866,765)	(2,380,746)
Total Net Position	$ 7,944,785	$ 9,598,305	$ 14,451,313	$ 15,800,199	$ 22,396,098	$ 25,398,504

The net pension liability (NPL) and net OPEB liability are the largest liabilities reported by the City at December 31, 2018 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." For fiscal year 2018, the City adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB).

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, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 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 OBEP liability*. GASB 68 and GASB 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 68 and GASB 75 require the net pension liability and the net OPEB liability 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 Ohio revised Code 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 system is 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 or the net OPEB 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. In the event that 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 68 and GASB 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 liability and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

As a result of implementing GASB 75, the City is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at December 31, 2017, from $12,873,341 to $7,944,785 for governmental activities and from $15,309,494 to $14,451,313 for business-type activities.

As noted earlier, net position may serve over time as a useful indicator of the City's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by approximately $25.4 million at the close of the most recent fiscal year.

Governmental Activities – The significant increases in capital assets, net and long-term liabilities are primarily the result of the three new capital leases entered into during the fiscal year for the purpose of acquiring equipment and the resurfacing of US 42-38.

Business-Type Activities – The significant decrease in capital assets, net is the result of depreciation (approximately $1.4 million) exceeding current year acquisitions ($579,454). The significant decrease in long-term liabilities is the result of the current year principal payments (approximately $2.2 million) exceeding new loan the City entered into with the Ohio Water Development Authority (OWDA).

Governmental and Business-Type Activities – The net pension and net OPEB liabilities and related deferred outflows and inflows of resources all fluctuated significantly in comparison with the prior year. These fluctuations are primarily the result of the greater than expected returns on pension plan investments.

By far the largest portion of the City's net position (approximately $22.8 million) reflects its investment in capital assets (e.g. land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (approximately $5.0 million) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (approximately negative $2.4 million) may be used to meet the City's ongoing obligations to citizens and creditors.

MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018
(UNAUDITED)

The table below shows the changes in net position for fiscal years 2018 and 2017.

	Governmental Activities		Business-type Activities		Total	
	2017	2018	2017	2018	2017	2018
Program Revenues:						
Charges for Services	$ 532,597	$ 556,814	$ 6,880,514	$ 6,503,696	$ 7,413,111	$ 7,060,510
Operating Grants and Contributions	671,224	713,645	-	-	671,224	713,645
Capital Grants and Contributions	-	2,130,760	1,169,608	-	1,169,608	2,130,760
General Revenues:						
Property Taxes	722,095	741,994	-	-	722,095	741,994
Payment in Lieu of Taxes	372,680	372,838	-	-	372,680	372,838
Income Taxes	5,453,868	6,194,457	-	-	5,453,868	6,194,457
Unrestricted Grants	160,190	166,095	-	-	160,190	166,095
Investment Income	25,565	29,164	-	-	25,565	29,164
Other Revenue	106,450	145,927	3,224	2,767	109,674	148,694
Total Revenues	8,044,669	11,051,694	8,053,346	6,506,463	16,098,015	17,558,157
Expenses:						
General Government	1,513,227	1,881,021	-	-	1,513,227	1,881,021
Security of Persons and Property	4,584,722	5,183,628	-	-	4,584,722	5,183,628
Transportation	1,938,287	1,363,406	-	-	1,938,287	1,363,406
Community and Economic Development	152,774	160,130	-	-	152,774	160,130
Leisure Time Activities	303,418	450,883	-	-	303,418	450,883
Interest on Long-Term Debt	140,468	124,106	-	-	140,468	124,106
Water	-	-	1,879,109	1,866,938	1,879,109	1,866,938
Sewer	-	-	2,930,706	2,332,935	2,930,706	2,332,935
Sanitation	-	-	1,140,280	1,192,704	1,140,280	1,192,704
Total Expenses	8,632,896	9,163,174	5,950,095	5,392,577	14,582,991	14,555,751
Change in Net Position before Transfers	(588,227)	1,888,520	2,103,251	1,113,886	1,515,024	3,002,406
Transfers	(180,000)	(235,000)	180,000	235,000	-	-
Change in Net Position	(768,227)	1,653,520	2,283,251	1,348,886	1,515,024	3,002,406
Net Position, Beginning	N/A	7,944,785	N/A	14,451,313	N/A	22,396,098
Net Position, Ending	$ 7,944,785	$ 9,598,305	$ 14,451,313	$ 15,800,199	$ 22,396,098	$ 25,398,504

Governmental Activities – Governmental activities increased the City's net position by approximately $1.7 million. This increase is primarily the result of capital contributions from the Ohio Department of Transportation for the purpose of resurfacing US 42-38.

Business-Type Activities – Business-type activities increased the City's net position by approximately $1.3 million. This increase is primarily the result of operating income in the water and sewer funds.

The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB 75 is not available. Therefore, 2017 functional expenses still include OPEB expense of $34,674 computed under GASB 45. GASB 45 required recognizing OPEB expense equal to the contractually required contributions to the plan. Under GASB 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of OPEB expense. Under GASB 75, the 2018 statements report OPEB expense of $549,166. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

	Governmental Activities	Business-Type Activities	Total
Total 2018 operating expenses under GASB 75	$ 9,163,174	$ 5,392,577	$ 14,555,751
OPEB expense under GASB 75	(461,404)	(87,762)	(549,166)
2018 contractually required contribution	9,955	-	9,955
Adjusted 2018 operating expenses	8,711,725	5,304,815	14,016,540
Total 2017 operating expenses under GASB 45	8,632,896	5,950,095	14,582,991
Increase (Decrease) in operating expenses not related to OPEB	$ 78,829	$ (645,280)	$ (566,451)

Total Expenses in the Governmental Activities remained consistent with the prior year. Total Expenses in the Business-Type Activities decrease significantly. This decrease is primarily the result of a decrease in contractual services in the Sewer Fund.

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The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The table below shows the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted state entitlements.

	Total Cost of Services		Net Cost of Services	
Functions/Programs	2018	2017	2018	2017
Governmental Activities:				
General Government	$ (1,881,021)	$ (1,513,227)	$ (1,732,418)	$ (1,409,540)
Security of Persons and Property	(5,183,628)	(4,584,722)	(4,884,750)	(4,276,833)
Transportation	(1,363,406)	(1,938,287)	1,060,812	(1,369,157)
Community and Economic Development	(160,130)	(152,774)	(21,176)	(2,823)
Leisure Time Activities	(450,883)	(303,418)	(60,317)	(230,254)
Interest Expense	(124,106)	(140,468)	(124,106)	(140,468)
Total Governmental Activities	(9,163,174)	(8,632,896)	(5,761,955)	(7,429,075)
Business-Type Activities:				
Water	(1,800,118)	(1,879,109)	422,015	1,609,578
Sewer	(2,399,755)	(2,930,706)	854,572	570,695
Sanitation	(1,192,704)	(1,140,280)	(165,468)	(80,246)
Total Business-Type Activities	(5,392,577)	(5,950,095)	1,111,119	2,100,027
Grand Total	$ (14,555,751)	$ (14,582,991)	$ (4,650,836)	$ (5,329,048)

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. 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 the City's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of approximately $8.3 million, a decrease of $614,189 from the previous year.

The schedule below indicates the fund balance and the total change in fund balance as of December 31, 2018 and 2017.

	Fund Balance 12/31/2017	Fund Balance 12/31/2018	Increase (Decrease)
General Fund	$ 3,001,372	$ 2,850,567	$ (150,805)
Fire Department Fund	1,800,890	1,907,338	106,448
Walnut Street Property Fund	1,063,405	(32,611)	(1,096,016)
Capital Improvements Fund	572,760	666,819	94,059
Other Governmental Funds	2,505,555	2,937,680	432,125
Total	$ 8,943,982	$ 8,329,793	$ (614,189)

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was approximately $2.0 million, 69% of the total fund balance. The fund balance of the City's General Fund decreased $150,805 during the current fiscal year, or 5%, from the previous year. This decrease represents the amount in which General Fund expenditures and transfers out (operating subsidies) exceeded receipts during the year.

The fund balance in the Fire Department Fund increased $106,448 during the fiscal year. This increase represents the amount in which income and property tax receipts, charges for services, and proceeds from the inception of capital leases exceeded Fire Department expenditures during the year.

The fund balance in the Walnut Street Property Fund decreased approximately $1.1 million during the fiscal year. This decrease represents the amount in which capital outlays related to renovations of the primary building exceeded charges for services.

The fund balance in the Capital Improvements Fund increased $94,059 during the fiscal year. This increase represents the amount in which income tax receipts and transfers in from the General Fund exceeded capital outlays during the year.

***Proprietary Funds* -** The City's proprietary funds provide the same information found in the government-wide financial statements, but in more detail. Unrestricted net position at the end of the year amounted to approximately $1.5 million, approximately $3.7 million, and $322,724 in the Water, Sewer and Sanitation funds, respectively. The change in net position was an increase of $422,015 in the Water Fund, an increase of approximately $1.1 million in the Sewer Fund, and a decrease of $165,468 in the Sanitation Fund.

The slight increase in the Water Fund is primarily the result operating income of $557,495. The significant increase in the Sewer Fund is primarily the result of operating income of approximately $1.0 million.

GENERAL FUND BUDGETARY 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 2018, 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. For the General Fund, actual revenues exceeded the final revenue and other financing sources budget by $491,002, or 10 percent. This variance is primarily the result of excess tax receipts. The variance between the original and final revenue budgets was insignificant.

Actual budgetary expenditures and other financing uses were $989,003, or 18 percent, less than final appropriations. Final appropriations exceeded original appropriation by approximately $1.4 million, or 28 percent. This variance is primarily the result of higher transfers to other funds.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of December 31, 2018, amounts to approximately $53.7 million (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, land improvements, buildings, machinery and equipment, vehicles, and infrastructure. The City's net capital asset balance increased approximately $2.6 million during the year. This increase represents the amount by which current year acquisitions of approximately $5.3 million exceeded depreciation and disposals of approximately $2.7 million.

Detailed information regarding capital asset activity is included in the Note 10 to the basic financial statements.

Debt

At the end of the current fiscal year, the City had total debt outstanding of approximately $31.1 million, a decrease of approximately $1.8 million in comparison with the prior year. This decrease represents the amount in which current year principal payments of approximately $2.5 million exceeded new loans issued during the year, totaling $770,915.

Detailed information regarding long-term debt is included in Note 15 to the basic financial statements.

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 Lora Long, Auditor of City of London, Ohio, 102 South Main Street, London, OH 43140.

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CITY OF LONDON, OHIO
MADISON COUNTY

STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2018

	Governmental Activities	Business-type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	$ 7,955,852	$ 7,511,576	$ 15,467,428
Cash and Cash Equivalents in Segregated Accounts	56,890	-	56,890
Receivables:			
Taxes	2,845,831	-	2,845,831
Accounts	27,432	640,493	667,925
Intergovernmental	538,520	-	538,520
Interest	178	-	178
Special Assessments	40,150	13,656	53,806
Notes	12,327	-	12,327
Prepaid Items	39,670	27,853	67,523
Materials and Supplies Inventory	88,740	58,665	147,405
Restricted Cash and Cash Equivalents	-	189,600	189,600
Capital Assets:			
Non-Depreciable	743,906	11,011,634	11,755,540
Depreciable, Net	16,619,450	25,323,557	41,943,007
Net Pension Asset	9,102	9,065	18,167
Total Assets	28,978,048	44,786,099	73,764,147
Deferred Outflows of Resources			
Pension	1,370,668	387,330	1,757,998
OPEB	640,417	89,518	729,935
Deferred Amount on Refunding	240,137	-	240,137
Total Deferred Outflows of Resources	2,251,222	476,848	2,728,070
Liabilities			
Accounts Payable	79,031	46,863	125,894
Retainage Payable	259,112	-	259,112
Accrued Wages	245,373	79,529	324,902
Intergovernmental Payable	98,158	31,426	129,584
Customer Deposits Payable	-	189,600	189,600
Accrued Interest Payable	17,372	-	17,372
Long-Term Liabilities:			
Due Within One Year	692,861	2,156,544	2,849,405
Due in More Than One Year	5,349,537	24,196,355	29,545,892
Net Pension Liability	6,692,447	1,381,647	8,074,094
Net OPEB Liability	5,861,598	960,176	6,821,774
Total Liabilities	19,295,489	29,042,140	48,337,629
Deferred Inflows of Resources:			
Property and Other Local Taxes	1,519,822	-	1,519,822
Pension	656,830	345,323	1,002,153
OPEB	158,824	75,285	234,109
Total Deferred Inflows of Resources	2,335,476	420,608	2,756,084
Net Position			
Net Investment in Capital Assets	12,514,605	10,301,431	22,816,036
Restricted for:			
Debt Service	555,862	-	555,862
Security of Persons and Property	2,289,893	-	2,289,893
Transportation	1,975,636	-	1,975,636
Community Development	122,255	-	122,255
Leisure Time Activities	19,568	-	19,568
Unrestricted	(7,879,514)	5,498,768	(2,380,746)
Total Net Position	$ 9,598,305	$ 15,800,199	$ 25,398,504

