

CITY OF LONDON  
MADISON COUNTY



REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2021

**PLATTENBURG**  
Certified Public Accountants



OHIO AUDITOR OF STATE  
KEITH FABER



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Honorable Mayor and the City Council  
City of London  
20 S. Walnut St Suite 101  
London, OH 43140

We have reviewed the *Independent Auditor's Report* of the City of London, Madison County, prepared by Plattenburg & Associates, Inc., for the audit period January 1, 2021 through December 31, 2021. 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.

A handwritten signature in cursive script that reads "Keith Faber".

Keith Faber  
Auditor of State  
Columbus, Ohio

August 11, 2022

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**CITY OF LONDON  
MADISON COUNTY  
FOR THE YEAR ENDED DECEMBER 31, 2021**

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**INDEPENDENT AUDITOR'S REPORT**

Honorable Mayor and the City Council  
City of London, Ohio

**Report on the Audit of the Financial Statements**

***Opinions***

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, Ohio (the City) as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the 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, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinions***

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

***Responsibilities of Management for the Financial Statements***

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

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

## ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and schedules of pension information and other postemployment information to be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with 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 18, 2022, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*Plattenburg & Associates, Inc.*

Plattenburg & Associates, Inc.  
Cincinnati, Ohio  
July 18, 2022

**City of London, Ohio**  
**Management's Discussion and Analysis**  
**For The Year Ended December 31, 2021**  
**(Unaudited)**

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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, 2021. 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 2021 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 \$34.1 million (net position).
- The City's net position increased by approximately \$2.0 million in 2021. This change is the result of an approximate \$0.3 in governmental activities net position and an increase of an approximate \$1.7 million in business-type activities net position.
- For governmental activities, general revenues accounted for approximately \$9.0 million, or 83 percent of total revenues, and program specific revenues accounted for the remaining 17 percent, or approximately \$1.8 million.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of approximately \$10.6 million, an approximate \$1.5 million increase in comparison with the prior year. Of this amount, approximately \$2.9 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 \$2.9 million, or 65 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.

**City of London, Ohio**  
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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.

**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. The City has no 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 various 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, and Fire Department Fund, which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation.

**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.

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**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 following the financial statements.

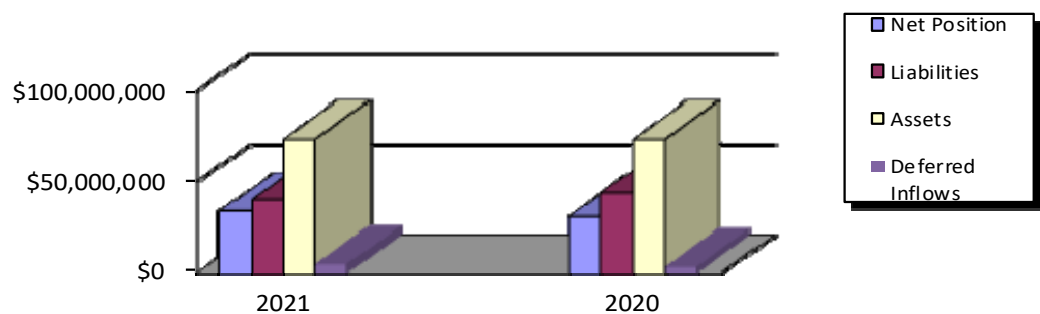
**Other Information** - In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the City’s progress in funding its obligation to provide pension benefits to its employees. This required supplementary information can be found following the footnotes.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The table below provides a summary of the City’s net position for 2021 compared to 2020:

**Table 1**  
**Net Position**

	Governmental Activities		Business-Type Activities		Total	
	2021	2020-Restated	2021	2020	2021	2020-Restated
<b>Assets:</b>						
Current and Other Assets	\$13,587,146	\$11,936,754	\$8,701,555	\$8,982,885	\$22,288,701	\$20,919,639
Capital Assets	17,126,093	17,949,315	34,102,607	35,005,060	51,228,700	52,954,375
Net OPEB Asset	197,356	0	181,746	0	379,102	0
<b>Total Assets</b>	<b>30,910,595</b>	<b>29,886,069</b>	<b>42,985,908</b>	<b>43,987,945</b>	<b>73,896,503</b>	<b>73,874,014</b>
Deferred Outflows of Resources	4,483,624	4,418,626	963,576	413,257	5,447,200	4,831,883
<b>Liabilities:</b>						
Long-Term Liabilities	16,738,718	16,735,401	22,238,961	25,022,681	38,977,679	41,758,082
Other Liabilities	884,614	830,497	377,990	295,923	1,262,604	1,126,420
<b>Total Liabilities</b>	<b>17,623,332</b>	<b>17,565,898</b>	<b>22,616,951</b>	<b>25,318,604</b>	<b>40,240,283</b>	<b>42,884,502</b>
Total Deferred Inflows of Resources	3,706,663	3,006,391	1,318,682	765,916	5,025,345	3,772,307
<b>Net Position:</b>						
Net Investment In Capital Assets	11,828,957	13,312,587	13,656,318	12,579,664	25,485,275	25,892,251
Restricted	4,528,762	4,984,118	0	0	4,528,762	4,984,118
Unrestricted	(2,293,495)	(4,564,299)	6,357,533	5,737,018	4,064,038	1,172,719
<b>Total Net Position</b>	<b>\$14,064,224</b>	<b>\$13,732,406</b>	<b>\$20,013,851</b>	<b>\$18,316,682</b>	<b>\$34,078,075</b>	<b>\$32,049,088</b>



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**Management's Discussion and Analysis**  
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**(Unaudited)**

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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 \$34.1 million at the close of the most recent fiscal year.

*Governmental Activities* – The decrease in capital assets is due current year depreciation expense exceeding current year additions. The decrease in total long-term liabilities is due to the City making payments on outstanding debt.

*Business-Type Activities* – The decrease in capital assets is due to current year depreciation exceeding current year additions when compared to the prior year. Long-term Liabilities decreased from the prior year due to the City making payments on outstanding debt.

*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.

By far the largest portion of the City's net position (approximately \$25.5 million) reflects its investment in capital assets (e.g. lands, buildings and improvements, 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 \$4.5 million) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (approximately \$4.1 million) may be used to meet the City's ongoing obligations to citizens and creditors.

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**City of London, Ohio**  
**Management's Discussion and Analysis**  
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**(Unaudited)**

The table below shows the changes in net position for fiscal years 2021 and 2020.

**Table 2**  
**Changes in Net Position**

	Governmental Activities		Business-Type Activities		Total	
	2021	2020-Restated	2021	2020	2021	2020-Restated
<b>Program Revenues:</b>						
Charges for Services	\$931,404	\$700,208	\$7,216,715	\$7,078,537	\$8,148,119	\$7,778,745
Operating Grants and Contributions	862,560	1,377,445	0	0	862,560	1,377,445
Capital Grants and Contributions	0	1,518,568	0	0	0	1,518,568
<b>Total Program Revenues</b>	<b>1,793,964</b>	<b>3,596,221</b>	<b>7,216,715</b>	<b>7,078,537</b>	<b>9,010,679</b>	<b>10,674,758</b>
<b>General Revenues:</b>						
Property Taxes	820,071	758,284	0	0	820,071	758,284
Payment in Lieu of Taxes	329,754	296,668	0	0	329,754	296,668
Income Taxes	7,472,239	5,991,138	0	0	7,472,239	5,991,138
Unrestricted Grants	308,685	697,653	0	0	308,685	697,653
Investment Income	705	13,866	0	0	705	13,866
Other Revenues	95,596	919,944	43,544	21,372	139,140	941,316
<b>Total General Revenues</b>	<b>9,027,050</b>	<b>8,677,553</b>	<b>43,544</b>	<b>21,372</b>	<b>9,070,594</b>	<b>8,698,925</b>
<b>Total Revenues</b>	<b>10,821,014</b>	<b>12,273,774</b>	<b>7,260,259</b>	<b>7,099,909</b>	<b>18,081,273</b>	<b>19,373,683</b>
<b>Program Expenses:</b>						
General Government	1,797,982	2,113,581	0	0	1,797,982	2,113,581
Security of Persons and Property	6,059,893	7,408,307	0	0	6,059,893	7,408,307
Transportation	1,847,058	1,565,648	0	0	1,847,058	1,565,648
Community Development	169,392	161,785	0	0	169,392	161,785
Leisure Time Activities	456,012	659,178	0	0	456,012	659,178
Basic Utility Service	1,276	0	0	0	1,276	0
Interest on Long-Term Debt	122,583	101,256	0	0	122,583	101,256
Water	0	0	1,980,056	1,454,483	1,980,056	1,454,483
Sewer	0	0	2,584,650	2,324,686	2,584,650	2,324,686
Sanitation	0	0	1,033,384	1,132,106	1,033,384	1,132,106
<b>Total Program Expenses</b>	<b>10,454,196</b>	<b>12,009,755</b>	<b>5,598,090</b>	<b>4,911,275</b>	<b>16,052,286</b>	<b>16,921,030</b>
Increase (Decrease) in Net Position before Transfers	366,818	264,019	1,662,169	2,188,634	2,028,987	2,452,653
Transfers - Internal Activities	(35,000)	(35,000)	35,000	35,000	0	0
<b>Change in Net Position</b>	<b>331,818</b>	<b>229,019</b>	<b>1,697,169</b>	<b>2,223,634</b>	<b>2,028,987</b>	<b>2,452,653</b>
Net Position - Beginning of Year, Restated	13,732,406	13,503,387	18,316,682	16,093,048	32,049,088	29,596,435
<b>Net Position - End of Year</b>	<b>\$14,064,224</b>	<b>\$13,732,406</b>	<b>\$20,013,851</b>	<b>\$18,316,682</b>	<b>\$34,078,075</b>	<b>\$32,049,088</b>

**Governmental Activities** – Governmental activities increased the City's net position by approximately \$0.3 million. This increase is primarily the result of a decrease in program expenses during the year.

**Business-Type Activities** – Business-type activities increased the City's net position by approximately \$1.7 million. This increase is primarily the result of operating income in the water and sewer funds.

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Total Expenses in the Governmental Activities decreased when compared to the prior year. Total Expenses in the Business-Type Activities increased. Both changes in expenses is primarily the result of changes related to the net pension and OPEB liabilities.

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	
	2021	2020-Restated	2021	2020-Restated
Functions/Programs				
Government Activities:				
General Government	(\$1,797,982)	(\$2,113,581)	(\$1,583,736)	(\$1,728,549)
Security of Persons and Property	(6,059,893)	(7,408,307)	(5,599,152)	(6,294,951)
Transportation	(1,847,058)	(1,565,648)	(1,079,695)	325,446
Community and Economic Development	(169,392)	(161,785)	35,366	(10,779)
Basic Utility Service	(1,276)	0	40,838	0
Leisure Time Activities	(456,012)	(659,178)	(351,270)	(603,445)
Interest Expense	(122,583)	(101,256)	(122,583)	(101,256)
Total Government Activities	<u>(10,454,196)</u>	<u>(12,009,755)</u>	<u>(8,660,232)</u>	<u>(8,413,534)</u>
Business-Type Activities:				
Water	(1,980,056)	(1,454,483)	467,857	1,009,140
Sewer	(2,584,650)	(2,324,686)	941,903	966,372
Sanitation	(1,033,384)	(1,132,106)	208,865	191,750
Total Business-Type Activities	<u>(5,598,090)</u>	<u>(4,911,275)</u>	<u>1,618,625</u>	<u>2,167,262</u>
Grand Total	<u><u>(\$16,052,286)</u></u>	<u><u>(\$16,921,030)</u></u>	<u><u>(\$7,041,607)</u></u>	<u><u>(\$6,246,272)</u></u>

**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 \$10.6 million, an increase of \$1.5 million from the previous year.

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(Unaudited)

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The schedule below indicates the fund balance and the total change in fund balance as of December 31, 2021 and 2020.

	Fund Balance 12/31/2021	Fund Balance 12/31/2020	Increase (Decrease)
General Fund	\$3,827,113	\$3,313,948	\$513,165
Fire Department Fund	741,145	1,123,185	(\$382,040)
Other Governmental Funds	6,039,503	4,669,439	\$1,370,064
Total	<u>\$10,607,761</u>	<u>\$9,106,572</u>	<u>\$1,501,189</u>

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 \$2.9 million, 76% of the total fund balance. The fund balance of the City’s General Fund increased \$513,165 during the current fiscal year, or 15%, from the previous year. This increase represents the amount in which General Fund receipts exceeded expenditures and transfers out during the year.

