



OHIO AUDITOR OF STATE
KEITH FABER



**CITY OF LONDON
MADISON COUNTY
DECEMBER 31, 2023**

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MADISON COUNTY
DECEMBER 31, 2023**

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INDEPENDENT AUDITOR'S REPORT

City of London
Madison County
20 South Walnut Street
London, Ohio 43140

To the City Council:

Report on the Audit of the Financial Statements

Qualified and Unmodified Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of London, Madison County, Ohio (the "City"), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Summary of Opinions

Opinion Unit	Type of Opinion
Governmental Activities	Qualified
Business-Type Activities	Qualified
General Fund	Unmodified
Fire Department Fund	Qualified
Water Fund	Qualified
Sewer Fund	Unmodified
Sanitation Fund	Unmodified
Aggregate Remaining Fund Information	Qualified

Qualified Opinions on Fire Department Fund, Aggregate Remaining Fund Information, Governmental Activities, Water Fund, and Business-Type Activities

In our opinion, except for the effects of the matter described in the *Basis for Qualified and Unmodified Opinions* section of our report, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, fire department fund, water fund, and aggregate remaining fund information of the City, as of December 31, 2023, and the changes in financial position and water fund cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions on General Fund, Sewer Fund, and Sanitation Fund

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the general fund, sewer fund, and sanitation fund of the City of London, Madison County, Ohio as of December 31, 2023, and the respective changes in financial position and, sewer fund and sanitation fund cash flows thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Basis for Qualified and Unmodified Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 qualified and unmodified audit opinions.

Matter Giving Rise to Qualified Opinions on Fire Department Fund, Aggregate Remaining Fund Information, Governmental Activities, Water Fund, and Business-Type Activities

The City did not maintain documentation to support the quantities and unit prices for the items recorded as inventory within the water and business-type activities (BTA) opinion units, or evidence year-end inventory counts had occurred.

The City has outsourced employees' health insurance claims processing to a third-party administrator. The financial statements report employees' health insurance claims expenses in the Medical Self-Insurance Fund (an internal service fund, included in the governmental activities and in remaining fund information). The third-party administrator did not have a Type 2 SOC 1 Report. We were therefore unable to obtain sufficient appropriate audit evidence to reasonably assure that health insurance claims have been completely processed in accordance with the contract. Those claims represent 10% of expenses and 0.7% of liabilities reported within the governmental activities, and 10% of the expenses and 23% of the liabilities reported within the aggregate remaining fund information. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

The City has outsourced its Emergency Medical Services (EMS) billing to a service organization. The financial statements report the EMS billings in the Fire Department Fund and governmental activities. The service organization did not have a Type 2 SOC 1 Report. We were therefore unable to obtain sufficient appropriate audit evidence to reasonably assure that EMS services have been completely billed in accordance with the established billing rates. The amount by which this departure would affect revenues and expenses of the aggregate remaining fund information and governmental activities has not been determined.

Emphasis of Matter

As discussed in Note 17 to the financial statements, during 2023, the City restated its beginning net position for the Internal Service Fund and Governmental Activities to include its self-insurance activity within the annual financial report. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and 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 GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, required budgetary comparison schedules and schedules of net pension and other post-employment benefit liabilities and pension and other post-employment benefit contributions 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 April 29, 2025, 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.



Keith Faber
Auditor of State
Columbus, Ohio

April 29, 2025

City of London, Ohio
Management's Discussion and Analysis
For The Year Ended December 31, 2023
(Unaudited)

This discussion and analysis of the City of London's (the "City") financial performance provides an overall review of the City's financial activities for the fiscal year ended December 31, 2023. 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 2023 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 \$35.3 million (net position).
- The City's net position decreased by approximately \$1.4 million in 2023. This change is the result of an approximate decrease of \$1.5 million in governmental activities net position and an increase of an approximate \$0.1 million in business-type activities net position.
- For governmental activities, general revenues accounted for approximately \$10 million, or 85 percent of total revenues, and program specific revenues accounted for the remaining 15 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 \$11.8 million, an approximate \$0.3 million increase in comparison with the prior year. Of this amount, approximately \$4.4 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 \$4.4 million, or 81 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
Management's Discussion and Analysis
For The Year Ended December 31, 2023
(Unaudited)

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. 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. Internal service funds are used to report activities that provide services to the City's other funds and departments.

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.

City of London, Ohio
Management's Discussion and Analysis
For The Year Ended December 31, 2023
(Unaudited)

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.

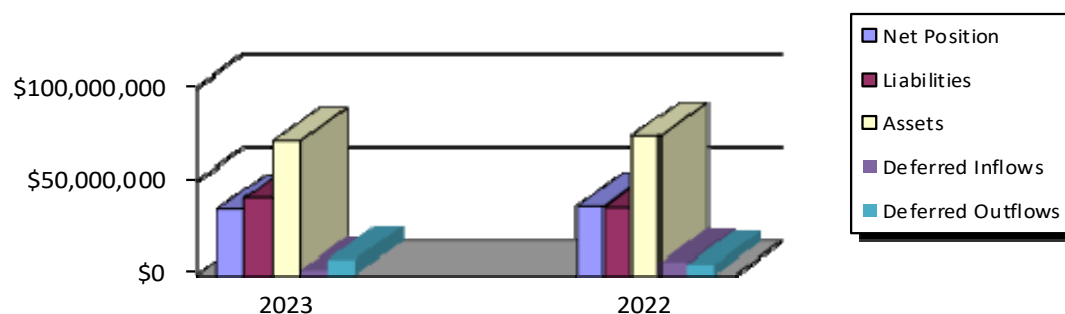
Other Information - In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees and the budgetary basis schedules. This required 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 2023 compared to 2022:

Table 1
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2023	2022 - Restated	2023	2022	2023	2022 - Restated
Assets:						
Current and Other Assets	\$14,906,149	\$14,244,213	\$9,813,872	\$9,924,279	\$24,720,021	\$24,168,492
Capital Assets	15,172,434	16,405,829	31,337,147	32,751,658	46,509,581	49,157,487
Net OPEB Asset	0	297,645	0	275,194	0	572,839
Total Assets	30,078,583	30,947,687	41,151,019	42,951,131	71,229,602	73,898,818
Deferred Outflows of Resources	6,884,946	4,970,314	1,285,305	585,213	8,170,251	5,555,527
Liabilities:						
Other Liabilities	631,069	714,415	361,802	388,178	992,871	1,102,593
Long-Term Liabilities	20,470,034	14,987,919	20,028,881	19,874,590	40,498,915	34,862,509
Total Liabilities	21,101,103	15,702,334	20,390,683	20,262,768	41,491,786	35,965,102
Total Deferred Inflows of Resources	2,572,357	5,405,487	67,354	1,440,356	2,639,711	6,845,843
Net Position:						
Net Investment In Capital Assets	11,078,834	11,704,263	14,258,704	13,935,140	25,337,538	25,639,403
Restricted	5,285,380	5,456,654	0	275,194	5,285,380	5,731,848
Unrestricted	(3,074,145)	(2,350,737)	7,719,583	7,622,886	4,645,438	5,272,149
Total Net Position	\$13,290,069	\$14,810,180	\$21,978,287	\$21,833,220	\$35,268,356	\$36,643,400



City of London, Ohio
Management's Discussion and Analysis
For The Year Ended December 31, 2023
(Unaudited)

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 \$35.3 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 increase in total long-term liabilities is due to an increase in net pension liability compared to the prior year.

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 increased from the prior year due to an increase in net pension liability.

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 due to market fluctuations and changes in assumptions.

By far the largest portion of the City's net position (approximately \$25.3 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 \$5.3 million) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (approximately \$4.7 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
For The Year Ended December 31, 2023
(Unaudited)

The table below shows the changes in net position for fiscal years 2023 and 2022.

Table 2
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2023	2022 - Restated	2023	2022	2023	2022 - Restated
Program Revenues:						
Charges for Services	\$1,043,790	\$939,435	\$7,936,088	\$7,205,037	\$8,979,878	\$8,144,472
Operating Grants and Contributions	827,730	1,757,634	0	0	827,730	1,757,634
Total Program Revenues	1,871,520	2,697,069	7,936,088	7,205,037	9,807,608	9,902,106
General Revenues:						
Property Taxes	837,617	820,829	0	0	837,617	820,829
Revenue in Lieu of Taxes	329,381	345,609	0	0	329,381	345,609
Income Taxes	8,287,311	7,736,933	0	0	8,287,311	7,736,933
Grants and Entitlements, Not Restricted	320,747	329,139	0	0	320,747	329,139
Unrestricted Contributions	7,500	0	0	0	7,500	0
Investment Earnings	238	21,097	100	0	338	21,097
Other Revenues	424,825	94,334	387,675	298,259	812,500	392,593
Total General Revenues	10,207,619	9,347,941	387,775	298,259	10,595,394	9,646,200
Total Revenues	12,079,139	12,045,010	8,323,863	7,503,296	20,403,002	19,548,306
Program Expenses:						
General Government	2,809,987	2,052,345	0	0	2,809,987	2,052,345
Public Safety	8,071,695	6,607,534	0	0	8,071,695	6,607,534
Transportation and Street Repair	1,920,836	1,953,071	0	0	1,920,836	1,953,071
Community Development	187,519	152,854	0	0	187,519	152,854
Leisure Time Activities	505,318	529,242	0	0	505,318	529,242
Interest and Other Charges	103,895	116,040	0	0	103,895	116,040
Water	0	0	2,949,515	2,648,543	2,949,515	2,648,543
Sewer	0	0	3,751,387	2,656,925	3,751,387	2,656,925
Sanitation	0	0	1,477,894	1,272,160	1,477,894	1,272,160
Total Program Expenses	13,599,250	11,411,086	8,178,796	6,577,628	21,778,046	17,988,714
Increase (Decrease) in Net Position before Transfers	(1,520,111)	633,924	145,067	925,668	(1,375,044)	1,559,592
Transfers - Internal Activities	0	(35,000)	0	35,000	0	0
Change in Net Position	(1,520,111)	598,924	145,067	960,668	(1,375,044)	1,559,592
Net Position - Beginning of Year, Restated	14,810,180	14,211,256	21,833,220	20,872,552	36,643,400	35,083,808
Net Position - End of Year	\$13,290,069	\$14,810,180	\$21,978,287	\$21,833,220	\$35,268,356	\$36,643,400

Governmental Activities – Governmental activities decreased the City's net position by approximately \$1.5 million. This decrease is primarily the result of an increase in Security of Persons and Property expense during the year.

Business-Type Activities – Business-type activities increased the City's net position by approximately \$0.1 million. This increase is primarily the result of an increase in charges for services in the water and sewer funds.

City of London, Ohio
Management's Discussion and Analysis
For The Year Ended December 31, 2023
(Unaudited)

Total Expenses in the Governmental Activities increased 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	
	2023	2022 - Restated	2023	2022 - Restated
Functions/Programs				
Government Activities:				
General Government	(\$2,809,987)	(\$2,052,345)	(\$2,802,966)	(\$910,512)
Public Safety	(8,071,695)	(6,607,534)	(7,447,319)	(6,078,127)
Transportation and Street Repair	(1,920,836)	(1,953,071)	(1,112,156)	(1,221,648)
Community Development	(187,519)	(152,854)	134,665	21,384
Leisure Time Activities	(505,318)	(529,242)	(396,059)	(409,074)
Interest and Other Charges	(103,895)	(116,040)	(103,895)	(116,040)
Total Government Activities	<u>(13,599,250)</u>	<u>(11,411,086)</u>	<u>(11,727,730)</u>	<u>(8,714,017)</u>
Business-Type Activities:				
Water	(2,949,515)	(2,648,543)	(68,626)	206,034
Sewer	(3,751,387)	(2,656,925)	(57,908)	456,796
Sanitation	(1,477,894)	(1,272,160)	(116,174)	(35,421)
Total Business-Type Activities	<u>(8,178,796)</u>	<u>(6,577,628)</u>	<u>(242,708)</u>	<u>627,409</u>
Grand Total	<u>(\$21,778,046)</u>	<u>(\$17,988,714)</u>	<u>(\$11,970,438)</u>	<u>(\$8,086,608)</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 \$11.8 million, an increase of \$0.3 million from the previous year.

The schedule below indicates the fund balance and the total change in fund balance as of December 31, 2023 and 2022.