See accompanying notes to the basic financial statements

CITY OF LONDON, OHIO
MADISON COUNTY

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

		Program Revenues		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General Government	$ 1,881,021	$ 101,208	$ 47,395	$ -
Security of Persons and Property	5,183,628	270,888	27,990	-
Leisure Time Activities	450,883	91,056	3,510	296,000
Community and Economic Development	160,130	93,662	45,292	-
Transportation	1,363,406	-	589,458	1,834,760
Interest and Fiscal Charges	124,106	-	-	-
Total Governmental Activities	9,163,174	556,814	713,645	2,130,760
Business-type Activities:				
Water	1,800,118	2,222,133	-	-
Sewer	2,399,755	3,254,327	-	-
Sanitation	1,192,704	1,027,236	-	-
Total Business-type Activities	5,392,577	6,503,696	-	-
Total Government	$ 14,555,751	$ 7,060,510	$ 713,645	$ 2,130,760

General Revenues:
Property Taxes Levied for:
General Purposes
Other Purposes
Payments in Lieu of Taxes
Income Taxes Levied for:
General Purposes
Other Purposes
Unrestricted Grants and Entitlements
Investment Earnings
Miscellaneous
Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position at Beginning of Year, Restated
Net Position at End of Year

See accompanying notes to the basic financial statements

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-type Activities	Total
$ (1,732,418)	$ -	$ (1,732,418)
(4,884,750)	-	(4,884,750)
(60,317)	-	(60,317)
(21,176)	-	(21,176)
1,060,812	-	1,060,812
(124,106)	-	(124,106)
(5,761,955)	-	(5,761,955)
-	422,015	422,015
-	854,572	854,572
-	(165,468)	(165,468)
-	1,111,119	1,111,119
$ (5,761,955)	$ 1,111,119	$ (4,650,836)
603,438	-	603,438
138,556	-	138,556
372,838	-	372,838
3,597,028	-	3,597,028
2,597,429	-	2,597,429
166,095	-	166,095
29,164	-	29,164
145,927	2,767	148,694
(235,000)	235,000	-
7,415,475	237,767	7,653,242
1,653,520	1,348,886	3,002,406
7,944,785	14,451,313	22,396,098
$ 9,598,305	$ 15,800,199	$ 25,398,504

See accompanying notes to the basic financial statements

CITY OF LONDON, OHIO
MADISON COUNTY

BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF DECEMBER 31, 2018

	General Fund	Fire Department Fund	Walnut Street Property Fund	Capital Improvements Fund
Assets:				
Equity in Pooled Cash and Cash Equivalents	$ 2,475,409	$ 1,889,285	$ 143,953	$ 628,306
Cash and Cash Equivalents in Segregated Accounts	-	-	-	-
Receivables:				-
Taxes	1,571,396	855,796	-	57,006
Accounts	27,432	-	-	-
Intergovernmental	267,791	4,084	-	-
Interest	178	-	-	-
Special Assessments	-	-	-	-
Notes	-	-	-	-
Prepaid Items	24,974	2,892	-	-
Materials and Supplies Inventory	255	-	-	-
Total Assets	$ 4,367,435	$ 2,752,057	$ 143,953	$ 685,312
Liabilities:				
Accounts Payable	$ 14,073	$ 44,994	$ 2,413	$ -
Retainage Payable	-	-	174,151	-
Accrued Wages	133,217	94,858	-	-
Intergovernmental Payable	39,014	36,447	-	-
Matured Compensated Absences	37,296	-	-	-
Total Liabilities	223,600	176,299	176,564	-
Deferred Inflows of Resources:				
Property and Other Local Taxes	594,712	526,229	-	-
Unavailable Revenue	698,556	142,191	-	18,493
Total Deferred Inflows of Resources	1,293,268	668,420	-	18,493
Fund Balances:				
Nonspendable:				
Prepaid Items	24,974	2,892	-	-
Materials and Supplies Inventory	255	-	-	-
Restricted for:				-
Debt Service	-	-	-	-
Capital Projects	-	-	-	-
Security of Persons and Property	-	1,904,446	-	-
Transportation	-	-	-	-
Community and Economic Development	-	-	-	-
Leisure Time Activities	-	-	-	-
Committed for:				
Capital Projects	-	-	-	666,819
Assigned for:				-
Future Appropriations	576,158	-	-	-
General Government	39,455	-	-	-
Security of Persons and Property	60,758	-	-	-
Leisure Time Activities	68,837	-	-	-
Community and Economic Development	100,169	-	-	-
Debt Service	-	-	-	-
Unassigned	1,979,961	-	(32,611)	-
Total Fund Balances	2,850,567	1,907,338	(32,611)	666,819
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 4,367,435	$ 2,752,057	$ 143,953	$ 685,312

Other Governmental Funds	Total Governmental Funds
$ 2,818,899	$ 7,955,852
56,890	56,890
361,633	2,845,831
-	27,432
266,645	538,520
-	178
40,150	40,150
12,327	12,327
11,804	39,670
88,485	88,740
$ 3,656,833	$ 11,605,590
$ 17,551	$ 79,031
84,961	259,112
17,298	245,373
22,697	98,158
-	37,296
142,507	718,970
398,881	1,519,822
177,765	1,037,005
576,646	2,556,827
11,804	39,670
88,485	88,740
573,234	573,234
9,651	9,651
235,147	2,139,593
1,702,799	1,702,799
122,255	122,255
19,568	19,568
-	666,819
-	576,158
-	39,455
-	60,758
-	68,837
-	100,169
174,737	174,737
-	1,947,350
2,937,680	8,329,793
$ 3,656,833	$ 11,605,590

See accompanying notes to the basic financial statements

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CITY OF LONDON, OHIO
MADISON COUNTY

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2018

Total Governmental Fund Balances		$ 8,329,793
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		17,363,356
The net pension asset is not a financial resource and therefore is not reported in the funds.		9,102
Other long-term assets are not available to pay for current period expenditures and therefore are reported as deferred inflows of resources in the funds.		
	Income Taxes Receivable	760,504
	Property Taxes Receivable	12,006
	Accounts Receivable	26,003
	Intergovernmental Receivable	238,492
Governmental funds report the effect of bond premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of net position.		
	Unamortized Deferred Amount on Refunding	240,137
The net pension and net OPEB liabilities are not due and payable in the current period; therefore, the liabilities and related deferred inflows/outflows are not reported in governmental funds:		
	Deferred Outflows - Pension	1,370,668
	Deferred Outflows - OPEB	640,417
	Net Pension Liability	(6,692,447)
	Net OPEB Liability	(5,861,598)
	Deferred Inflows - Pension	(656,830)
	Deferred Inflows - OPEB	(158,824)
Long-Term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:		
	Compensated Absences payable	(294,410)
	General Obligation Bonds Payable	(4,025,900)
	Loans Payable	(927,959)
	Police and Fire Pension Payable	(46,510)
	Capital Lease Payable	(710,323)
	Accrued Interest Payable	(17,372)
Net Position of Governmental Activities		$ 9,598,305

See accompanying notes to the basic financial statements

CITY OF LONDON, OHIO
MADISON COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

	General Fund	Fire Department Fund	Walnut Street Property Fund	Capital Improvements Fund
Revenues:				
Taxes	$ 4,502,283	$ 1,945,368	$ -	$ 394,417
Special Assessments	-	-	-	-
Charges for Services	91,056	252,000	-	-
Fines, Licenses, and Permits	210,182	-	-	-
Intergovernmental	372,292	4,094	-	-
Interest	29,168	-	-	-
Other	246,449	11,634	46,873	-
Total Revenues	5,451,430	2,213,096	46,873	394,417
Expenditures:				
Current:				
General Government	1,320,778	-	-	-
Security of Persons and Property	2,025,514	2,106,648	-	-
Leisure Time Activities	627,283	-	-	-
Community and Economic Development	120,081	-	-	-
Transportation	-	-	-	-
Capital Outlay	19,756	698,154	1,019,223	900,358
Debt service:				
Principal Retirement	-	-	90,000	-
Interest and Fiscal Charges	-	-	33,666	-
Total Expenditures	4,113,412	2,804,802	1,142,889	900,358
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,338,018	(591,706)	(1,096,016)	(505,941)
Other Financing Sources (Uses):				
Proceeds from Inception of Capital Lease	19,756	698,154	-	-
Transfers In	53,683	-	-	600,000
Transfers Out	(1,562,262)	-	-	-
Total Other Financing Sources (Uses)	(1,488,823)	698,154	-	600,000
Net Change in Fund Balances	(150,805)	106,448	(1,096,016)	94,059
Fund Balance at Beginning of Year	3,001,372	1,800,890	1,063,405	572,760
Fund Balance at End of Year	$ 2,850,567	$ 1,907,338	$ (32,611)	$ 666,819

See accompanying notes to the basic financial statements

Other Governmental Funds	Total Governmental Funds
$ 442,169	$ 7,284,237
41,719	41,719
-	343,056
1,105	211,287
610,393	986,779
24	29,192
6,710	311,666
1,102,120	9,207,936
36,434	1,357,212
210,496	4,342,658
-	627,283
39,220	159,301
689,944	689,944
-	2,637,491
299,025	389,025
68,455	102,121
1,343,574	10,305,035
(241,454)	(1,097,099)
-	717,910
917,789	1,571,472
(244,210)	(1,806,472)
673,579	482,910
432,125	(614,189)
2,505,555	8,943,982
$ 2,937,680	$ 8,329,793

See accompanying notes to the basic financial statements

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CITY OF LONDON, OHIO
MADISON COUNTY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

Net Change in Fund Balances - Total Governmental Funds		$ (614,189)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
	Capital Outlays	2,889,530
	Depreciation Expense	(1,198,066)
The effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and disposals) is to decrease net position.		(118,568)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		1,843,758
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		610,590
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		(952,262)
Except for amounts reported as deferred inflows/outflows, changes in the net OPEB liability are reported as OPEB expense in the statement of activities.		(461,404)
Governmental funds report the effect of bond premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.		
	Deferred Amount on Refunding Amortization	(20,881)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current finanical resources of governmental funds. Neither transaction, however, has any effect on net position.		
	Issuance of Capital Leases	(717,910)
	Principal Payments on Capital Leases	7,587
	Principal Payments on Debt	389,025
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 governmental funds.		
	Police and Fire Pension	1,920
	Compensated Absences	(4,506)
	Accrued Interest	(1,104)
Change in Position of Governmental Activities		$ 1,653,520

See accompanying notes to the basic financial statements

CITY OF LONDON, OHIO
MADISON COUNTY

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

	Original Budget	Final Budget	Actual	Variance (Over)/Under
Revenues				
Taxes	$ 3,870,002	$ 3,860,002	$ 4,191,825	$ 331,823
Charges for Services	59,000	59,000	91,056	32,056
Fines, Licenses, and Permits	106,020	106,020	116,656	10,636
Intergovernmental	146,850	146,850	168,865	22,015
Interest	20,000	20,000	35,462	15,462
Other	85,000	70,600	245,927	175,327
Total Revenues	4,286,872	4,262,472	4,849,791	587,319
Expenditures				
Current:				
General Government	1,424,326	1,470,471	1,084,470	386,001
Security of Persons and Property	2,605,195	2,669,944	2,094,407	575,537
Leisure Time Activities	336,918	804,439	703,723	100,716
Total Expenditures	4,366,439	4,944,854	3,882,600	1,062,254
Excess of Revenues Over (Under) Expenditures	(79,567)	(682,382)	967,191	1,649,573
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	200,000	150,000	-	(150,000)
Transfers In	-	-	53,683	53,683
Transfers Out	(735,327)	(1,511,011)	(1,584,262)	(73,251)
Total Other Financing Sources (Uses)	(535,327)	(1,361,011)	(1,530,579)	(169,568)
Net Change in Fund Balance	(614,894)	(2,043,393)	(563,388)	1,480,005
Fund Balances at Beginning of Year	2,382,123	2,382,123	2,382,123	-
Prior Year Encumbrances Appropriated	115,468	115,468	115,468	-
Fund Balances at End of Year	$ 1,882,697	$ 454,198	$ 1,934,203	$ 1,480,005

See accompanying notes to the basic financial statements

CITY OF LONDON, OHIO
MADISON COUNTY

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL
FIRE DEPARTMENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