The fund balance in the Fire Department Fund decreased \$382,040 during the fiscal year. This decrease is due to an increase in capital outlay expenditures when compared to the prior 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 \$1.7 million, approximately \$4.1 million, and approximately \$0.5 million in the Water, Sewer and Sanitation funds, respectively. The change in net position was an increase of approximately \$0.4 million in the Water Fund, an increase of approximately \$1.0 million in the Sewer Fund, and an increase of approximately \$0.3 million in the Sanitation Fund.

The increase in the Water Fund is primarily the result of operating income of approximately \$0.6 million. 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 2021, 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 equaled the final revenue and other financing sources budget. There was no variance between the actual revenues and final revenue budget or the original and final revenue budgets.

Actual budgetary expenditures and other financing uses were \$5,359,282, or 17 percent, less than final appropriations. There was no variance between the final appropriations and original appropriations.



## **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, 2021, amounts to approximately \$51 million (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, building improvements, equipment, and infrastructure. The City's net capital asset balance decreased approximately \$1.7 million during the year. This decrease is due to depreciation expense exceeding additions during the year.

Detailed information regarding capital asset activity is included in Notes 8 and 18 to the basic financial statements.

### **Debt**

At the end of the current fiscal year, the City had total debt outstanding of approximately \$25.9 million, a decrease of approximately \$2.5 million in comparison with the prior year. This decrease represents the amount in which current year principal payments exceeded new debt issued during the year.

Detailed information regarding long-term debt is included in Notes 13 and 14 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 Kenna Combs, Auditor of City of London, Ohio, 102 South Main Street, London, OH 43140.

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City of London, Ohio  
Statement of Net Position  
December 31, 2021

	Governmental Activities	Business-Type Activities	Total
<b>Assets:</b>			
Equity in Pooled Cash and Investments	\$10,148,852	\$7,660,985	\$17,809,837
Cash and Cash Equivalents with Fiscal Agent	56,890	0	56,890
<b>Receivables (Net):</b>			
Taxes	2,660,152	0	2,660,152
Accounts	27,890	780,461	808,351
Intergovernmental	461,219	0	461,219
Special Assessments	37,868	6,857	44,725
Inventory	74,627	47,900	122,527
Prepaid Items	119,648	4,501	124,149
Restricted Cash	0	200,851	200,851
Nondepreciable Capital Assets	728,307	7,100,071	7,828,378
Depreciable Capital Assets, Net	16,397,786	27,002,536	43,400,322
Net OPEB Asset	197,356	181,746	379,102
<b>Total Assets</b>	<b>30,910,595</b>	<b>42,985,908</b>	<b>73,896,503</b>
<b>Deferred Outflows of Resources:</b>			
Deferred Charge on Refunding Pension	177,494	0	177,494
OPEB	3,017,753	606,757	3,624,510
	1,288,377	356,819	1,645,196
<b>Total Deferred Outflows of Resources</b>	<b>4,483,624</b>	<b>963,576</b>	<b>5,447,200</b>
<b>Liabilities:</b>			
Accounts Payable	44,523	59,518	104,041
Accrued Wages and Benefits	306,260	71,795	378,055
Accrued Interest Payable	19,167	45,826	64,993
Deposit Liability	0	200,851	200,851
Deposits Held and Due to Others	4,223	0	4,223
Intergovernmental Payable	51,682	0	51,682
Unearned Revenue	458,759	0	458,759
<b>Long-Term Liabilities:</b>			
Due Within One Year	1,029,278	2,314,309	3,343,587
Due In More Than One Year			
Net Pension Liability	9,395,487	1,491,224	10,886,711
Net OPEB Liability	1,208,579	0	1,208,579
Other Amounts	5,105,374	18,433,428	23,538,802
<b>Total Liabilities</b>	<b>17,623,332</b>	<b>22,616,951</b>	<b>40,240,283</b>
<b>Deferred Inflows of Resources:</b>			
Property and Other Taxes	1,007,449	0	1,007,449
Pension	1,593,827	716,066	2,309,893
OPEB	1,105,387	602,616	1,708,003
<b>Total Deferred Inflows of Resources</b>	<b>3,706,663</b>	<b>1,318,682</b>	<b>5,025,345</b>
<b>Net Position:</b>			
Net Investment in Capital Assets	11,828,957	13,656,318	25,485,275
<b>Restricted for:</b>			
Debt Service	619,118	0	619,118
Capital Projects	123,442	0	123,442
Street Improvements	2,451,725	0	2,451,725
Public Safety	850,240	0	850,240
Community Development	207,523	0	207,523
State Highway	206,382	0	206,382
Other Purposes	70,332	0	70,332
Unrestricted	(2,293,495)	6,357,533	4,064,038
<b>Total Net Position</b>	<b>\$14,064,224</b>	<b>\$20,013,851</b>	<b>\$34,078,075</b>

See accompanying notes to the basic financial statements.

City of London, Ohio  
Statement of Activities  
For the Fiscal Year Ended December 31, 2021

	Program Revenues		
	Expenses	Charges for Services and Sales	Operating Grants and Contributions
<b>Governmental Activities:</b>			
General Government	\$1,797,982	\$132,071	\$82,175
Public Safety	6,059,893	447,719	13,022
Community Development	169,392	204,758	0
Leisure Time Activities	456,012	104,742	0
Transportation and Street Repair	1,847,058	0	767,363
Basic Utility Service	1,276	42,114	0
Interest and Other Charges	122,583	0	0
<b>Total Governmental Activities</b>	<b>10,454,196</b>	<b>931,404</b>	<b>862,560</b>
<b>Business-Type Activities:</b>			
Water	1,980,056	2,447,913	0
Sewer	2,584,650	3,526,553	0
Sanitation	1,033,384	1,242,249	0
<b>Total Business-Type Activities</b>	<b>5,598,090</b>	<b>7,216,715</b>	<b>0</b>
<b>Totals</b>	<b>\$16,052,286</b>	<b>\$8,148,119</b>	<b>\$862,560</b>

General Revenues:  
Income Taxes Levied for:  
    General Purposes  
    Other Purposes  
Property Taxes Levied for:  
    General Purposes  
    Other Purposes  
Grants and Entitlements, Not Restricted  
Revenue in Lieu of Taxes  
Unrestricted Contributions  
Investment Earnings  
Other Revenues  
Transfers-Internal Activities  
  
Total General Revenues and Transfers  
  
Change in Net Position  
  
Net Position - Beginning of Year, Restated  
  
Net Position - 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
(\$1,583,736)	\$0	(\$1,583,736)
(5,599,152)	0	(5,599,152)
35,366	0	35,366
(351,270)	0	(351,270)
(1,079,695)	0	(1,079,695)
40,838	0	40,838
(122,583)	0	(122,583)
<u>(8,660,232)</u>	<u>0</u>	<u>(8,660,232)</u>
0	467,857	467,857
0	941,903	941,903
0	208,865	208,865
<u>0</u>	<u>1,618,625</u>	<u>1,618,625</u>
<u>(8,660,232)</u>	<u>1,618,625</u>	<u>(7,041,607)</u>
5,225,930	0	5,225,930
2,246,309	0	2,246,309
659,485	0	659,485
160,586	0	160,586
308,685	0	308,685
329,754	0	329,754
25,925	0	25,925
705	0	705
69,671	43,544	113,215
(35,000)	35,000	0
<u>8,992,050</u>	<u>78,544</u>	<u>9,070,594</u>
331,818	1,697,169	2,028,987
<u>13,732,406</u>	<u>18,316,682</u>	<u>32,049,088</u>
<u>\$14,064,224</u>	<u>\$20,013,851</u>	<u>\$34,078,075</u>

City of London, Ohio  
Balance Sheet  
Governmental Funds  
December 31, 2021

	General	Fire Department	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>				
Equity in Pooled Cash and Investments	\$3,286,869	\$610,273	\$6,251,710	\$10,148,852
Cash and Cash Equivalents with Fiscal Agent	0	0	56,890	56,890
<b>Receivables (Net):</b>				
Taxes	1,629,226	607,741	423,185	2,660,152
Accounts	27,890	0	0	27,890
Intergovernmental	84,442	4,574	372,203	461,219
Special Assessments	0	0	37,868	37,868
Inventory	255	0	74,372	74,627
Prepaid Items	116,776	1,721	1,151	119,648
<b>Total Assets</b>	<b>5,145,458</b>	<b>1,224,309</b>	<b>7,217,379</b>	<b>13,587,146</b>
<b>Liabilities:</b>				
Accounts Payable	7,906	3,615	33,002	44,523
Accrued Wages and Benefits	127,554	143,998	34,708	306,260
Deposits Held and Due to Others	4,223	0	0	4,223
Intergovernmental Payable	34,455	17,227	0	51,682
Unearned Revenue	0	0	458,759	458,759
<b>Total Liabilities</b>	<b>174,138</b>	<b>164,840</b>	<b>526,469</b>	<b>865,447</b>
<b>Deferred Inflows of Resources:</b>				
Property and Other Taxes	636,254	74,582	354,331	1,065,167
Income Taxes	440,448	239,168	45,136	724,752
Unavailable Revenue	67,505	4,574	251,940	324,019
<b>Total Deferred Inflows of Resources</b>	<b>1,144,207</b>	<b>318,324</b>	<b>651,407</b>	<b>2,113,938</b>
<b>Fund Balances:</b>				
Nonspendable	117,031	1,721	75,523	194,275
Restricted	0	739,424	3,644,355	4,383,779
Committed	0	0	1,571,279	1,571,279
Assigned	790,083	0	748,346	1,538,429
Unassigned	2,919,999	0	0	2,919,999
<b>Total Fund Balances</b>	<b>3,827,113</b>	<b>741,145</b>	<b>6,039,503</b>	<b>10,607,761</b>
<b>Total Liabilities, Deferred Inflows and Fund Balances</b>	<b>\$5,145,458</b>	<b>\$1,224,309</b>	<b>\$7,217,379</b>	<b>\$13,587,146</b>

See accompanying notes to the basic financial statements.

City of London, Ohio  
 Reconciliation of Total Governmental Fund Balance to  
 Net Position of Governmental Activities  
 December 31, 2021

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Total Governmental Fund Balance \$10,607,761

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.

Capital assets used in the operation of Governmental Funds 17,126,093

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

Income Taxes	\$724,752	
Delinquent Property Taxes	19,850	
Intergovernmental	324,019	
Other Receivables	<u>37,868</u>	
		1,106,489

In the statement of net position interest payable is accrued when  
 incurred; whereas, in the governmental funds interest is  
 reported as a liability only when it will require the use of  
 current financial resources. (19,167)

Some liabilities reported in the statement of net position do not  
 require the use of current financial resources and, therefore,  
 are not reported as liabilities in governmental funds.

Compensated Absences (660,022)

Deferred outflow of resources associated with long-term liabilities  
 are not reported in the funds. 177,494

Deferred outflows and inflows of resources related to pensions and OPEB  
 are applicable to future periods and, therefore, are not  
 reported in the funds.

Deferred outflows of resources related to pensions	3,017,753	
Deferred inflows of resources related to pensions	(1,593,827)	
Deferred outflows of resources related to OPEB	1,288,377	
Deferred inflows of resources related to OPEB	<u>(1,105,387)</u>	
		1,606,916

Long-term liabilities are not due and payable in the current  
 period and, therefore, are not reported in the funds.

Net OPEB Asset	197,356	
Net Pension Liability	(9,395,487)	
Net OPEB Liability	(1,208,579)	
Other Amounts	<u>(5,474,630)</u>	
		<u>(15,881,340)</u>

Net Position of Governmental Activities \$14,064,224

See accompanying notes to the basic financial statements.

