

CITY OF WILLARD HURON COUNTY, OHIO

Basic Financial Statements

**For the Year Ended
December 31, 2023**

**CITY OF WILLARD
HURON COUNTY, OHIO**

BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

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Accountant's Compilation Report

To the Members of City Council
Willard, Ohio

Management is responsible for the accompanying basic financial statements of the City of Willard, which comprise the statements listed in the table of contents as of December 31, 2023 and for the fiscal year then ended, and the related notes to the financial statements in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any assurance on these financial statements.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedules of net pension and other post-employment benefit assets and liabilities, and pension and other post-employment contributions listed in the table of contents be presented to supplement the basic financial statements. Such information is presented for purposes of additional analysis 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 and for placing the basic financial statements in an appropriate operational, economic, or historical context. Such information is the responsibility of management. The required supplementary information was subject to our compilation engagement. We have not audited or reviewed the required supplementary information and do not express an opinion, a conclusion, nor provide any assurance on such information.

Julian & Grube, Inc.

Westerville, Ohio
May 28, 2024

**CITY OF WILLARD
HURON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2023
(SEE ACCOUNTANT'S COMPILATION REPORT)

The management's discussion and analysis of the City of Willard's (the "City") financial performance provides an overall review of the City's financial activities for the year ended December 31, 2023. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

Key financial highlights for 2023 are as follows:

- The total net position of the City increased \$2,957,062. Net position of governmental activities increased \$1,564,003 or 9.86% from 2022's net position and net position of business-type activities increased \$1,393,059 or 8.79% from 2022's net position.
- General revenues accounted for \$6,173,563 or 74.16% of total governmental activities revenue. Program specific revenues accounted for \$2,151,253 or 25.84% of total governmental activities revenue.
- The City had \$6,760,813 in expenses related to governmental activities; \$2,151,253 of these expenses was offset by program specific charges for services, grants or contributions. The remaining expenses of the governmental activities of \$4,609,560 were offset by general revenues (primarily income taxes, property taxes and unrestricted grants and entitlements) of \$6,173,563.
- The general fund had revenues and other financing sources of \$5,292,601 in 2023. The expenditures and other financing uses of the general fund totaled \$4,541,542 in 2023. The net increase in fund balance for the general fund was \$751,059 or 56.64%.
- The income tax capital improvement fund had revenues of \$920,917 in 2023. The expenditures and other financing uses of the income tax capital improvement fund totaled \$775,725 in 2023. The net increase in fund balance for the income tax capital improvement fund was \$145,192 or 11.46%.
- The electric system sale fund had other financing sources of \$107,431 in 2023. The electric system sale fund had no expenditures in 2023. The net increase in fund balance for the electric system sale fund was \$107,431 or 6.51%.
- Net position for the business-type activities, which are made up of the sewer, water and storm water enterprise funds, increased in 2023 by \$1,393,059 from 2022 net position. This increase in net position was primarily due to the operating revenues exceeding operating expenses.
- In the general fund, the actual revenues and other financing sources came in \$514,364 less than they were in the final budget and actual expenditures were \$1,643,474 less than the amount in the final budget.

Using this Annual Financial Report

This annual report consists of a series of financial statements and notes to these statements. These statements are organized so the reader can understand the City as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The statement of net position and statement of activities provide information about the activities of the City as a whole, presenting both an aggregate view of the City's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the City's most significant funds with all other nonmajor funds presented in total in one column.

**CITY OF WILLARD
HURON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2023
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Reporting the City as a Whole

Statement of Net Position and the Statement of Activities

While this document contains a large number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2023?" The statement of net position and the statement of activities answer this question. These statements include all assets, deferred outflows, liabilities, deferred inflows, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the City's net position and changes in those assets. This change in net position is important because it tells the reader that, for the City as a whole, the financial position of the City has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the City's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required community programs and other factors.

In the statement of net position and the statement of activities, the City is divided into two distinct kinds of activities:

Governmental activities - Most of the City's programs and services are reported here including police, fire, street maintenance, capital improvements and general administration. These services are funded primarily by property and income taxes and intergovernmental revenues including federal and State grants and other shared revenues.

Business-type activities - These services are provided on a charge for goods or services basis to recover all or a significant portion of the expenses of the goods or services provided. The City's sewer, water and storm water operations are reported here.

Reporting the City's Most Significant Funds

Fund Financial Statements

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

Fund financial reports provide detailed information about the City's major funds. The City uses many funds to account for a multitude of financial transactions. However, these fund financial statements focuses on the City's most significant 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 a government's near-term financing requirements.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the 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.

**CITY OF WILLARD
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MANAGEMENT'S DISCUSSION AND ANALYSIS
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(SEE ACCOUNTANT'S COMPILATION REPORT)

The City maintains a multitude of individual governmental funds. The City has segregated these funds into major funds and nonmajor funds. The City's major governmental funds are the general fund, income tax capital improvement fund, and electric system sale fund. Information for major funds is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances. Data from the other governmental funds are combined into a single, aggregated presentation.

Proprietary Funds

The City maintains two different types of 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 sewer, water and storm water management functions. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses an internal service fund to account for its self-insurance program for medical-related employee benefits. The City's sewer and water enterprise funds are considered major funds.

Fiduciary Funds

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

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.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's net pension and net OPEB assets/liabilities.