City of London, Ohio
Management's Discussion and Analysis
For The Year Ended December 31, 2023
(Unaudited)

	Fund Balance 12/31/2023	Fund Balance 12/31/2022	Increase (Decrease)
General Fund	\$4,827,113	\$4,406,794	\$420,319
Fire Department Fund	1,289,941	1,388,346	(\$98,405)
Other Governmental Funds	5,643,323	5,650,748	(\$7,425)
Total	<u>\$11,760,377</u>	<u>\$11,445,888</u>	<u>\$314,489</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 \$4.4 million, 90% of the total fund balance. The fund balance of the City's General Fund increased \$420,319 during the current fiscal year, or 10%, 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 \$98,405 during the fiscal year. This decrease is due to an increase in public safety 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 \$2.7 million, approximately \$4.5 million, approximately \$0.5 million, approximately \$0.35 million in the Water, Sewer, Sanitation, and Internal Service funds, respectively. The change in net position was a decrease of approximately less than \$0.1 million in the Water Fund, an increase of approximately \$0.3 million in the Sewer Fund, a decrease of \$0.1 million in the Sanitation Fund, and an increase of approximately \$0.3 million in the Internal Service Fund.

The decrease in the Water Fund is primarily the result of operating loss of approximately less than \$0.1 million. The increase in the Sewer Fund is primarily the result of an increase in charges for services revenue of approximately \$0.6 million. The decrease in the Sanitation Fund is primarily the result of operating loss of approximately \$0.1 million. The City entered into an agreement for Mid-Ohio Water and Sewer District to assume all water and sewer operations in the city beginning in 2024.

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 2023, the City amended its General Fund budget on various occasions. All recommendations for appropriation changes come to Council from the City Auditor. The Finance Committee of Council reviews them, and they make their recommendation to the Council as a whole. For the General Fund, actual revenues exceeded the final revenue and other financing sources budget due to the city receiving more income tax receipts than budgeted.

Actual budgetary expenditures and other financing uses were \$6,078,489, or 9 percent, less than final appropriations. The final appropriations were slightly greater than the 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, 2023, amounts to approximately \$47 million (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, building and improvements, equipment, and infrastructure. The City's net capital asset balance decreased approximately \$2.6 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 \$22.1 million, a decrease of approximately \$2.4 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 Note 13 to the basic financial statements.

ECONOMIC OUTLOOK

The City of London, Ohio, benefits from its long-standing reputation for a skilled and reliable workforce, supporting a robust industrial sector. Its strategic location in central Ohio further enhances its appeal to businesses and residents seeking a balance between rural and urban lifestyles. Proactive leadership is evident through the partnership with Madison County Future Inc., the Community Improvement Corporation {CIC} for the county, which focuses on advancing economic development through business development and community projects. This collaboration, along with the efforts of a dedicated Economic Development Coordinator, aims to foster growth and prosperity in the region.

The Madison County Chamber of Commerce actively supports London's business environment, focusing on new growth, development, and redevelopment. A key area of focus is the revitalization of downtown London, where new investments are fostering small business opportunities. Complementing these efforts, the City of London is currently in the process of reworking its Comprehensive Plan. This updated plan will serve as a crucial framework for guiding future development and ensuring sustainable growth within the city. London's economy is strengthened by its resilient industrial sector, attracting new investments such as manufacturing facilities. The city's designation as a Community Reinvestment Area {CRA} provides tax exemptions for property owners undertaking renovations or new construction, further incentivizing investment in key areas like the historic downtown and the SR-142 corridor. These efforts demonstrate a commitment to attracting and retaining businesses, contributing to the city's economic vitality. Recognizing the importance of a future-ready workforce, London maintains strong partnerships with educational institutions like the Tolles Career & Technical Center and London City Schools, offering tailored training in high-demand fields. This focus on workforce development ensures that the local talent pool remains competitive. Furthermore, the city has successfully secured significant grant funding for essential infrastructure upgrades, including improvements to storm sewers, roads, and bridges. These investments are crucial for supporting the city's current needs and accommodating anticipated growth.

City of London, Ohio
Management's Discussion and Analysis
For The Year Ended December 31, 2023
(Unaudited)

Looking ahead, London anticipates considerable residential growth and aligns its economic development strategies with the broader goals of Madison County. These county-wide objectives include doubling the manufacturing payroll, increasing population, and raising per capita income within the next five years. By capitalizing on its strategic location within the growing Columbus Region and actively pursuing a balanced approach to development that honors its heritage while planning for the future, the City of London is well-positioned for continued economic growth and prosperity.

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, 20 S Walnut Street Ste. 101, London, OH 43140.

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City of London, Ohio
Statement of Net Position
December 31, 2023

	Governmental Activities	Business-Type Activities	Total
Assets:			
Equity in Pooled Cash and Investments	\$11,519,836	\$7,992,103	\$19,511,939
Cash and Cash Equivalents with Fiscal Agent	56,890	0	56,890
Receivables (Net):			
Taxes	2,663,162	0	2,663,162
Accounts	24,970	1,057,835	1,082,805
Intergovernmental	494,471	0	494,471
Special Assessments	41,630	6,857	48,487
Inventory	31,190	510,187	541,377
Prepaid Items	74,000	33,039	107,039
Restricted Cash	0	213,851	213,851
Nondepreciable Capital Assets	728,307	7,100,071	7,828,378
Depreciable Capital Assets, Net	14,444,127	24,237,076	38,681,203
Total Assets	30,078,583	41,151,019	71,229,602
Deferred Outflows of Resources:			
Deferred Charge on Refunding	135,732	0	135,732
Pension	5,791,065	1,116,775	6,907,840
OPEB	958,149	168,530	1,126,679
Total Deferred Outflows of Resources	6,884,946	1,285,305	8,170,251
Liabilities:			
Accounts Payable	52,755	78,883	131,638
Accrued Wages and Benefits	365,373	68,925	434,298
Accrued Interest Payable	11,849	143	11,992
Deposit Liability	0	213,851	213,851
Claims Payable	140,000	0	140,000
Deposits Held and Due to Others	4,223	0	4,223
Intergovernmental Payable	56,869	0	56,869
Long-Term Liabilities:			
Due Within One Year	899,788	2,372,897	3,272,685
Due In More Than One Year			
Net Pension Liability	14,650,417	2,727,074	17,377,491
Net OPEB Liability	937,841	56,830	994,671
Other Amounts	3,981,988	14,872,080	18,854,068
Total Liabilities	21,101,103	20,390,683	41,491,786
Deferred Inflows of Resources:			
Property and Other Taxes	1,039,141	0	1,039,141
Pension	604,537	40,312	644,849
OPEB	928,679	27,042	955,721
Total Deferred Inflows of Resources	2,572,357	67,354	2,639,711
Net Position:			
Net Investment in Capital Assets	11,078,834	14,258,704	25,337,538
Restricted for:			
Debt Service	934,794	0	934,794
Capital Projects	23,719	0	23,719
Street Improvements	2,419,325	0	2,419,325
Public Safety	1,309,577	0	1,309,577
Community Development	245,618	0	245,618
State Highway	264,557	0	264,557
Other Purposes	87,790	0	87,790
Unrestricted	(3,074,145)	7,719,583	4,645,438
Total Net Position	\$13,290,069	\$21,978,287	\$35,268,356

See accompanying notes to the basic financial statements.

City of London, Ohio
Statement of Activities
For the Fiscal Year Ended December 31, 2023

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:						
General Government	\$2,809,987	\$7,021	\$0	(\$2,802,966)	\$0	(\$2,802,966)
Public Safety	8,071,695	603,661	20,715	(7,447,319)	0	(7,447,319)
Community Development	187,519	322,184	0	134,665	0	134,665
Leisure Time Activities	505,318	109,259	0	(396,059)	0	(396,059)
Transportation and Street Repair	1,920,836	1,665	807,015	(1,112,156)	0	(1,112,156)
Interest and Other Charges	103,895	0	0	(103,895)	0	(103,895)
Total Governmental Activities	13,599,250	1,043,790	827,730	(11,727,730)	0	(11,727,730)
Business-Type Activities:						
Water	2,949,515	2,880,889	0	0	(68,626)	(68,626)
Sewer	3,751,387	3,693,479	0	0	(57,908)	(57,908)
Sanitation	1,477,894	1,361,720	0	0	(116,174)	(116,174)
Total Business-Type Activities	8,178,796	7,936,088	0	0	(242,708)	(242,708)
Totals	\$21,778,046	\$8,979,878	\$827,730	(11,727,730)	(242,708)	(11,970,438)
General Revenues:						
Income Taxes Levied for:						
General Purposes				5,618,710	0	5,618,710
Other Purposes				2,668,601	0	2,668,601
Property Taxes Levied for:						
General Purposes				672,605	0	672,605
Other Purposes				165,012	0	165,012
Grants and Entitlements, Not Restricted				320,747	0	320,747
Revenue in Lieu of Taxes				329,381	0	329,381
Unrestricted Contributions				7,500	0	7,500
Investment Earnings				238	100	338
Other Revenues				424,825	387,675	812,500
Total General Revenues				10,207,619	387,775	10,595,394
Change in Net Position				(1,520,111)	145,067	(1,375,044)
Net Position - Beginning of Year, Restated				14,810,180	21,833,220	36,643,400
Net Position - End of Year				\$13,290,069	\$21,978,287	\$35,268,356

See accompanying notes to the basic financial statements.

City of London, Ohio
Balance Sheet
Governmental Funds
December 31, 2023

	General	Fire Department	Other Governmental Funds	Total Governmental Funds
Assets:				
Equity in Pooled Cash and Investments	\$4,402,643	\$1,182,747	\$5,444,439	\$11,029,829
Cash and Cash Equivalents with Fiscal Agent	0	0	56,890	56,890
Receivables (Net):				
Taxes	1,649,913	605,290	407,959	2,663,162
Accounts	24,970	0	0	24,970
Intergovernmental	89,388	5,966	399,117	494,471
Special Assessments	0	0	41,630	41,630
Inventory	0	0	31,190	31,190
Prepaid Items	46,157	12,289	15,554	74,000
Total Assets	<u>6,213,071</u>	<u>1,806,292</u>	<u>6,396,779</u>	<u>14,416,142</u>
Liabilities:				
Accounts Payable	13,156	13,337	26,262	52,755
Accrued Wages and Benefits	143,274	159,137	62,962	365,373
Deposits Held and Due to Others	4,223	0	0	4,223
Intergovernmental Payable	37,913	18,956	0	56,869
Total Liabilities	<u>198,566</u>	<u>191,430</u>	<u>89,224</u>	<u>479,220</u>
Deferred Inflows of Resources:				
Property and Other Taxes	655,524	77,775	305,842	1,039,141
Unavailable Revenue	531,868	247,146	358,390	1,137,404
Total Deferred Inflows of Resources	<u>1,187,392</u>	<u>324,921</u>	<u>664,232</u>	<u>2,176,545</u>
Fund Balances:				
Nonspendable	46,157	12,289	46,744	105,190
Restricted	0	1,277,652	3,891,347	5,168,999
Committed	0	0	1,038,606	1,038,606
Assigned	425,565	0	666,626	1,092,191
Unassigned	4,355,391	0	0	4,355,391
Total Fund Balances	<u>4,827,113</u>	<u>1,289,941</u>	<u>5,643,323</u>	<u>11,760,377</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$6,213,071</u>	<u>\$1,806,292</u>	<u>\$6,396,779</u>	<u>\$14,416,142</u>

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, 2023

Total Governmental Fund Balance		\$11,760,377
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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		15,172,434
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Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.

Income Taxes	\$725,254	
Delinquent Property Taxes	16,901	
Intergovernmental	353,619	
Other Receivables	<u>41,630</u>	
		1,137,404

An internal service fund is used by management to charge back costs to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.

Internal Service Net Position		350,007
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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.

	(11,849)
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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	(652,444)
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Deferred outflow of resources associated with long-term liabilities are not reported in the funds.