City of London, Ohio  
Statement of Revenues, Expenditures  
and Changes in Fund Balance  
Governmental Funds  
For the Fiscal Year Ended December 31, 2021

	General	Fire Department	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Property and Other Taxes	\$660,607	\$80,307	\$80,307	\$821,221
Income Taxes	4,411,670	2,234,785	446,511	7,092,966
Charges for Services	104,742	447,063	0	551,805
Investment Earnings	681	0	24	705
Intergovernmental	310,743	312,492	860,723	1,483,958
Special Assessments	0	0	56,709	56,709
Fines, Licenses & Permits	280,116	0	656	280,772
Revenue in Lieu of Taxes	0	0	329,754	329,754
Other Revenues	70,881	6,000	67,801	144,682
<b>Total Revenues</b>	<b>5,839,440</b>	<b>3,080,647</b>	<b>1,842,485</b>	<b>10,762,572</b>
<b>Expenditures:</b>				
<b>Current:</b>				
General Government	1,441,482	0	176,700	1,618,182
Public Safety	2,499,962	3,233,727	262,762	5,996,451
Community Development	127,108	0	42,284	169,392
Leisure Time Activities	392,337	0	0	392,337
Transportation and Street Repair	0	0	759,391	759,391
Basic Utility Service	1,276	0	0	1,276
Capital Outlay	0	477,821	347,046	824,867
<b>Debt Service:</b>				
Principal	4,178	169,523	564,805	738,506
Interest and Other Charges	409	17,616	85,989	104,014
<b>Total Expenditures</b>	<b>4,466,752</b>	<b>3,898,687</b>	<b>2,238,977</b>	<b>10,604,416</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>1,372,688</b>	<b>(818,040)</b>	<b>(396,492)</b>	<b>158,156</b>
<b>Other Financing Sources (Uses):</b>				
Issuance of Long-Term Capital-Related Debt	0	436,000	942,033	1,378,033
Transfers In	0	0	824,523	824,523
Transfers (Out)	(859,523)	0	0	(859,523)
<b>Total Other Financing Sources (Uses)</b>	<b>(859,523)</b>	<b>436,000</b>	<b>1,766,556</b>	<b>1,343,033</b>
<b>Net Change in Fund Balance</b>	<b>513,165</b>	<b>(382,040)</b>	<b>1,370,064</b>	<b>1,501,189</b>
<b>Fund Balance - Beginning of Year</b>	<b>3,313,948</b>	<b>1,123,185</b>	<b>4,669,439</b>	<b>9,106,572</b>
<b>Fund Balance - End of Year</b>	<b>\$3,827,113</b>	<b>\$741,145</b>	<b>\$6,039,503</b>	<b>\$10,607,761</b>

See accompanying notes to the basic financial statements.

City of London, Ohio  
 Reconciliation of the Statement of Revenues, Expenditures, and Changes  
 in Fund Balance of Governmental Funds to the Statement of Activities  
 For the Fiscal Year Ended December 31, 2021

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Net Change in Fund Balance - Total Governmental Funds \$1,501,189

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

Governmental funds report capital asset additions as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of the difference between capital asset additions and depreciation in the current period.

Capital assets used in governmental activities	\$798,691	
Depreciation Expense	<u>(1,621,913)</u>	(823,222)

Governmental funds report City pension and OPEB contributions as expenditures. However in the Statement of Activities, the cost of pension and OPEB benefits earned net of employee contributions are reported as pension and OPEB expense.

City pension contributions	829,641	
City pension expense	(1,268,769)	
City OPEB contributions	14,720	
City OPEB expense	<u>915,135</u>	490,727

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Income Taxes	379,273	
Delinquent Property Taxes	(1,150)	
Intergovernmental	(319,593)	
Other	<u>(88)</u>	58,442

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 738,506

In the statement of activities interest expense is accrued when incurred; whereas, in governmental funds an interest expenditure is reported when due. 2,312

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.

Compensated Absences	(237,222)	
Amortization of Deferred Charge on Refunding	<u>(20,881)</u>	(258,103)

Proceeds from debt issues are an other financing source in the funds, but a debt issue increases long-term liabilities in the statement of net position. (1,378,033)

Change in Net Position of Governmental Activities \$331,818

See accompanying notes to the basic financial statements.



City of London, Ohio  
Statement of Net Position  
Proprietary Funds  
December 31, 2021

	Business-Type Activities -Enterprise Funds			
	Water	Sewer	Sanitation	Total Business-Type Activities
<b>Current Assets:</b>				
Equity in Pooled Cash and Investments	\$2,620,714	\$4,116,129	\$924,142	\$7,660,985
<b>Receivables (Net):</b>				
Accounts	264,738	464,718	51,005	780,461
Special Assessments	0	6,857	0	6,857
Inventory	26,219	5,785	15,896	47,900
Prepaid Items	2,452	933	1,116	4,501
<b>Total Current Assets</b>	<b>2,914,123</b>	<b>4,594,422</b>	<b>992,159</b>	<b>8,500,704</b>
<b>Noncurrent Assets:</b>				
Restricted Cash	200,851	0	0	200,851
<b>Capital Assets:</b>				
Nondepreciable Capital Assets	6,933,343	66,768	99,960	7,100,071
Depreciable Capital Assets, Net	6,370,293	19,918,592	713,651	27,002,536
Net OPEB Asset	96,696	44,747	40,303	181,746
<b>Total Noncurrent Assets</b>	<b>13,601,183</b>	<b>20,030,107</b>	<b>853,914</b>	<b>34,485,204</b>
<b>Total Assets</b>	<b>16,515,306</b>	<b>24,624,529</b>	<b>1,846,073</b>	<b>42,985,908</b>
<b>Deferred Outflows of Resources:</b>				
Pension	322,818	149,389	134,550	606,757
OPEB	189,842	87,852	79,125	356,819
<b>Total Deferred Outflows of Resources</b>	<b>512,660</b>	<b>237,241</b>	<b>213,675</b>	<b>963,576</b>
<b>Liabilities:</b>				
<b>Current Liabilities:</b>				
Accounts Payable	21,685	2,743	35,090	59,518
Accrued Wages and Benefits	38,182	17,223	16,390	71,795
Compensated Absences	95,740	22,852	37,470	156,062
Accrued Interest Payable	45,517	0	309	45,826
Deposit Liability	200,851	0	0	200,851
OWDA Loans	360,764	1,699,141	0	2,059,905
Long-Term Liabilities Due Within One Year	0	0	98,342	98,342
<b>Total Current Liabilities</b>	<b>762,739</b>	<b>1,741,959</b>	<b>187,601</b>	<b>2,692,299</b>
<b>Long-Term Liabilities:</b>				
Compensated Absences	140,932	4,454	0	145,386
Bonds Payable	0	0	272,058	272,058
Net Pension Liability	793,389	367,153	330,682	1,491,224
OWDA Loans	7,620,541	10,395,443	0	18,015,984
<b>Total Noncurrent Liabilities</b>	<b>8,554,862</b>	<b>10,767,050</b>	<b>602,740</b>	<b>19,924,652</b>
<b>Total Liabilities</b>	<b>9,317,601</b>	<b>12,509,009</b>	<b>790,341</b>	<b>22,616,951</b>
<b>Deferred Inflows of Resources:</b>				
Pension	380,975	176,302	158,789	716,066
OPEB	320,615	148,370	133,631	602,616
<b>Total Deferred Inflows of Resources</b>	<b>701,590</b>	<b>324,672</b>	<b>292,420</b>	<b>1,318,682</b>
<b>Net Position:</b>				
Net Investment in Capital Assets	5,322,331	7,890,776	443,211	13,656,318
Unrestricted	1,686,444	4,137,313	533,776	6,357,533
<b>Total Net Position</b>	<b>\$7,008,775</b>	<b>\$12,028,089</b>	<b>\$976,987</b>	<b>\$20,013,851</b>

See accompanying notes to the basic financial statements.

City of London, Ohio  
Statement of Revenues, Expenses  
and Changes in Fund Net Position  
Proprietary Funds  
For the Fiscal Year Ended December 31, 2021

	Business-Type Activities -Enterprise Funds			Total Business-Type Activities
	Water	Sewer	Sanitation	
Operating Revenues:				
Charges for Services	\$2,447,913	\$3,526,553	\$1,242,249	\$7,216,715
Other Revenues	0	0	43,544	43,544
Total Operating Revenues	2,447,913	3,526,553	1,285,793	7,260,259
Operating Expenses:				
Personal Services	619,843	307,113	271,919	1,198,875
Contactual Services	465,966	1,089,925	555,288	2,111,179
Materials and Supplies	464,916	7,490	36,697	509,103
Depreciation	269,961	1,073,514	160,357	1,503,832
Other Expense	1,541	0	0	1,541
Total Operating Expenses	1,822,227	2,478,042	1,024,261	5,324,530
Operating Income	625,686	1,048,511	261,532	1,935,729
Non-Operating Revenues (Expenses):				
Interest and Fiscal Charges	(157,829)	(106,608)	(9,123)	(273,560)
Total Non-Operating Revenues (Expenses)	(157,829)	(106,608)	(9,123)	(273,560)
Income (Loss) Before Contributions and Transfers	467,857	941,903	252,409	1,662,169
Transfers In	0	35,000	22,172	57,172
Transfers (Out)	(22,172)	0	0	(22,172)
Change in Net Position	445,685	976,903	274,581	1,697,169
Net Position - Beginning of Year	6,563,090	11,051,186	702,406	18,316,682
Net Position - End of Year	\$7,008,775	\$12,028,089	\$976,987	\$20,013,851

See accompanying notes to the basic financial statements.

City of London, Ohio  
Statement of Cash Flows  
Proprietary Funds  
For the Fiscal Year Ended December 31, 2021

	Business-Type Activities -Enterprise Funds			Total Business-Type Activities
	Water	Sewer	Sanitation	
<b>Cash Flows from Operating Activities:</b>				
Cash Received from Customers	\$2,455,411	\$3,431,487	\$1,246,930	\$7,133,828
Cash Payments to Employees	(1,071,517)	(600,449)	(512,335)	(2,184,301)
Cash Payments to Suppliers	(920,231)	(1,108,892)	(562,051)	(2,591,174)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>463,663</b>	<b>1,722,146</b>	<b>172,544</b>	<b>2,358,353</b>
<b>Cash Flows from Noncapital Financing Activities:</b>				
Payments from Other Funds	0	35,000	22,172	57,172
Payments to Other Funds	(22,172)	0	0	(22,172)
<b>Net Cash Provided (Used) by Noncapital Financing Activities</b>	<b>(22,172)</b>	<b>35,000</b>	<b>22,172</b>	<b>35,000</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>				
Payments for Capital Acquisitions	(497,794)	(103,585)	0	(601,379)
Debt Proceeds	305,758	0	0	305,758
Debt Principal Payments	(418,033)	(1,725,022)	(141,810)	(2,284,865)
Debt Interest Payments	(112,312)	(106,608)	(8,814)	(227,734)
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<b>(722,381)</b>	<b>(1,935,215)</b>	<b>(150,624)</b>	<b>(2,808,220)</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(280,890)</b>	<b>(178,069)</b>	<b>44,092</b>	<b>(414,867)</b>
Cash and Cash Equivalents - Beginning of Year	3,102,455	4,294,198	880,050	8,276,703
Cash and Cash Equivalents - End of Year	2,821,565	4,116,129	924,142	7,861,836
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>				
Operating Income (Loss)	625,686	1,048,511	261,532	1,935,729
<b>Adjustments:</b>				
Depreciation	269,961	1,073,514	160,357	1,503,832
<b>Changes in Assets &amp; Liabilities:</b>				
(Increase) Decrease in Receivables	7,498	(95,066)	(38,863)	(126,431)
(Increase) Decrease in Inventory	0	0	(4,805)	(4,805)
(Increase) Decrease in Deferred Outflows of Resources	(294,821)	(133,524)	(121,974)	(550,319)
(Increase) Decrease in Prepaids	(1,298)	(420)	(583)	(2,301)
(Increase) Decrease in Net OPEB Asset	(96,696)	(44,747)	(40,303)	(181,746)
Increase (Decrease) in Net OPEB Liability	(522,504)	(248,774)	(219,952)	(991,230)
Increase (Decrease) in Payables	9,092	(10,434)	34,739	33,397
Increase (Decrease) in Accrued Liabilities	118,405	(12,802)	1,981	107,584
Increase (Decrease) in Deferred Inflows of Resources	297,855	132,446	122,465	552,766
Increase (Decrease) in Net Pension Liability	50,485	13,442	17,950	81,877
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$463,663</b>	<b>\$1,722,146</b>	<b>\$172,544</b>	<b>\$2,358,353</b>

See accompanying notes to the basic financial statements.

**City of London, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Year Ended December 31, 2021**

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**Note 1 – Description of the City and Reporting Entity**

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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.

**Reporting Entity**

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**

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***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.

**City of London, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Year Ended December 31, 2021**

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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. The City has no fiduciary funds.

**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.

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:

**City of London, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Year Ended December 31, 2021**

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**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.

**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.

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.

**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.

**City of London, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Year Ended December 31, 2021**

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**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 5). 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.

**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 10 and 11.

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 represent enforceable legal claim as of December 31, 2021, but which were levied to finance year 2022 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, 2021, 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.

**City of London, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Year Ended December 31, 2021**

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Deferred inflows of resources related to pensions and OPEB are reported on the government-wide and proprietary fund statements on net position (See Note 10 and 11).

**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.

**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.

**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 investments."

During 2021, investments were limited to 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 during the year amounted to \$681 in the General fund and \$24 to other governmental funds.

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 with fiscal agent" 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.

**Prepaid Items**

Payments made to vendors for services that will benefit periods beyond December 31, 2021 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.