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**CITY OF WILLARD
HURON COUNTY, OHIO**

MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2023
(SEE ACCOUNTANT’S COMPILATION REPORT)

Government-Wide Financial Analysis

The table below provides a summary of the City’s assets, deferred inflows of resources, liabilities, deferred outflows of resources and net position at December 31, 2023 and 2022.

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
<u>Assets</u>						
Current and other assets	\$ 10,042,223	\$ 9,279,628	\$ 9,094,341	\$ 7,851,616	\$ 19,136,564	\$ 17,131,244
Capital assets, net	<u>15,512,486</u>	<u>14,909,077</u>	<u>12,230,673</u>	<u>11,954,108</u>	<u>27,743,159</u>	<u>26,863,185</u>
Total assets	<u>25,554,709</u>	<u>24,188,705</u>	<u>21,325,014</u>	<u>19,805,724</u>	<u>46,879,723</u>	<u>43,994,429</u>
<u>Deferred outflows of resources</u>						
Pension	2,884,250	1,497,892	600,207	194,101	3,484,457	1,691,993
OPEB	<u>507,469</u>	<u>396,052</u>	<u>91,141</u>	<u>880</u>	<u>598,610</u>	<u>396,932</u>
Total deferred outflows of resources	<u>3,391,719</u>	<u>1,893,944</u>	<u>691,348</u>	<u>194,981</u>	<u>4,083,067</u>	<u>2,088,925</u>
<u>Liabilities</u>						
Current liabilities	792,616	874,831	232,119	183,632	1,024,735	1,058,463
Long-term liabilities:						
Due within one year	417,531	438,466	362,623	378,128	780,154	816,594
Net pension liability	7,960,526	4,213,867	1,408,031	421,839	9,368,557	4,635,706
Net OPEB liability	447,923	593,111	30,183	-	478,106	593,111
Other amounts	<u>709,989</u>	<u>802,909</u>	<u>2,708,314</u>	<u>2,444,517</u>	<u>3,418,303</u>	<u>3,247,426</u>
Total liabilities	<u>10,328,585</u>	<u>6,923,184</u>	<u>4,741,270</u>	<u>3,428,116</u>	<u>15,069,855</u>	<u>10,351,300</u>
<u>Deferred inflows of resources</u>						
Property taxes	357,039	352,716	-	-	357,039	352,716
Pension	328,558	2,287,544	18,156	547,505	346,714	2,835,049
OPEB	<u>506,558</u>	<u>657,520</u>	<u>10,901</u>	<u>172,108</u>	<u>517,459</u>	<u>829,628</u>
Total deferred inflows of resources	<u>1,192,155</u>	<u>3,297,780</u>	<u>29,057</u>	<u>719,613</u>	<u>1,221,212</u>	<u>4,017,393</u>
<u>Net position</u>						
Net investment in capital assets	14,965,568	14,212,260	9,339,836	9,327,396	24,305,404	23,539,656
Restricted	3,635,912	3,496,851	19,721	-	3,655,633	3,496,851
Unrestricted (deficit)	<u>(1,175,792)</u>	<u>(1,847,426)</u>	<u>7,886,478</u>	<u>6,525,580</u>	<u>6,710,686</u>	<u>4,678,154</u>
Total net position	<u>\$ 17,425,688</u>	<u>\$ 15,861,685</u>	<u>\$ 17,246,035</u>	<u>\$ 15,852,976</u>	<u>\$ 34,671,723</u>	<u>\$ 31,714,661</u>

The net pension liability/asset is reported pursuant to Governmental Accounting Standards Board (GASB) Statement 68, “Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27.” The net other postemployment benefits (OPEB) liability is reported pursuant to GASB Statement 75, “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.” For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the City’s actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability, and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB and the net pension asset.

**CITY OF WILLARD
HURON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2023
(SEE ACCOUNTANT'S COMPILATION REPORT)

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension liability/asset or net OPEB liability. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability/asset and the net OPEB liability to equal the City's proportionate share of each plan's collective:

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

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

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

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

In accordance with GASB 68 and GASB 75, the City's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability/asset and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

Over time, net position can serve as a useful indicator of a government's financial position. At December 31, 2023, the City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$34,671,723. At year-end, net position was \$17,425,688 and \$17,246,035 for the governmental activities and the business-type activities, respectively.

**CITY OF WILLARD
HURON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2023
(SEE ACCOUNTANT'S COMPILATION REPORT)

Capital assets reported on the government-wide statements represent the largest portion of the City's assets. At year-end, capital assets represented 59.18% of total assets. Capital assets include land, construction in progress, land improvements, buildings, equipment, vehicles, infrastructure and utility plant in service. The City's net investment in capital assets at December 31, 2023, was \$14,965,568 and \$9,339,836 in the governmental activities and business-type activities, respectively. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the City's net position, \$3,655,633, represents resources that are subject to external restriction on how they may be used.

The net pension liability for governmental activities increased \$3,746,659, deferred outflow of resources related to pension increased \$1,386,358 and deferred inflows of resources related to pension decreased \$1,958,986. These changes were the result of changes at the pension system level for Ohio Public Employees Retirement System (OPERS) and the Ohio Police and Fire (OP&F) Pension Fund. Primarily, net investment income on investments at the pension systems were negative for the 2022 measurement date that are used for the 2023 reporting. This caused a large decrease in their respective fiduciary net positions which was a drastic change from the previous year's large positive investment returns.