135,732

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	5,791,065	
Deferred inflows of resources related to pensions	(604,537)	
Deferred outflows of resources related to OPEB	958,149	
Deferred inflows of resources related to OPEB	<u>(928,679)</u>	
		5,215,998

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

Net Pension Liability	(14,650,417)	
Net OPEB Liability	(937,841)	
Other Amounts	<u>(4,229,332)</u>	
		(19,817,590)

Net Position of Governmental Activities		<u>\$13,290,069</u>
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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, 2023

	General	Fire Department	Other Governmental Funds	Total Governmental Funds
Revenues:				
Property and Other Taxes	\$676,218	\$82,741	\$82,741	\$841,700
Income Taxes	4,946,236	2,670,692	532,597	8,149,525
Charges for Services	109,259	603,274	0	712,533
Investment Earnings	105,321	0	238	105,559
Intergovernmental	315,436	10,960	772,062	1,098,458
Special Assessments	0	0	41,190	41,190
Fines, Licenses & Permits	387,066	0	1,128	388,194
Revenue in Lieu of Taxes	0	0	345,960	345,960
Other Revenues	116,385	6,500	119,004	241,889
Total Revenues	6,655,921	3,374,167	1,894,920	11,925,008
Expenditures:				
Current:				
General Government	2,214,647	0	23,033	2,237,680
Public Safety	2,624,955	3,541,632	339,523	6,506,110
Community Development	156,120	0	31,399	187,519
Leisure Time Activities	363,610	0	21,000	384,610
Transportation and Street Repair	0	0	898,023	898,023
Capital Outlay	0	0	691,150	691,150
Debt Service:				
Principal	0	108,183	520,664	628,847
Interest and Other Charges	0	22,757	63,760	86,517
Total Expenditures	5,359,332	3,672,572	2,588,552	11,620,456
Excess of Revenues Over (Under) Expenditures	1,296,589	(298,405)	(693,632)	304,552
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets	9,937	0	0	9,937
Transfers In	0	200,000	781,385	981,385
Transfers (Out)	(886,207)	0	(95,178)	(981,385)
Total Other Financing Sources (Uses)	(876,270)	200,000	686,207	9,937
Net Change in Fund Balance	420,319	(98,405)	(7,425)	314,489
Fund Balance - Beginning of Year	4,406,794	1,388,346	5,650,748	11,445,888
Fund Balance - End of Year	\$4,827,113	\$1,289,941	\$5,643,323	\$11,760,377

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, 2023

Net Change in Fund Balance - Total Governmental Funds \$314,489

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	\$812,603	
Depreciation Expense	<u>(1,572,625)</u>	
		(760,022)

Governmental funds only report the disposal of assets to the
extent proceeds are received from the sale. In the statement
of activities, a gain or loss is reported for each disposal. The
amount of the proceeds must be removed and the gain or loss
on the disposal of capital assets must be recognized. This is the
amount of the difference between the proceeds and the gain or loss.

(473,373)

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	890,423	
City pension expense	(2,418,591)	
City OPEB contributions	15,980	
City OPEB expense	<u>(107,669)</u>	
		(1,619,857)

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

Income Taxes	137,786	
Delinquent Property Taxes	(4,083)	
Intergovernmental	32,965	
Other	<u>475</u>	
		167,143

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

628,847

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

3,503

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	(44,964)	
Amortization of Deferred Charge on Refunding	<u>(20,881)</u>	
		(65,845)

The internal service fund used by management to charge back costs
to individual funds is not reported in the entity-wide statement of
activities. Governmental fund expenditures and the related internal
service fund revenues are eliminated. The net revenue (expense) of
the internal service fund is allocated among the governmental activities.

Change in Net Position - Internal Service Funds	<u>285,004</u>	
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Change in Net Position of Governmental Activities	<u><u>(\$1,520,111)</u></u>	
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See accompanying notes to the basic financial statements.

City of London, Ohio
Statement of Net Position
Proprietary Funds
December 31, 2023

	Business-Type Activities -Enterprise Funds				Governmental Activities- Internal Service Funds
	Water	Sewer	Sanitation	Total Business-Type Activities	
Current Assets:					
Equity in Pooled Cash and Investments	\$2,926,359	\$4,170,666	\$895,078	\$7,992,103	\$490,007
Receivables (Net):					
Accounts	335,738	696,877	25,220	1,057,835	0
Special Assessments	0	6,857	0	6,857	0
Interfund	0	122,807	0	122,807	0
Inventory	480,089	7,523	22,575	510,187	0
Prepaid Items	11,724	10,778	10,537	33,039	0
Total Current Assets	3,753,910	5,015,508	953,410	9,722,828	490,007
Noncurrent Assets:					
Restricted Cash	213,851	0	0	213,851	0
Capital Assets:					
Nondepreciable Capital Assets	6,933,343	66,768	99,960	7,100,071	0
Depreciable Capital Assets, Net	5,873,945	17,955,838	407,293	24,237,076	0
Total Noncurrent Assets	13,021,139	18,022,606	507,253	31,550,998	0
Total Assets	16,775,049	23,038,114	1,460,663	41,273,826	490,007
Deferred Outflows of Resources:					
Pension	544,067	312,630	260,078	1,116,775	0
OPEB	82,104	47,178	39,248	168,530	0
Total Deferred Outflows of Resources	626,171	359,808	299,326	1,285,305	0
Liabilities:					
Current Liabilities:					
Accounts Payable	35,171	5,194	38,518	78,883	0
Accrued Wages and Benefits	27,752	18,878	22,295	68,925	0
Compensated Absences	52,497	34,654	35,474	122,625	0
Accrued Interest Payable	0	0	143	143	0
Interfund Payable	122,807	0	0	122,807	0
Deposit Liability	213,851	0	0	213,851	0
Claims Payable	0	0	0	0	140,000
OWDA Loans	395,816	1,752,105	0	2,147,921	0
Due Within One Year	0	0	102,351	102,351	0
Total Current Liabilities	847,894	1,810,831	198,781	2,857,506	140,000
Long-Term Liabilities:					
Compensated Absences	41,763	2,146	0	43,909	0
Bonds Payable	0	0	69,380	69,380	0
Net Pension Liability	1,328,567	763,417	635,090	2,727,074	0
Net OPEB Liability	27,686	15,909	13,235	56,830	0
OWDA Loans	7,542,556	7,216,235	0	14,758,791	0
Total Noncurrent Liabilities	8,940,572	7,997,707	717,705	17,655,984	0
Total Liabilities	9,788,466	9,808,538	916,486	20,513,490	140,000
Deferred Inflows of Resources:					
Pension	19,639	11,285	9,388	40,312	0
OPEB	13,174	7,570	6,298	27,042	0
Total Deferred Inflows of Resources	32,813	18,855	15,686	67,354	0
Net Position:					
Net Investment in Capital Assets	4,868,916	9,054,266	335,522	14,258,704	0
Unrestricted	2,711,025	4,516,263	492,295	7,719,583	350,007
Total Net Position	\$7,579,941	\$13,570,529	\$827,817	\$21,978,287	\$350,007

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, 2023

	Business-Type Activities -Enterprise Funds				Governmental Activities- Internal Service Funds
	Water	Sewer	Sanitation	Total Business-Type Activities	
Operating Revenues:					
Charges for Services	\$2,880,889	\$3,693,479	\$1,361,720	\$7,936,088	\$1,464,779
Other Revenues	0	387,675	0	387,675	215,432
Total Operating Revenues	<u>2,880,889</u>	<u>4,081,154</u>	<u>1,361,720</u>	<u>8,323,763</u>	<u>1,680,211</u>
Operating Expenses:					
Personal Services	845,462	776,770	642,184	2,264,416	0
Contactual Services	944,064	1,698,867	623,735	3,266,666	0
Materials and Supplies	696,087	101,591	54,982	852,660	0
Depreciation	365,422	1,094,434	152,552	1,612,408	0
Other Expense	44,530	0	0	44,530	18,750
Claims Expense	0	0	0	0	1,376,457
Total Operating Expenses	<u>2,895,565</u>	<u>3,671,662</u>	<u>1,473,453</u>	<u>8,040,680</u>	<u>1,395,207</u>
Operating Income (Loss)	<u>(14,676)</u>	<u>409,492</u>	<u>(111,733)</u>	<u>283,083</u>	<u>285,004</u>
Non-Operating Revenues (Expenses):					
Investment Earnings	0	0	100	100	0
Interest and Fiscal Charges	(53,950)	(79,725)	(4,441)	(138,116)	0
Total Non-Operating Revenues (Expenses)	<u>(53,950)</u>	<u>(79,725)</u>	<u>(4,341)</u>	<u>(138,016)</u>	<u>0</u>
Income (Loss) Before Contributions and Transfers	<u>(68,626)</u>	<u>329,767</u>	<u>(116,074)</u>	<u>145,067</u>	<u>285,004</u>
Transfers In	4,408	0	0	4,408	0
Transfers (Out)	<u>0</u>	<u>(4,408)</u>	<u>0</u>	<u>(4,408)</u>	<u>0</u>
Change in Net Position	<u>(64,218)</u>	<u>325,359</u>	<u>(116,074)</u>	<u>145,067</u>	<u>285,004</u>
Net Position - Beginning of Year, Restated	<u>7,644,159</u>	<u>13,245,170</u>	<u>943,891</u>	<u>21,833,220</u>	<u>65,003</u>
Net Position - End of Year	<u>\$7,579,941</u>	<u>\$13,570,529</u>	<u>\$827,817</u>	<u>\$21,978,287</u>	<u>\$350,007</u>

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, 2023

	Business-Type Activities -Enterprise Funds				Governmental Activities- Internal Service Funds
	Water	Sewer	Sanitation	Total Business-Type Activities	
Cash Flows from Operating Activities:					
Cash Received from Customers	\$2,756,253	\$3,772,723	\$1,355,818	\$7,884,794	\$1,464,779
Other Cash Receipts	0	0	0	0	215,432
Cash Payments to Employees	(884,352)	(684,354)	(566,705)	(2,135,411)	0
Cash Payments to Suppliers	(1,674,315)	(1,604,775)	(691,253)	(3,970,343)	(18,750)
Cash Payments for Claims	0	0	0	0	(1,419,457)
Net Cash Provided (Used) by Operating Activities	197,586	1,483,594	97,860	1,779,040	242,004
Cash Flows from Capital and Related Financing Activities:					
Payments for Capital Acquisitions	(50,108)	(141,239)	(6,550)	(197,897)	0
Debt Proceeds	123,810	308,510	0	432,320	0
Debt Principal Payments	(327,159)	(1,742,909)	(100,327)	(2,170,395)	0
Debt Interest Payments	(86,016)	(79,725)	(4,525)	(170,266)	0
Net Cash Provided (Used) by Capital and Related Financing Activities	(339,473)	(1,655,363)	(111,402)	(2,106,238)	0
Cash Flows from Investing Activities:					
Earnings on Investments	0	0	100	100	0
Net Cash Provided (Used) by Cash Flows from Investing Activities	0	0	100	100	0
Net Increase (Decrease) in Cash and Cash Equivalents	(141,887)	(171,769)	(13,442)	(327,098)	242,004
Cash and Cash Equivalents - Beginning of Year	3,282,097	4,342,435	908,520	8,533,052	248,003
Cash and Cash Equivalents - End of Year	3,140,210	4,170,666	895,078	8,205,954	490,007
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities					
Operating Income (Loss)	(14,676)	409,492	(111,733)	283,083	285,004
Adjustments:					
Depreciation	365,422	1,094,434	152,552	1,612,408	0
Changes in Assets & Liabilities and Deferred Outflows & Inflows:					
(Increase) Decrease in Receivables	(124,636)	(104,110)	41,484	(187,262)	0
(Increase) Decrease in Inventory	189,984	(1,738)	1,449	189,695	0
(Increase) Decrease in Deferred Outflows of Resources	(322,233)	(208,559)	(169,300)	(700,092)	0
(Increase) Decrease in Prepaids	(4,945)	(4,917)	(4,941)	(14,803)	0
(Increase) Decrease in Net OPEB Asset	142,926	71,124	61,144	275,194	0
Increase (Decrease) in Net OPEB Liability	27,686	15,909	13,235	56,830	0
Increase (Decrease) in Payables	(180,027)	(6,383)	(9,044)	(195,454)	0
Increase (Decrease) in Accrued Liabilities	(115,267)	(2,589)	2,197	(115,659)	0
Increase (Decrease) in Deferred Inflows of Resources	(690,645)	(341,160)	(341,197)	(1,373,002)	0
Increase (Decrease) in Net Pension Liability	923,997	562,091	462,014	1,948,102	0
Increase (Decrease) in Claims Payables	0	0	0	0	(43,000)
Net Cash Provided (Used) by Operating Activities	\$197,586	\$1,483,594	\$97,860	\$1,779,040	\$242,004

See accompanying notes to the basic financial statements.