**City of London, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Year Ended December 31, 2021**

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**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.

**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 deposit liability account.

**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:

<u>Description</u>	<u>Government Activities</u>	<u>Business Activities</u>
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

**City of London, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Year Ended December 31, 2021**

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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.

**Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "Interfund Receivable/Payable." 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.

**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.

**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.

**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.

**City of London, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Year Ended December 31, 2021**

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**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.

**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.

**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

**City of London, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Year Ended December 31, 2021**

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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.

**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.

**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.

**Note 3 – Deposits and Investments**

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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;
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;

**City of London, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Year Ended December 31, 2021**

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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.

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 \$16,450,035 and the bank balance was \$17,788,978. Of the bank balance, \$269,763 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.

**City of London, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Year Ended December 31, 2021**

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Investments - As of December 31, 2021, the City had the following investments and maturities:

Investment Type	Value	Fair Value Hierarchy	Weighted Average Maturity (Years)
Money Market Funds	\$1,617,533	N/A	0.00
Total Fair Value	\$1,617,533		
Portfolio Weighted Average Maturity			0.00

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.

*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 money market funds 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.

**Note 4 – Property Taxes**

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Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Property tax revenue received during 2021 for real and public utility property taxes represents collections of the 2020 taxes. Property tax payments received during 2021 for tangible personal property (other than public utility property) are for 2020 taxes.

The 2021 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. 2020 real property taxes are collected in and intended to finance 2021.

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. 2021 public utility property taxes which became a lien on December 31, 2019, are levied after October 1, 2020, and are collected in 2021 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2021, was \$4.40 per \$1,000 of assessed value. The assessed values of real and tangible personal property for tax year 2020, upon which 2021 property tax receipts were based, are as follows:

**City of London, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Year Ended December 31, 2021**

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	Amount
Real Property	\$207,176,710
Public Utility	12,887,680
Total	<u>\$220,064,390</u>

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, 2021 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 2021 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 5 – Income Taxes**

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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 6 – Tax Abatements**

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***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.

**City of London, Ohio**  
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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 2021 was as follows:

<u>Company</u>	<u>Term</u>	<u>Percent</u>	<u>Amount</u>
BST London	2013-2029	100	\$49,544
Taco Bell	2016-2026	50	2,313
Elite FTS.com Inc	2020-2030	50	23,022
Stanley Electric	2020-2030	50	81,848

***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.

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 2021 was as follows:

<u>Company</u>	<u>Term</u>	<u>Percent</u>	<u>Amount</u>
Nissen Chemitec	2014-2024	50	\$10,392

**Note 7 – Receivables and Deferred Inflows of Resources**

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**Receivables**

Receivables at December 31, 2021 consisted of taxes, accounts (billed and unbilled user charged services), special assessments, and intergovernmental receivables arising from grants, entitlements and shared revenues. Taxes, accounts, special assessments, 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:

<u>Receivable</u>	<u>Amount</u>
Property taxes	\$809,850
Income taxes	1,608,420
Payment in lieu of taxes	241,882
Total	<u><u>\$2,660,152</u></u>



**City of London, Ohio**  
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**For The Year Ended December 31, 2021**

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**Deferred Inflows of Resources**

Deferred Inflows of Resources at December 31, 2021 consisted of property taxes, payments in lieu of taxes, and special assessments for which there is an enforceable legal claim as of December 31, 2021, which were levied to finance year 2022 operations.

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

<u>Deferred Inflows of Resources</u>	<u>Amount</u>
Property taxes	\$765,568
Payment in lieu of taxes	241,881
Pension	1,593,827
OPEB	1,105,387
Total	<u><u>\$3,706,663</u></u>

**Note 8 – Capital Assets**

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<b>Governmental Activities</b>				
<b><i>Capital Assets, not being depreciated:</i></b>				
Land	\$728,307	\$0	\$0	\$728,307
Construction in Progress	0	0	0	0
Total Capital Assets, not being depreciated	<u>728,307</u>	<u>0</u>	<u>0</u>	<u>728,307</u>
<b><i>Capital Assets, being depreciated:</i></b>				
Buildings and Improvements	6,410,709	9,972	300,632	6,120,049
Equipment	4,728,234	788,719	84,061	5,432,892
Infrastructure	24,626,454	0	0	24,626,454
Total Capital Assets, being depreciated	<u>35,765,397</u>	<u>798,691</u>	<u>384,693</u>	<u>36,179,395</u>
Totals at Historical Cost	<u><u>36,493,704</u></u>	<u><u>798,691</u></u>	<u><u>384,693</u></u>	<u><u>36,907,702</u></u>
Less Accumulated Depreciation:				
Buildings and Improvements	2,159,046	332,670	300,632	2,191,084
Equipment	3,092,067	478,060	84,061	3,486,066
Infrastructure	13,293,276	811,183	0	14,104,459
Total Accumulated Depreciation	<u>18,544,389</u>	<u>1,621,913</u>	<u>384,693</u>	<u>19,781,609</u>
Governmental Activities Capital Assets, Net	<u><u>\$17,949,315</u></u>	<u><u>(\$823,222)</u></u>	<u><u>\$0</u></u>	<u><u>\$17,126,093</u></u>

**City of London, Ohio**  
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Depreciation expense was charged to the governmental functions as follows:

General Government	\$218,704
Public Safety	281,079
Leisure Time Activities	74,190
Transportation and Street Repair	<u>1,047,940</u>
Total Depreciation Expense	<u><u>\$1,621,913</u></u>

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<b>Business-Type Activities</b>				
<b>Capital Assets, not being depreciated:</b>				
Land	\$275,926	\$0	\$0	\$275,926
Construction in Progress *	<u>6,824,145</u>	<u>0</u>	<u>0</u>	<u>6,824,145</u>
Total Capital Assets, not being depreciated	<u>7,100,071</u>	<u>0</u>	<u>0</u>	<u>7,100,071</u>
<b>Capital Assets, being depreciated:</b>				
Building and Improvements	29,347,015	0	0	29,347,015
Equipment	6,090,327	601,379	0	6,691,706
Infrastructure	<u>18,188,980</u>	<u>0</u>	<u>0</u>	<u>18,188,980</u>
Total Capital Assets, being depreciated	<u>53,626,322</u>	<u>601,379</u>	<u>0</u>	<u>54,227,701</u>
Totals at Historical Cost	<u><u>60,726,393</u></u>	<u><u>601,379</u></u>	<u><u>0</u></u>	<u><u>61,327,772</u></u>
Less Accumulated Depreciation:				
Building and Improvements	13,129,009	810,043	0	13,939,052
Equipment	4,542,147	331,677	0	4,873,824
Infrastructure	<u>8,050,177</u>	<u>362,112</u>	<u>0</u>	<u>8,412,289</u>
Total Accumulated Depreciation	<u><u>25,721,333</u></u>	<u><u>1,503,832</u></u>	<u><u>0</u></u>	<u><u>27,225,165</u></u>
Business-Type Activities Capital Assets, Net	<u><u>\$35,005,060</u></u>	<u><u>(\$902,453)</u></u>	<u><u>\$0</u></u>	<u><u>\$34,102,607</u></u>

\*The City completed construction on a new water treatment plant that was expected to be in service in January 2019. The amount paid for construction of the water plant is \$6,824,145 which is included in construction in progress. Tests have revealed ammonia levels that are higher than the allowed level therefore the asset is currently impaired. The City has contracted to have a new water source drilled but that has not been completed as of the Auditor's Report date. The City will be able to put the plant in service if the new water source has acceptable ammonia levels. This impairment is considered temporary but should the City not find a positive resolution it will become permanently impaired. A permanent impairment would require the City to adjust the amount to the lower of carrying value or fair value.

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**City of London, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Year Ended December 31, 2021**

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**Note 9 – Risk Management**

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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 2021, the City was insured through Wichert Insurance and had the following types of insurance:

<u>Coverage</u>	<u>Limit</u>
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 10 – Defined Benefit Pension Plans**

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The Statewide retirement systems provide both pension and other postemployment benefits (OPEB).

***Net Pension Liability/Net OPEB Liability***

Pensions and OPEB 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 net pension liability and the net OPEB liability represent the City's proportionate share of each pension/OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension/OPEB plan's fiduciary net position. The net pension/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 this estimate 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 pensions/OPEB are financed; however, the City does receive the benefit of employees' services in exchange for compensation including pension and OPEB.

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the

**City of London, Ohio**  
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employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees may pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability. Resulting adjustments to the net pension/OPEB liability would be effective when the changes are legally enforceable. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

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

The remainder of this note includes the required pension disclosures. See Note 11 for the required OPEB disclosures.

***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 combination cost-sharing, multiple-employer defined benefit/defined contribution pension plan. While employees may elect the member-directed plan or the combined plan, substantially all employees are in the traditional plan; therefore, the following disclosure focuses on the traditional plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional and combined plans. 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 [opers.org/financial/reports.shtml](http://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 in the traditional and combined plans 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 Comprehensive Annual Financial Report referenced above for additional information, including requirements for reduced and unreduced benefits):

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<u>Group A</u>	<u>Group B</u>	<u>Group C</u>
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
<u>State and Local</u>	<u>State and Local</u>	<u>State and Local</u>
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
<u>Public Safety</u>	<u>Public Safety</u>	<u>Public Safety</u>
Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 52 with 25 years of service credit or Age 56 with 15 years of service credit
<u>Law Enforcement</u>	<u>Law Enforcement</u>	<u>Law Enforcement</u>
Age and Service Requirements: Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 56 with 15 years of service credit
<u>Public Safety and Law Enforcement</u>	<u>Public Safety and Law Enforcement</u>	<u>Public Safety and Law Enforcement</u>
Traditional Plan 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	Traditional Plan 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	Traditional Plan 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. The initial amount of a member's pension benefit is vested upon receipt of the initial benefit payment for calculation of an annual cost-of-living adjustment.

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

Defined contribution plan benefits are established in the plan documents, which may be amended by the Board. Member-directed plan and combined plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the combined plan consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. Combined plan members wishing to receive benefits must meet the requirements for both the defined benefit and defined contribution plans.

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Member-directed participants must have attained the age of 55, have money on deposit in the defined contribution plan and have terminated public service to apply for retirement benefits. The amount available for defined contribution benefits in the member-directed plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20 percent each year. At retirement, members may select one of several distribution options for payment of the vested balance in their individual OPERS accounts. Options include the annuitization of the benefit (which includes joint and survivor options), partial lump-sum payments (subject to limitations), a rollover of the vested account balance to another financial institution, receipt of entire account balance, net of taxes withheld, or a combination of these options.

Beginning in 2022, the Combined Plan will be consolidated under the Traditional Pension Plan (defined benefit plan) and the Combined Plan option will no longer be available for new hires beginning in 2022.

**Funding Policy**

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

	State and Local	Public Safety	Law Enforcement
2021 Statutory Maximum Contribution Rates			
Employer	14.00%	18.10%	18.10%
Employee (a)	10.00%	(b)	(c)
2021 Actual Contribution Rates			
Employer:			
Pension (d)	14.00%	18.10%	18.10%
Post-employment Health Care Benefits (d)	0.00%	0.00%	0.00%
Total Employer	<u>14.00%</u>	<u>18.10%</u>	<u>18.10%</u>
Employee	<u>10.00%</u>	<u>12.00%</u>	<u>13.00%</u>

(a) Member contributions within the combined plan are not used to fund the defined benefit retirement allowance.

(b) This rate is determined by OPERS' Board and has no maximum rate established by ORC.

(c) This rate is also determined by OPERS' Board, but is limited by ORC to not more than 2% greater than the Public Safety rate.

(d) These pension and employer health care rates are for the traditional and combined plans. The employer contributions rate for the member-directed plan is allocated 4% for health care with the remainder going to pension.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

For 2021, the City's contractually required contribution was \$379,570, of this amount \$30,490 is reported in accrued wages and benefits.

**City of London, Ohio**  
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***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 OP&F fiduciary net position. The report that may be obtained by visiting the OP&F website at [op-f.org](http://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.

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.50 percent for each of the first 20 years of service credit, 2.00 percent for each of the next five years of service credit and 1.50 percent for each year of service credit in excess of 25 years. The maximum pension of 72.00 percent of the allowable average annual salary is paid after 33 years of service credit (see OP&F Comprehensive Annual Financial Report referenced above for additional information, including requirements for Deferred Retirement Option Plan provisions and reduced and unreduced benefits).