	Original Budget	Final Budget	Actual	Variance (Over)/Under
Revenues				
Taxes	$ 1,629,009	$ 1,629,009	$ 1,951,742	$ 322,733
Charges for Services	252,000	252,000	252,000	-
Intergovernmental	7,500	7,500	4,094	(3,406)
Other	15,000	15,000	11,634	(3,366)
Total Revenues	1,903,509	1,903,509	2,219,470	315,961
Expenditures				
Current:				
Security of Persons and Property	2,390,345	2,938,862	2,266,190	672,672
Total Expenditures	2,390,345	2,938,862	2,266,190	672,672
Excess of Revenues Over (Under) Expenditures	(486,836)	(1,035,353)	(46,720)	988,633
Other Financing Sources (Uses)				
Transfers In	100,000	380,000	580,000	200,000
Transfers Out	(150,000)	(630,000)	(580,000)	50,000
Total Other Financing Sources (Uses)	(50,000)	(250,000)	-	250,000
Net Change in Fund Balance	(536,836)	(1,285,353)	(46,720)	1,238,633
Fund Balances at Beginning of Year	1,654,301	1,654,301	1,654,301	-
Prior Year Encumbrances Appropriated	53,668	53,668	53,668	-
Fund Balances at End of Year	$ 1,171,133	$ 422,616	$ 1,661,249	$ 1,238,633

See accompanying notes to the basic financial statements

CITY OF LONDON, OHIO
MADISON COUNTY

STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS
AS OF DECEMBER 31, 2018

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Sanitation	Total
Assets				
Current Assets:				
Equity in Pooled Cash and Cash Equivalents	$ 2,598,375	$ 4,024,991	$ 888,210	$ 7,511,576
Receivables:				
Accounts	267,970	355,394	17,129	640,493
Special Assessments	-	13,656	-	13,656
Prepaid Items	6,909	12,589	8,355	27,853
Materials and Supplies Inventory	33,477	5,547	19,641	58,665
Total Current Assets	2,906,731	4,412,177	933,335	8,252,243
Noncurrent Assets:				
Restricted Cash and Cash Equivalents	189,600	-	-	189,600
Non-Depreciable Capital Assets	10,844,906	66,768	99,960	11,011,634
Depreciable Capital Assets , Net	2,395,976	22,549,526	378,055	25,323,557
Net Pension Asset	4,799	2,076	2,190	9,065
Total Noncurrent Assets	13,435,281	22,618,370	480,205	36,533,856
Total Assets	16,342,012	27,030,547	1,413,540	44,786,099
Deferred Outflows of Resources				
Pension	195,760	82,953	108,617	387,330
OPEB	45,128	16,182	28,208	89,518
Total Deferred Outflows of Resources	240,888	99,135	136,825	476,848
Liabilities				
Current Liabilities:				
Accounts Payable	10,163	10,852	25,848	46,863
Accrued Wages	39,913	19,300	20,316	79,529
Intergovernmental Payable	17,235	7,266	6,925	31,426
Customer Deposits Payable	189,600	-	-	189,600
Compensated Absences Payable	42,275	5,507	7,718	55,500
OWDA Loans Payable	457,279	1,643,765	-	2,101,044
Total Current Liabilities	756,465	1,686,690	60,807	2,503,962
Noncurrent Liabilities:				
Compensated Absences Payable	93,671	37,179	25,386	156,236
OWDA Loans Payable	8,533,048	15,507,071	-	24,040,119
Net Pension Liability	731,377	316,428	333,842	1,381,647
Net OPEB Liability	508,322	219,900	231,954	960,176
Total Noncurrent Liabilities	9,866,418	16,080,578	591,182	26,538,178
Total Liabilities	10,622,883	17,767,268	651,989	29,042,140
Deferred Inflows of Resources				
Pension	175,259	89,706	80,358	345,323
OPEB	37,867	20,139	17,279	75,285
Total Deferred Inflows of Resources	213,126	109,845	97,637	420,608
Net Position				
Net Investment in Capital Assets	4,250,555	5,572,861	478,015	10,301,431
Unrestricted	1,496,336	3,679,708	322,724	5,498,768
Total Net Position	$ 5,746,891	$ 9,252,569	$ 800,739	$ 15,800,199

See accompanying notes to the basic financial statements

CITY OF LONDON, OHIO
MADISON COUNTY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Sanitation	Total
Operating Revenue				
Charges for Services	$ 2,222,133	$ 3,254,327	$ 1,027,236	$ 6,503,696
Total Operating Revenue	2,222,133	3,254,327	1,027,236	6,503,696
Operating Expenses				
Personal Services	966,965	555,898	623,058	2,145,921
Contractual Services	461,136	336,437	387,316	1,184,889
Materials and Supplies	113,000	120,870	135,812	369,682
Depreciation	123,537	1,240,411	44,418	1,408,366
Total Operating Expenses	1,664,638	2,253,616	1,190,604	5,108,858
Operating Income (Loss)	557,495	1,000,711	(163,368)	1,394,838
Nonoperating Revenues (Expenses)				
Other Revenue	-	2,767	-	2,767
Interest Expense	(135,480)	(146,139)	-	(281,619)
Loss on Disposal of Capital Assets	-	-	(2,100)	(2,100)
Total Non-Operating Revenues (Expenses)	(135,480)	(143,372)	(2,100)	(280,952)
Income/(Loss) Before Transfers and Capital Contributions	422,015	857,339	(165,468)	1,113,886
Transfers In	-	235,000	-	235,000
Change in Net Position	422,015	1,092,339	(165,468)	1,348,886
Net Position at Beginning of Year, Restated	5,324,876	8,160,230	966,207	14,451,313
Net Position at End of Year	$ 5,746,891	$ 9,252,569	$ 800,739	$ 15,800,199

See accompanying notes to the basic financial statements

CITY OF LONDON, OHIO
MADISON COUNTY

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Sanitation	Total
Cash Flows from Operating Activities				
Cash Received from Customers	$ 2,454,335	$ 3,302,262	$ 1,044,813	$ 6,801,410
Cash Payments to Suppliers for Goods and Services	(1,087,878)	(481,520)	(552,370)	(2,121,768)
Cash Payments for Salaries and Benefits	(896,391)	(504,885)	(559,957)	(1,961,233)
Net Cash Flows from Operating Activities	470,066	2,315,857	(67,514)	2,718,409
Cash Flows from Noncapital Financing Activities				
Cash Received from Other Non-operating Receipts	-	6,370	-	6,370
Transfers In	-	235,000	-	235,000
Net Cash Flows from Noncapital Financing Activities	-	241,370	-	241,370
Cash Flows from Capital and Related Financing Activities				
Proceeds from Loans	663,512	31,403	-	694,915
Acquisition of Capital Assets	(316,878)	(178,000)	(84,576)	(579,454)
Payments of Debt Principal	(450,711)	(1,630,693)	-	(2,081,404)
Payments of Interest	(135,480)	(146,139)	-	(281,619)
Net Cash Flows from Capital and Related Financing Activites	(239,557)	(1,923,429)	(84,576)	(2,247,562)
Net Change in Cash	230,509	633,798	(152,090)	712,217
Cash and Cash Equivalents at Beginning of Year	2,557,466	3,391,193	1,040,300	6,988,959
Cash and Cash Equivalents at End of Year	$ 2,787,975	$ 4,024,991	$ 888,210	$ 7,701,176

CITY OF LONDON, OHIO
MADISON COUNTY

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Sanitation	Total
Cash Flows from Operating Activities				
Reconciliation of Operating Income (Loss) to Net Cash Flows from Operating Activities:				
Operating Income (Loss)	$ 557,495	$ 1,000,711	$ (163,368)	$ 1,394,838
Add Depreciation Expense	123,537	1,240,411	44,418	1,408,366
(Increase)/Decrease in Assets:				
Accounts Receivable	59,538	47,935	17,577	125,050
Material and Supply Inventory	(17,181)	(2,661)	(14,500)	(34,342)
Prepaid Items	1,814	(5,944)	(4,973)	(9,103)
Net Pension Asset	(2,604)	(1,077)	(1,242)	(4,923)
Deferred Outflows of Resources - Pension	221,077	114,077	75,885	411,039
Deferred Outflows of Resources - OPEB	(38,482)	(13,311)	(25,155)	(76,948)
Increase/(Decrease) in Liabilities:				
Accounts Payable	(162,513)	(16,473)	(10,521)	(189,507)
Accrued Wages	(1,651)	1,027	(441)	(1,065)
Compensated Absences	11,599	4,308	2,779	18,686
Retainage Payable	(245,892)	-	-	(245,892)
Intergovernmental Payable	2,483	804	(77)	3,210
Customers Deposits	7,699	-	-	7,699
Net Pension Liability	(297,536)	(152,044)	(110,559)	(560,139)
Net OPEB Liability	46,938	9,813	32,674	89,425
Deferred Inflows of Resources - Pension	165,878	68,142	72,710	306,730
Deferred Inflows of Resources - OPEB	37,867	20,139	17,279	75,285
Net Cash Flows from Operating Activities	$ 470,066	$ 2,315,857	$ (67,514)	$ 2,718,409

See accompanying notes to the basic financial statements

CITY OF LONDON, OHIO
MADISON COUNTY

STATEMENT OF ASSETS AND LIABILITIES
FIDUCIARY FUNDS
AS OF DECEMBER 31, 2018

	Agency Funds
Assets	
Equity in Pooled Cash and Cash Equivalents	$ 154,213
Total Assets	154,213
Liabilities	
Undistributed Monies	154,213
Total Liabilities	$ 154,213

See accompanying notes to the basic financial statements

NOTE 1 – REPORTING ENTITY

The City of London (the "City") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the Constitution and laws of the State of Ohio. The City operates under a Council-Mayor form of government.

In evaluating how to define the City for financial reporting purposes, management has considered all agencies, departments, and organizations making up the City (the primary government) and its potential component units consistent with Government Accounting Standards Board Statements No. 14, "The Financial Reporting Entity" and No. 39, "Determining Whether Certain Organizations are Component Units – An Amendment of GASB Statement No. 14" and No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statement No. 14 and No. 39".

The City provides various services including police and fire protection, building inspections, public improvements, water and sewer services, parks and recreation, planning, zoning, street maintenance and repair, refuse collection and general administrative services. The operation of each of these activities is directly controlled by the Council through the budgetary process. None of these services are provided by a legally separate organization; therefore, these operations are included in the primary government.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization. Component units may also include organizations for which the City approves the budget, the levying of taxes or the issuance of debt. The City has no component units.

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 government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The most significant of the City's accounting policies are described below.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(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. The statements distinguish between those activities of the City that are governmental and those that are considered business-type.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Statement of Net Position presents the 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 limitations. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the City.

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

(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: governmental, proprietary, and fiduciary.

Governmental Funds - Governmental funds are those through which most governmental functions of the City 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 deferred outflows of resources and liabilities and deferred inflows of resources is reported as fund balance.

The following are the City's major governmental fund types:

> ***General Fund*** – The General Fund accounts for all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the City for any purpose provided it is expended or transferred according to the general laws of Ohio.
>
> ***Fire Department Fund*** – The Fire Department Fund accounts for all fire department revenues and expenditures; with the exception of the Ohio Police and Fire pension obligation.
>
> ***Capital Improvements Fund*** – The Capital Improvements Fund accounts for income tax revenue committed for capital improvements.
>
> ***Walnut Street Property Fund*** – The Walnut Street Property Fund accounts for resources restricted or committed for capital improvements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Proprietary Fund Type - Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position and cash flows. The following is the City's proprietary fund type:

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 Water, Sewer, and Sanitation Funds are the City's major enterprise funds

Water Fund - The Water Fund accounts for the provision of water service to the residents and commercial users located within the City.

Sewer Fund - The Sewer Fund accounts for the provision of sanitary sewer service to the residents and commercial users located within the City.

Sanitation Fund – The Sanitation Fund accounts for the provision of sanitation services to the residents and commercial users located within 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 agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City's agency funds account for money received and held until the distribution requirement to others is met upon final plan approval.

(c) Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and deferred outflows of resources and liabilities and deferred inflows of resources with the operation of the City are included on the Statement of Net Position. The Statement of Activities presents increases (e.g. revenues) and decreases (e.g. expenses) in total net position.

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, current liabilities, and deferred outflows/inflows of resources are generally 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 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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Like government-wide financial statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus. All assets and deferred outflows of resources and 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 assets. The Statement of Cash Flows provides information about how the City finances and meets the cash flow needs of its proprietary fund activities.

(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 are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Differences in the accrual and the modified basis of accounting arise in the recognition of revenue, the recording of unavailable revenue, and in the presentation of expenses versus expenditures.