City of London, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2023

Note 1 – Description of the City and Reporting Entity

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

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

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 activity of the internal service fund is eliminated to avoid doubling up revenues and expenses. 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, 2023

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. The internal service fund is presented in a single column on the face of the proprietary fund statements. 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. Proprietary funds are classified as either enterprise or internal service.

City of London, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2023

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.

Internal Service Fund – An internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the City on a cost-reimbursement basis. The City's internal service fund reports on a self-insurance program for employee medical benefits.

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

City of London, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2023

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

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

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, payments in lieu of taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned. Revenue from property taxes and payments in lieu of taxes is recognized in the fiscal year for which the taxes or payments are levied (See Note 4). 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, 2023, but which were levied to finance year 2024 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. Leases have been recorded as deferred inflows on both the government-wide statement of net position and the governmental fund financial statements. Income

City of London, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2023

taxes, grants and entitlements, and other revenues not received within the available period and delinquent property taxes due at December 31, 2023, are recorded as unavailable revenue in the governmental funds and as revenue on the Statement of Activities.

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

Deferred inflows of resources related to pensions and OPEB are reported on the government-wide and proprietary fund statements on net position (See Note 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 2023, investments were limited to a money market fund and a certificate of deposit. 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 \$105,321 in the General fund and \$238 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.

City of London, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2023

Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2023 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.

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:

City of London, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2023

<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

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, notes and long-term loans are recognized as a liability on the government fund financial statements when due.

City of London, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2023

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.

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

City of London, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2023

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 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

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.

City of London, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2023

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;
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 \$17,563,553 and the bank balance was \$18,167,254. Of the bank balance, \$250,000 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

City of London, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2023

institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or

2. Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

Investments - As of December 31, 2023, the City had the following investments and maturities:

Investment Type	Value	Fair Value Hierarchy	Weighted Average Maturity (Years)
Money Market Funds	\$1,709,021	N/A	0.00
Certificates of Deposit	20,094	Level 2	1.35
Total Fair Value	<u>\$1,729,115</u>		
Portfolio Weighted Average Maturity			0.02

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

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Property tax revenue received during 2023 for real and public utility property taxes represents collections of the 2022 taxes. Property tax payments received during 2023 for tangible personal property (other than public utility property) are for 2022 taxes.

The 2023 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. 2022 real property taxes are collected in and intended to finance 2023.

Public utility tangible personal property currently is assessed at varying percentages of true value; public

City of London, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2023

utility real property is assessed at 35 percent of true value. 2023 public utility property taxes which became a lien on December 31, 2021, are levied after October 1, 2022, and are collected in 2023 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2023, was \$4.40 per \$1,000 of assessed value. The assessed values of real and tangible personal property for tax year 2022, upon which 2023 property tax receipts were based, are as follows:

	Amount
Real Property	\$271,691,360
Public Utility	14,449,770
Total	<u>\$286,141,130</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, 2023 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 2023 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

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

Community Reinvestment Area

Description - Under the authority of 3735.65 – 3735.70, the City created a Community Reinvestment Area

City of London, Ohio
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For The Year Ended December 31, 2023

(CRA). Legislation established that the development of real property and the acquisition of personal property located in the area designated as this CRA constituted a purpose for which real property tax exemptions may be granted.

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

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

The gross dollar amount for the total abated value of the CRA parcels for 2023 was as follows:

Company	Term	Percent	Amount
BST London	2013-2029	100	\$4,372
Taco Bell	2016-2026	50	302
Elite FTS.com Inc	2020-2030	50	2,158
Stanley Electric	2020-2030	50	11,544

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 2023 was as follows:

Company	Term	Percent	Amount
Nissen Chemitec	2014-2024	50	\$955

Note 7 – Receivables and Deferred Inflows of Resources

Receivables

Receivables at December 31, 2023 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:

City of London, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2023

Receivable	Amount
Property taxes	\$848,901
Income taxes	1,586,194
Payment in lieu of taxes	228,067
Total	<u>\$2,663,162</u>

Deferred Inflows of Resources

Deferred Inflows of Resources at December 31, 2023 consisted of property taxes, payments in lieu of taxes, and special assessments for which there is an enforceable legal claim as of December 31, 2023, which were levied to finance year 2024 operations.

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

Deferred Inflows of Resources	Amount
Property taxes	\$811,074
Payment in lieu of taxes	228,067
Pension	604,537
OPEB	928,679
Total	<u>\$2,572,357</u>

Note 8 – Capital Assets

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

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City of London, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2023

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
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>
<i>Capital Assets, being depreciated:</i>				
Buildings and Improvements	6,232,683	0	839,756	5,392,927
Equipment	5,611,060	543,595	109,170	6,045,485
Infrastructure	25,149,687	269,008	0	25,418,695
Total Capital Assets, being depreciated	<u>36,993,430</u>	<u>812,603</u>	<u>948,926</u>	<u>36,857,107</u>
Totals at Historical Cost	<u>37,721,737</u>	<u>812,603</u>	<u>948,926</u>	<u>37,585,414</u>
Less Accumulated Depreciation:				
Buildings and Improvements	2,372,854	153,384	377,890	2,148,348
Equipment	4,031,199	613,351	97,663	4,546,887
Infrastructure	14,911,855	805,890	0	15,717,745
Total Accumulated Depreciation	<u>21,315,908</u>	<u>1,572,625</u>	<u>475,553</u>	<u>22,412,980</u>
Governmental Activities Capital Assets, Net	<u>\$16,405,829</u>	<u>(\$760,022)</u>	<u>\$473,373</u>	<u>\$15,172,434</u>

Depreciation expense was charged to the governmental functions as follows:

General Government	\$212,058
Public Safety	272,537
Leisure Time Activities	71,936
Transportation and Street Repair	<u>1,016,094</u>
Total Depreciation Expense	<u>\$1,572,625</u>

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City of London, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2023

	Beginning Balance	Additions	Deletions	Ending Balance
Business-Type Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$275,926	\$0	\$0	\$275,926
Construction in Progress *	6,824,145	0	0	6,824,145
Total Capital Assets, not being depreciated	7,100,071	0	0	7,100,071
<i>Capital Assets, being depreciated:</i>				
Building and Improvements	29,417,776	28,550	0	29,446,326
Equipment	6,746,099	52,482	0	6,798,581
Infrastructure	18,188,980	116,865	0	18,305,845
Total Capital Assets, being depreciated	54,352,855	197,897	0	54,550,752
Totals at Historical Cost	61,452,926	197,897	0	61,650,823
Less Accumulated Depreciation:				
Building and Improvements	14,751,876	811,871	0	15,563,747
Equipment	5,174,991	439,639	0	5,614,630
Infrastructure	8,774,401	360,898	0	9,135,299
Total Accumulated Depreciation	28,701,268	1,612,408	0	30,313,676
Business-Type Activities Capital Assets, Net	\$32,751,658	(\$1,414,511)	\$0	\$31,337,147

*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 identified a solution. The City will transfer all water and sewer operations to Mid-Ohio Water and Sewer District in 2024 and they expect to begin construction for needed plant modifications in 2024 and plans to place plant in operation in 2024. 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.

Note 9 – Risk Management

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During 2023, the City was insured through Wichert Insurance and had the following types of insurance:

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

City of London, Ohio
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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.

The City has elected to provide employee healthcare benefits for its employees through a self-insured program. The City maintains a self-insurance internal service fund to account for and finance its uninsured risks of loss in this program. This plan provides medical and prescription drug coverage, providing a traditional plan with a preferred provider organization (PPO) as well as a high deductible plan with Health Saving Account (HSA). The City contracts with Cigna Healthcare for network discounts; deductibles are higher and vary for out-of-network claims. A third party administrator, Business Administrators & Consultants, Inc., processes and pays the claims. The City is paying self-insurance claims and administrative costs from its internal service fund. An excess coverage insurance (stop loss) policy covers claims in excess of \$50,000 per employee, per year.

During 2023, a total of \$1,395,207 was paid in benefits and administrative costs. The liability for unpaid claims cost of \$140,000, reported in the internal service fund at December 31, 2023, is based on the requirements of Governmental Accounting Standards Board Statement No. 30 and will be processed and paid in 2024. Statement No. 30 requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The claims liability was determined by reviewing invoices for claims paid in January through March 2024, which were incurred in 2023 or before.

The estimates for the internal services fund were not affected by incremental claim adjustment expenses and does not include other allocated claim adjustment expenses. Changes in the internal services funds' claims liability amounts in the last two years follows:

	Balance at beginning of year	Current year claims	Claim payments	Balance at end of year
2023	\$183,000	1,333,457	1,376,457	140,000
2022	\$198,000	1,951,542	1,966,542	183,000

Note 10 – Defined Benefit Pension Plans

The Statewide retirement systems provide both pension benefits 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.

City of London, Ohio
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The net pension/OPEB liability represents 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 employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees 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 pension disclosures. See Note 11 for the OPEB disclosures.

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 is a cost-sharing, multiple employer public employee retirement system which 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. Effective January 1, 2022, new members may no longer select the Combined Plan, and current members may no longer make a plan change to this plan. Participating employers are divided into state, local, law enforcement and public safety divisions. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the traditional 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

City of London, Ohio
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For The Year Ended December 31, 2023

financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members 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 and combined plans as per the reduced benefits adopted by SB 343 (see OPERS Annual Comprehensive Financial Report referenced above for additional information, including requirements for reduced and unreduced benefits):

<u>Group A</u> Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	<u>Group B</u> 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	<u>Group C</u> 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 amount of a member's pension benefit vests upon receipt of the initial benefit payment. The options for Public Safety and Law Enforcement permit early retirement under qualifying circumstances as early as age 48 with a reduced benefit.

City of London, Ohio
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When a traditional plan benefit recipient has received benefits for 12 months, the member is eligible 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 on or after January 7, 2013, beginning in calendar year 2019, the adjustment is 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. 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 and will continue to be administered by OPERS), partial lump-sum payments (subject to limitations), a rollover of the vested account balance to another financial institution, receipt of entire account balance, net of taxes withheld, or a combination of these options. When members choose to annuitize their defined contribution benefit, the annuitized portion of the benefit is reclassified to a defined benefit.

Funding Policy

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

City of London, Ohio
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For The Year Ended December 31, 2023

	State and Local	Public Safety	Law Enforcement
2023 Statutory Maximum Contribution Rates			
Employer	14.0 %	18.1 %	18.1 %
Employee *	10.0 %	**	***
2023 Actual Contribution Rates			
Employer:			
Pension ****	14.0 %	18.1 %	18.1 %
Post-employment Health Care Benefits ****	0.0	0.0	0.0
Total Employer	14.0 %	18.1 %	18.1 %
Employee	10.0 %	12.0 %	13.0 %

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

** This rate is determined by OPERS' Board and has no maximum rate established by ORC.

*** This rate is also determined by OPERS' Board, but is limited by ORC to not more than 2 percent greater than the Public Safety rate.

**** 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 percent for health care with the remainder going to pension; however, effective July 1, 2022, a portion of the health care rate is funded with reserves.

Employer contribution rates are actuarially determined within the constraints of statutory limits for each division and expressed as a percentage of covered payroll.

For 2023, the City's contractually required contribution was \$393,693, of this amount \$45,313 is reported in accrued wages and benefits.