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

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 over the 12 month period ending on September 30th 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 3 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:

**City of London, Ohio**  
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	<u>Police</u>	<u>Firefighters</u>
2021 Statutory Maximum Contribution Rates		
Employer	19.50%	24.00%
Employee	12.25%	12.25%
2021 Actual Contribution Rates		
Employer:		
Pension	19.00%	23.50%
Post-Employment Health Care Benefits	<u>0.50%</u>	<u>0.50%</u>
Total Employer	<u>19.50%</u>	<u>24.00%</u>
Employee	12.25%	12.25%

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was \$632,041 for 2021, of this amount \$50,565 is reported as accrued wages and benefits.

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

The net pension liability (asset) for OPERS was measured as of December 31, 2020, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. OP&F's total pension liability was measured as of December 31, 2020, and was determined by rolling forward the total pension liability as of January 1, 2020, to December 31, 2020. The City's proportion of the net pension liability (asset) 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 of the City's defined benefit pension plans:

	<u>OPERS</u>	<u>OPF</u>	<u>Total</u>
	<u>Traditional Plan</u>		
Proportionate Share of the:			
Net Pension Liability	\$3,110,531	\$7,776,179	\$10,886,710
Proportion of the Net Pension Liability:			
Current Measurement Date	0.02100600%	0.11406890%	
Prior Measurement Date	0.01457100%	0.11615800%	
Change in Proportionate Share	<u>0.00643500%</u>	<u>-0.00208910%</u>	
Pension Expense	\$322,486	\$1,067,148	\$1,389,634

At December 31 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:



**City of London, Ohio**  
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	OPERS		
	Traditional Plan	OPF	Total
<u>Deferred Outflows of Resources</u>			
Differences between expected and actual experience	\$0	\$325,071	\$325,071
Changes in assumptions	0	130,410	130,410
Changes in employer proportionate share of net pension liability	886,059	1,271,359	2,157,418
Contributions subsequent to the measurement date	379,570	632,041	1,011,611
Total Deferred Outflows of Resources	<u>\$1,265,629</u>	<u>\$2,358,881</u>	<u>\$3,624,510</u>
<u>Deferred Inflows of Resources</u>			
Differences between expected and actual experience	\$130,116	\$302,937	\$433,053
Net difference between projected and actual earnings on pension plan investments	1,212,394	377,196	1,589,590
Changes in employer proportionate share of net pension liability	151,126	136,124	287,250
Total Deferred Inflows of Resources	<u>\$1,493,636</u>	<u>\$816,257</u>	<u>\$2,309,893</u>

\$1,011,611 reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending	OPERS		
December 31:	Traditional Plan	OPF	Total
2022	(\$75,202)	\$336,730	\$261,528
2023	127,191	507,780	634,971
2024	(494,213)	(5,714)	(499,927)
2025	(165,353)	71,067	(94,286)
2026	0	720	720
Total	<u>(\$607,577)</u>	<u>\$910,583</u>	<u>\$303,006</u>

**Actuarial Assumptions - OPERS**

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

Projections of 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, 2020, using the following actuarial assumptions applied to all periods included in the measurement in accordance with the requirements of GASB 67. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of December 31, 2020, are presented below.

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	OPERS Traditional Plan
Wage Inflation	3.25%
Future Salary Increases, including inflation	3.25% to 10.75% including wage inflation
COLA or Ad Hoc COLA:	
Pre-January 7, 2013 Retirees	3.00%, simple
Post-January 7, 2013 Retirees	0.50%, simple through 2021, then 2.15%, simple
Investment Rate of Return	7.20%
Actuarial Cost Method	Individual Entry Age

In October 2020, the OPERS Board adopted a change in COLA for Post-January 7, 2013 retirees, changing it from 1.4 percent simple through 2020 then 2.15 simple to .5 percent simple through 2021 then 2.15 percent simple.

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 allocation of investment assets with the Defined Benefit portfolio is approved by the 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. The long-term expected rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return 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. Best estimates of arithmetic real rates of return were provided by the Board's investment consultant. For each major asset class that is included in the Defined Benefit portfolio's target asset allocation as of December 31, 2020, these best estimates are summarized in the following table:

**City of London, Ohio**  
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Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	25.00%	1.32%
Domestic Equities	21.00%	5.64%
Real Estate	10.00%	5.39%
Private Equity	12.00%	10.42%
International Equities	23.00%	7.36%
Other Investments	9.00%	4.75%
Total	100.00%	5.61%

**Discount Rate**

The discount rate used to measure the total pension liability was 7.2 percent for the traditional plan and the combined plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. 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 for the traditional pension plan, combined plan and member-directed plan was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

The following table presents the City's proportionate share of the net pension liability (asset) calculated using the current period discount rate assumption of 7.2 percent, as well as what the City's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is one-percentage-point lower (6.2 percent) or one-percentage-point higher (8.2 percent) than the current rate:

	1% Decrease (6.20%)	Current Discount Rate (7.20%)	1% Increase (8.20%)
Proportionate share of the net pension liability	\$5,933,355	\$3,110,531	\$763,358

**Changes from the Measurement Date to the Report Date**

During 2021, the OPERS Board lowered the investment rate of return from 7.2 percent to 6.9 percent along with certain other changes to assumptions for the actuarial valuation as of December 31, 2021. The effects of these changes are unknown.

**Actuarial Assumptions – OP&F**

OP&F's total pension liability as of December 31, 2020, is based on the results of an actuarial valuation date of January 1, 2020, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OP&F's actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities,

**City of London, Ohio**  
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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. Assumptions considered were: withdrawal rates, disability retirement, service retirement, DROP elections, mortality, percent married and forms of the payment, DROP interest rate, CPI-based COLA, investment returns, salary increases and payroll growth.

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of January 1, 2020, are presented below.

Valuation Date	January 1, 2020, with actuarial liabilities rolled forward to December 31, 2020
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.00%
Projected Salary Increases	3.75% to 10.50%
Payroll Growth	3.25% per annum, compounded annually, consisting of Inflation rate of 2.75% plus productivity increase rate of 0.50%
Cost of Living Adjustments	2.20% simple for increases 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 Buck Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120 percent.

<u>Age</u>	<u>Police</u>	<u>Fire</u>
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 Buck Modified 2016 Improvement Scale.

<u>Age</u>	<u>Police</u>	<u>Fire</u>
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.

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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 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, 2020, are summarized below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash and Cash Equivalents	0.00 %	0.00 %
Domestic Equity	21.00	4.10
Non-US Equity	14.00	4.80
Private Markets	8.00	6.40
Core Fixed Income*	23.00	0.90
High Yield Fixed Income	7.00	3.00
Private Credit	5.00	4.50
U.S. Inflation Linked Bonds*	17.00	0.70
Midstream Energy Infrastructure	5.00	5.60
Real Assets	8.00	5.80
Gold	5.00	1.90
Private Real Estate	12.00	5.30
Total	125.00 %	

Note: Assumptions are geometric.

\*Levered 2.5x

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 the relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.25 times due to the application of leverage in certain fixed income asset classes.

**Discount Rate**

Total 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 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 8.00 percent. Based on those assumptions, OP&F's fiduciary net position was projected to be available to make all future benefit payment 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 Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

Net pension liability is sensitive to changes in the discount rate. To illustrate the potential impact, the following table presents the net pension liability calculated using the discount rate of 8.00 percent, as

**City of London, Ohio**  
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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%)	Discount Rate (8.00%)	1% Increase (9.00%)
Proportionate share of the net pension liability	\$10,825,438	\$7,776,179	\$5,224,258

**Note 11 – Postemployment Benefits**

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See Note 10 for a description of the net OPEB liability (asset).

***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.

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 (HRA) to qualifying benefit recipients of both the traditional pension and the combined plans. Currently, Medicare-eligible retirees are able to select medical and prescription drug plans from a range of options and may elect optional vision and dental plans. Retirees and eligible dependents enrolled in Medicare Parts A and B have the option to enroll in a Medicare supplemental plan with the assistance of the OPERS Medicare Connector. The OPERS Medicare Connector is a relationship with a vendor selected by OPERS to assist retirees, spouses and dependents with selecting a medical and pharmacy plan. Monthly allowances, based on years of service and the age at which the retiree first enrolled in OPERS coverage, are deposited into an HRA. For non-Medicare retirees and eligible dependents, OPERS sponsors medical and prescription coverage through a professionally managed self-insured plan. An allowance to offset a portion of the monthly premium is offered to retirees and eligible dependents. The allowance is based on the retiree’s years of service and age when they first enrolled in OPERS coverage.

Medicare-eligible retirees who choose to become re-employed or survivors who become employed in an OPERS-covered position are prohibited from participating in an HRA. For this group of retirees, OPERS sponsors secondary coverage through a professionally managed self-insured program. Retirees who enroll in this plan are provided with a monthly allowance to offset a portion of the monthly premium. Medicare-eligible spouses and dependents can also enroll in this plan as long as the retiree is enrolled.

OPERS provides a monthly allowance for health care coverage for eligible retirees and their eligible dependents. The base allowance is determined by OPERS.

The health care 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 separation, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

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Effective January 1, 2022, OPERS will discontinue the group plans currently offered to non-Medicare retirees and re-employed retirees. Instead, eligible non-Medicare retirees will select an individual medical plan. OPERS will provide a subsidy or allowance via an HRA allowance to those retirees who meet health care eligibility requirements. Retirees will be able to seek reimbursement for plan premiums and other qualified medical expenses. These changes are reflected in the December 31, 2020, measurement date health care valuation.

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 with a minimum age of 60, or generally 30 years of qualifying service at any age. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. Current retirees eligible (or who become eligible prior to January 1, 2022) to participate in the OPERS health care program will continue to be eligible after January 1, 2022. Eligibility requirements will change for those retiring after January 1, 2022, with differing eligibility requirements for Medicare retirees and non-Medicare retirees. 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' Annual Comprehensive Financial Report 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 [www.opers.org/financial/reports.shtml](http://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 allowing public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS' Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. Beginning in 2018, OPERS no longer allocated a portion of its employer contributions to health care for the traditional plan and the combined plan

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2021, 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. For 2021, OPERS did not allocate any employer contribution to health care for members in the Traditional Pension Plan and Combined Plan. 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 2021 was 4.0 percent.

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Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$0 for 2021.

***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 health care plan administered by a third-party provider. This program is not guaranteed and is subject to change at any time upon action of the Board of Trustees. On January 1, 2019, OP&F implemented a new model for health care. Under this new model, OP&F provides eligible retirees with a fixed stipend earmarked to pay for health care and Medicare Part B reimbursements.

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

A retiree is eligible for the OP&F health care stipend unless they have access to any other group coverage including employer and retirement coverage. The eligibility of spouses and dependent children could increase the stipend amount. If the spouse or dependents have access to any other group coverage including employer or retirement coverage, they are not eligible for stipend support from OP&F. Even if an OP&F member or their dependents are not eligible for a stipend, they can use the services of the third-party administrator to select and enroll in a plan. The stipend provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in Governmental Accounting Standards Board (GASB) Statement No. 75.

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

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

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. The report may be obtained by visiting the OP&F website at [www.op-f.org](http://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.



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Active members do not make contributions to the OPEB Plan.

The Board of Trustees is authorized to allocate a portion of the total employer contributions for retiree health care benefits. For 2021, 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.

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.

The City's contractually required contribution to OP&F was \$14,720 for 2021.