Revenues – Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the City, available means expected to be received within sixty days of the fiscal year-end.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, payments in lieu of 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 and payments in lieu of taxes is recognized in the fiscal year for which the taxes or payments are levied (See Note 6). Revenue from grants, entitlements, and donations is recognized in the fiscal 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 fiscal year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from 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 fiscal year-end: income tax, state-levied locally shared taxes (including gasoline tax, motor vehicle license tax, government state tax, and homestead and rollback), fines and forfeitures, interest, grants and rentals.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows/Inflows of Resources **-** In addition to assets, the Statements of Net Position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position 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 and proprietary fund statements of net position for deferred charge on refunding, pension, and other postemployment benefits (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 12 and 13.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Property taxes, pension, special assessments and payments in lieu of taxes. Property taxes represent enforceable legal claim as of December 31, 2018, but which were levied to finance year 2019 operations, and other revenues received in advance of the year for which they were intended to finance, have been recorded as deferred inflows of resources on the Statement of Net Position. Income taxes, grants and entitlements, and other revenues not received within the available period and delinquent property taxes due at December 31, 2018, are recorded as unavailable revenue in the governmental funds and as revenue on the Statement of Activities.

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

Deferred inflows of resources related to pensions and OPEB are reported on the government-wide and proprietary fund statements on net position (See Note 12 and 13).

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 the governmental funds.

(e) Pensions/Other Postemployment Benefits

For purposes of measuring the net pension asset, net pension/OPEB liability, 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 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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Pooled Cash and Cash Equivalents

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 fund's interest in the pool is presented as "equity in pooled cash and cash equivalents."

During 2018, investments were limited to negotiable certificates of deposit and a money market fund. Money market funds are reported at the net asset value (NAV) per share. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value. All other investments are reported at fair value.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the General Fund amounted to $29,168.

The City has segregated bank accounts for monies held separate from the City's central bank account. These interest-bearing depository accounts are presented as "cash and cash equivalents in segregated accounts" since they are not required to be deposited into the City treasury.

Investments of the cash management pool and investments with a maturity of three months or less at the time they are purchased by the City are considered to be cash equivalents. Investments with an original maturity of more than three months that are not made from the pool are reported as investments.

(g) Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2018 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the payment and an expenditure/expense is reported in the year in which services are consumed.

(h) Materials and Supplies Inventory

Inventory consists of expendable supplies. On the government-wide financial statement, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

On fund financial statements, inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. The cost of inventory items is recorded as an expenditure in the governmental fund types when consumed. Inventories of the proprietary funds are expensed when used.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. 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.

(j) Capital Assets

General capital assets are capital assets which are associated and generally arise from governmental activities. They generally result from expenditures in the governmental funds. General capital 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 utilized by proprietary funds are reported in both the business-type activities column of the government-wide Statement of Net Position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and are updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition value as of the date received. 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 not. Interest incurred during the construction of proprietary fund capital assets is also capitalized.

All reported capital assets, except for 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 replacement. Depreciation is computed using the straight-line method over the following useful lives:

	Governmental Activities	Business-Type Activities
Land Improvements	5-30 Years	15-20 Years
Buildings	20-40 Years	20-40 Years
Equipment and Machinery	5-20 Years	5-20 Years
Furniture and Fixtures	5-15 Years	N/A
Vehicles	5-8 Years	8 Years
Infrastructure	15-50 Years	N/A
Water and Sewer Lines	N/A	40-50 Years

The City's infrastructure consists of roads, bridges, curbs, gutters, sidewalks, drainage systems and lighting systems and includes infrastructure acquired prior to December 31, 1980.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "Due to/from Other Funds." Those amounts not expected to be repaid within one year are classified as "Advances to/from Other Funds". These amounts are eliminated in the governmental columns of the Statement of Net Position except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances.

(l) Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the 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 when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those that the City has identified as probable of receiving payment in the future (employees with ten or more years of service). The amount is based on accumulated sick leave and employee wage rates at year-end taking into consideration any limits specified in the City's termination policy.

(m) 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 and special termination benefits, 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. Bonds, capital leases and long-term loans are recognized as a liability on the government fund financial statements when due.

(n) Net Position

Net position represents the difference between assets, liabilities, and deferred inflows/outflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Fund Balance

GASB Statement No. 54, *Fund Balance Reporting* became effective for years beginning after June 15, 2010. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

In accordance with this guidance, 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 City may use the following categories:

> Nonspendable - resources that are not in a spendable form (inventory, prepaids, and advances) or have legal or contractual requirements to maintain the balance intact.
>
> Restricted - resources that have external purpose restraints imposed on them by providers, such as creditors, grantors, or other regulators.
>
> Committed - resources that can be used only for specific purposes pursuant to constraints imposed by formal action (resolution) of the City's highest level of decision-making authority (City Council).
>
> Assigned - resources that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. This includes the residual balance of all governmental funds other than the General Fund that were not classified elsewhere above.
>
> Unassigned - residual fund balance within the General Fund not classified elsewhere above and all other governmental fund balances which have a negative fund balance.

The City applies restricted resources first when an expense is incurred for purposes which both restricted and unrestricted fund balance are available. The City considers committed, assigned and unassigned fund balances, respectively, to be spent when expenditures are incurred for purposes for which 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 proprietary funds. For the City, these revenues are charges for services for water, sewer and sanitation 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 this definition are reported as nonoperating.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Interfund Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in proprietary 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) Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Administration and that are either unusual in nature or infrequent in occurrence. The City had no extraordinary or special items during the year.

(s) Estimates

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

(t) Budgetary Data

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, 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 resolution 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 object level. Budgetary modifications may only be made by resolution of the City Council at the legal level of control.

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 the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time the final appropriations were passed by Council.

The appropriations resolution 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 resolution 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.

NOTE 3 – BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP basis), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances.

The Statements of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual presented for the General Fund and Fire Department Fund 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 the GAAP basis are:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).

2. Expenditures/expenses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).

3. Encumbrances are treated as expenditure/expenses (budget) rather than as an assignment of fund balance (GAAP).

4. Due to the implementation of GASB 54, some funds were reclassified to the General Fund. These funds are not required to be included in the General Fund Budgetary Statement. Therefore, the activity from these funds is excluded with an adjustment for their change in fund balance.

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund and Fire Department Fund.

Net Change in Fund Balance

	General Fund	Fire Department Fund
GAAP Basis	$ (150,805)	$ 106,448
Building and Zoning Fund Change	4,419	-
Taxation Fund Change	(32,260)	-
Revenue Accruals	(179,884)	6,374
Expenditure Accruals	(25,499)	68,494
Encumbrances	(179,359)	(228,036)
Budget Basis	$ (563,388)	$ (46,720)

NOTE 4 – DEPOSITS AND INVESTMENTS

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those 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.

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;

2. Bonds, notes, debentures, or any other obligation or security 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, and Government National Mortgage 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 2 percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

4. Bonds and other obligations of the State of Ohio;

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

6. The State Treasurer's investment pool (STAR Ohio and STAR Plus).

7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the purchase date in any amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and

8. Under limited circumstances, corporate debt interests noted in either of the two highest rating classifications by at least two nationally recognized rating agencies.

NOTE 4 – DEPOSITS AND INVESTMENTS (Continued)

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. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by certificate, upon receipt of confirmation of transfer from the custodian.

Deposits - At year-end, the carrying amount of the City's deposits was $14,297,910 and the bank balance was $14,473,337. Of the bank balance, $1,162,572 was covered by the Federal Deposit Insurance Corporation (FDIC) and the remaining was uninsured and collateralized. The City's financial institution was approved for a reduced collateral rate of 50 percent through the Ohio Pooled Collateral System.

Custodial credit risk is the risk that, in the event of bank failure, the City's deposits may not be returned. The City has no investment policy dealing with investment custodial risk beyond the requirement in State statute. Ohio law requires that deposits either be insured or be protected by:

1. Eligible securities pledged to the District 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 percent of the deposits being secured; or

2. 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. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

Investments - As of December 31, 2018, the City had the following investments and maturities:

		Investment Maturities (in Years)		
Investment Type	Value	Less than 1	1-2	More than 2
Money Market Fund	$ 1,329,167	$ 1,329,167	$ -	$ -
Negotiable Certificates of Deposit	241,054	-	-	241,054
	$ 1,570,221	$ 1,329,167	$ -	$ 241,054

NOTE 4 – DEPOSITS AND INVESTMENTS (Continued)

The City measures their investment in the money market fund at the net asset value (NAV) per share provided by the investment manager. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value. All other investments are reported at fair value. 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. All of the City's investments reported at fair value are valued using significant other observable inputs (Level 2 inputs).

Interest Rate Risk – Interest rate risk is the risk that an interest rate change could adversely affect an investment's fair value. According to the City's investment policy, no unmatched investment will have a maturity date of more than five years from the settlement date.

Credit Risk – The City does not have a formal investment policy regarding exposure to credit risk for investments. The City's federal agency security is rated AA. The City's money market fund and negotiable certificates of deposit are not rated.

Concentration of Credit Risk – Concentration of credit risk is the risk of inability to recover the value of deposits, investments, or collateral securities in the possession of an outside party caused by lack of diversification. The City does not have a formal investment policy regarding concentration of credit risk.

The concentration of the City's investments at year-end was as follows:

Investment Type	Value	Percent
Money Market Fund	$ 1,329,167	85%
Negotiable Certificates of Deposit	241,054	15%
	$ 1,570,221	100%

NOTE 5 – NOTES RECEIVABLE

In January 2003, the City loaned $15,000 to Old Londontown Ltd, an Ohio Limited Liability Company formed to purchase, rehabilitate, hold, rent, or lease historic real estate for historic preservation. Proceeds from the note will be used to revitalize buildings in the City of London downtown area. The note's interest rate is 4.25 percent. The note is secured by a mortgage held by the City against the property at 105 South Main Street, London, Ohio. The balance on the note at December 31, 2018 is $12,327. The Ohio Limited Liability Company has not paid on this note since 2007. The City is working with the company for repayment and has not written this loan off as bad debt.

NOTE 6 – PROPERTY TAXES

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Property tax revenue received during 2018 for real and public utility property taxes represents collections of the 2017 taxes. Property tax payments received during 2018 for tangible personal property (other than public utility property) are for 2017 taxes.

The 2018 real property taxes are levied after October 1 on the assessed value as of January 1 the lien date. Assessed values are established by the State law at 35 percent of appraised market value. 2017 real property taxes are collected in and intended to finance 2018.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2018 public utility property taxes which became a lien on December 31, 2016, are levied after October 1, 2017, and are collected in 2018 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2018, was $4.40 per $1,000 of assessed value. The assessed values of real and tangible personal property for tax year 2017, upon which 2018 property tax receipts were based, are as follows:

	Assesed Valuation
Real Property	$ 182,848,350
Public Utility Property	11,143,690
Total	$ 193,992,040

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

The County Treasurer collects property tax on behalf of all taxing districts in the County, including the City of London. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real and tangible personal property, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2018 and for which there is an enforceable legal claim.

In the General Fund, and the Police and Fire Pension special revenue funds, the entire receivable has been offset by a deferred inflow of resources since the current taxes were not levied to finance 2018 operations and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On a full accrual basis, delinquent property taxes have been recorded as revenue while the remainder of the receivable remains in deferred inflows of resources.

NOTE 7 – INCOME TAXES

The City levied a municipal income tax of 1.0 percent on gross salaries, wages and other personal service compensation earned by residents of the City and on the earnings of nonresidents working within the City.

On May 7, 2013, the City passed a new one-half percent fire levy which increased the income tax to 1.5 percent effective July 1, 2013. This tax also applies to the net income of businesses operating within the City. In addition, residents of the City are required to pay income tax on income earned outside the City.

Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City at least quarterly. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually.

Additional increases in the income tax rate require voter approval. The City has established its own income tax division to administer and collect taxes for the City.

NOTE 8 – TAX ABATEMENTS

Community Reinvestment Area

Description - Under the authority of 3735.65 – 3735.70, the City created a Community Reinvestment Area (CRA). Legislation established that the development of real property and the acquisition of personal property located in the area designated as this CRA constituted a purpose for which real property tax exemptions may be granted.

Recipient Commitment – The company is committed to purchasing, remodeling, and/or constructing the properties within the CRA and then both retaining and hiring new employees from the City.

Provisions for recapturing abated taxes – If the company fails to file all tax reports and pay the real and tangible property taxes not exempt under the agreement, the incentives of the agreement will be rescinded.

The gross dollar amount for the total abated value of the CRA parcels for 2018 was as follows:

Company	Term	Percent	Amount
BST London	2013-2029	100	$ 69,766
Taco Bell	2016-2026	50	2,442

Enterprise Zone

Description – Under the authority of ORC 5709.61, the City created an Enterprise Zone (EZ) within city limits. Legislation established that the development of real property and the acquisition of personal property located in the area designated as this EZ constituted a purpose for which real property tax exemptions may be granted. The specific tax being abated is the property tax.

Recipient Commitment - The company is committed to purchasing, remodeling, and/or constructing the properties within the EZ and then both retaining and hiring new employees from the City.

NOTE 8 – TAX ABATEMENTS (Continued)

Provisions for recapturing abated taxes – If the company fails to file all tax reports and pay the real and tangible property taxes not exempt under the agreement, the incentives of the agreement will be rescinded.