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**CITY OF WILLARD
HURON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2023
(SEE ACCOUNTANT'S COMPILATION REPORT)

The following table shows the changes in net position for 2023 and 2022.

	Change in Net Position					
	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2022	2021
Revenues						
Program revenues:						
Charges for services	\$ 901,318	\$ 902,070	\$ 5,454,002	\$ 4,996,692	\$ 6,355,320	\$ 5,898,762
Operating grants and contributions	790,285	894,002	-	-	790,285	894,002
Capital grants and contributions	459,650	363,185	222,575	-	682,225	363,185
Total program revenues	<u>2,151,253</u>	<u>2,159,257</u>	<u>5,676,577</u>	<u>4,996,692</u>	<u>7,827,830</u>	<u>7,155,949</u>
General revenues:						
Property taxes	392,301	355,196	-	-	392,301	355,196
Income taxes	4,802,307	4,564,104	-	-	4,802,307	4,564,104
Unrestricted grants and entitlements	305,566	297,190	-	-	305,566	297,190
Investment earnings	235,572	80,059	-	73,698	235,572	153,757
Change in fair value of investments	325,156	(566,056)	-	-	325,156	(566,056)
Miscellaneous	112,661	136,339	65	1,106	112,726	137,445
Total general revenues	<u>6,173,563</u>	<u>4,866,832</u>	<u>65</u>	<u>74,804</u>	<u>6,173,628</u>	<u>4,941,636</u>
Total revenues	<u>8,324,816</u>	<u>7,026,089</u>	<u>5,676,642</u>	<u>5,071,496</u>	<u>14,001,458</u>	<u>12,097,585</u>
Expenses						
General government	829,482	710,286	-	-	829,482	710,286
Security of persons and property	4,153,106	3,344,182	-	-	4,153,106	3,344,182
Public health and welfare	9,847	8,802	-	-	9,847	8,802
Transportation	904,617	790,748	-	-	904,617	790,748
Community environment	511,884	384,520	-	-	511,884	384,520
Leisure time activity	351,877	250,834	-	-	351,877	250,834
Interest and fiscal charges	-	-	-	-	-	-
Sewer	-	-	2,357,678	1,689,427	2,357,678	1,689,427
Water	-	-	1,925,905	1,519,987	1,925,905	1,519,987
Total expenses	<u>6,760,813</u>	<u>5,489,372</u>	<u>4,283,583</u>	<u>3,209,414</u>	<u>11,044,396</u>	<u>8,698,786</u>
Transfers	<u>-</u>	<u>(362,445)</u>	<u>-</u>	<u>362,445</u>	<u>-</u>	<u>-</u>
Change in net position	1,564,003	1,174,272	1,393,059	2,224,527	2,957,062	3,398,799
Net position at beginning of year	<u>15,861,685</u>	<u>14,687,413</u>	<u>15,852,976</u>	<u>13,628,449</u>	<u>31,714,661</u>	<u>28,315,862</u>
Net position at end of year	<u>\$ 17,425,688</u>	<u>\$ 15,861,685</u>	<u>\$ 17,246,035</u>	<u>\$ 15,852,976</u>	<u>\$ 34,671,723</u>	<u>\$ 31,714,661</u>

Governmental Activities

Governmental activities net position increased \$1,564,003 in 2023.

**CITY OF WILLARD
HURON COUNTY, OHIO**

MANAGEMENT’S DISCUSSION AND ANALYSIS
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(SEE ACCOUNTANT’S COMPILATION REPORT)

Overall, expenses of the governmental activities increased \$1,271,441 or 23.16%. This increase is primarily the result of an increase in pension expense. Pension expense increased \$985,108. This increase was the result of an increase in expenses incurred at the pension system level for Ohio Public Employees Retirement System (OPERS) and the Ohio Police and Fire (OP&F) Pension Fund due to a decrease in net investment income on investments compared to previous years.

Security of persons and property which primarily supports the operations of the police and fire department accounted for \$4,153,106 or 37.60% of the total expenses of the City. Security of persons and property expenses were partially funded by \$588,398 in direct charges to users of the services, \$317,774 in operating grants and contributions and \$276,336 in capital grants and contributions. General government expenses totaled \$829,482. General government expenses were partially funded by \$69,147 in direct charges to users of the services. Transportation expenses totaled \$904,617. Transportation expenses were partially funded by \$87,555 in direct charges to users of the services, \$411,943 in operating grants and contributions and \$99,696 in capital grants and contributions.

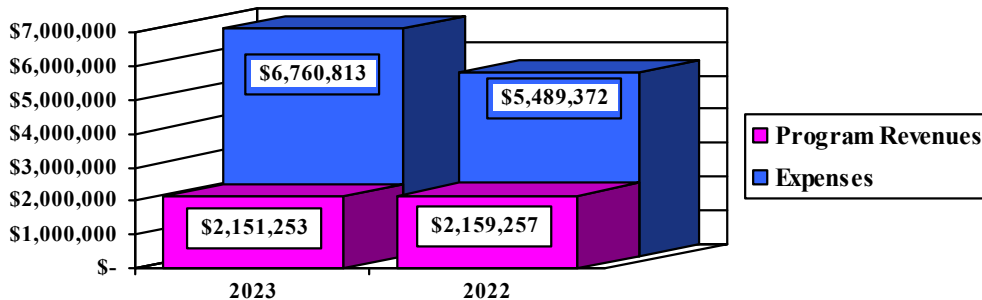
The State and federal government contributed to the City a total of \$790,285 in operating grants and contributions and \$459,650 in capital grants and contributions. These revenues are restricted to a particular program or purpose.