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 www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

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

City of London, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2023

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

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

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

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

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

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

Funding Policy

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

	<u>Police</u>	<u>Firefighters</u>
2023 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
2023 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	<u>12.25 %</u>	<u>12.25 %</u>

City of London, Ohio
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Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was \$685,476 for 2023, of this amount \$80,195 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 for OPERS was measured as of December 31, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OP&F's total pension liability was measured as of December 31, 2022, and was determined by rolling forward the total pension liability as of January 1, 2022, to December 31, 2022. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share of the City's defined benefit pension plans:

	OPERS Traditional Plan	OPF	Total
Proportionate Share of the:			
Net Pension Liability	\$5,688,231	\$11,689,260	\$17,377,491
Proportion of the Net Pension Liability:			
Current Measurement Date	0.01925600%	0.12305740%	
Prior Measurement Date	0.01863700%	0.11788320%	
Change in Proportionate Share	0.00061900%	0.00517420%	
Pension Expense	\$959,338	\$1,916,362	\$2,875,700

At December 31 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS Traditional Plan	OPF	Total
<u>Deferred Outflows of Resources</u>			
Differences between expected and actual experience	\$188,939	\$175,334	\$364,273
Changes in assumptions	60,092	1,054,331	1,114,423
Net difference between projected and actual earnings on pension plan investments	1,621,324	1,701,813	3,323,137
Changes in employer proportionate share of net pension liability	65,361	961,477	1,026,838
Contributions subsequent to the measurement date	393,693	685,476	1,079,169
Total Deferred Outflows of Resources	<u>\$2,329,409</u>	<u>\$4,578,431</u>	<u>\$6,907,840</u>
<u>Deferred Inflows of Resources</u>			
Differences between expected and actual experience	\$0	\$266,316	\$266,316
Changes in assumptions	0	227,937	227,937
Changes in employer proportionate share of net pension liability	84,084	66,512	150,596
Total Deferred Inflows of Resources	<u>\$84,084</u>	<u>\$560,765</u>	<u>\$644,849</u>

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\$1,079,169 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, 2024. 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 December 31:	OPERS Traditional Plan	OPF	Total
2024	\$180,298	\$706,518	\$886,816
2025	399,862	807,112	1,206,974
2026	477,235	740,790	1,218,025
2027	794,237	1,052,609	1,846,846
2028	0	25,161	25,161
Total	\$1,851,632	\$3,332,190	\$5,183,822

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, 2022, using the following key actuarial assumptions and methods applied to all periods included in the measurement in accordance with the requirements of GASB 67:

	OPERS Traditional Plan
Wage Inflation	2.75 percent
Future Salary Increases, including inflation	2.75 to 10.75 percent including wage inflation
COLA or Ad Hoc COLA:	
Pre-January 7, 2013 Retirees	3.0 percent, simple
Post-January 7, 2013 Retirees	3.0 percent, simple through 2023, then 2.05 percent, simple
Investment Rate of Return	6.9 percent
Actuarial Cost Method	Individual Entry Age

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

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determined by applying the MP-2020 mortality improvement scales (males and females) to all of these tables.

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

During 2022, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was 12.1 percent for 2022.

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 geometric rates of return were provided by the Board's investment consultant. For each major class that is included in the Defined Benefit portfolio's target asset allocation as of December 31, 2022, these best estimates are summarized below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Geometric)</u>
Fixed Income	22.00%	2.62%
Domestic Equities	22.00	4.60
Real Estate	13.00	3.27
Private Equity	15.00	7.53
International Equities	21.00	5.51
Risk Parity	2.00	4.37
Other investments	5.00	3.27
Total	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the total pension liability for the current year was 6.9 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

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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 calculated using the current period discount rate assumption of 6.9 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (5.9 percent) or one-percentage-point higher (7.9 percent) than the current rate:

	1% Decrease (5.90%)	Current Discount Rate (6.90%)	1% Increase (7.90%)
Proportionate share of the net pension liability	\$8,520,780	\$5,688,231	\$3,332,058

Actuarial Assumptions – OP&F

OP&F's total pension liability as of December 31, 2022, is based on the results of an actuarial valuation date of January 1, 2022, 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, 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 are: 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, 2022, are presented below.

Valuation Date	January 1, 2022, with actuarial liabilities rolled forward to December 31, 2022
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	7.5 percent
Projected Salary Increases	3.75 percent to 10.5 percent
Payroll Growth	3.25 percent per annum, compounded annually, consisting of inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent
Cost of Living Adjustments	2.2 percent simple per year

For 2022, mortality for service retirees is based on the Pub-2010 Below-Median Safety Amount-Weighted Healthy Retiree mortality table with rates adjusted by 96.2 percent for males and 98.7 percent for females. All rates are projected using the MP-2021 Improvement Scale.

For 2022, mortality for disabled retirees is based on the Pub-2010 Safety Amount-Weighted Disabled Retiree mortality table with rates adjusted by 135 percent for males and 97.9 percent for females. All rates are projected using the MP-2021 Improvement Scale.

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For 2022, mortality for contingent annuitants is based on the Pub-2010 Below-Median Safety Amount-Weighted Contingent Annuitant Retiree mortality table with rates adjusted by 108.9 percent for males and 131 percent for females. All rates are projected using the MP-2021 Improvement Scale.

For 2022, Mortality for active members is based on the Pub-2010 Below-Median Safety Amount-Weighted Employee mortality table. All rates are projected using the MP- 2021 Improvement Scale.

For 2021, 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.

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

For 2021, 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.

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

The most recent experience study was completed for the five-year period ended December 31, 2021.

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

Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2022, are summarized below:

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Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	18.60 %	4.80 %
Non-US Equity	12.40	5.50
Private Markets	10.00	7.90
Core Fixed Income *	25.00	2.50
High Yield Fixed Income	7.00	4.40
Private Credit	5.00	5.90
U.S. Inflation Linked Bonds*	15.00	2.00
Midstream Energy Infrastructure	5.00	5.90
Real Assets	8.00	5.90
Gold	5.00	3.60
Private Real Estate	12.00	5.30
Commodities	2.00	3.60
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 their relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.25 times due to the application of leverage in certain fixed income asset classes.

Discount Rate

For 2022, the total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the longer-term assumed investment rate of return of 7.50 percent. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

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

Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact, the following table presents the net pension liability calculated using the discount rate of 7.50 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of the net pension liability	\$15,420,390	\$11,689,260	\$8,587,572

Note 11 – Postemployment Benefits

Net OPEB Liability

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

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. The 115 Health Care Trust (115 Trust or Health Care Trust) was established in 2014, under Section 115 of the Internal Revenue Code (IRC). The purpose of the 115 Trust is to fund health care for the Traditional Pension, Combined and Member-Directed plans. Medicare-enrolled retirees in the Traditional Pension and Combined plans may have an allowance deposited into a health reimbursement arrangement (HRA) account to be used toward the health care program of their choice selected with the assistance of an OPERS vendor. Non-Medicare retirees have converted to an arrangement similar to the Medicare-enrolled retirees, and are no longer participating in OPERS provided self-insured group plans.

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

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

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

Medicare Retirees - Medicare-eligible with a minimum of 20 years of qualifying service credit

Non-Medicare Retirees - Non-Medicare retirees qualify based on the following age-and-service criteria:

Group A - 30 years of qualifying service credit at any age;

Group B - 32 years of qualifying service credit at any age or 31 years of qualifying service credit and minimum age 52;

Group C - 32 years of qualifying service credit and minimum age 55; or,

A retiree from groups A, B or C who qualifies for an unreduced pension, but a portion of their service credit is not health care qualifying service, can still qualify for health care at age 60 if they have at least 20 years of qualifying health care service credit.

Retirees who don't meet the requirement for coverage as a non-Medicare participant can become eligible

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for coverage at age 65 if they have at least 20 years of qualifying service.

Members with a retirement date prior to January 1, 2022, who were eligible to participate in the OPERS health care program will continue to be eligible after January 1, 2022.

Eligible retirees may receive a monthly HRA allowance for reimbursement of health care coverage premiums and other qualified medical expenses. Monthly allowances, based on years of service and the age at which the retiree first enrolled in OPERS coverage, are provided to eligible retirees, and are deposited into their HRA account.

Retirees will have access to the OPERS Connector, which is a relationship with a vendor selected by OPERS to assist retirees participating in the health care program. The OPERS Connector may assist retirees in selecting and enrolling in the appropriate health care plan.

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

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

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.

The Ohio Revised Code permits but does not require OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy

The Ohio Revised Code provides the statutory authority 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.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2023, 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.

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Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. For 2023, OPERS did not allocate any employer contribution to health care for members in the Traditional Pension Plan and beginning July 1, 2022, there was a two percent allocation to health care for the 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 2022 was 4.0 percent; however, effective July 1, 2022, a portion of the health care rate was funded with reserves.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$0 for 2023.

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.

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

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

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

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. The report may be obtained by visiting the OP&F website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

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Funding Policy

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions for retiree health care benefits. For 2023, 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 \$15,980 for 2023.

Net OPEB Liability

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2021, rolled forward to the measurement date of December 31, 2022, 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, 2022, and was determined by rolling forward the total OPEB liability as of January 1, 2022, to December 31, 2022. The City's proportion of the net OPEB liability was based on the City's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share:

	OPERS Traditional Plan	OPF	Total
Proportionate Share of the:			
Net OPEB Liability	\$118,538	\$876,133	\$994,671
Proportion of the Net OPEB Liability:			
Current Measurement Date	0.01880000%	0.12305740%	
Prior Measurement Date	0.01828900%	0.11788290%	
Change in Proportionate Share	0.00051100%	0.00517450%	
OPEB Expense	(\$29,393)	\$123,114	\$93,721

At December 31 2023, reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

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	OPERS Traditional Plan	OPF	Total
<u>Deferred Outflows of Resources</u>			
Differences between expected and actual experience	\$0	\$52,282	\$52,282
Changes in assumptions	115,778	436,617	552,395
Net difference between projected and actual earnings on pension plan investments	235,420	75,146	310,566
Changes in employer proportionate share of net OPEB liability	327	195,129	195,456
Contributions subsequent to the measurement date	0	15,980	15,980
Total Deferred Outflows of Resources	<u>\$351,525</u>	<u>\$775,154</u>	<u>\$1,126,679</u>
<u>Deferred Inflows of Resources</u>			
Differences between expected and actual experience	\$29,568	\$172,756	\$202,324
Changes in assumptions	9,527	716,605	726,132
Changes in employer proportionate share of net OPEB liability	17,310	9,955	27,265
Total Deferred Inflows of Resources	<u>\$56,405</u>	<u>\$899,316</u>	<u>\$955,721</u>

\$15,980 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, 2024. 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 December 31:	OPERS Traditional Plan	OPF	Total
2024	\$21,763	\$39,147	\$60,910
2025	86,219	43,959	130,178
2026	73,412	(1,726)	71,686
2027	113,728	2,867	116,595
2028	0	(64,210)	(64,210)
Thereafter	0	(160,180)	(160,180)
Total	<u>\$295,122</u>	<u>(\$140,143)</u>	<u>\$154,979</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, 2021, rolled forward to the measurement date of December 31, 2022. The actuarial valuation used the following key actuarial assumptions and methods applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

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Wage Inflation	2.75 percent
Projected Salary Increases,	2.75 to 10.75 percent
	including wage inflation
Single Discount Rate	5.22 percent
Prior Year Single Discount Rate	6.00 percent
Investment Rate of Return	6.00 percent
Municipal Bond Rate	4.05 percent
Prior Year Municipal Bond Rate	1.84 percent
Health Care Cost Trend Rate	5.5 percent, initial
	3.50 percent, ultimate in 2036
Actuarial Cost Method	Individual Entry Age

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

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

During 2022, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, if any contribution are made into the plans, the contributions are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made. Health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio was 15.6 percent for 2022.

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 rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage, adjusted for inflation. Best estimates of geometric rates of return were provided by the Board's investment consultant. For each major asset class that is included in the Health Care's portfolio's target asset allocation as of December 31, 2022, 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 (Geometric)
Fixed Income	34.00%	2.56%
Domestic Equities	26.00	4.60
Real Estate Investment Trust	7.00	4.70
International Equities	25.00	5.51
Risk Parity	2.00	4.37
Other investments	6.00	1.84
Total	100.00%	

Discount Rate

A single discount rate of 5.22 percent was used to measure the OPEB liability on the measurement date of December 31, 2022; however, the single discount rate used at the beginning of the year was 6 percent. 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 4.05 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 2054. As a result, the actuarial assumed long-term expected rate of return on health care investments was applied to projected costs through the year 2054, 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

The following table presents the City's proportionate share of the net OPEB liability calculated using the single discount rate of 5.22 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 (4.22 percent) or one-percentage-point higher (6.22 percent) than the current rate:

	1% Decrease (4.22%)	Current Discount Rate (5.22%)	1% Increase (6.22%)
Proportionate share of the net OPEB Liability	\$403,448	\$118,538	(\$116,560)

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 liability or asset 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.