The gross dollar amount for the total abated value of the EZ parcel for 2018 was as follows:

Company	Term	Percent	Amount
Nissen Chemitec	2014-2024	50	$ 10,975

NOTE 9 – RECEIVABLES AND DEFERRED INFLOWS OF RESOURCES

(a) Receivables

Receivables at December 31, 2018 consisted of taxes, interest, accounts (billed and unbilled user charged services), special assessments, notes, and intergovernmental receivables arising from grants, entitlements and shared revenues. Taxes, accounts, special assessments, notes and intergovernmental receivables are deemed collectible in full. A summary of the principal items of taxes receivables reported on the Statement of Net Position follows:

Receivable	Amount
Property taxes	$ 1,213,006
Income taxes	1,335,325
Payment in lieu of taxes	297,500
Total	$ 2,845,831

(b) Deferred Inflows of Resources

Deferred Inflows of Resources at December 31, 2018 consisted of property taxes, payments in lieu of taxes, and special assessments for which there is an enforceable legal claim as of December 31, 2018, which were levied to finance year 2019 operations.

A summary of Deferred Inflows of Resources reported on the Statement of Net Position follows:

Deferred Inflows of Resources	Amount
Property taxes	$ 1,182,172
Payment in lieu of taxes	297,500
Special Assessments	40,150
Pension	656,830
OPEB	158,824
Total	$ 2,335,476

NOTE 10 – CAPITAL ASSETS

A summary of changes in governmental capital assets during the year is as follows:

Governmental Activities

	Beginning Balance	Additions	Deductions	Ending Balance
Nondepreciable Capital Assets				
Land	$ 808,996	$ 20,000	$ (85,090)	$ 743,906
Total Nondepreciable Assets	808,996	20,000	(85,090)	743,906
Depreciable Capital Assets				
Land Improvements	693,960	327,961	(32,611)	989,310
Buildings	3,193,614	1,367,369	-	4,560,983
Machinery and Equipment	1,380,486	344,492	(49,507)	1,675,471
Vehicles	2,022,446	678,618	-	2,701,064
Infrastructure	21,004,157	1,985,850	(2,000)	22,988,007
Total Depreciable Assets	28,294,663	4,704,290	(84,118)	32,914,835
Less accumulated depreciation				
Land Improvements	(514,806)	(27,626)	24,821	(517,611)
Buildings	(1,064,163)	(171,619)	-	(1,235,782)
Machinery and Equipment	(962,356)	(110,307)	24,799	(1,047,864)
Vehicles	(1,534,343)	(163,610)	-	(1,697,953)
Infrastructure	(11,072,291)	(724,904)	1,020	(11,796,175)
Total accumulated depreciation	(15,147,959)	(1,198,066)	50,640	(16,295,385)
Depreciable Capital Assets, Net of accumulated depreciation	13,146,704	3,506,224	(33,478)	16,619,450
Total Capital Assets, Net	$ 13,955,700	$ 3,526,224	$ (118,568)	$ 17,363,356

Depreciation expense was charged to the governmental functions as follows:

General Government	$ 161,552
Security of Persons and Property	207,626
Leisure Activities	54,802
Transportation	774,086
Total depreciation expense	$ 1,198,066

NOTE 10 – CAPITAL ASSETS (Continued)

Business-Type Activities

	Beginning Balance	Additions	Deductions	Ending Balance
Nondepreciable Capital Assets				
Land	$ 275,926	$ -	$ -	$ 275,926
Construction in Progress	10,418,830	316,878	-	10,735,708
Total Nondepreciable Assets	10,694,756	316,878	-	11,011,634
Depreciable Capital Assets				
Land Improvements	17,639	-	-	17,639
Buildings	4,921,243	-	-	4,921,243
Improvements Other Than Buildings	20,090,599	-	-	20,090,599
Machinery and Equipment	4,221,159	56,240	(14,000)	4,263,399
Vehicles	991,564	42,176	(32,263)	1,001,477
Water and Sewer Lines	18,188,979	164,160	-	18,353,139
Total Depreciable Assets	48,431,183	262,576	(46,263)	48,647,496
Less accumulated depreciation				
Land Improvements	(17,638)	-	-	(17,638)
Buildings	(1,835,808)	(152,444)	-	(1,988,252)
Improvements Other Than Buildings	(9,115,002)	(667,381)	-	(9,782,383)
Machinery and Equipment	(3,077,241)	(166,940)	11,900	(3,232,281)
Vehicles	(950,360)	(28,222)	32,263	(946,319)
Water and Sewer Lines	(6,963,687)	(393,379)	-	(7,357,066)
Total accumulated depreciation	(21,959,736)	(1,408,366)	44,163	(23,323,939)
Depreciable Capital Assets, Net of accumulated depreciation	26,471,447	(1,145,790)	(2,100)	25,323,557
Total Business-Type Capital Assets, Net	$ 37,166,203	$ (828,912)	$ (2,100)	$ 36,335,191

NOTE 11 – 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. During 2018, the City was insured through Wichert Insurance and had the following types of insurance:

Coverage	Limit
Real Property Legal Liability	$ 69,372,912
Equipment	Unlimited
Flood and Earthquake	1,000,000
General Liability (per occurrence)	1,000,000
Automobile Liability	1,000,000
Umbrella (per occurrence)	5,000,000

There has been no reduction in coverage from the prior year. Settled claims did not exceed 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 based on accident history and administrative costs to provide coverage to employees for job related injuries.

NOTE 12 - DEFINED BENEFIT PENSION PLANS

Net Pension (Asset)/Liability

The net pension (asset)/liability reported on the statement of net position represents a (asset)/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 (asset)/liability represents the City's proportionate share of each 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 (asset)/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.

Ohio Revised Code limits the City's obligation for this (asset)/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.

NOTE 12 - DEFINED BENEFIT PENSION PLANS (Continued)

GASB 68 assumes the net pension (asset)/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 the 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 (asset)/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.

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 three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features.

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 Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting https://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 CAFR referenced above for additional information):

NOTE 12 - DEFINED BENEFIT PENSION PLANS (Continued)

Group A Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	**Group B** 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	**Group C** Members not in other Groups and members hired on or after January 7, 2013
State and Local	**State and Local**	**State and Local**
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	**Age and Service Requirements:** Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	**Age and Service Requirements:** Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	**Traditional Plan Formula:** 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	**Traditional Plan Formula:** 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35
Combined Plan Formula: 1.0% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	**Combined Plan Formula:** 1.0% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	**Combined Plan Formula:** 1.0% of FAS multiplied by years of service for the first 35 years and 1.25% for service years in excess of 35
Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	**Formula:** 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	**Formula:** 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25

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.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a 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. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to 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 percent.

NOTE 12 - DEFINED BENEFIT PENSION PLANS (Continued)

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

2018 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
2018 Actual Contribution Rates	
Employer:	
Pension	14.0 %
Post-employment Health Care Benefits	0.0
Total Employer	14.0 %
Employee	10.0 %

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was $359,736 for 2018. Of this amount, $56,825 is reported as an intergovernmental payable.

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

Plan Description - City full-time police and firefighters participate in Ohio Police and Fire Pension Fund (OP&F), a cost-sharing, multiple-employer defined benefit pension plan administered by OP&F. OP&F provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OPF fiduciary net position. The report that may be obtained by visiting the OPF 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.

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.

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.

NOTE 12 - DEFINED BENEFIT PENSION PLANS (Continued)

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.

Under normal service retirement, retired members who are at least 55 years old and have been receiving OPF 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 and statutory survivors.

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, will receive a COLA equal to either three percent or the percent increase, if any, in the consumer price index (CPI) over the 12-month period ending on September 30 of the immediately preceding year, whichever is less. The COLA amount for members with at least 15 years of service credit as of July 1, 2013 is equal to three percent of their base pension or disability benefit.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	Police	Firefighters
2018 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
2018 Actual Contribution Rates		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	0.50	0.50
Total Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was $419,976 for 2018. Of this amount $87,920 is reported as an intergovernmental payable.

NOTE 12 - DEFINED BENEFIT PENSION PLANS (Continued)

Pension (Assets)/Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension (asset)/liability for OPERS were measured as of December 31, 2017, and the total pension liability used to calculate the net pension asset/liability was determined by an actuarial valuation as of that date. OP&F's total pension liability was measured as of December 31, 2017 and was determined by rolling forward the total pension liability as of January 1, 2017, to December 31, 2017. The City's proportion of the net pension asset/liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	OPERS Traditional Plan	OPERS Combined Plan	OP&F	Total
Proportionate Share of the Net Pension (Asset)/Liability	$ 2,768,942	$ (18,167)	$ 5,305,152	$ 8,055,927
2017 Proportion of the Net Pension (Asset)/Liability	0.017651%	0.013345%	0.086439%	
2016 Proportion of the Net Pension (Asset)/Liability	0.017793%	0.015484%	0.084469%	
2017 Change in Proportionate Share	-0.000142%	-0.002139%	0.001970%	
Pension Expense	$ 580,648	$ 4,893	$ 698,505	$ 1,284,046

At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS Traditional Plan	OPERS Combined Plan	OP&F	Total
Deferred Outflows of Resources				
Differences between expected and actual experience	$ 2,826	$ -	$ 80,511	$ 83,337
Changes of assumptions	330,905	1,586	231,174	563,665
Change in proportionate share	38,544	8,322	284,418	331,284
City contributions subsequent to the measurement date	351,500	8,236	419,976	779,712
Total Deferred Outflows of Resources	$ 723,775	$ 18,144	$ 1,016,079	$ 1,757,998
Deferred Inflows of Resources				
Differences between expected and actual experience	$ 54,556	$ 5,414	$ 9,596	$ 69,566
Change in proportionate share	87,256	2,550	61,931	151,737
Net difference between projected and actual earnings on pension plan investments	$ 594,466	$ 2,865	$ 183,519	$ 780,850
Total Deferred Inflows of Resources	$ 736,278	$ 10,829	$ 255,046	$ 1,002,153

NOTE 12 - DEFINED BENEFIT PENSION PLANS (Continued)

$779,712 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as pension expense in the year ending December 31, 2019. 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 Traditional Plan	OPERS Combined Plan	OP&F	Total
Year Ending December 31:				
2019	$ 209,462	$ (119)	$ 195,916	$ 405,259
2020	(101,719)	(198)	147,670	45,753
2021	(252,402)	(841)	(59,029)	(312,272)
2022	(219,344)	(775)	(39,430)	(259,549)
2023	-	233	77,367	77,600
Thereafter	-	779	18,563	19,342
Total	$ (364,003)	$ (921)	$ 341,057	$ (23,867)

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 was determined by an actuarial valuation as of December 31, 2017, using the following actuarial assumptions and methods applied to all periods included in the measurement:

	OPERS Traditional Plan	OPERS Combined Plan
Wage Inflation	3.25 percent	3.25 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation	3.25 to 8.25 percent including wage inflation
COLA or Ad Hoc COLA		
Pre-January 7, 2013 Retirees	3 percent, simple	3 percent, simple
Post-January 7, 2013 Retirees	3 percent simple through 2018, then 2.15 percent simple	3 percent simple through 2018, then 2.15 percent simple
Investment Rate of Return	7.5 percent	7.5 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

NOTE 12 - DEFINED BENEFIT PENSION PLANS (Continued)

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

Discount Rate The discount rate used to measure the total pension (asset)/liability was 7.5 percent. 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 benefits 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 (asset)/liability.

Sensitivity of the City's Proportionate Share of the Net Pension Asset/Liability to Changes in the Discount Rate The following table presents the City's proportionate share of the net pension (asset)/liability calculated using the current period discount rate of 7.5 percent, as well as what the City's proportionate share of the net pension (asset)/liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.5 percent) or one-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the net pension (asset)/liability			
Traditional Plan	$ 4,917,216	$ 2,768,942	$ 978,218
Combined Plan	(9,875)	(18,167)	(23,888)

The allocation of investment assets with the Defined Benefit portfolio is approved by the OPERS Board of Trustees 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.

NOTE 12 - DEFINED BENEFIT PENSION PLANS (Continued)

The following table displays the OPERS Board-approved asset allocation policy for 2017 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.75 %
Domestic Equities	20.70	6.34
Real Estate	10.00	4.75
Private Equity	10.00	8.97
International Equities	18.30	7.95
Other investments	18.00	4.92
Total	100.00 %	5.66 %

The long-term 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 are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

During 2017, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan 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 16.82% for 2017.

Changes between Measurement Date and Report Date

In October 2018, the OPERS Board adopted a change in the investment return assumption, reducing it from 7.5 percent to 7.2 percent. This change will be effective for the 2018 valuation. The exact amount of the impact to the City's net pension liability is not known.

Actuarial Assumptions – OP&F

OP&F's total pension liability as of December 31, 2017 is based on the results of an actuarial valuation date of January 1, 2017 and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OPF's actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates 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.