General revenues totaled \$6,173,563 and amounted to 74.16% of total governmental revenues. These revenues primarily consist of property and income tax revenue of \$5,194,608. The other primary source of general revenues is grants and entitlements not restricted to specific programs, including local government revenue and property tax reimbursements received from the State, making up \$305,566.

The most significant change in governmental activities revenue was in investment earnings and the change in the fair value of investments. In total, these two revenue categories increased \$1,046,725 over 2022. This was due to higher interest rates on the City’s investments and a strong investment market.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, 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 grants and entitlements. As can be seen in the graph below, the City is highly dependent upon general revenues (primarily property and income taxes as well as unrestricted grants and entitlements) to support its governmental activities. As program revenues are not sufficient to cover total governmental expenses for 2023.

Governmental Activities – Program Revenues vs. Total Expenses



**CITY OF WILLARD
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MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2023
(SEE ACCOUNTANT’S COMPILATION REPORT)

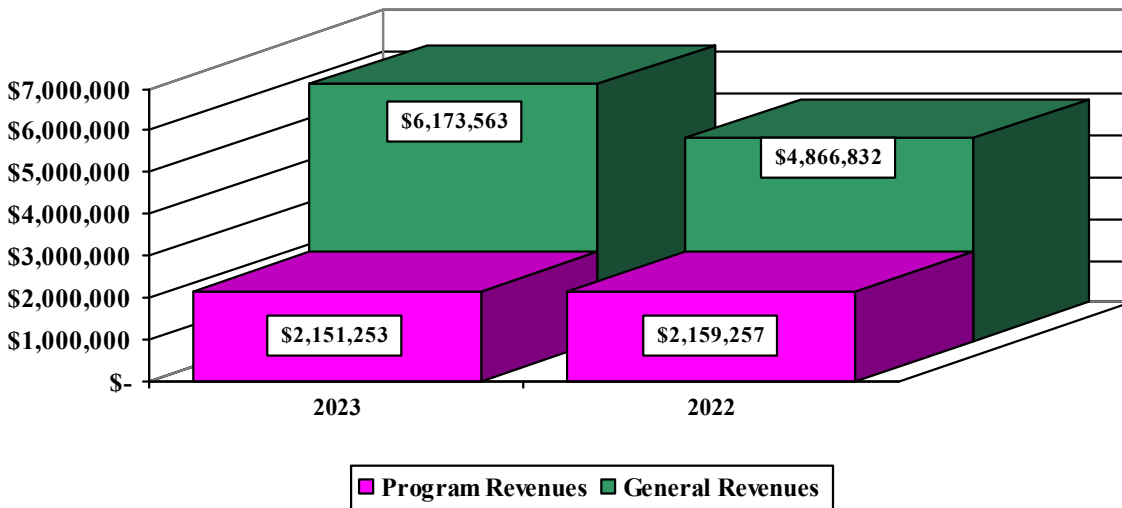
Governmental Activities

	Total Cost of Services <u>2023</u>	Net Cost of Services <u>2023</u>	Total Cost of Services <u>2022</u>	Net Cost of Services <u>2022</u>
Program expenses:				
General government	\$ 829,482	\$ 760,335	\$ 710,286	\$ 671,736
Security of persons and property	4,153,106	2,970,598	3,344,182	2,542,068
Public health and welfare	9,847	(19,152)	8,802	(20,149)
Transportation	904,617	305,423	790,748	112,270
Community environment	511,884	443,688	384,520	(77,845)
Leisure time activity	<u>651,877</u>	<u>148,668</u>	<u>250,834</u>	<u>102,035</u>
Total	<u>\$ 7,060,813</u>	<u>\$ 4,609,560</u>	<u>\$ 5,489,372</u>	<u>\$ 3,330,115</u>

The dependence upon general revenues for governmental activities is apparent, with 65.28% of expenses supported through taxes and other general revenues.

The chart below illustrates the City’s program revenues versus general revenues for 2023 and 2022.

Governmental Activities – General and Program Revenues



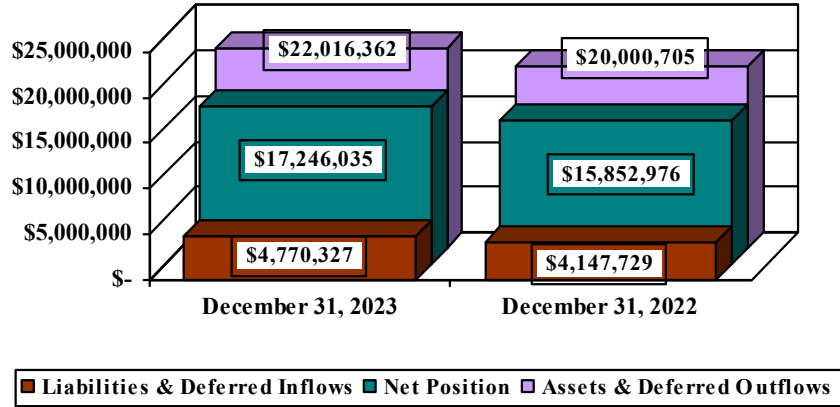
Business-Type Activities

Business-type activities include the sewer, water and storm water enterprise funds. These programs had program revenues of \$5,676,577, general revenues of \$65 and expenses of \$4,283,583 for 2023. The graph below shows the business-type activities assets and deferred outflows of resources, liabilities and deferred inflows of resources and net position at year-end 2023 and 2022.