City of London, Ohio
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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 2023 is 5.50 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 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 liability	\$111,108	\$118,538	\$126,900

Actuarial Assumptions – OP&F

OP&F's total OPEB liability as of December 31, 2022, is based on the results of an actuarial valuation date of January 1, 2022, 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, 2022, with actuarial liabilities rolled forward to December 31, 2022
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	7.5 percent
Projected Salary Increases	3.75 percent to 10.5 percent
Payroll Growth	3.25 percent
Blended discount rate:	
Current measurement date	4.27 percent
Prior measurement date	2.84 percent
Cost of Living Adjustments	2.2 percent simple per year
Projected Depletion Year of OPEB Assets	2036

For 2022, mortality for service retirees is based on the Pub-2010 Below-Median Safety Amount-Weighted Healthy Retiree mortality table with rates adjusted by 96.2 percent for males and 98.7 percent for females. All rates are projected using the MP-2021 Improvement Scale.

For 2022, mortality for disabled retirees is based on the Pub-2010 Safety Amount-Weighted Disabled Retiree mortality table with rates adjusted by 135 percent for males and 97.9 percent for females. All rates are projected using the MP-2021 Improvement Scale.

For 2022, mortality for contingent annuitants is based on the Pub- 2010 Below-Median Safety Amount-Weighted Contingent Annuitant Retiree mortality table with rates adjusted by 108.9 percent for males and 131 percent for females. All rates are projected using the MP-2021 Improvement Scale.

For 2022, mortality for active members is based on the Pub-2010 Below-Median Safety Amount-Weighted Employee mortality table. All rates are projected using the MP- 2021 Improvement Scale.

For 2021, 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.

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

For 2021, 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.

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

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The most recent experience study was completed for the five year period ended December 31, 2021.

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, 2022, are summarized below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	18.60 %	4.80 %
Non-US Equity	12.40	5.50
Private Markets	10.00	7.90
Core Fixed Income *	25.00	2.50
High Yield Fixed Income	7.00	4.40
Private Credit	5.00	5.90
U.S. Inflation Linked Bonds*	15.00	2.00
Midstream Energy Infrastructure	5.00	5.90
Real Assets	8.00	5.90
Gold	5.00	3.60
Private Real Estate	12.00	5.30
Commodities	2.00	3.60
Total	<u>125.00 %</u>	

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 2022, the total OPEB liability was calculated using the discount rate of 4.27 percent. For 2021, the total OPEB liability was calculated using the discount rate of 2.84 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 7.5 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, for 2022, the long-term assumed rate of return on investments of 7.50 percent was applied to periods before December 31, 2035, and the Municipal Bond Index Rate of 3.65 percent was applied to periods on and after December 31, 2035, resulting in a discount rate of 4.27 percent. For 2021, a municipal bond rate of 2.05 percent at December 31, 2021, was blended with the long-term rate of 7.5 which resulted in a blended discount rate of 2.84.

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The municipal bond rate was determined using the Bond Buyers General Obligation 20-year Municipal Bond Index Rate.

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 4.27 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 (3.27 percent), or one percentage point higher (5.27 percent) than the current rate.

	1% Decrease (3.27%)	Current Discount Rate (4.27%)	1% Increase (5.27%)
Proportionate share of the net OPEB liability	\$1,078,876	\$876,133	\$704,966

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

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, 2023, the accrued liability for unpaid compensated absences was \$818,978.

Note 13 – Long Term Liabilities

The following is a summary of changes in long-term liabilities of the governmental activities for the year ended December 31, 2023:

City of London, Ohio
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For The Year Ended December 31, 2023

	Maturity Date	Interest Rate	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Governmental Activities							
<u>General Obligation Bonds</u>							
Keny Blvd. Refunding Bonds	12/1/30	2.09%	1,730,000	0	(175,000)	1,555,000	175,000
Administrative Building Bonds	9/1/32	2.18%	1,150,000	0	(105,000)	1,045,000	105,000
Equipment Acquisition Bonds	6/1/22	3.00%	0	0	0	0	0
Fire Truck & Traffic Lights Bonds	12/1/30	1.47%	1,159,000	0	(103,000)	1,056,000	144,000
Total General Obligation Bonds			4,039,000	0	(383,000)	3,656,000	424,000
<u>OPWC Loans from Direct Borrowing</u>							
OPWC Loan - 2006 Phase I	1/1/26	0.00%	47,906	0	(13,688)	34,218	13,688
OPWC Loan - 2006 Phase II	1/2/27	0.00%	149,452	0	(27,172)	122,280	27,172
OPWC Loan - 2020		0.00%	249,544	0	(8,756)	240,788	8,756
Total OPWC Loans from Direct Borrowing			446,902	0	(49,616)	397,286	49,616
<u>OWDA Loans from Direct Borrowing</u>							
OWDA Loan - 2005	1/1/25	0.00%	230,953	0	(91,518)	139,435	92,435
Total OWDA Loans from Direct Borrowing			230,953	0	(91,518)	139,435	92,435
Notes Payable			102,344	0	(102,344)	0	0
Police & Fire Pension Payable			38,980	0	(2,369)	36,611	2,470
Compensated Absences			630,459	385,534	(363,549)	652,444	331,267
Subtotal Bonds, Notes and Other amounts			5,488,638	385,534	(992,396)	4,881,776	899,788
Net Pension Liability			8,207,183	6,443,234	0	14,650,417	0
Net OPEB Liability (Asset)			1,292,098	0	(354,257)	937,841	0
Total Governmental Activities			14,987,919	6,828,768	(1,346,653)	20,470,034	899,788

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, 2023 is \$36,611 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, 2023:

City of London, Ohio
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Business-Type Activities	Maturity Date	Interest Rate	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
<u>General Obligation Bonds</u>							
2020 Trash Trucks Bonds	8/15/25	2.00%	\$272,058	0	(\$100,327)	\$171,731	\$102,351
Total General Obligation Bonds			<u>272,058</u>	<u>0</u>	<u>(100,327)</u>	<u>171,731</u>	<u>102,351</u>
<u>OWDA Loans from Direct Borrowing</u>							
Sewer Improvements 2006	1/1/29	0.80%	10,395,443	0	(1,697,107)	8,698,336	1,710,711
Water Elevated Storage Tank 2017	1/1/37	1.30%	2,521,977	0	(130,662)	2,391,315	169,988
East Water Pollution Control 2018	1/1/48	1.22%	5,095,153	0	(178,164)	4,916,989	180,344
Water System Improvement	7/1/28	4.26%	0	103,006	(13,925)	89,081	27,850
North Main Street Waterline Replacement	7/1/55	3.11%	0	20,804	0	20,804	0
Sludge Dewatering Replacement		0.00%	0	22,508	0	22,508	0
East Side Trunk Sewer Final Design	7/1/27	0.00%	2,888	286,002	(41,394)	247,496	41,394
CK17Y Water Meter Replacement	7/1/53	0.00%	528,999	0	(8,816)	520,183	17,634
Total OWDA Loans from Direct Borrowing			<u>18,544,460</u>	<u>432,320</u>	<u>(2,070,068)</u>	<u>16,906,712</u>	<u>2,147,921</u>
Compensated Absences			<u>279,100</u>	<u>51,671</u>	<u>(164,237)</u>	<u>166,534</u>	<u>122,625</u>
Subtotal Bonds, Notes and Other Amounts			<u>19,095,618</u>	<u>483,991</u>	<u>(2,334,632)</u>	<u>17,244,977</u>	<u>2,372,897</u>
Net Pension Liability			0	2,727,074	0	2,727,074	0
Net OPEB Liability			<u>778,972</u>	<u>0</u>	<u>(722,142)</u>	<u>56,830</u>	<u>0</u>
Total Business-Type Activities			<u>\$19,874,590</u>	<u>\$3,211,065</u>	<u>(\$3,056,774)</u>	<u>\$20,028,881</u>	<u>\$2,372,897</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 with a final maturity in 2026. 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 upcoming years, therefore this amount was excluded for the future debt service schedule presented below.

City of London, Ohio
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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 2022, the City issued two Ohio Water Development Authority (OWDA) loans. The first loan was in the amount of \$827,888 to finance the East Side Trunk Sewer Final Design project. The loan bears a fixed rate of 1.73% and has a final maturity date of July 1, 2027. The full amount for this loan has not been disbursed as of year end. The second loan was in the amount of \$528,999 to finance the Water Meter Replacement project. The loan bears a fixed rate of 0.00% and has a final maturity date of July 1, 2053.

During 2023, the City issued two Ohio Water Development Authority (OWDA) loans and one Ohio Public Works Commission (OPWC) loan. The first loan was in the amount of \$141,864 to finance the Water System Improvements project. The loan bears a fixed rate of 4.26% and has a final maturity date of July 1, 2028. The full amount for this loan has not been disbursed as of year end. The second loan was in the amount of \$1,562,082 to finance the North Main Street Waterline Replacement project. The loan bears a fixed rate of 3.11% and has a final maturity date of July 1, 2055. The full amount for this loan has not been disbursed as of year end. The third loan was for the Sludge Dewatering and the full amount for this loan has also not been disbursed as of year end. It has a final maturity date of July 1, 2050.

On August 8, 2016 the City issued \$2,220,000 in bonds with an interest rate of 2.090% which was used to partially refund \$1,875,000 of the outstanding 2011 Kenny Blvd. Improvement Bonds with an interest rate between 1.20% and 4.75%. The net proceeds of \$2,167,340 (after payment of underwriting fees, insurance and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide all future debt service payments on the bond issues. As a result, \$1,875,000 of the 2011 bonds are considered to be defeased and the related liability for those bonds have been removed from the Statement of Net Position.

The City refunded the 2011 bonds to reduce its total debt service payments by \$121,687 and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$106,423.

During 2017, the City issued a bond for the amount of \$1,640,000 to purchase the administration building, which were accounted for in the Walnut Street Capital Fund. The bond will be repaid in full in 2032. The bond is paid from the City's Walnut Street Capital Fund.

During 2018, the City entered into an agreement for the purchase of squads, which were accounted for in the Fire Department major governmental fund, a crossover gator utility vehicle, which was accounted for in the General Fund, and the purchase of three Lucas fire devices, which were accounted for in the Fire Department major governmental fund. The notes were repaid in full in 2023. The notes are paid from the City's General Fund and Fire Department major governmental 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

City of London, Ohio
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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 \$397,286 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 \$17,046,147 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, 2023, the principal remaining to be paid on these OWDA loans is \$16,006,640. In 2023, total customer revenues were \$2,880,889, \$3,693,479, and \$1,361,720 for the Water, Sewer and Sanitation Funds, respectively.

The annual requirements to retire the governmental activities long-term obligations outstanding at December 31, 2023 are as follows:

Year Ending December 31	Governmental Activities			
	General Obligation Bonds		Notes from Direct Borrowing	
	Principal	Interest	Principal	Interest
2024	424,000	70,806	142,051	1,159
2025	441,000	62,740	96,616	233
2026	488,000	54,330	42,770	0
2027	496,000	44,948	35,928	0
2028	508,000	35,416	22,348	0
2029-2033	1,299,000	49,432	43,780	0
2034-2038	0	0	43,780	0
2039-2043	0	0	43,780	0
2044-2048	0	0	43,780	0
2049-2051	0	0	21,888	0
Total	<u>\$3,656,000</u>	<u>\$317,672</u>	<u>\$536,721</u>	<u>\$1,392</u>

City of London, Ohio
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Year Ending December 31	Business-Type Activities					
	Water		Sewer		Sanitation	
	Principal	Interest	Principal	Interest	Principal	Interest
2024	\$350,332	\$32,726	\$1,710,711	66,120	\$102,351	2,499
2025	367,969	30,447	1,724,424	52,406	69,380	520
2026	372,697	28,139	1,738,247	38,584	0	0
2027	377,483	25,800	1,752,181	24,650	0	0
2028	382,433	23,430	1,772,773	10,605	0	0
2029-2033	1,986,543	80,524	0	0	0	0
2034-2038	1,696,935	17,843	0	0	0	0
Thereafter	1,773,912	0	0	0	0	0
Total	<u>\$7,308,304</u>	<u>\$238,909</u>	<u>\$8,698,336</u>	<u>\$192,365</u>	<u>\$171,731</u>	<u>\$3,019</u>

The five OWDA loans issued in 2023 were not fully disbursed as of year end, and as such are not currently reflected in the above tables.