NOTE 12 - DEFINED BENEFIT PENSION PLANS (Continued)

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2017, are presented below:

Valuation Date	January 1, 2017 with actuarial liabilities rolled forward to December 31, 2017
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)
Actuarial Assumption Experience Study Date	5 year period ended December 31, 2016
Investment Rate of Return	8.00 percent
Cost of Living Increases (COLA)	3.00 percent simple; 2.2 percent simple for increases based on the lesser of the increase in CPI and 3.00 percent
Salary Increases	3.75 percent to 10.50 percent
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase rate of 0.50 percent

Mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates as follows, and projected with the Conduent Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120 percent. For ages 67 or less, rates for police and fire are 77 percent and 68 percent, respectively. For ages 68 to 77, rates for police and fire are 105 percent and 87 percent, respectively. For ages 78 and up, rates for police and fire are 115 percent and 120 percent, respectively. Mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the following rates and projected with the Conduit Modified 2016 Improvement Scale. Rates for ages 59 or less for police and fire are 35 percent. Rates for ages 60 to 69 for police and fire are 60 percent and 45 percent, respectively. Rates for ages 70 to 79 for police and fire are 75 percent and 70 percent, respectively. Rates for ages 80 and up for police and fire are 100 percent and 90 percent, respectively.

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. 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 averaged 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. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OPF's target asset allocation as of December 31, 2017 are summarized below:

NOTE 12 - DEFINED BENEFIT PENSION PLANS (Continued)

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Cash and Cash Equivalents	0.00 %	0.00 %
Domestic Equity	16.00	5.21
Non-US Equity	16.00	5.40
Core Fixed Income *	20.00	2.37
Global Inflation Protected Securities *	20.00	2.33
High Yield	15.00	4.48
Real Estate	12.00	5.65
Private Markets	8.00	7.99
Timber	5.00	6.87
Master Limited Partnerships	8.00	7.36
Total	120.00 %	

* 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 1.20 times due to the application of leverage in certain fixed income asset classes.

Discount Rate The total pension liability was calculated using the discount rate of 8.00 percent. 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 earning were calculated using the longer-term assumed investment rate of return 8.00 percent. 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 City'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 the discount rate of 8.00 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.00 percent), or one percentage point higher (9.00 percent) than the current rate.

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
City's proportionate share of the net pension liability	$ 7,354,331	$ 5,305,152	$ 3,633,858

NOTE 13 – DEFINED BENEFIT OPEB PLANS

Net OPEB Liability

For 2018, Governmental Accounting Standards Board (GASB) Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" was effective. The net OPEB liability has been disclosed below.

OPEB is a component of exchange transactions-–between an employer and its employees—of salaries and benefits for employee services. OPEB 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 net OPEB liability 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 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.

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

GASB 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 Ohio revised Code permits, but does not require, the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability 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.

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

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional pension plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

NOTE 13 – DEFINED BENEFIT OPEB PLANS (Continued)

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the traditional pension and the combined plans. This trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. See OPERS' CAFR referenced below for additional information.

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.

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 Ohio Revised Code provides the statutory authority requiring 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, health care is not being funded.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2018, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. 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. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 0 percent for both plans. 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 2017 was 4.0 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was $0 for 2018.

NOTE 13 – DEFINED BENEFIT OPEB PLANS (Continued)

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

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

OP&F provides access to postretirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or statutory survivor benefit, or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in Government Accounting Standards Board (GASB) Statement No. 75.

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

OP&F maintains funds for health care in two separate accounts. There is 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. An Internal Revenue Code 401(h) account is maintained for Medicare Part B reimbursements.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2018, the portion of employer contributions allocated to health care was 0.5 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

NOTE 13 – DEFINED BENEFIT OPEB PLANS (Continued)

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

Beginning January 1, 2019, OP&F is changing its retiree health care model and the current self-insured health care plan will no longer be offered. In its place is a stipend-based health care model. A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses.

The City's contractually required contribution to OP&F was $9,955 for 2018. Of this amount, $1,176 is reported as an intergovernmental payable.

Net OPEB Liability

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2016, rolled forward to the measurement date of December 31, 2017, 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, 2017 and was determined by rolling forward the total OPEB liability as of January 1, 2017, to December 31, 2017. 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
Proportion of the Net OPEB Liability:			
Current Measurement Date	0.0177200%	0.08643900%	
Prior Measurement Date	0.0179388%	0.08446808%	
Change in Proportionate Share	-0.0002188%	0.0019709%	
Proportionate Share of the Net OPEB Liability	$ 1,924,261	$ 4,897,513	$ 6,821,774
OPEB Expense	$ 154,137	$ 395,029	$ 549,166

NOTE 13 – DEFINED BENEFIT OPEB PLANS (Continued)

At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	OPERS	OP&F	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	$ 1,499	$ -	$ 1,499
Changes of assumptions	140,107	477,893	618,000
Change in proportionate share	18,859	81,622	100,481
City contributions subsequent to the measurement date	-	9,955	9,955
Total Deferred Outflows of Resources	$ 160,465	$ 569,470	$ 729,935
Deferred Inflows of Resources			
Differences between expected and actual experience	$ -	$ 24,701	$ 24,701
Net difference between projected and actual earnings on OPEB plan investments	143,345	32,238	175,583
Changes in proportion and differences between City contributions and proportionate share of contributions	33,825	-	33,825
Total Deferred Inflows of Resources	$ 177,170	$ 56,939	$ 234,109

$9,955 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending December 31, 2019. 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	Total
Year Ending December 31:			
2019	$ 24,710	$ 70,130	$ 94,840
2020	24,710	70,130	94,840
2021	(30,288)	70,130	39,842
2022	(35,837)	70,128	34,291
2023	-	78,189	78,189
Thereafter	-	143,869	143,869
Total	$ (16,705)	$ 502,576	$ 485,871

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.

NOTE 13 – DEFINED BENEFIT OPEB PLANS (Continued)

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of coverage 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, 2016, rolled forward to the measurement date of December 31, 2017. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Wage Inflation	3.25 percent
Projected Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
Single Discount Rate:	
Current measurement date	3.85 percent
Prior Measurement date	4.23 percent
Investment Rate of Return	6.50 percent
Municipal Bond Rate	3.31 percent
Health Care Cost Trend Rate	7.5 percent, initial 3.25 percent, ultimate in 2028
Actuarial Cost Method	Individual Entry Age

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

The most recent experience study was completed for the five-year period ended December 31, 2015.

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 are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

NOTE 13 – DEFINED BENEFIT OPEB PLANS (Continued)

During 2017, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan 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 is 15.2 percent for 2017.

The allocation of investment assets with the Health Care portfolio is approved by the Board of Trustees 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. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the Board-approved asset allocation policy for 2017 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	34.00 %	1.88 %
Domestic Equities	21.00	6.37
Real Estate Investment Trust	6.00	5.91
International Equities	22.00	7.88
Other investments	17.00	5.39
Total	100.00 %	4.98 %

Discount Rate A single discount rate of 3.85 percent was used to measure the OPEB liability on the measurement date of December 31, 2017. A single discount rate of 4.23 percent was used to measure the OPEB liability on the measurement date of December 31, 2016. 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) 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). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.50 percent and a municipal bond rate of 3.31 percent. 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 2034. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, and the municipal bond rate was applied to all health care costs after that date.

NOTE 13 – DEFINED BENEFIT OPEB PLANS (Continued)

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate
The following table presents the City's proportionate share of the net OPEB liability calculated using the single discount rate of 3.85 percent, as well as what the City's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.85 percent) or one-percentage-point higher (4.85 percent) than the current rate:

	1% Decrease (2.85%)	Current Discount Rate (3.85%)	1% Increase (4.85%)
City's proportionate share of the net OPEB liability	$2,556,464	$1,924,261	$1,412,816

Sensitivity of the City's Proportionate Share of the Net OPEB Liability 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 liability. The following table presents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.0 percent lower or 1.0 percent 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 2018 is 7.50 percent. 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 3.25 percent in the most recent valuation.

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
City's proportionate share of the net OPEB liability	$1,841,108	$1,924,261	$2,010,157

Changes Between Measurement Date and Report Date

In October 2018, the OPERS Board adopted a change in the investment return assumption, reducing it from 6.5 percent to 6.0 percent. This change will be effective for the 2018 valuation. The exact amount of the impact to the City's net OPEB liability is not known.

NOTE 13 – DEFINED BENEFIT OPEB PLANS (Continued)

Actuarial Assumptions – OP&F

OP&F's total OPEB liability as of December 31, 2017, is based on the results of an actuarial valuation date of January 1, 2017 and rolled-forward using generally accepted actuarial procedures. 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 plan involve estimates 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 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 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 any applicable contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, are presented below.

Valuation Date	January 1, 2017, with actuarial liabilities rolled forward to December 31, 2017
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.0 percent
Projected Salary Increases	3.75 percent to 10.5 percent
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent
Single discount rate:	
Currrent measurement date	3.24 percent
Prior measurement date	3.79 percent
Cost of Living Adjustments	3.00 percent simple; 2.2 percent simple for increased based on the lesser of the increase in CPI and 3 percent

Mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120 percent.

NOTE 13 – DEFINED BENEFIT OPEB PLANS (Continued)

Age	Police	Fire
67 or less	77 %	68 %
68-77	105	87
78 and up	115	120

Mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale.

Age	Police	Fire
59 or less	35 %	35 %
60-69	60	45
70-79	75	70
80 and up	100	90

The most recent experience study was completed for the five-year period ended December 31, 2016, the prior experience study was completed December 31, 2011.

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 Statement of Investment Policy. A forecasted rate of inflation serves as the 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 averaged 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. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2017, are summarized below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash and Cash Equivalents	- %	0.00 %
Domestic Equity	16.00	5.21
Non-US Equity	16.00	5.40
Core Fixed Income *	20.00	2.37
Global Inflation Protected Securities*	20.00	2.33
High Yield	15.00	4.48
Real Estate	12.00	5.65
Private Markets	8.00	7.99
Timber	5.00	6.87
Master Limited Partnerships	8.00	7.36
Total	120.00 %	

Note: Assumptions are geometric.
* levered 2x

NOTE 13 – DEFINED BENEFIT OPEB PLANS (Continued)

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 1.2 times due to the application of leverage in certain fixed income asset classes.

Discount Rate The total OPEB liability was calculated using the discount rate of 3.24 percent. The projection of cash flows used to determine the discount rate assumed the contribution from employers and from 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 8 percent. 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, a municipal bond rate of 3.16 percent at December 31, 2017 and 3.71 percent at December 31, 2016, was blended with the long-term rate of 8 percent, which resulted in a blended discount rate of 3.24 percent. The municipal bond rate was determined using the S&P Municipal Bond 20 Year High Grade Rate Index. The OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments until 2025. The long-term expected rate of return on health care investments was applied to projected costs through 2025, and the municipal bond rate was applied to all health care costs after that date.

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 3.24 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.24 percent), or one percentage point higher (4.24 percent) than the current rate.

	1% Decrease (2.24%)	Current Discount Rate (3.24%)	1% Increase (4.24%)
City's proportionate share of the net OPEB liability	$6,121,950	$4,897,513	$3,955,362

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate Net OPEB liability is sensitive to changes in the health care cost trend rate. The trend rate is the annual rate at which the cost of covered medical services is assumed to increase from the current year to the next year. Beginning in 2017, the per-capita costs are assumed to change by the following percentages each year:

NOTE 13 – DEFINED BENEFIT OPEB PLANS (Continued)

Year	Non-Medicare	Non-AARP	AARP	Rx Drug	Medicare Part B
2017	-0.47%	-2.50%	4.50%	-0.47%	5.20%
2018	7.00%	7.00%	4.50%	7.00%	5.10%
2019	6.50%	6.50%	4.50%	6.50%	5.00%
2020	6.00%	6.00%	4.50%	6.00%	5.00%
2021	5.50%	5.50%	4.50%	5.50%	5.00%
2022	5.00%	5.00%	4.50%	5.00%	5.00%
2023 and Later	4.50%	4.50%	4.50%	4.50%	5.00%

To illustrate the potential impact, the following table presents the net OPEB liability calculated using the current healthcare cost trend current rates as outlined in the table above, a one percent decrease in the trend rates and a one percent increase in the trend rates.

	1% Decrease	Current Rates	1% Increase
City's proportionate share of the net OPEB liability	$3,804,476	$4,897,513	$6,370,556

Changes between Measurement Date and Report Date In March 2018, the OP&F Board of Trustees approved the implementation date and framework for a new health care model. Beginning January 1, 2019, the current self-insured health care plan will no longer be offered. In its place is a stipend-based health care model. A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses. The impact to the City's net OPEB Liability is not known.

NOTE 14 – COMPENSATED ABSENCES

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Employees earn vacation time based on length of service. Employees earning two weeks or more of vacation annually must take vacation in a forty-hour increment at least once per calendar year. Employees who earn four weeks or more of vacation annually must take vacation leave in forty hour increments at least twice in each calendar year.