**CITY OF WILLARD
HURON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2023
(SEE ACCOUNTANT'S COMPILATION REPORT)

Net Position in Business - Type Activities



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 year-end.

The City's governmental funds reported a combined fund balance of \$7,919,735, which is \$1,230,917 greater than the previous year's fund balance of \$6,688,818. The following schedule indicates the fund balances and the total change in fund balances as of December 31, 2023 for all major and nonmajor governmental funds.

	Fund Balances 12/31/23	Fund Balances 12/31/22	Change
Major funds:			
General	\$ 2,077,196	\$ 1,326,137	\$ 751,059
Income tax capital improvement	1,412,443	1,267,251	145,192
Electric system sale	1,757,431	1,650,000	107,431
Other nonmajor governmental funds	<u>2,672,665</u>	<u>2,445,430</u>	<u>227,235</u>
Total	<u>\$ 7,919,735</u>	<u>\$ 6,688,818</u>	<u>\$ 1,230,917</u>

General Fund

The City's general fund balance increased \$751,059. The table that follows assists in illustrating the revenues of the general fund.

**CITY OF WILLARD
HURON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2023
(SEE ACCOUNTANT'S COMPILATION REPORT)

	<u>2023</u> <u>Amount</u>	<u>2022</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>			
Taxes	\$ 3,639,947	\$ 3,202,431	13.66 %
Charges for services	611,246	583,345	4.78 %
Fines and forfeitures	8,392	5,876	42.82 %
Intergovernmental	368,057	315,890	16.51 %
Licenses and permits	88,849	105,965	(16.15) %
Investment income	206,271	61,890	233.29 %
Change in fair value of investments	325,156	(566,056)	157.44 %
Other	<u>36,533</u>	<u>15,000</u>	143.55 %
Total	<u>\$ 5,284,451</u>	<u>\$ 3,724,341</u>	41.89 %

Tax revenue represents 68.88% of all general fund revenue. Income tax revenue by \$418,928 from the prior year as a result of low unemployment and increasing wages of residents. Charges for services increased due to more EMS charges. The City's investment income increased 233.29% from the prior year. The City also reported an increase in the fair value of investments of \$325,156 for 2023. This was a result of high interest rates and a strong investment market. All other amounts remained comparable to 2023.

The table that follows assists in illustrating the expenditures of the general fund.

	<u>2023</u> <u>Amount</u>	<u>2022</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Expenditures</u>			
General government	\$ 774,815	\$ 857,684	(9.66) %
Security of persons and property	3,041,225	2,998,868	1.41 %
Public health and welfare	6,132	4,556	34.59 %
Transportation	206,187	397,609	(48.14) %
Community environment	<u>405,752</u>	<u>302,961</u>	33.93 %
Total	<u>\$ 4,434,111</u>	<u>\$ 4,561,678</u>	(2.80) %

The total general fund expenditures of the City decreased 2.80%. General fund expenditures decreased despite an increase in inflation. This indicates the City's commitment to utilizing other resources, such as grants, as much as possible before spending from the general fund.

Income Tax Capital Improvement Fund

The income tax capital improvement fund had revenues of \$920,917 in 2023. The expenditures and other financing uses of the income tax capital improvement fund totaled \$775,725 in 2023. The net increase in fund balance for the income tax capital improvement fund was \$145,192 or 11.46%. During 2023, the City's expenditures in the income tax capital improvement fund were primarily made up of payments for street improvements, the purchase of several new vehicles and the purchase of new fire and rescue equipment.

**CITY OF WILLARD
HURON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2023
(SEE ACCOUNTANT'S COMPILATION REPORT)

Electric System Sale Fund

The electric system sale fund received \$107,431 in transfers from the general fund during 2023. This fund is used to account for the proceeds of the sale of the municipal electric system in 1965. The original sale proceeds of \$1,575,000 are restricted for capital purposes and expenditure requires voter approval. In addition, this fund accounts for transfers from the general fund that are set-aside for future capital projects. The amounts set-aside are not restricted and expenditure does not require voter approval.

Budgeting Highlights

The City's budgeting process is prescribed by the Ohio Revised Code (ORC). Essentially the budget is the City's appropriations which are restricted by the amounts of anticipated revenues certified by the Budget Commission in accordance with the ORC. Therefore, the City's plans or desires cannot be totally reflected in the original budget. If budgeted revenues are adjusted due to actual activity then the appropriations can be adjusted accordingly.

Budgetary information is presented for the general fund. In the general fund, the actual revenues and other financing sources came in \$514,364 less than they were in the final budget and actual expenditures and other financing uses were \$1,643,474 less than the amount in the final budget. The final budgeted revenues and other financing sources were increased \$166,600 from the original budgeted revenues and other financing sources. Final budgeted expenditures were increased \$232,250 from the original budget. The City uses a conserving budgeting approach, which means that budgeted expenditures are estimated to be much greater than actual spending.