**Net OPEB Liability (Asset)**

The net OPEB liability (asset) and total OPEB liability (asset) for OPERS were determined by an actuarial valuation as of December 31, 2019, rolled forward to the measurement date of December 31, 2020, 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, 2020, and was determined by rolling forward the total OPEB liability as of January 1, 2020, to December 31, 2020. The City's proportion of the net OPEB liability (asset) 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 Traditional Plan	OPF	Total
Proportionate Share of the:			
Net OPEB (Asset)	(\$379,102)		(\$379,102)
Net OPEB Liability		\$1,208,579	\$1,208,579
Proportion of the Net OPEB Liability:			
Current Measurement Date	0.02127900%	0.11406890%	
Prior Measurement Date	0.01466500%	0.11615800%	
Change in Proportionate Share	<u>0.00661400%</u>	<u>-0.00208910%</u>	
OPEB Expense	(\$2,097,120)	\$154,438	(\$1,942,682)

At December 31 2021, reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

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	OPERS		Total
	Traditional Plan	OPF	
<u>Deferred Outflows of Resources</u>			
Differences between expected and actual experience	\$0	\$0	\$0
Changes in assumptions	186,371	667,674	854,045
Changes in employer proportionate share of net OPEB liability	557,916	218,515	776,431
Contributions subsequent to the measurement date	0	14,720	14,720
Total Deferred Outflows of Resources	<u>\$744,287</u>	<u>\$900,909</u>	<u>\$1,645,196</u>
<u>Deferred Inflows of Resources</u>			
Differences between expected and actual experience	\$342,138	\$199,351	\$541,489
Changes in assumptions	614,259	192,670	806,929
Net difference between projected and actual earnings on OPEB plan investments	201,915	44,913	246,828
Changes in employer proportionate share of net OPEB liability	98,681	14,077	112,758
Total Deferred Inflows of Resources	<u>\$1,256,993</u>	<u>\$451,011</u>	<u>\$1,708,004</u>

\$14,720 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending December 31, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending	OPERS		
December 31:	Traditional Plan	OPF	Total
2022	(\$264,733)	\$89,703	(\$175,030)
2023	(136,437)	100,338	(36,099)
2024	(87,744)	83,571	(4,173)
2025	(23,792)	87,892	64,100
2026	0	44,338	44,338
Thereafter	0	29,337	29,337
Total	<u>(\$512,706)</u>	<u>\$435,179</u>	<u>(\$77,527)</u>

**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 health care costs 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 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, 2019, rolled forward to the measurement date of December 31, 2020. The actuarial valuation used the

**City of London, Ohio**  
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following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Wage Inflation	3.25%
Projected Salary Increases, including inflation	3.25% to 10.75% including wage inflation
Single Discount Rate:	
Current measurement date	6.00%
Prior Measurement date	3.16%
Investment Rate of Return	6.00%
Municipal Bond Rate:	
Current measurement date	2.00%
Prior Measurement date	2.75%
Health Care Cost Trend Rate:	
Current measurement date	8.50%, initial 3.50%, ultimate in 2035
Prior Measurement date	10.50%, initial 3.50%, ultimate in 2030
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. Postretirement 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. Postretirement 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 allocation of investment assets within 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 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. Best estimates of arithmetic rates of return were provided by OPERS investment consultant. For each major asset class that is included in the Health Care's portfolio's target asset allocation as of December 31, 2020, these best estimates are summarized in the following table:

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Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	34.00 %	1.07 %
Domestic Equities	25.00	5.64
Real Estate Investment Trust	7.00	6.48
International Equities	25.00	7.36
Other investments	9.00	4.02
Total	100.00 %	4.43 %

**Discount Rate**

A single discount rate of 6.0 percent was used to measure the OPEB liability on the measurement date of December 31, 2020. A single discount rate of 3.16 percent was used to measure the OPEB liability on the measurement date of December 31, 2019. 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 6.00 percent and a municipal bond rate of 2.00 percent (Fidelity Index’s “20-Year Municipal GO AA Index”). 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 2120. As a result, the actuarial assumed long-term expected rate of return on health care investments was applied to projected costs through the year 2120, the duration of the projection period through which projected health care payments are fully funded.

**Sensitivity of the City’s Proportionate Share of the Net OPEB Asset to Changes in the Discount Rate**

The following table presents the City’s proportionate share of the net OPEB asset calculated using the single discount rate of 6.00 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 (5.00 percent) or one-percentage-point higher (7.00 percent) than the current rate:

	1% Decrease (5.00%)	Current Discount Rate (6.00%)	1% Increase (7.00%)
Proportionate share of the net OPEB (asset)	(\$94,266)	(\$379,102)	(\$613,261)

**Sensitivity of the 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.

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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 2021 is 8.50 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 3.50 percent in the most recent valuation.

	Current Health Care Cost Trend Rate		
	<u>1% Decrease</u>	<u>Assumption</u>	<u>1% Increase</u>
Proportionate share of the net OPEB (asset)	(\$388,342)	(\$379,102)	(\$368,765)

**Changes between Measurement Date and Reporting Date**

During 2021, the OPERS Board made various changes to assumptions for the actuarial valuation as of December 31, 2021. The effects of these changes are unknown.

***Actuarial Assumptions – OP&F***

OP&F’s total OPEB liability as of December 31, 2020, is based on the results of an actuarial valuation date of January 1, 2020, 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 the value of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of 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.

**City of London, Ohio**  
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Valuation Date	January 1, 2020, with actuarial liabilities rolled forward to December 31, 2020
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.00%
Projected Salary Increases	3.75% to 10.50%
Payroll Growth	3.25%
Blended discount rate:	
Current measurement date	2.96%
Prior measurement date	3.56%
Cost of Living Adjustments	2.20% simple

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 Buck Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120 percent.

<u>Age</u>	<u>Police</u>	<u>Fire</u>
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 Buck Modified 2016 Improvement Scale.

<u>Age</u>	<u>Police</u>	<u>Fire</u>
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 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, 2020, are summarized below:

**City of London, Ohio**  
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Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash and Cash Equivalents	0.00 %	0.00 %
Domestic Equity	21.00	4.10
Non-US Equity	14.00	4.80
Private Markets	8.00	6.40
Core Fixed Income *	23.00	0.90
High Yield Fixed Income	7.00	3.00
Private Credit	5.00	4.50
U.S. Inflation Linked Bonds*	17.00	0.70
Midstream Energy Infrastructure	5.00	5.60
Real Assets	8.00	5.80
Gold	5.00	1.90
Private Real Estate	12.00	5.30
Total	125.00 %	

Note: Assumptions are geometric.

\* Levered 2.5x

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 the 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**

For 2020, the total OPEB liability was calculated using the discount rate of 2.96 percent. For 2019, the total OPEB liability was calculated using the discount rate of 3.56 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 of 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 2.12 percent at December 31, 2020 and 2.75 percent at December 31, 2019, was blended with the long-term rate of 8 percent, which resulted in a blended discount rate of 2.96 percent for 2020 and 3.56 percent for 2019. The municipal bond rate was determined using the Bond Buyers General Obligation 20-year Municipal Bond Index Rate. The OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments until 2037. The long-term expected rate of return on health care investments was applied to projected costs through 2037, and the municipal bond rate was applied to all health care costs after that date.

**Sensitivity of the 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 2.96 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 (1.96 percent), or one percentage point higher (3.96 percent) than the current rate.

**City of London, Ohio**  
**Notes to the Basic Financial Statements**  
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	1% Decrease (1.96%)	Current Discount Rate (2.96%)	1% Increase (3.96%)
Proportionate share of the net OPEB liability	\$1,507,028	\$1,208,579	\$962,392

**Sensitivity of the Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate**

The total OPEB liability is based on a medical benefit that is a flat dollar amount; therefore, it is unaffected by a health care cost trend rate. An increase or decrease in the trend rate would have no effect on the total OPEB liability.

**Note 12 – Compensated Absences**

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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 48 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 80 hours in active pay status.

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, 2021, the accrued liability for unpaid compensated absences was \$961,470.

**Note 13 – Long Term Liabilities**

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The following is a summary of changes in long-term liabilities of the governmental activities for the year ended December 31, 2021:

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**City of London, Ohio**  
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	Maturity Date	Interest Rate	Restated Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
<b>Governmental Activities</b>							
<u>General Obligation Bonds</u>							
Keny Blvd. Refunding Bonds	12/1/30	2.09%	2,070,000	0	(170,000)	1,900,000	170,000
Administrative Building Bonds	9/1/32	2.18%	1,355,000	0	(100,000)	1,255,000	105,000
Equipment Acquisition Bonds	6/1/22	3.00%	46,800	0	(46,800)	0	0
Fire Truck & Traffic Lights Bonds	12/1/30	1.47%	0	1,352,000	(92,000)	1,260,000	101,000
Total General Obligation Bonds			3,471,800	1,352,000	(408,800)	4,415,000	376,000
<u>OPWC Loans from Direct Borrowing</u>							
OPWC Loan - 2006 Phase I	1/1/26	0.00%	82,126	0	(20,532)	61,594	13,688
OPWC Loan - 2006 Phase II	1/2/27	0.00%	217,382	0	(40,758)	176,624	27,172
OPWC Loan - 2020		0.00%	236,645	26,033	(4,378)	258,300	8,756
Total OPWC Loans from Direct Borrowing			536,153	26,033	(65,668)	496,518	49,616
<u>OWDA Loans from Direct Borrowing</u>							
OWDA Loan - 2005	1/1/25	0.00%	411,272	0	(89,710)	321,562	90,609
Total OWDA Loans from Direct Borrowing			411,272	0	(89,710)	321,562	90,609
Capital Leases			372,447	0	(172,149)	200,298	97,954
Police & Fire Pension Payable			43,431	0	(2,179)	41,252	2,272
Compensated Absences			422,800	546,057	(308,835)	660,022	412,827
Subtotal Bonds, Notes and Other Amounts			5,257,903	1,924,090	(1,047,341)	6,134,652	1,029,278
Net Pension Liability:							
OPERS			1,470,710	148,598	0	1,619,308	0
OP&F			7,825,023	0	(48,844)	7,776,179	0
Total Net Pension Liability			9,295,733	148,598	(48,844)	9,395,487	0
Net OPEB Liability (Asset):							
OPERS			1,034,388	0	(1,034,388)	0	0
OP&F			1,147,377	61,202	0	1,208,579	0
Total Net OPEB Liability			2,181,765	61,202	(1,034,388)	1,208,579	0
Total Governmental Activities			\$16,735,401	\$2,133,890	(\$2,130,573)	\$16,738,718	\$1,029,278

\*\* - PPA of (\$1,139,045) for portion of project that is a grant and was picked up as a loan in a Prior Period.

**Ohio Police and Fire Pension Liability**

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, 2021 is \$41,252 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.

The following is a summary of changes in long-term liabilities of the business-type activities for the year ended December 31, 2021:

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**City of London, Ohio**  
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**For The Year Ended December 31, 2021**

<b>Business-Type Activities</b>	<b>Maturity Date</b>	<b>Interest Rate</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deletions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
<u>General Obligation Bonds</u>							
2019 Trash Can Bonds	4/1/21	1.95%	\$45,414	0	(\$45,414)	\$0	\$0
2020 Trash Trucks Bonds	8/15/25	2.00%	466,796	0	(96,396)	370,400	98,342
Total General Obligation Bonds			<u>512,210</u>	<u>0</u>	<u>(141,810)</u>	<u>370,400</u>	<u>98,342</u>
<u>OWDA Loans from Direct Borrowing</u>							
Water Improvements 2001	7/1/21	4.14%	58,396	0	(58,396)	0	0
Sewer Improvements 2006	1/1/29	0.80%	13,749,276	0	(1,670,222)	12,079,054	1,683,611
Water Elevated Storage Tank 2017	1/1/37	1.30%	2,558,066	305,758	(169,816)	2,694,008	170,366
East Water Pollution Control 2018	1/1/48	1.22%	5,477,118	0	(189,821)	5,287,297	190,398
Nutrient Reduction Upgrade Design 2019	1/1/24	0.00%	70,330	0	(54,800)	15,530	15,530
Total OWDA Loans from Direct Borrowing			<u>21,913,186</u>	<u>305,758</u>	<u>(2,143,055)</u>	<u>20,075,889</u>	<u>2,059,905</u>
Compensated Absences			<u>196,708</u>	<u>250,570</u>	<u>(145,830)</u>	<u>301,448</u>	<u>156,062</u>
Subtotal Bonds, Notes and Other Amounts			<u>22,622,104</u>	<u>556,328</u>	<u>(2,430,695)</u>	<u>20,747,737</u>	<u>2,314,309</u>
Net Pension Liability - OPERS:							
OPERS			<u>1,409,347</u>	<u>81,877</u>	<u>0</u>	<u>1,491,224</u>	<u>0</u>
Total Net Pension Liability			<u>1,409,347</u>	<u>81,877</u>	<u>0</u>	<u>1,491,224</u>	<u>0</u>
Net OPEB - OPERS:							
OPERS			<u>991,230</u>	<u>0</u>	<u>(991,230)</u>	<u>0</u>	<u>0</u>
Total OPEB Liability			<u>991,230</u>	<u>0</u>	<u>(991,230)</u>	<u>0</u>	<u>0</u>
Total Business-Type Activities			<u>\$25,022,681</u>	<u>\$638,205</u>	<u>(\$3,421,925)</u>	<u>\$22,238,961</u>	<u>\$2,314,309</u>

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 10 and 11.

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

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. 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. The remaining amount of the loan will be drawn in the

**City of London, Ohio**  
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upcoming years, therefore this amount was excluded for the future debt service schedule presented below.

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. The remaining amount of this loan will be drawn down in the upcoming years, therefore this amount was excluded for the future debt service schedule presented below.

During 2019, the City issued a bond for the amount of \$269,198 for the purchase of trash cans, which were accounted for in the Sanitation fund. The bond will be repaid in full in 2021. The bond is paid from the City's Sanitation fund.

During 2020, the City issued a bond for the amount of \$498,502 for the purchase of trash trucks, which were accounted for in the Sanitation Fund. The bond will be repaid in full in 2025. The bond is paid from the City's Sanitation Fund.