No more than the amount of vacation accrued in the previous thirty-six-month period can be carried forward into the next calendar year without written consent of the Mayor. Without this approval, any excess is eliminated from the employee's leave balance. In the case of death, termination, or retirement, an employee (or his estate) is paid for the unused vacation up to a maximum of the three-year accrual.

All employees earn sick leave at the rate of 4.6 hours for each eighty hours in active pay status.

NOTE 14 – COMPENSATED ABSENCES (Continued)

It is the policy of the City that an employee with at least ten years of service who retires from the City is entitled to receive payment on the basis of one day's pay for each four days of accrued sick leave not to exceed 120 days. The policy varies for employees covered by collective bargaining agreements. Sick leave is recorded as a long-term obligation, unless there is an indication that the obligation will be liquidated with expendable available financial resources within one year (e.g. announced retirement date).

As of December 31, 2018, the accrued liability for unpaid compensated absences was $543,442.

NOTE 15 – LONG TERM LIABILITIES

	Interest Rate	Original Issue Amount	Date of Maturity
Governmental Activities:			
Garfield Ave. Rehab Phase I - OPWC 2006	0.00%	273,756	January 1, 2026
Garfield Ave. Rehab Phase II - OPWC 2006	0.00%	543,450	January 2, 2027
Sewer Improvements OWDA Loan- 2005	1.00%	1,692,756	January 1, 2025
Keny Blvd. Improvement Bonds - 2011	1.20-4.75%	2,890,000	December 1, 2030
Keny Blvd. Refunding Bonds - 2016	2.09%	2,220,000	December 1, 2030
Administration Building Bonds - 2017	2.18%	1,640,000	September 1, 2032
Equipment Acquisition Bonds - 2017	3.00%	112,000	June 1, 2022
Business-Type Activities:			
Water Improvements OWDA Loan - 2001	4.14%	1,610,687	July 1, 2021
Sewer Improvements OWDA Loan - 2006	0.80%	33,218,664	January 1, 2029
Elevated Storage Tank OWDA Loan - 2017	1.30%	3,638,840	January 1, 2037
East Water Treatment Plant OWDA Loan - 2018	1.22%	6,532,001	January 1, 2048
Water Polution Control OWDA Loan - 2018	0.00%	90,000	July 1, 2022
Nutrient Reduction Upgrade Design OWDA Loan - 2019	0.00%	274,000	January 1, 2024

<u>Ohio Police and Fire Pension Liability</u>

The City pays installments on the accrued liability incurred when the State of Ohio established the statewide pension system for police personnel in 1967. The outstanding liability at December 31, 2018 is $46,510 with the principal payable semi-annually from the Police Pension and Fire Pension Special Revenue Funds. The liability will be fully retired in May 2035.

NOTE 15 – LONG TERM LIABILITIES (Continued)

The following is a summary of changes in long-term liabilities of the governmental activities for the year ended December 31, 2018:

Governmental Activities	Restated Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
OPWC Loan - 2006 Phase I	$ 109,502	$ -	$ (13,688)	$ 95,814	$ 13,688
OPWC Loan - 2006 Phase II	271,726	-	(27,172)	244,554	27,172
OWDA Sewer Improvements 2005	674,656	-	(87,065)	587,591	87,937
Keny Blvd. Improvement Bonds	375,000	-	(120,000)	255,000	125,000
Keny Blvd. Refunding Bonds	2,160,000	-	(30,000)	2,130,000	30,000
Administrative Building Bonds	1,640,000	-	(90,000)	1,550,000	95,000
Equipment Acquisition Bonds	112,000	-	(21,100)	90,900	21,700
Total Governmental Debt	5,342,884	-	(389,025)	4,953,859	400,497
Compensated Absences	316,139	166,583	(151,016)	331,706	120,259
Net Pension Liability	7,448,883	-	(756,436)	6,692,447	-
Net OPEB Liability	4,950,660	910,938	-	5,861,598	-
Capital Leases	-	717,910	(7,587)	710,323	170,122
Police & Fire Pension Payable	48,430	-	(1,920)	46,510	1,983
Total Governmental Activities	$ 18,106,996	$ 1,795,431	$ (1,305,984)	$ 18,596,443	$ 692,861

The following is a summary of changes in long-term liabilities of the business-type activities for the year ended December 31, 2018:

Business-Type Activities	Restated Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
OWDA Loans:					
Water Improvements 2001	$ 384,727	$ -	$ (104,351)	$ 280,376	$ 108,716
Sewer Improvements 2006	18,674,126	-	(1,630,693)	17,043,433	1,643,765
Water Elevated Storage Tank 2017	3,048,797	4,590	(163,341)	2,890,046	164,820
East Water Treatment Plant 2018	5,344,002	658,922	(183,019)	5,819,905	183,743
Water Polution Control 2018	76,000	-	(76,000)	-	-
Nutrient Reduction Upgrade Design 2019	-	107,403	-	107,403	-
Total OWDA Loans	27,527,652	770,915	(2,157,404)	26,141,163	2,101,044
Compensated Absences	193,050	76,973	(58,287)	211,736	55,500
Net Pension Liability	1,941,786	-	(560,139)	1,381,647	-
Net OPEB Liability	870,751	89,425	-	960,176	-
Total Business-Type Activities	$ 30,533,239	$ 937,313	$ (2,775,830)	$ 28,694,722	$ 2,156,544

Compensated absences will be paid with available resources with the appropriate fund that relates to each particular employee. The funds include both governmental and business-type funds.

There is no repayment schedule for the net pension liability and net OPEB liability; however, employer pension and OPEB contributions are made from both governmental and business-type funds. For additional information related to the net pension liability and net OPEB liability see Notes 12 and 13.

NOTE 15 – LONG TERM LIABILITIES (Continued)

For the governmental activities, the Ohio Public Works Commission (OPWC) loans, OWDA loan and general obligation bonds will be paid from the Other Governmental Funds.

For business-type activities, the Ohio Water Development Authority (OWDA) loans will be paid from charges for services revenue in the Water and Sewer Funds.

In 2004, the City was awarded a loan from the OWDA in the amount of $253,118. The proceeds of this loan were used for upgrade planning for the waste water treatment plant. During 2005, this loan was rolled into a new loan from the OWDA with a new loan total of $1,553,591. In 2006, this design loan was rolled into a loan for the waste water treatment plant expansion and Oak Run Interceptor Project in the amount of $33,218,664. The City drew down a total of $32,779,024 of this loan amount. The remaining amount will not be drawn.

On December 12, 2013, the City was awarded a planning loan from the OWDA in the amount of $746,000. The proceeds of this loan were used to design the new water tower and plant. During 2016, this loan was rolled into a new loan from OWDA with a new loan total of $6,532,001 for the East Water Treatment Plant. The loan bears a fixed rate of 1.22%. The loan has a final maturity date of January 1, 2048. During 2018, the City drew down $4,590 of the loan amount. The remaining amount of the loan will be drawn in the upcoming years.

In 2015, the City was awarded a loan from OWDA in the amount of $3,638,840. The proceeds of this loan will be used for the new elevated water storage tank. The loan bears a fixed rate of 1.30%. The loan has a final maturity date of January 1, 2037. During 2018, the City drew down $658,922 of the loan. The remaining amount of the loan will be drawn in the upcoming years.

In 2017, the City was awarded a loan from OWDA in the amount of $90,000. The proceeds of this loan will be used for water pollution control. The loan bears a fixed rate of 0.00%. During 2018, this loan was rolled into a new loan from the OWDA with a new loan total of $274,000 for the Nutrient Reduction Upgrade Design. The loan bears a fixed rate of $0.00% The loan has a final maturity date of January 1, 2024. During 2018, the City drew down 107,403 of the loan. The remaining amount of this loan will be drawn down in the upcoming years.

<u>Pledged Revenues</u>
In connection with the OWDA loans previously discussed, the City has pledged future customer revenues, net of specified operating expenses, to repay this debt. Pledged revenues of a given year may also include specified portions of cash balances carried over from the prior year. The remaining OWDA loans are payable, through their final maturities, from net revenues applicable to the respective Water and Sewer Funds. The OWDA loans include provisions giving the City the option of making payments from the City's general revenue, but are not general obligation liabilities of the City. As of December 31, 2018, the principal and interest remaining to be paid on these OWDA loans is $29,722,693. In 2018, total customer revenues were $2,222,133 and $3,254,327 for the Water and Sewer Funds, respectively.

NOTE 15 – LONG TERM LIABILITIES (Continued)

The annual requirements to retire the governmental activities long-term obligations outstanding at December 31, 2018 are as follows:

	Governmental Activities		Business Type-Activities			
			Water*		Sewer**	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	$ 400,497	$ 96,164	$ 108,716	$ 7,604	$ 1,643,765	$ 133,067
2020	412,079	87,306	113,264	4,309	1,656,941	119,890
2021	423,670	78,111	58,396	876	1,670,222	106,608
2022	430,169	70,777	-	-	1,683,611	93,220
2023	412,377	63,304	-	-	1,697,107	79,724
2024-2028	1,890,067	213,491	-	-	8,691,787	192,405
2029-2033	985,000	42,495	-	-	-	-
2034-2038	-	-	-	-	-	-
2039-2043	-	-	-	-	-	-
2044-2048	-	-	-	-	-	-
Total	$ 4,953,859	$ 651,648	$ 280,376	$ 12,789	$ 17,043,433	$ 724,914

* During 2015, the City was awarded a loan from OWDA to fund a new elevated water storage tank. The amount awarded was $3,638,840. As of December 31, 2018, the City had only drawn down $3,214,626. Since the loan was not completed at December 31, 2018, this amount was excluded for the future debt service schedule presented above.

* During 2016, the City was awarded a loan from OWDA to fund the East Water Treatment Plant. The amount awarded was $6,532,001. As of December 31, 2018, the City had only drawn down $6,002,924. Since the loan was not completed at December 31, 2018, this amount was excluded for the future debt service schedule presented above.

** During 2018, the City was awarded a loan from OWDA to fund the nutrient reduction upgrade design. The amount awarded was $274,000. As of December 31, 2018, the City had only drawn down $107,403. Since the loan was not completed at December 31, 2018, this amount was excluded for the future debt service schedule presented above.

NOTE 16 – CAPITAL LEASES – LESSEE DISCLOSURE

During 2018, the City entered into a capitalized lease for the purchase of squads, which were accounted for in the Fire Department major governmental fund. The lease will be repaid in full in 2023. The lease is paid from the City's Fire Department major governmental fund.

A capital asset for the squads has been capitalized in the amount of $475,500. This amount represents the present value of minimum lease payments at the time of acquisition. Accumulated depreciation as of December 31, 2018 was $47,550, leaving a current book value of $427,950. A corresponding liability was recorded in the government-wide financial statement.

NOTE 16 – CAPITAL LEASES – LESSEE DISCLOSURE (Continued)

During 2018, the City entered into a capitalized lease for the purchase of a crossover gator utility vehicle, which was accounted for in the General Fund. The lease will be repaid in full in 2023. The lease is paid from the City's General Fund.

A capital asset for the crossover gator utility vehicle has been capitalized in the amount of $19,756. This amount represents the present value of minimum lease payments at the time of acquisition. Accumulated depreciation as of December 31, 2018 was $1,976, leaving a current book value of $17,780. A corresponding liability was recorded in the governmental-wide financial statement.

During 2018, the City entered into a capitalized lease for the purchase of three Lucas fire devices, which were accounted for in the Fire Department major governmental fund. The lease will be repaid in full in 2023. The lease is paid from the City's Fire Department major governmental fund.

A capital asset for the devices has been capitalized in the amount of $241,556. This amount represents the present value of minimum lease payments at the time of acquisition. Accumulated depreciation as of December 31, 2018 was $24,156, leaving a current book value of $217,400. A corresponding liability was recorded in the government-wide financial statement.

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the future minimum lease payments as of December 31, 2018:

	Governmental Activities	
Year	Principal	Interest
2019	$ 170,122	$ 15,614
2020	167,754	17,983
2021	172,148	13,588
2022	97,954	8,977
2023	102,345	60,749
Present Value of Minimum Lease Payments	$ 710,323	$ 116,911

NOTE 17 – INTERFUND TRANSFERS AND BALANCES

Interfund transfers during the fiscal year were as follows:

Fund	Transfers In	Transfers Out
General	$ 53,683	$ 1,562,262
Capital Improvements Fund	600,000	-
Other Governmental	917,789	244,210
Sewer	235,000	-
	$ 1,806,472	$ 1,806,472

NOTE 17 – INTERFUND TRANSFERS AND BALANCES (Continued)

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them. Transfers from the General Fund are to finance various programs accounted for in other funds in accordance with budgetary authorization; to segregate money for anticipated capital projects and provide additional resources for current operations or debt service.