Proprietary Funds

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

Capital Assets and Debt Administration

Capital Assets

At the end of 2023, the City had \$27,743,159 (net of accumulated depreciation) invested in land, construction in progress, land improvements, buildings, equipment, vehicles, infrastructure and utility plant in service. Of this total, \$15,512,486 was reported in governmental activities and \$12,230,673 was reported in business-type activities. See Note 9 for further description of capital assets. The following table shows 2023 balances compared to 2022:

**Capital Assets at December 31
(Net of Depreciation)**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Land	\$ 1,320,002	\$ 1,320,002	\$ 954,431	\$ 954,431	\$ 2,274,433	\$ 2,274,433
Construction in progress	389,065	116,026	541,066	541,066	930,131	657,092
Buildings	1,086,546	1,030,532	743,638	802,282	1,830,184	1,832,814
Land improvements	119,435	117,785	16,429	19,690	135,864	137,475
Equipment	1,245,370	1,180,229	2,625,544	2,788,719	3,870,914	3,968,948
Vehicles	486,159	393,994	256,474	200,009	742,633	594,003
Utility plant in service	-	-	7,093,091	6,647,911	7,093,091	6,647,911
Infrastructure	<u>10,865,909</u>	<u>10,750,509</u>	<u>-</u>	<u>-</u>	<u>10,865,909</u>	<u>10,750,509</u>
Totals	<u>\$ 15,512,486</u>	<u>\$ 14,909,077</u>	<u>\$ 12,230,673</u>	<u>\$ 11,954,108</u>	<u>\$ 27,743,159</u>	<u>\$ 26,863,185</u>

**CITY OF WILLARD
HURON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2023
(SEE ACCOUNTANT'S COMPILATION REPORT)

The City's infrastructure is the largest capital asset category. These items are immovable and of value only to the City, however, the annual cost of purchasing these items is quite significant. The net book value of the City's infrastructure (cost less accumulated depreciation) represents approximately 70.05% of the City's total governmental capital assets.

The City's largest business-type capital asset category is utility plant in service, which includes water and sewer lines and the water plant. These items play a vital role in the income producing ability of the business-type activities. The net book value of the City's utility plant in service (cost less accumulated depreciation) represents approximately 57.99% of the City's total business-type capital assets.

Debt Administration

The City had the following long-term obligations outstanding at December 31, 2023 and 2022.

	Governmental Activities	
	<u>2023</u>	<u>2022</u>
Issue II loans	\$ 546,918	\$ 696,817
Total long-term obligations	<u>\$ 546,918</u>	<u>\$ 696,817</u>
	Business-type Activities	
	<u>2023</u>	<u>2022</u>
OWDA loans	\$ 2,800,606	\$ 2,525,983
Issue II loans	<u>90,231</u>	<u>100,729</u>
Total long-term obligations	<u>\$ 2,890,837</u>	<u>\$ 2,626,712</u>

Further detail on the City's long-term obligations can be found in Note 11 to the financial statements.

Economic Conditions and Outlook

Willard can be found in the heart of the Midwest manufacturing region. We have well-established manufacturers located here including Stanley Black & Decker, Pepperidge Farm, and Lakeside Book, just to name a few. We are home to many generous businesses and residents.

The City of Willard was awarded a grant from the Ohio Department of Development Water and Wastewater Infrastructure Program in the amount of \$4,983,700 to provide much needed upgrades to our water system. The total project is expected to cost an estimated \$10,000,000 and will begin construction in 2024.

The City of Willard received a BWC Grant for drones. These drones can be quickly activated for an array of incidents that not only provide help to the public but keep personnel safe! We are fortunate to have two licensed pilots and another in training.

The City of Willard Public Works Department was pivotal in the design and replacement of a water line and lead service lines located on Park Street. Federal funding in the amount of \$104,575 was provided through Ohio's WSRLA program. A street resurfacing project in the total amount of \$485,416 was completed within the community. The City continues to work on sidewalk improvements along U.S. 224. The Ohio Department of Transportation provided federal assistance in the amount of \$133,931. The project is expected to be completed in 2025.

**CITY OF WILLARD
HURON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2023
(SEE ACCOUNTANT'S COMPILATION REPORT)

The City of Willard Recreation Department provides a wide variety of activities for our residents to enjoy. Willard is home to the new in 2023 Fitcore Obstacle course. This project was made possible in conjunction with Willard City School District, Campbell's Soup Foundation, the Ohio Department of Natural Resources and installed by the City's Maintenance Department. The City teams up with the Downtown Business Association in May to provide Spring Fest. Activities included Touch a Truck, Bike Rodeo, Pickleball, crafts, and food trucks. The City also partners with the local baseball and soccer programs by providing ball fields of various sizes. June included our third annual Fishing Derby held in conjunction with the State of Ohio's Free Fish weekend. The first Tuesday in June begins our Tuesday night Concerts in the Park. Thank you to Pepperidge Farm for sponsoring these concerts! Residents can enjoy the concerts free of charge. Mercy Hospital is a generous sponsor for Fireworks in July. Goods in the Woods, a 2-day craft festival free of charge for those attending, is held in the fall. ANEW plays a vital part in the success of this fall festival. November kicks off the holiday season with the Christmas Parade followed by December's Festival of Lights.