During 2021, the City issued a bond for the amount of \$1,352,000 for the purchase of fire trucks and traffic lights, which were accounted for in the Fire Fund and Capital Improvement Fund. The bond will be repaid in full in 2030. The bond is paid from the City's Fire Fund and Capital Improvement Fund.

The City's outstanding OPWC loans from direct borrowings of \$496,518 contain a provision that in an event of default, the amount of such default shall bear interest thereafter at the rate of 8% per annum until the date of payment, and outstanding amounts become immediately due. Also, the Lender may direct the county treasurer to pay the outstanding amount from portion of the local government fund that would otherwise be appropriated to the City.

The City's outstanding OWDA loans from direct borrowings of \$20,397,451 contain a provision that in an event of default, the amount of such default shall bear interest thereafter at the rate equal to the Contract Interest Rate plus three percentage points annum until the date of payment, and outstanding amounts become immediately due.

Pledged Revenues

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, 2021, the principal remaining to be paid on these OWDA loans is \$20,397,451. In 2021, total customer revenues were \$2,447,913, \$3,526,553, and \$1,285,793 for the Water, Sewer and Sanitation Funds, respectively.

The annual requirements to retire the governmental activities long-term obligations outstanding at December 31, 2021 are as follows:

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Year Ending December 31	Governmental Activities			
	General Obligation Bonds		Notes from Direct Borrowing	
	Principal	Interest	Principal	Interest
2022	\$376,000	\$85,592	\$140,225	\$2,986
2023	383,000	61,228	141,134	2,077
2024	424,000	55,282	142,051	1,159
2025	441,000	49,334	96,616	233
2026	488,000	58,594	42,770	0
2027-2031	2,178,000	127,070	84,544	0
2032-2036	125,000	0	43,780	0
2037-2041	0	0	43,780	0
2042-2046	0	0	43,780	0
2047-2051	0	0	39,400	0
Total	<u>\$4,415,000</u>	<u>\$437,100</u>	<u>\$818,080</u>	<u>\$6,455</u>

Year Ending December 31	Business-Type Activities					
	Water		Sewer		Sanitation	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$360,764	\$37,195	\$1,699,141	\$93,220	\$98,342	6,509
2023	356,481	34,975	1,697,107	79,724	100,327	4,522
2024	361,092	32,726	1,710,711	66,120	102,351	2,499
2025	365,760	30,447	1,724,424	52,406	69,380	520
2026	370,488	28,139	1,738,247	38,584	0	0
2027-2031	1,925,566	104,998	3,524,954	35,255	0	0
2032-2036	1,828,368	42,599	0	0	0	0
Thereafter	2,412,786	0	0	0	0	0
Total	<u>\$7,981,305</u>	<u>\$311,079</u>	<u>\$12,094,584</u>	<u>\$365,309</u>	<u>\$370,400</u>	<u>\$14,050</u>

**Note 14 – 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, 2021 was \$237,750, leaving a current book value of \$237,750. A corresponding liability was recorded in the government-wide financial statement.

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, 2021 was \$11,852, leaving a current book value of \$7,904. A corresponding liability was recorded in the governmental-wide financial statement.

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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, 2021 was \$120,777, leaving a current book value of \$120,779. 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, 2021:

Fiscal Year	Long-Term Debt
Ending December 31,	
2022	106,932
2023	106,931
Total Lease Payments	213,863
Interest	(13,565)
Present Value Payments	<u>\$200,298</u>

**Note 15 – Interfund Transfers and Balances**

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Interfund transfers during the fiscal year were as follows:

	Transfers	
	In	Out
General Fund	\$0	\$859,523
Other Governmental Funds	824,523	0
Water	0	22,172
Sewer	35,000	0
Sanitation	22,172	0
Total All Funds	<u>\$881,695</u>	<u>\$881,695</u>

Interfund balance/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. The transfer from the water fund to the sanitation fund was to move rental income to the proper fund.

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**Note 16 – Contingencies**

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**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, 2021.

**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 17 - Fund Balance**

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

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Fund balance	General	Fire Department	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:				
Materials and supplies inventory	\$255	\$0	\$74,372	\$74,627
Prepays	116,776	1,721	1,151	119,648
Total nonspendable	<u>117,031</u>	<u>1,721</u>	<u>75,523</u>	<u>194,275</u>
Restricted:				
Shade Tree	0	0	61,420	61,420
State Drug Penalty	0	0	543	543
Drug Fine	0	0	3,152	3,152
OMVI	0	0	10,825	10,825
Police Training	0	0	6,165	6,165
Fire Department	0	739,424	0	739,424
Street Construction	0	0	1,513,537	1,513,537
State Highway	0	0	190,978	190,978
Permissive	0	0	216,892	216,892
Street Rotary	0	0	3,061	3,061
Municipal Permissive	0	0	500,916	500,916
Police Grants	0	0	1,465	1,465
Fire Levy	0	0	26,724	26,724
Parks & Playground	0	0	70,332	70,332
Police Pension	0	0	150,810	150,810
Economic Development	0	0	8,993	8,993
Recaptured Home Funds	0	0	82,746	82,746
Police LETF	0	0	24,311	24,311
Downtown Revitalization	0	0	16,496	16,496
N End Sewer Debt	0	0	23,469	23,469
East High Street Debt	0	0	6,692	6,692
TIF Settlement	0	0	385,247	385,247
Highway St Lighting	0	0	113,211	113,211
Kenny Blvd Extension	0	0	93,808	93,808
Walnut Street	0	0	37,878	37,878
Kenny Boulevard	0	0	94,684	94,684
Total restricted	<u>0</u>	<u>739,424</u>	<u>3,644,355</u>	<u>4,383,779</u>
Committed:				
Capital projects	0	0	1,571,279	1,571,279
Total committed	<u>0</u>	<u>0</u>	<u>1,571,279</u>	<u>1,571,279</u>
Assigned:				
Garfield Debt	0	0	748,346	748,346
Budgetary Resources	593,588	0	0	593,588
Encumbrances	196,495	0	0	196,495
Total assigned	<u>790,083</u>	<u>0</u>	<u>748,346</u>	<u>1,538,429</u>
Unassigned (deficit)	<u>2,919,999</u>	<u>0</u>	<u>0</u>	<u>2,919,999</u>
Total fund balances	<u>\$3,827,113</u>	<u>\$741,145</u>	<u>\$6,039,503</u>	<u>\$10,607,761</u>

**City of London, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Year Ended December 31, 2021**

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**Note 18 – Implementation of New Accounting Principles**

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For fiscal year 2021, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period and GASB Statement No. 98, The Annual Comprehensive Financial Report.

GASB Statement No. 89 establishes accounting requirements for interest cost incurred before the end of a construction period. Interest costs incurred before the end of a construction period are recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. In Financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

GASB Statement No. 98 establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments.

**Note 19 – Asset Retirement Obligation**

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Ohio Revised Code Section 6111.44 requires the City to submit any changes to their sewage treatment system to the Ohio EPA for approval. Through this permitting process, the City would be responsible to address any public safety issues associated with their sewage treatment facilities and the permit would specify the procedures required to dispose of all or part of the sewage treatment plant. At this time, the City has not applied for, nor does it have, an approved permit from Ohio EPA to dispose of all or part of their sewage treatment plant. Due to the lack of specific legal requirements for retiring the sewage treatment plant, the City has determined that the amount of the Asset Retirement Obligation cannot be reasonably estimated at this time.

**Note 20 – COVID-19**

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The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June of 2021 while the national state of emergency continues. During 2021, the City received COVID-19 funding. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the City. The impact on the City's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.



**City of London, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Year Ended December 31, 2021**

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**Note 21 - Restatement of Net Position**

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The City made a restatement to Long Term Liabilities due to an OPWC grant incorrectly being recorded as a loan in a previous year. The governmental activities at January 1, 2021 have been restated as follows:

	Governmental Activities
Net Position as Previously Reported	<u>\$12,593,361</u>
Adjustments:	
Restatement of Long-Term Liabilities	<u>1,139,045</u>
Restated Net Position January 1, 2021	<u><u>\$13,732,406</u></u>

# **REQUIRED SUPPLEMENTARY INFORMATION**

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City of London, Ohio  
 Required Supplementary Information  
 Schedule of the City's Proportionate Share  
 of the Net Pension Liability  
 Ohio Public Employees Retirement System - Traditional Plan  
 Last Eight Fiscal Years (1)

	2021	2020	2019	2018	2017	2016	2015	2014
City's Proportion of the Net Pension Liability	0.02100600%	0.01457100%	0.01778300%	0.01765100%	0.01779300%	0.01860700%	0.01824100%	0.01824100%
City's Proportionate Share of the Net Pension Liability	\$3,110,531	\$2,880,057	\$4,870,403	\$2,768,942	\$4,040,487	\$3,222,967	\$2,200,068	\$2,150,378
City's Covered Payroll	\$2,554,136	\$2,454,607	\$2,569,540	\$2,507,227	\$2,500,200	\$2,298,604	\$2,949,525	\$2,462,723
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	121.78%	117.33%	189.54%	110.44%	161.61%	140.21%	74.59%	87.32%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	86.88%	82.17%	74.70%	84.66%	77.25%	81.08%	86.45%	86.36%

(1) The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2014 is not available.

Note:

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 the City's Proportionate Share  
 of the Net Pension Liability  
 Ohio Police and Fire Pension Fund  
 Last Eight Fiscal Years (1)

	2021	2020	2019	2018	2017	2016	2015	2014
City's Proportion of the Net Pension Liability	0.11406890%	0.11615800%	0.08737900%	0.08643900%	0.08446900%	0.08617400%	0.07875200%	0.07875200%
City's Proportionate Share of the Net Pension Liability	\$7,776,179	\$7,825,023	\$7,132,435	\$5,305,152	\$5,350,182	\$5,543,634	\$4,079,672	\$3,835,460
City's Covered Payroll	\$3,003,761	\$2,508,888	\$1,990,914	\$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	258.88%	311.89%	358.25%	276.24%	291.13%	245.08%	259.52%	208.56%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.65%	69.89%	63.07%	70.91%	68.36%	66.77%	72.20%	73.00%

(1) The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2014 is not available.

Note:

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 Contributions  
 for Net Pension Liability  
 Ohio Public Employees Retirement System - Traditional Plan  
 Last Nine Fiscal Years (1)

	2021	2020	2019	2018	2017	2016	2015	2014	2013
Contractually Required Contribution	\$379,570	\$357,579	\$343,645	\$359,736	\$325,939	\$300,024	\$275,832	\$353,943	\$320,154
Contributions in Relation to the Contractually Required Contribution	(379,570)	(357,579)	(343,645)	(359,736)	(325,939)	(300,024)	(275,832)	(353,943)	(320,154)
Contribution Deficiency (Excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
City Covered Payroll	\$2,711,214	\$2,554,136	\$2,454,607	\$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%	14.00%	14.00%	14.00%	13.00%	12.00%	12.00%	12.00%	13.00%

(1) The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2013 is not available.

Note:  
 See accompanying notes to the required supplementary information.

City of London, Ohio  
 Required Supplementary Information  
 Schedule of City Contributions  
 for Net Pension Liability  
 Ohio Police and Fire Pension Fund  
 Last Ten Fiscal Years

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually Required Contribution	\$632,041	\$636,497	\$530,128	\$419,976	\$403,095	\$386,135	\$472,336	\$341,917	\$318,200	\$250,784
Contributions in Relation to the Contractually Required Contribution	(632,041)	(636,497)	(530,128)	(419,976)	(403,095)	(386,135)	(472,336)	(341,917)	(318,200)	(250,784)
Contribution Deficiency (Excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
City Covered Payroll	\$2,979,920	\$3,003,761	\$2,508,888	\$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	21.21%	21.19%	21.13%	21.09%	20.99%	21.01%	20.88%	21.75%	17.30%	15.44%

Note:  
 See accompanying notes to the required supplementary information.

City of London, Ohio  
 Required Supplementary Information  
 Schedule of the City's Proportionate Share  
 of the Net Postemployment Benefits Other Than Pension (OPEB) Liability  
 Ohio Public Employees Retirement System - Traditional Plan  
 Last Five Fiscal Years (1)

	2021	2020	2019	2018	2017
City's Proportion of the Net OPEB Liability	0.02127900%	0.01466500%	0.01786300%	0.01772000%	0.01793880%
City's Proportionate Share of the Net OPEB Liability	(\$379,102)	\$2,025,618	\$2,328,914	\$1,924,261	\$1,811,901
City's Covered Payroll	\$2,554,136	\$2,454,607	\$2,569,540	\$2,507,227	\$2,500,200
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	-14.84%	82.52%	90.64%	76.75%	72.47%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	115.57%	47.80%	46.33%	54.14%	54.04%

(1) The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2017 is not available.