Note 14 – Interfund Transfers and Balances

Interfund receivables, interfund payables, and transfers in/out during the fiscal year were as follows:

	Transfers		Interfund	
	In	Out	Receivable	Payable
General Fund	\$0	\$886,207	\$0	\$0
Fire Department	200,000	0	0	0
Other Governmental Funds:				
Street Construction	194,687	0	0	0
State Highway	11,495	0	0	0
Permissive	47,025	0	0	0
Street Rotary	5,000	0	0	0
Police Pension	180,000	0	0	0
Kenny Blvd Extension	223,178	0	0	0
Walnut Street	120,000	0	0	0
Kenny Boulevard	0	95,178	0	0
Water	4,408	0	0	122,807
Sewer	0	4,408	122,807	0
Total All Funds	<u>\$985,793</u>	<u>\$985,793</u>	<u>\$122,807</u>	<u>\$122,807</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 \$95,178 transfer from the other governmental funds was from the Kenny Blvd. Capital Fund to the Kenny Blvd. Extension Capital Fund in order to close out the project fund. The transfer from the water fund to the sanitation fund was to move rental income to the proper fund.

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The interfund receivable of \$122,807 in the Sewer Fund from the Water Fund is due to the Water Fund and Sewer Fund splitting the cost of purchasing new water meters but the full amount of the inventory being recorded in the Water Fund.

Note 15 – Contingencies

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, 2023.

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.

Water Plant – The City currently has a temporarily impaired Water Treatment Plant as part of its capital assets. See Note 8 for details.

Note 16 - Fund Balance

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:

City of London, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2023

Fund balance	General	Fire Department	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:				
Materials and supplies inventory	\$0	\$0	\$31,190	\$31,190
Prepays	46,157	12,289	15,554	74,000
Total nonspendable	46,157	12,289	46,744	105,190
Restricted:				
Shade Tree	0	0	85,942	85,942
State Drug Penalty	0	0	543	543
Drug Fine	0	0	3,539	3,539
OMVI	0	0	12,725	12,725
Police Training	0	0	6,165	6,165
Fire Department	0	1,277,652	0	1,277,652
Street Construction	0	0	1,636,723	1,636,723
State Highway	0	0	247,571	247,571
Permissive	0	0	261,134	261,134
Street Rotary	0	0	5,766	5,766
Municipal Permissive	0	0	360,331	360,331
Police Grants	0	0	1,465	1,465
Parks & Playground	0	0	87,790	87,790
Police Pension	0	0	92,833	92,833
Economic Development	0	0	8,952	8,952
Recaptured Home Funds	0	0	92,598	92,598
Police LETF	0	0	1,959	1,959
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	389,450	389,450
Highway St Lighting	0	0	129,772	129,772
Kenny Blvd Extension	0	0	388,119	388,119
Walnut Street	0	0	31,313	31,313
Total restricted	0	1,277,652	3,891,347	5,168,999
Committed:				
Capital projects	0	0	1,038,606	1,038,606
Total committed	0	0	1,038,606	1,038,606
Assigned:				
Garfield Debt	0	0	666,626	666,626
Budgetary Resources	182,241	0	0	182,241
Encumbrances	243,324	0	0	243,324
Total assigned	425,565	0	666,626	1,092,191
Unassigned (deficit)	4,355,391	0	0	4,355,391
Total fund balances	\$4,827,113	\$1,289,941	\$5,643,323	\$11,760,377

City of London, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2023

Note 17 – Implementation of New Accounting Principles and Restatement

For fiscal year 2023, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements, GASB Statement No. 96, Subscription-Based Information Technology Arrangements.

GASB Statement No. 94 sets out to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. The implementation of GASB Statement No. 94 did not have an effect on the financial statements of the City.

GASB Statement No. 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The implementation of GASB Statement No. 96 did not have an effect on the financial statements of the City.

Restatement – Internal Service Fund

The restatement of the financial statements was necessary to add an internal service fund to properly record the city’s self-insurance activity. It had the following effect on the net position as reported at December 31, 2022:

	Internal Service Fund	Governmental Activities
Net Position, December 31, 2022	\$0	\$14,745,177
Adjustments:		
Self-Insurance Internal Service Fund	65,003	65,003
Restated Net Position, December 31, 2022	<u>\$65,003</u>	<u>\$14,810,180</u>

Note 18 – Asset Retirement Obligation

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 of London, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2023

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 19 – Significant Contractual and Other Commitments

The City utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed or assigned classifications of fund balance. At year end, the City's commitments for encumbrances in the governmental funds were as follows:

<u>Description</u>	<u>Remaining Commitment</u>
Governmental Funds:	
General	\$258,090
Fire Department	135,023
Other Governmental	<u>763,009</u>
Total	\$1,156,122

Note 20 – Subsequent Events

During 2024, the City transferred operations of their water and sewer utilities to Mid-Ohio Water and Sewer District. This transfer included all of the city's utility assets and outstanding debt.

On January 30, 2025 the City issued \$4,090,000 in bonds for construction of a new police station with a 5.0% interest rate.

On May 1, 2025 the City created a New Community Authority (NCA) with Tom Cat, LLC, PJG Holdings, LLC, and LOCAS Investments, LLC for the purposes of encouraging and supporting well-balanced and diversified land use patterns within the City.

On April 3, 2025 the City established 19 incentive districts within the City, and declared the Improvements to real property located within those incentive districts, to be a public purpose, exempt a percentage of such Improvements from real property taxation, identified certain public infrastructure improvements that, once made, will benefit or serve that real property, identified one or more specific projects being, or to be, undertaken in the incentive districts that place additional demand on the designated public infrastructure improvements, provided for payments in lieu of taxes by the owners of the real property, and established a public improvement tax increment equivalent fund and accounts and subaccounts.

REQUIRED SUPPLEMENTARY INFORMATION

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 Ten Fiscal Years (1)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
City's Proportion of the Net Pension Liability	0.01925600%	0.01863700%	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	\$5,688,231	\$1,621,494	\$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	\$2,984,950	\$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
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	190.56%	59.81%	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	75.74%	92.62%	86.88%	82.17%	74.70%	84.66%	77.25%	81.08%	86.45%	86.36%

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 Ten Fiscal Years

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
City's Proportion of the Net Pension Liability	0.12305740%	0.11788320%	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	\$11,689,260	\$7,364,660	\$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	\$3,151,980	\$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
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	370.85%	247.14%	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	62.90%	75.03%	70.65%	69.89%	63.07%	70.91%	68.36%	66.77%	72.20%	73.00%

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 Ten Fiscal Years

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually Required Contribution	\$393,693	\$417,893	\$379,570	\$357,579	\$343,645	\$359,736	\$325,939	\$300,024	\$275,832	\$353,943
Contributions in Relation to the Contractually Required Contribution	(393,693)	(417,893)	(379,570)	(357,579)	(343,645)	(359,736)	(325,939)	(300,024)	(275,832)	(353,943)
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll	\$2,812,093	\$2,984,950	\$2,711,214	\$2,554,136	\$2,454,607	\$2,569,540	\$2,507,227	\$2,500,200	\$2,298,604	\$2,949,525
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	13.00%	12.00%	12.00%	12.00%

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually Required Contribution	\$685,476	\$677,077	\$632,041	\$636,497	\$530,128	\$419,976	\$403,095	\$386,135	\$472,336	\$341,917
Contributions in Relation to the Contractually Required Contribution	(685,476)	(677,077)	(632,041)	(636,497)	(530,128)	(419,976)	(403,095)	(386,135)	(472,336)	(341,917)
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll	\$3,196,019	\$3,151,980	\$2,979,920	\$3,003,761	\$2,508,888	\$1,990,914	\$1,920,486	\$1,837,733	\$2,261,972	\$1,572,023
Contributions as a Percentage of Covered Payroll	21.45%	21.48%	21.21%	21.19%	21.13%	21.09%	20.99%	21.01%	20.88%	21.75%

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 Seven Fiscal Years (1)

	2023	2022	2021	2020	2019	2018	2017
City's Proportion of the Net OPEB Liability	0.01880000%	0.01828900%	0.02127900%	0.01466500%	0.01786300%	0.01772000%	0.01793880%
City's Proportionate Share of the Net OPEB Liability	\$118,538	(\$572,839)	(\$379,102)	\$2,025,618	\$2,328,914	\$1,924,261	\$1,811,901
City's Covered Payroll	\$2,984,950	\$2,711,214	\$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	3.97%	-21.13%	-14.84%	82.52%	90.64%	76.75%	72.47%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	94.79%	128.23%	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 Seven Fiscal Years (1)

	2023	2022	2021	2020	2019	2018	2017
City's Proportion of the Net OPEB Liability	0.12305740%	0.11788290%	0.11406890%	0.11615800%	0.08737900%	0.08643900%	0.08446808%
City's Proportionate Share of the Net OPEB Liability	\$876,133	\$1,292,098	\$1,208,579	\$1,147,377	\$795,750	\$4,897,513	\$4,009,510
City's Covered Payroll	\$3,196,019	\$3,151,980	\$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	27.41%	40.99%	40.56%	45.73%	39.97%	255.01%	218.18%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	52.60%	46.90%	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 Ten Fiscal Years (1)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually Required Contribution to OPEB	\$0	\$0	\$0	\$0	\$0	\$0	\$25,072	\$50,004	\$45,972	\$58,991
Contributions to OPEB in Relation to the Contractually Required Contribution	0	0	0	0	0	0	(25,072)	(50,004)	(45,972)	(58,991)
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll	\$2,812,093	\$2,984,950	\$2,711,214	\$2,554,136	\$2,454,607	\$2,569,540	\$2,507,227	\$2,500,200	\$2,298,604	\$2,949,525
Contributions to OPEB as a Percentage of Covered Payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	1.00%	2.00%	2.00%	2.00%

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually Required Contribution to OPEB	\$15,980	\$15,760	\$14,720	\$14,862	\$12,351	\$9,955	\$9,602	\$9,189	\$11,310	\$7,892
Contributions to OPEB in Relation to the Contractually Required Contribution	(15,980)	(15,760)	(14,720)	(14,862)	(12,351)	(9,955)	(9,602)	(9,189)	(11,310)	(7,892)
Contribution Deficiency (Excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
City Covered Payroll	\$3,196,019	\$3,151,980	\$2,979,920	\$3,003,761	\$2,508,888	\$1,990,914	\$1,920,486	\$1,837,733	\$2,261,972	\$1,572,023
Contributions to OPEB as a Percentage of Covered Payroll	0.50%	0.50%	0.49%	0.49%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%

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, 2023

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Property Taxes	\$585,517	\$629,116	\$672,870	\$43,754
Income Taxes	4,320,489	4,642,205	4,965,061	322,856
Charges for Services	95,075	102,154	109,259	7,105
Investment Earnings	91,647	98,472	105,320	6,848
Intergovernmental	275,740	296,272	316,877	20,605
Fines, Licenses & Permits	110,379	118,598	126,846	8,248
Other Revenues	96,692	103,892	111,118	7,226
Total Revenues	5,575,539	5,990,709	6,407,351	416,642
Expenditures:				
Current:				
General Government	2,162,508	2,223,714	2,016,264	207,450
Public Safety	2,970,747	3,054,829	2,769,844	284,985
Recreation	408,195	419,748	380,590	39,158
Community Environment	2,782	2,861	2,594	267
Total Expenditures	5,544,232	5,701,152	5,169,292	531,860
Excess of Revenues Over (Under) Expenditures	31,307	289,557	1,238,059	948,502
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets	8,647	9,291	9,937	646
Transfers (Out)	(975,143)	(1,002,743)	(909,197)	93,546
Total Other Financing Sources (Uses)	(966,496)	(993,452)	(899,260)	94,192
Net Change in Fund Balance	(935,189)	(703,895)	338,799	1,042,694
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	3,220,206	3,220,206	3,220,206	0
Fund Balance End of Year	\$2,285,017	\$2,516,311	\$3,559,005	\$1,042,694

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, 2023

	Fire Department Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Property Taxes	\$66,516	\$78,317	\$82,127	\$3,810
Income Taxes	2,171,372	2,556,614	2,680,995	124,381
Charges for Services	488,599	575,286	603,274	27,988
Intergovernmental	8,877	10,452	10,960	508
Other Revenues	5,264	6,198	6,500	302
Total Revenues	2,740,628	3,226,867	3,383,856	156,989
Expenditures:				
Current:				
Public Safety	3,665,532	3,755,731	3,682,228	73,503
Capital Outlay	127,539	130,677	128,120	2,557
Total Expenditures	3,793,071	3,886,408	3,810,348	76,060
Excess of Revenues Over (Under) Expenditures	(1,052,443)	(659,541)	(426,492)	233,049
Other financing sources (uses):				
Transfers In	589,714	694,340	728,120	33,780
Transfers (Out)	(525,725)	(538,662)	(528,120)	10,542
Total Other Financing Sources (Uses)	63,989	155,678	200,000	44,322
Net Change in Fund Balance	(988,454)	(503,863)	(226,492)	277,371
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	1,274,215	1,274,215	1,274,215	0
Fund Balance End of Year	\$285,761	\$770,352	\$1,047,723	\$277,371

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, 2023

Note 1 – Budgetary Process

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, 2023

Net Change in Fund Balance

	General	Fire Department
GAAP Basis	\$420,319	(\$98,405)
Revenue Accruals	(248,570)	9,689
Expenditure Accruals	437,702	(2,753)
Transfers In	0	528,120
Transfers (Out)	(22,990)	(528,120)
Encumbrances	(247,662)	(135,023)
Budget Basis	<u>\$338,799</u>	<u>(\$226,492)</u>

Note 2 – Net Pension Liability

Ohio Public Employees Retirement System Changes in Benefit Terms and Assumptions

Changes in assumptions:

2023: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for this period.