The Wastewater Treatment Plant utilized State and Local Coronavirus Fiscal Recovery Funds in the amount \$362,445 to rehab the belt press system. The belt press is a necessary piece of equipment needed to keep our community clean and healthy. The Southern Five Regional Sewer District was created in neighboring townships and anticipates hiring our WWTP to provide necessary sanitation services.

The Maintenance Department provides vital services for our community. They not only maintain 59.2 miles of water mains, 30.3 miles of sanitary sewer mains and 14.5 miles of storm sewers but also maintain 31 miles of public streets and oversee the maintenance and mowing for 23 acres of cemetery grounds. In addition, they responded to and repair water lines and install taps for new water and sewer service. The maintenance department is an asset our community depends on.

Willard Fire and Rescue services the City of Willard and the four surrounding townships. They cover 95 square miles for EMS and 71 square miles for fire. Willard Fire and Rescue is now a Project Dawn distribution center. Narcan kits are available free of charge for any family in crisis. Willard Fire and Rescue provides a dive team that is utilized not only in our county but neighboring counties.

The Willard Police Department received the Ohio Violent Crime Reduction Grant in the amount of \$393,098. This grant allows the City to put more officers on the streets while still providing the programs that make our community a great place to live, work, and play. We have partnered with Willard City School District to provide an additional School Resource Officer on campus. Coverage is now available for both elementary and high school students simultaneously. The City continues the Senior Watch Program started in 2017.

The City of Willard continues to look to the future and strive for excellence. We are proud to call Willard Home!

Contacting the City's Financial Management

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 questions about this report or need additional financial information please contact: Lori Huff, Director of Finance, at 631 S. Myrtle Ave. P.O. Box 367, Willard, Ohio 44890.

**CITY OF WILLARD
HURON COUNTY, OHIO**

STATEMENT OF NET POSITION
DECEMBER 31, 2023
(SEE ACCOUNTANT'S COMPILATION REPORT)

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets:			
Equity in pooled cash and investments.	\$ 7,481,684	\$ 7,931,943	\$ 15,413,627
Cash in segregated accounts.	206,201	-	206,201
Cash with fiscal agent.	608,820	-	608,820
Receivables:			
Income taxes.	649,556	-	649,556
Real and other taxes	384,747	-	384,747
Accounts.	196,371	598,722	795,093
Special assessments	13,123	-	13,123
Due from other governments.	316,828	-	316,828
Accrued interest	59,938	-	59,938
Materials and supplies inventory.	59,726	240,620	300,346
Prepayments	228,418	15,825	244,243
Net pension asset	38,926	19,721	58,647
Restricted assets:			
Equity in pooled cash and investments.	-	85,395	85,395
Internal balance	(202,115)	202,115	-
Capital assets:			
Nondepreciable capital assets	1,709,067	1,495,497	3,204,564
Depreciable capital assets, net.	13,803,419	10,735,176	24,538,595
Total capital assets, net.	<u>15,512,486</u>	<u>12,230,673</u>	<u>27,743,159</u>
Total assets	<u>25,554,709</u>	<u>21,325,014</u>	<u>46,879,723</u>
Deferred outflows of resources:			
Pension.	2,884,250	600,207	3,484,457
OPEB.	507,469	91,141	598,610
Total deferred outflows of resources	<u>3,391,719</u>	<u>691,348</u>	<u>4,083,067</u>
Liabilities:			
Accounts payable.	50,167	95,673	145,840
Accrued wages.	113,288	28,293	141,581
Due to other governments	87,955	14,153	102,108
Accrued interest payable	-	8,605	8,605
Claims payable.	122,454	-	122,454
Payable from restricted assets:			
Refundable deposits payable.	-	85,395	85,395
Unearned revenue	418,752	-	418,752
Long-term liabilities:			
Due within one year	417,531	362,623	780,154
Due in more than one year:			
Net pension liability.	7,960,526	1,408,031	9,368,557
Net OPEB liability.	447,923	30,183	478,106
Other amounts due in more than one year	709,989	2,708,314	3,418,303
Total liabilities	<u>10,328,585</u>	<u>4,741,270</u>	<u>15,069,855</u>
Deferred inflows of resources:			
Property taxes levied for the next fiscal year.	357,039	-	357,039
Pension.	328,558	18,156	346,714
OPEB.	506,558	10,901	517,459
Total deferred inflows of resources	<u>1,192,155</u>	<u>29,057</u>	<u>1,221,212</u>
Net position:			
Net investment in capital assets.	14,965,568	9,339,836	24,305,404
Restricted for:			
Capital projects	1,606,411	-	1,606,411
Transportation projects	1,539,496	-	1,539,496
Police and fire purposes.	104,047	-	104,047
Perpetual care.	35,352	-	35,352
Pensions.	38,926	19,721	58,647
Other purposes.	311,680	-	311,680
Unrestricted (deficit).	<u>(1,175,792)</u>	<u>7,886,478</u>	<u>6,710,686</u>
Total net position	<u>\$ 17,425,688</u>	<u>\$ 17,246,035</u>	<u>\$ 34,671,723</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF WILLARD
HURON COUNTY, OHIO**

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2023
(SEE ACCOUNTANT'S COMPILATION REPORT)