Note:

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 the City's Proportionate Share  
 of the Net Postemployment Benefits Other Than Pension (OPEB) Liability  
 Ohio Police and Fire Pension Fund  
 Last Five Fiscal Years (1)

	2021	2020	2019	2018	2017
City's Proportion of the Net OPEB Liability	0.11406890%	0.11615800%	0.08737900%	0.08643900%	0.08446808%
City's Proportionate Share of the Net OPEB Liability	\$1,208,579	\$1,147,377	\$795,750	\$4,897,513	\$4,009,510
City's Covered Payroll	\$2,979,920	\$2,508,888	\$1,990,914	\$1,920,486	\$1,837,733
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	40.56%	45.73%	39.97%	255.01%	218.18%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	45.42%	47.10%	46.57%	14.13%	15.96%

(1) The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2017 is not available.

Note:

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 Contributions to  
 Postemployment Benefits Other Than Pension (OPEB)  
 Ohio Public Employees Retirement System - Traditional Plan  
 Last Nine Fiscal Years (1)

	2021	2020	2019	2018	2017	2016	2015	2014	2013
Contractually Required Contribution to OPEB	\$0	\$0	\$0	\$0	\$25,072	\$50,004	\$45,972	\$58,991	\$24,627
Contributions to OPEB in Relation to the Contractually Required Contribution	0	0	0	0	(25,072)	(50,004)	(45,972)	(58,991)	(24,627)
Contribution Deficiency (Excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
City Covered Payroll	\$2,711,214	\$2,554,136	\$2,454,607	\$2,569,540	\$2,507,227	\$2,500,200	\$2,298,604	\$2,949,525	\$2,462,723
Contributions to OPEB as a Percentage of Covered Payroll	0.00%	0.00%	0.00%	0.00%	1.00%	2.00%	2.00%	2.00%	1.00%

(1) The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2013 is not available.

Note:  
 See accompanying notes to the required supplementary information.

City of London, Ohio  
 Required Supplementary Information  
 Schedule of City Contributions to  
 Postemployment Benefits Other Than Pension (OPEB)  
 Ohio Police and Fire Pension Fund  
 Last Ten Fiscal Years

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually Required Contribution to OPEB	\$14,720	\$14,862	\$12,351	\$9,955	\$9,602	\$9,189	\$11,310	\$7,892	\$53,572	\$110,024
Contributions to OPEB in Relation to the Contractually Required Contribution	(14,720)	(14,862)	(12,351)	(9,955)	(9,602)	(9,189)	(11,310)	(7,892)	(53,572)	(110,024)
Contribution Deficiency (Excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
City Covered Payroll	\$2,979,920	\$3,003,761	\$2,508,888	\$1,990,914	\$1,920,486	\$1,837,733	\$2,261,972	\$1,572,023	\$1,839,043	\$1,624,106
Contributions to OPEB as a Percentage of Covered Payroll	0.49%	0.49%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	2.91%	6.77%

Note:  
 See accompanying notes to the required supplementary information.

City of London, Ohio  
Schedule of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual (Non-GAAP Budgetary Basis)  
For the Fiscal Year Ended December 31, 2021

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Property Taxes	\$650,600	\$650,600	\$650,600	\$0
Income Taxes	3,959,077	3,959,077	3,959,077	0
Charges for Services	104,742	104,742	104,742	0
Investment Earnings	681	681	681	0
Intergovernmental	346,338	346,338	346,338	0
Fines, Licenses & Permits	122,653	122,653	122,653	0
Other Revenues	70,231	70,231	70,231	0
Total Revenues	5,254,322	5,254,322	5,254,322	0
Expenditures:				
Current:				
General Government	1,707,346	1,707,346	1,464,149	243,197
Public Safety	2,947,766	2,947,766	2,527,882	419,884
Recreation	563,679	563,679	483,388	80,291
Community Environment	1,574	1,574	1,350	224
Total Expenditures	5,220,365	5,220,365	4,476,769	743,596
Excess of Revenues Over (Under) Expenditures	33,957	33,957	777,553	743,596
Other Financing Sources (Uses):				
Transfers (Out)	(1,029,099)	(1,029,099)	(882,513)	146,586
Total Other Financing Sources (Uses)	(1,029,099)	(1,029,099)	(882,513)	146,586
Net Change in Fund Balance	(995,142)	(995,142)	(104,960)	890,182
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	2,430,404	2,430,404	2,430,404	0
Fund Balance End of Year	\$1,435,262	\$1,435,262	\$2,325,444	\$890,182

See accompanying notes to the required supplementary information.

City of London, Ohio  
Schedule of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual (Non-GAAP Budgetary Basis)  
For the Fiscal Year Ended December 31, 2021

	Fire Department Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Property Taxes	\$69,617	\$79,044	\$79,044	\$0
Income Taxes	1,918,276	2,178,026	2,178,026	0
Charges for Services	393,747	447,063	447,063	0
Intergovernmental	294,698	334,602	334,602	0
Other Revenues	5,284	6,000	6,000	0
<b>Total Revenues</b>	<b>2,681,622</b>	<b>3,044,735</b>	<b>3,044,735</b>	<b>0</b>
Expenditures:				
Current:				
Public Safety	3,048,665	3,539,695	3,423,733	115,962
<b>Total Public Safety</b>	<b>3,048,665</b>	<b>3,539,695</b>	<b>3,423,733</b>	<b>115,962</b>
Capital Outlay	582,788	676,654	654,487	22,167
<b>Total Expenditures</b>	<b>3,631,453</b>	<b>4,216,349</b>	<b>4,078,220</b>	<b>138,129</b>
Excess of Revenues Over (Under) Expenditures	(949,831)	(1,171,614)	(1,033,485)	138,129
Other financing sources (uses):				
Transfers In	663,503	753,347	753,347	0
Transfers (Out)	(289,396)	(336,008)	(325,000)	11,008
<b>Total Other Financing Sources (Uses)</b>	<b>374,107</b>	<b>417,339</b>	<b>428,347</b>	<b>11,008</b>
<b>Net Change in Fund Balance</b>	<b>(575,724)</b>	<b>(754,275)</b>	<b>(605,138)</b>	<b>149,137</b>
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	1,203,429	1,203,429	1,203,429	0
<b>Fund Balance End of Year</b>	<b>\$627,705</b>	<b>\$449,154</b>	<b>\$598,291</b>	<b>\$149,137</b>

See accompanying notes to the required supplementary information.

**City of London, Ohio**  
**Notes to the Required Supplementary Information**  
**For The Fiscal Year Ended December 31, 2021**

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**Note 1 – Budgetary Process**

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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.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the City. 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 final amended certificate of estimated resources issued during the year.

The appropriation 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.

While the City is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Non-GAAP Basis) 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 GAAP basis are as follows:

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.

**City of London, Ohio**  
**Notes to the Required Supplementary Information**  
**For The Fiscal Year Ended December 31, 2021**

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**Net Change in Fund Balance**

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	General	Fire Department
GAAP Basis	\$513,165	(\$382,040)
Revenue Accruals	(585,118)	(35,912)
Expenditure Accruals	194,384	(167,552)
Issuance Of Debt	0	(436,000)
Transfers In	0	753,347
Transfers (Out)	(22,990)	(325,000)
Encumbrances	(204,401)	(11,981)
Budget Basis	(\$104,960)	(\$605,138)

**Note 2 – Net Pension Liability**

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**Ohio Public Employees Retirement System Changes in Benefit Terms and Assumptions**

*Changes in assumptions:*

2021-2020: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for this period.

2019: OPERS Board adopted a change in the investment return assumption, reducing it from 7.50% to 7.20%.

2018: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions.

2017: 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 8.00% 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%

2016-2014: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions.

*Changes in benefit terms:*

2021-2014: There were no changes in benefit terms for this period.

**Ohio Police and Fire Pension Fund Changes in Benefit Terms and Assumptions**

*Changes in assumptions:*

2021-2019: There have been no OP&F pension plan amendments adopted or changes in assumptions used in the calculation of actuarial determined contributions.

**City of London, Ohio**  
**Notes to the Required Supplementary Information**  
**For The Fiscal Year Ended December 31, 2021**

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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%

2017-2014: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions.

*Changes in benefit terms:*

2021-2014: There were no changes in benefit terms for the period.

**Note 3 - Net OPEB Liability (Asset)**

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**Ohio Public Employees Retirement System Changes in Benefit Terms and Assumptions**

*Changes in assumptions:*

2021: The following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The single discount rate increased from 3.16 percent to 6.00 percent.
- The municipal bond rate decreased from 2.75 percent to 2.00 percent.
- The initial health care cost trend rate decreased from 10.5 percent to 8.5 percent.

2020: The following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The single discount rate decreased from 3.96 percent to 3.16 percent.
- The municipal bond rate decreased from 3.71 percent to 2.75 percent.
- The initial health care cost trend rate increased from 10.0 percent to 10.5 percent.

2019: The following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The single discount rate increased from 3.85 percent to 3.96 percent.
- The investment rate of return decreased from 6.5 percent to 6 percent.
- The municipal bond rate increased from 3.31 percent to 3.71 percent.
- The initial health care cost trend rate increased from 7.5 percent to 10 percent.

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

*Changes in Benefit Terms:*

2021: There were no changes in benefit terms for the period.

**City of London, Ohio**  
**Notes to the Required Supplementary Information**  
**For The Fiscal Year Ended December 31, 2021**

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2020: On January 15, 2020, the Board approved several changes to the health care plan offered to Medicare and pre-Medicare retirees in efforts to decrease costs and increase the solvency of the health care plan. These changes are effective January 1, 2022, and include changes to base allowances and eligibility for Medicare retirees, as well as replacing OPERS-sponsored medical plans for pre-Medicare retirees with monthly allowances, similar to the program for Medicare retirees.

2019-2018: There were no changes in benefit terms for the period..

**Ohio Police and Fire Pension Fund Changes in Benefit Terms and Assumptions**

*Changes in assumptions:*

2021: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions. The single discount rate changed from 3.56% to 2.96%.

2020: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions. The single discount rate changed from 4.66% to 3.56%.

2019: Beginning January 1, 2019 OP&F changed its retiree health care model and the current self-insured health care plan is no longer offered. In its place will be a stipend-based health care model. OP&F has contracted with a vendor who will assist eligible retirees in choosing health care plans from their marketplace (both Medicare-eligible and pre-Medicare populations). 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. As a result of changing from the current health care model to the stipend based health care model, management expects that it will be able to provide stipends to eligible participants for the next 15 years. Beginning in 2020 the Board approved a change to the Deferred Retirement Option Plan. The minimum interest rate accruing will be 2.5%. The single discount rate increased from 3.24% to 4.66% and the municipal bond rate from 3.16% to 4.13%.

2018: The single discount rate changed from 3.79% to 3.24%

*Changes in benefit terms:*

2021-2020: There were no changes in benefit terms for the period.

2019: See above regarding change to stipend-based model.

2018: There were no changes in benefit terms for the period.



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Honorable Mayor and City Council  
City of London, Ohio

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, 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, Ohio (the City), as of and for the year ended December 31, 2021, 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 18, 2022.

**Report on Internal Control over Financial Reporting**

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a deficiency in internal control, described in the accompanying schedule of findings as item 2021-001 that we consider to be a material weakness.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## City's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the findings identified in our audit and described in the accompanying schedule of findings. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

## 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.

*Plattensburg & Associates, Inc.*

Plattensburg & Associates, Inc.  
Cincinnati, Ohio  
July 18, 2022

**CITY OF LONDON**  
**SCHEDULE OF AUDIT FINDINGS**  
**December 31, 2021**

**2021- 001 Finding Type — Material Weakness — Controls Related to Financial Reporting**

During the financial reporting process for 2021 the City determined that an OPWC project grant was incorrectly recorded as a loan in 2020. The City has adjusted the 2021 beginning net position and long-term liabilities by \$1,139,045.

**Recommendation:**

We recommend the City evaluate and implement improvements to internal control policies and procedures over financial reporting.

**Management's Response:**

The City Agrees.

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# OHIO AUDITOR OF STATE KEITH FABER



**CITY OF LONDON**

**MADISON COUNTY**

## **AUDITOR OF STATE OF OHIO CERTIFICATION**

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



**Certified for Release 8/23/2022**

88 East Broad Street, Columbus, Ohio 43215  
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at  
[www.ohioauditor.gov](http://www.ohioauditor.gov)