$155,527 was transferred within Other Governmental Funds to move unused funds to the related debt service funds (See Note 20). $35,000 was transferred within Other Governmental Funds to pay for street related projects. $53,683 was transferred from Other Governmental Funds to the General Fund to pay for park programs.

NOTE 18 – CONTINGENCIES

A. ***Grants*** - The City received financial assistance from federal and 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 is 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 effect on the overall financial position of the City at December 31, 2018.

B. ***Litigation*** - The City may be a defendant in several lawsuits, the outcome of which cannot be determined. It is the opinion of the City's Law Director that any judgment against the City would not have a material adverse effect on the City's financial position.

NOTE 19 – CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF NET POSITION

For fiscal year 2018, the City implemented GASB Statement No. 75 *"Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions"* which improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB) and improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities by establishing new accounting and financial reporting requirements for OPEB plans. The implementation of this statement had the following effect on net position as reported December 31, 2017:

	Governmental Activites	Business-type Activities
Net Position December 31, 2017	$ 12,873,341	$ 15,309,494
Adjustments:		
Net OPEB Liability	(4,950,660)	(870,751)
Deferred Outflows - Payments Subsequent to Measurement Date	22,104	12,570
Restated Net Position December 31, 2017	$ 7,944,785	$ 14,451,313

NOTE 19 – CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF NET POSITION (Continued)

	Water	Sewer	Sanitation
Net Position December 31, 2017	$ 5,779,614	$ 8,367,446	$ 1,162,434
Adjustments:			
Net OPEB Liability	(461,384)	(210,087)	(199,280)
Deferred Outflows - Payments Subsequent to Measurement Date	6,646	2,871	3,053
Restated Net Position December 31, 2017	$ 5,324,876	$ 8,160,230	$ 966,207

For fiscal year 2018, the City implemented GASB Statement No. 85 *"Omnibus 2017"* which addresses practice issues that have been identified during implementation and application of certain GASB Statements. Specific issues discussed relate to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pension and other postemployment benefits [OPEB]). The implementation of this statement did not have a significant effect on the financial statements of the City.

For fiscal year 2018, the City implemented GASB Statement No. 86 *"Certain Debt Extinguishment Issues"* which improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. This statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The implementation of this statement did not have an effect on the financial statements of the City.

For fiscal year 2018, the City early implemented GASB Statement No. 89 "*Accounting for Interest Cost Incurred before the End of a Construction Period*" which addresses capitalizing interest. As a result of the early implementation of this statement, the City did not capitalize interest costs associated with construction projects during the year.

NOTE 20 – NONCOMPLIANCE RELATED TO TRANFERS

Contrary to Ohio Revised Code 5705.14 (B), the City transferred $155,527 from the Keny Boulevard Extension Capital Projects Fund to the Municipal Permissive Fund. However, the money was required to meet obligations in the Keny Boulevard Extension Debt Service Fund. During 2019, the City made an adjustment to properly reflect $155,527 in the Keny Boulevard Extension Debt Service Fund.

City of London, Ohio
Required Supplementary Information
Schedule of City's Proportionate Share of the Net Pension Liability
Ohio Public Employees Retirement System

Last Five Years (1)

	2018	2017	2016	2015	2014
City's Proportion of the Net Pension (Asset)/Liability					
Traditional Plan	0.017651%	0.017793%	0.018607%	0.018241%	0.018241%
Combined Plan	0.013345%	0.015484%	0.027550%	0.028857%	0.028857%
City's Proportionate Share of the Net Pension (Asset)/Liability					
Traditional Plan	$ 2,768,942	$ 4,040,487	$ 3,222,967	$ 2,200,068	$ 2,150,378
Combined Plan	(18,167)	(8,618)	(13,407)	(11,111)	3,028
City's Covered Payroll	$ 2,507,227	$ 2,500,200	$ 2,298,604	$ 2,949,525	$ 2,462,723
City's Proportionate Share of the Net Pension (Asset)/Liability as a Percentage of its Covered Payroll	109.71%	161.26%	139.63%	74.21%	87.44%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability					
Traditional Plan	84.66%	77.25%	81.08%	86.45%	86.36%
Combined Plan	137.28%	116.55%	116.90%	114.83%	104.56%

(1) This schedule is intended to show information for ten years. Information prior to 2014 is not available.

Amounts presented as of the City's measurement date, which is the prior fiscal year-end.

See accompanying notes to the required supplementary information.

City of London, Ohio
Required Supplementary Information
Schedule of City's Proportionate Share of the Net Pension Liability
Ohio Police and Fire Pension Fund

Last Five Years (1)

	2018	**2017**	**2016**	**2015**	**2014**
City's Proportion of the Net Pension Liability	0.086439%	0.084469%	0.086174%	0.078752%	0.078752%
City's Proportionate Share of the Net Pension Liability	$ 5,305,152	$ 5,350,182	$ 5,543,634	$ 4,079,672	$ 3,835,460
City's Covered Payroll	$ 1,920,486	$ 1,837,733	$ 2,261,972	$ 1,572,023	$ 1,839,043
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	276.24%	291.13%	245.08%	259.52%	208.56%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.91%	68.36%	66.77%	72.20%	73.00%

(1) This schedule is intended to show information for ten years. Information prior to 2014 is not available.

Amounts presented as of the City's measurement date, which is the prior fiscal year-end.

See accompanying notes to the required supplementary information.

City of London, Ohio
Required Supplementary Information
Schedule of City Pension Contributions
Ohio Public Employees Retirement System

Last Six Years (1)

	2018	2017	2016	2015	2014	2013
Contractually Required Contribution	$ 359,736	$ 325,939	$ 300,024	$ 275,832	$ 353,943	$ 320,154
Contributions in Relation to the Contractually Required Contribution	$ 359,736	$ 325,939	$ 300,024	$ 275,832	$ 353,943	$ 320,154
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 2,569,540	$ 2,507,227	$ 2,500,200	$ 2,298,604	$ 2,949,525	$ 2,462,723
Contributions as a Percentage of Covered Payroll	14.00%	13.00%	12.00%	12.00%	12.00%	13.00%

(1) Information prior to 2013 is not available.

See accompanying notes to the required supplementary information.

City of London, Ohio
Required Supplementary Information
Schedule of City Pension Contributions
Ohio Police and Fire Pension Fund

Last Seven Years (1)

	2018	2017	2016	2015	2014	2013	2012
Contractually Required Contribution	$ 419,976	$ 403,095	$ 386,135	$ 472,336	$ 341,917	$ 318,200	$ 250,784
Contributions in Relation to the Contractually Required Contribution	$ 419,976	$ 403,095	$ 386,135	$ 472,336	$ 341,917	$ 318,200	$ 250,784
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 1,990,914	$ 1,920,486	$ 1,837,733	$ 2,261,972	$ 1,572,023	$ 1,839,043	$ 1,624,106
Contributions as a Percentage of Covered Payroll	21.09%	20.99%	21.01%	20.88%	21.75%	17.30%	15.44%

(1) This schedule is intended to show information for ten years. Information prior to 2012 is not available.

See accompanying notes to the required supplementary information.

City of London, Ohio
Required Supplementary Information
Schedule of City's Proportionate Share of the Net OPEB Liability
Ohio Public Employees Retirement System

Last Two Years (1)

	2018	**2017**
City's Proportion of the Net OPEB Liability	0.017720%	0.0179388%
City's Proportionate Share of the Net OPEB Liability	$ 1,924,261	$ 1,811,901
City's Covered Payroll	$ 2,507,227	$ 2,500,200
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	76.75%	72.47%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	54.14%	54.05%

(1) This schedule is intended to show information for ten years. Information prior to 2017 is not available.

Amounts presented as of the City's measurement date, which is the prior fiscal year-end.

See accompanying notes to the required supplementary information.

City of London, Ohio
Required Supplementary Information
Schedule of City's Proportionate Share of the Net OPEB Liability
Ohio Police and Fire Pension Fund

Last Two Years (1)

	2018	2017
City's Proportion of the Net OPEB Liability	0.08643900%	0.08446808%
City's Proportionate Share of the Net OPEB Liability	$ 4,897,513	$ 4,009,510
City's Covered Payroll	$ 1,920,486	$ 1,837,733
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	255.01%	218.18%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	14.13%	18.00%

(1) This schedule is intended to show information for ten years. Information prior to 2017 is not available.

Amounts presented as of the City's measurement date, which is the prior fiscal year-end.

See accompanying notes to the required supplementary information.

City of London, Ohio
Required Supplementary Information
Schedule of City OPEB Contributions
Ohio Public Employees Retirement System

Last Six Years (1)

	2018	2017	2016	2015	2014	2013
Contractually Required Contribution	$ -	$ 25,072	$ 50,004	$ 45,972	$ 58,991	$ 24,627
Contributions in Relation to the Contractually Required Contribution	$ -	$ 25,072	$ 50,004	$ 45,972	$ 58,991	$ 24,627
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 2,569,540	$ 2,507,227	$ 2,500,200	$ 2,298,604	$ 2,949,525	$ 2,462,723
Contributions as a Percentage of Covered Payroll	0.00%	1.00%	2.00%	2.00%	2.00%	1.00%

(1) This schedule is intended to show information for ten years. Information prior to 2013 is not available.

See accompanying notes to the required supplementary information.

City of London, Ohio
Required Supplementary Information
Schedule of City OPEB Contributions
Ohio Police and Fire Pension Fund

Last Seven Fiscal Years (1)

	2018	2017	2016	2015	2014	2013	2012
Contractually Required Contribution	$ 9,955	$ 9,602	$ 9,189	$ 11,310	$ 7,892	$ 53,572	$ 110,024
Contributions in Relation to the Contractually Required Contribution	$ 9,955	$ 9,602	$ 9,189	$ 11,310	$ 7,892	$ 53,572	$ 110,024
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 1,990,914	$ 1,920,486	$ 1,837,733	$ 2,261,972	$ 1,572,023	$ 1,839,043	$ 1,624,106
Contributions as a Percentage of Covered Payroll	0.50%	0.50%	0.50%	0.50%	0.50%	2.91%	6.77%

(1) This schedule is intended to show information for ten years. Information prior to 2012 is not available.

See accompanying notes to the required supplementary information.

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM - PENSION

Changes in benefit terms.

2014-2018: There were no significant changes in benefit terms.

Changes in assumptions.

2014-2016: There were no significant changes in methods and assumptions.

2017: The following were the most significant changes in assumptions that affected total pension liability since the prior measurement date:

- Reduction in actuarial assumed rate of return from 8.00% to 7.50%
- Decrease in wage inflation from 3.75% to 3.25%
- Change in future salary increases from a range of 4.25%-10.02% to 3.25%-10.75%

2018: There were no significant changes in methods and assumptions.

OHIO POLICE AND FIRE PENSION SYSTEM - PENSION

Changes in benefit terms.

2014-2018: There were no significant changes in benefit terms.

Changes in assumptions:

2014-2017: There were no significant changes in methods and assumptions.

2018: The following were the most significant changes of assumptions that affected total pension liability since the prior measurement date:

- Reduction in actuarial assumed rate of return from 8.25% to 8.00%
- Decrease salary increases from 3.75% to 3.25%
- Change in payroll growth from 3.75% to 3.25%
- Reduce DROP interest rate from 4.5% to 4.0%
- Reduce CPI-based COLA from 2.6% to 2.2%
- Inflation component reduced from 3.25% to 2.75%

2018: There were no significant changes in benefit terms.

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM – OPEB

2018: The single discount rate changed from 4.23 percent to 3.85 percent.

OHIO POLICE AND FIRE PENSION SYSTEM - OPEB

2018: The single discount rate changed from 3.79 percent to 3.24 percent.

CITY OF LONDON, OHIO

Yellow Book Report

December 31, 2018

PLATTENBURG
Certified Public Accountants

INDEPENDENT AUDITOR'S 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*

Honorable Mayor and City Council
City of London

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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of London (the City), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated July 16, 2019, wherein we noted the City adopted GASB No. 75 as disclosed in Note 19.

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) to determine the 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 entity'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 may exist that have not been identified.

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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of audit findings as item 2018-001.

City's Response to Findings

The City's response to the findings identified in our audit is described in the accompanying schedule of audit findings. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.
Cincinnati, Ohio
July 16, 2019

CITY OF LONDON
SCHEDULE OF AUDIT FINDINGS
December 31, 2018

2018–001 Finding Type —Noncompliance – Transfer

The City transferred $155,527 from capital projects fund 317 Keny Boulevard Extension to special revenue fund 234 Municipal Permissive. This money originated from debt funding that wasn't used for the road extension. Ohio Revised Code section 5705.14(B) states that the unexpended balance should be transferred to the related bond retirement fund to meet obligations payable.

Recommendation:
We recommend the City follow Ohio Revised Code Section 5705.14(B).

Management's Response:
The City agrees.

OHIO AUDITOR OF STATE
KEITH FABER

CITY OF LONDON

MADISON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
SEPTEMBER 10, 2019