2022: 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 7.20% to 6.90%
- Decrease in wage inflation from 3.25% to 2.75%
- Change in future salary increases from a range of 3.25%-10.75% to 2.75%-10.75%

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:

2023-2014: 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:

2023: Mortality for service retirees is based on the Pub-2010 Below-Median Safety Amount-Weighted Healthy Retiree mortality table with rates adjusted by 96.2 percent for males and 98.7 percent for females. All rates are projected using the MP-2021 Improvement Scale. Mortality for disabled retirees is based on the Pub-2010 Safety Amount-Weighted Disabled Retiree mortality table with rates adjusted by 135 percent for males and 97.9 percent for females. All rates are projected using the MP-2021 Improvement Scale. Mortality for contingent annuitants is based on the Pub-2010 Below-Median Safety Amount-Weighted Contingent Annuitant Retiree mortality table with rates adjusted by 108.9 percent for males and 131 percent for females. All rates are projected using the MP-2021 Improvement Scale. Mortality for active members is based on the Pub-2010 Below-Median Safety Amount-Weighted Employee mortality table. All rates are projected using the MP- 2021 Improvement Scale.

2022: The following were the most significant changes of assumptions that affected total pension liability since the prior measurement date.

- Reduction in actuarial assumed investment rate of return from 8.00% to 7.50%

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

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:

2023-2014: There were no changes in benefit terms for the period.

Note 3 - Net OPEB Liability (Asset)

Ohio Public Employees Retirement System Changes in Benefit Terms and Assumptions

Changes in assumptions:

2023: 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 6.00% to 5.22%.
- The municipal bond rate increased from 1.84% to 4.05%.

2022: The following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

City of London, Ohio
Notes to the Required Supplementary Information
For The Fiscal Year Ended December 31, 2023

- The municipal bond rate decreased from 2.00% to 1.84%.
- The initial health care cost trend rate decreased from 8.50% to 5.50%.
- Decrease in wage inflation from 3.25% to 2.75%.
- Change in future salary increases from a range of 3.25%-10.75% to 2.75%-10.75%.

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% to 6.00%.
- The municipal bond rate decreased from 2.75% to 2.00%.
- The initial health care cost trend rate decreased from 10.50% to 8.50%.

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% to 3.16%.
- The municipal bond rate decreased from 3.71% to 2.75%.
- The initial health care cost trend rate increased from 10.00% to 10.50%.

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% to 3.96%.
- The investment rate of return decreased from 6.50% to 6.00%.
- The municipal bond rate increased from 3.31% to 3.71%.
- The initial health care cost trend rate increased from 7.50% to 10.00%.

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

Changes in Benefit Terms:

2023: There were no changes in benefit terms for the period.

2022: Effective January 1, 2022, OPERS discontinued 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.

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

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:

2023: The following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The single discount rate changed from 2.84% to 4.27%
- The depletion year of OPEB assets is projected in year 2036
- Mortality for service retirees is based on the Pub-2010 Below-Median Safety Amount-Weighted Healthy Retiree mortality table with rates adjusted by 96.2 percent for males and 98.7 percent for females. All rates are projected using the MP-2021 Improvement Scale. Mortality for disabled retirees is based on the Pub-2010 Safety Amount-Weighted Disabled Retiree mortality table with rates adjusted by 135 percent for males and 97.9 percent for females. All rates are projected using the MP-2021 Improvement Scale. Mortality for contingent annuitants is based on the Pub-2010 Below-Median Safety Amount-Weighted Contingent Annuitant Retiree mortality table with rates adjusted by 108.9 percent for males and 131 percent for females. All rates are projected using the MP-2021 Improvement Scale. Mortality for active members is based on the Pub-2010 Below-Median Safety Amount-Weighted Employee mortality table. All rates are projected using the MP- 2021 Improvement Scale.

2022: The following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- Reduction in actuarial assumed rate of return from 8.00% to 7.50%
- The single discount rate changed from 2.96% to 2.84%

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:

2023-2020: There were no changes in benefit terms for the period.

City of London, Ohio
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For The Fiscal Year Ended December 31, 2023

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

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

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OHIO AUDITOR OF STATE KEITH FABER

65 East State Street
Columbus, Ohio 43215
ContactUs@ohioauditor.gov
800-282-0370

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

City of London
Madison County
20 South Walnut Street
London, Ohio 43140

To the City Council:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of London, Madison County, Ohio (the City) as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated April 29, 2025, wherein we noted that the City restated its beginning net position for the Internal Service Fund and Governmental Activities. We have also qualified our opinions on business-type activities (BTA) and the water fund due to the lack of appropriate audit evidence for inventory; the fire department fund and governmental activities for the lack of a Type 2 SOC 1 report for EMS billing receipts; and aggregated remaining fund information and governmental activities for the lack of a Type 2 SOC 1 report for health insurance claims.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings as items 2023-001 through 2023-003 that we consider to be material weaknesses.

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

Purpose of this Report

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



Keith Faber
Auditor of State
Columbus, Ohio

April 29, 2025

CITY OF LONDON
MADISON COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2023

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

FINDING NUMBER 2023-001

Financial Reporting - Material Weakness

In our audit engagement letter, as required by AU-C Section 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16. Governmental Accounting Standards Board (GASB) Cod. 1100 paragraph .101 states a governmental accounting system must make it possible both: (a) to present fairly and with full disclosure the funds and activities of the governmental unit in conformity with generally accepted accounting principles, and (b) to determine and demonstrate compliance with finance-related legal and contractual provisions.

The City did not have the proper internal controls in place to help prevent errors in their annual financial report. During Fiscal Year 2023, the following adjustments were applied to the audited financial statements:

1. Deferred Inflows: Unavailable Revenue was understated, due to calculation errors, in the General Fund, Fire Fund, and Remaining Fund Information in the amounts of \$458,766, \$241,180, and \$83,839, respectively.
2. The self-insurance activity presented on the financial statements was not derived from the third-party administrator's ledgers, resulting in an overstatement of Charges for Services Revenue in the amount of \$228,444, an understatement of Other Revenue in the amount of \$215,432, and an overstatement of Claims Expense in the amount of \$13,012. These errors affected Remaining Fund Information and Governmental Activities.
3. Mathematical errors resulted in the overstatement of Water and Business-Type Activities (BTA) Inventory in the amount of \$221,792. These errors also impacted the calculations of Interfund activity, resulting in overstatements of Interfund Payable (Water and BTA) and Interfund Receivable (Sewer and BTA) in the amount of \$216,216.

We also noted immaterial misstatements ranging from \$8,229 to \$219,998, which were not adjusted on the financial statements. Additional errors and omissions were identified within the notes to the financial statements have been brought to the City's attention and corrected.

The presentation of inaccurate financial information can result in material misstatements and can impact the decision-making of those charged with governance and the general public.

To help ensure accurate financial information is presented, the City should review control procedures over the preparation of their annual financial report and monitor their procedures accordingly. The identified errors should be reviewed, to prevent similar errors from reoccurring in subsequent years.

Officials' Response: This was an error from our auditing firm who completes the annual financial report. The City will carefully review the annual financial reports to ensure the figures are accurately represented to eliminate material misstatements.

**CITY OF LONDON
MADISON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2023
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2023-002

Monitoring of Service Organizations - Health Insurance Claims & EMS Billing - Material Weakness

Sound accounting practices require public officials to design and operate a system of internal control that is adequate to provide reasonable assurance over the reliability of financial reporting, effectiveness and efficiency of operations, compliance with applicable laws and regulations, and safeguarding of assets against unauthorized acquisition, use, or disposition.

The City outsourced employees' health insurance claims processing to a third-party administrator, and its Emergency Medical Services (EMS) billing to a service organization. Both of these outsourced services are significant accounting functions. The City has not established procedures to determine whether these service organizations have sufficient controls in place and operating effectively to reasonably assure all the City's health insurance claims have been completely processed in accordance with the contract; and that all EMS services have been completely billed in accordance with the established billing rates. Attestation Standard (AT-C 320) Reporting on an Examination of Controls at a Service Organization Relevant to User Entities' Internal Control Over Financial Reporting prescribes standards for reporting on service organizations. An unmodified Type 2 Report on Management's Description of a Service Organization's System and a Service Auditor's Report on that Description and on the Suitability of the Design and Operating Effectiveness of Controls in accordance with AT-C 320 should provide the City with reasonable assurance that health insurance claim transactions and EMS billing transactions conform to the contracts. As a result, we are modifying our opinions for the completeness assertion for the Fire Department Fund and Remaining Fund Information.

Failing to ensure adequate controls are in place and operating effectively could result in errors occurring without detection, such as fraud, unallowable expenditures being paid, and the City not receiving the monies it is entitled to by providing EMS services.

The City should require a Type 2 SOC 1 report in its contracts with the third-party administrator and service organization and should review the SOC 1 reports timely. The report should follow the American Institute of Certified Public Accountants' Attestation Standards and be performed by a firm registered and in good standing with the Accountancy Board of the respective state. If the third-party administrator or service organization refuses to furnish the City with a Type 2 SOC 1 report, the City should contract with a third-party administrator or service organization that will provide this report.

Officials' Response: The City/Auditor was unaware the self-funded insurance required to be reflected in a separate fund. The city has created a self-insurance custodial fund and reconciles with the bank monthly. We require monthly check reports from the TPA as well as the annual SOC 1 report. This will allow the City to verify all transactions are paid per the contract. The EMS billing company that the city contracted with (Change Healthcare) was hacked in 2023 - which was a result in not receiving the SOC 1 report. The City entered into contract with a new billing company (Medicount) and receives detailed reports monthly for EMS services as well as the annual SOC 1 report.

CITY OF LONDON
MADISON COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2023
(Continued)

<p>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</p>
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FINDING NUMBER 2023-003

Inventory - Material Weakness

Sound accounting practices require public officials to design and operate a system of internal control that is adequate to provide reasonable assurance over the reliability of financial reporting, effectiveness and efficiency of operations, compliance with applicable laws and regulations, and safeguarding of assets against unauthorized acquisition, use or disposition. Maintaining organized documentation and support for financial transactions is essential in assuring the City's financial statements are not materially misstated.

During Fiscal Year 2023, the City did not have the proper internal controls in place to maintain supporting documentation of quantities and unit prices for the items recorded as Water and BTA inventory, or evidence year-end inventory counts had occurred. We, therefore, could not substantiate inventory amounts included in the financial statements and have qualified our opinion for inventory in Water and Business Type Activities

The failure to implement a strong internal control system could result in theft and material misstatements occurring without detection.

The City should establish formal internal control policies and procedures to help ensure supporting documentation is maintained and a year-end inventory count is completed.

Officials' Response: The City is working on developing an inventory policy. We are looking at software to help streamline and document inventory for accuracy throughout the year. We will require evidence and supporting documentation from department heads for year-end counts.

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CITY OF LONDON

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS DECEMBER 31, 2023

Finding Number	Finding Summary	Status	Additional Information
2022-001	Controls Related to Financial Reporting	Not Corrected	Re-issued as Finding 2023-001. Refer to corrective action plan.

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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 5/22/2025

65 East State 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