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government.	\$ 829,482	\$ 69,147	\$ -	\$ -
Security of persons and property	4,153,106	588,398	317,774	276,336
Public health and welfare	9,847	28,999	-	-
Transportation.	904,617	87,555	411,943	99,696
Community environment	511,884	57,754	10,442	-
Leisure time activity.	351,877	69,465	50,126	83,618
Total governmental activities	<u>6,760,813</u>	<u>901,318</u>	<u>790,285</u>	<u>459,650</u>
Business-type activities:				
Sewer.	2,357,678	2,819,111	-	100,000
Water.	1,925,905	2,634,891	-	122,575
Total business-type activities	<u>4,283,583</u>	<u>5,454,002</u>	<u>-</u>	<u>222,575</u>
Total primary government	<u>\$ 11,044,396</u>	<u>\$ 6,355,320</u>	<u>\$ 790,285</u>	<u>\$ 682,225</u>

General revenues:

- Property taxes levied for:
 - General purposes
 - Recreation.
 - Police pension.
- Income taxes levied for:
 - General purposes
 - Police.
 - Capital projects.
- Permissive motor vehicle license tax.
- Grants and entitlements not restricted
 to specific programs
- Investment earnings
- Change in fair value of investments.
- Miscellaneous

Total general revenues

Change in net position

Net position at beginning of year.

Net position at end of year.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**Net (Expense) Revenue
and Changes in Net Position**

Governmental Activities	Business-type Activities	Total
\$ (760,335)	\$ -	\$ (760,335)
(2,970,598)	-	(2,970,598)
19,152	-	19,152
(305,423)	-	(305,423)
(443,688)	-	(443,688)
(148,668)	-	(148,668)
<u>(4,609,560)</u>	<u>-</u>	<u>(4,609,560)</u>
-	561,433	561,433
-	831,561	831,561
<u>-</u>	<u>1,392,994</u>	<u>1,392,994</u>
<u>(4,609,560)</u>	<u>1,392,994</u>	<u>(3,216,566)</u>
307,236	-	307,236
55,775	-	55,775
29,290	-	29,290
3,478,502	-	3,478,502
436,454	-	436,454
887,351	-	887,351
56,037	-	56,037
305,566	-	305,566
235,572	-	235,572
325,156	-	325,156
56,624	65	56,689
<u>6,173,563</u>	<u>65</u>	<u>6,173,628</u>
1,564,003	1,393,059	2,957,062
<u>15,861,685</u>	<u>15,852,976</u>	<u>31,714,661</u>
<u>\$ 17,425,688</u>	<u>\$ 17,246,035</u>	<u>\$ 34,671,723</u>

**CITY OF WILLARD
HURON COUNTY, OHIO**

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2023
(SEE ACCOUNTANT'S COMPILATION REPORT)

	<u>General</u>	<u>Income Tax Capital Improvement</u>	<u>Electric System Sale</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:					
Equity in pooled cash and investments.	\$ 1,527,274	\$ 1,422,597	\$ 1,757,431	\$ 2,774,382	\$ 7,481,684
Cash in segregated accounts.	-	-	-	206,201	206,201
Receivables:					
Income taxes.	590,505	-	-	59,051	649,556
Real and other taxes.	305,192	-	-	79,555	384,747
Accounts.	166,106	-	-	30,265	196,371
Special assessments.	13,123	-	-	-	13,123
Interfund loans.	46,044	-	-	-	46,044
Due from other governments.	127,398	-	-	189,430	316,828
Accrued interest.	59,938	-	-	-	59,938
Materials and supplies inventory.	9,093	-	-	50,633	59,726
Prepayments.	220,716	-	-	7,702	228,418
Total assets.	<u>\$ 3,065,389</u>	<u>\$ 1,422,597</u>	<u>1,757,431</u>	<u>\$ 3,397,219</u>	<u>\$ 9,642,636</u>
Liabilities:					
Accounts payable.	\$ 33,247	\$ 10,154	\$ -	\$ 6,766	\$ 50,167
Accrued wages.	95,407	-	-	17,881	113,288
Due to other governments.	78,047	-	-	9,908	87,955
Interfund loans payable.	-	-	-	46,044	46,044
Unearned revenue.	-	-	-	418,752	418,752
Total liabilities.	<u>206,701</u>	<u>10,154</u>	<u>-</u>	<u>499,351</u>	<u>716,206</u>
Deferred inflows of resources:					
Property taxes levied for the next fiscal year.	287,391	-	-	69,648	357,039
Delinquent property tax revenue not available.	16,961	-	-	4,118	21,079
Accrued interest not available.	20,870	-	-	-	20,870
Special assessments revenue not available.	13,123	-	-	-	13,123
Intergovernmental revenue not available.	90,831	-	-	116,205	207,036
Income tax revenue not available.	352,316	-	-	35,232	387,548
Total deferred inflows of resources.	<u>781,492</u>	<u>-</u>	<u>-</u>	<u>225,203</u>	<u>1,006,695</u>
Fund balances:					
Nonspendable.	237,236	-	-	93,687	330,923
Restricted.	-	-	1,575,000	2,131,966	3,706,966
Committed.	-	1,412,443	-	352,178	1,764,621
Assigned.	1,053,977	-	182,431	136,757	1,373,165
Unassigned (deficit).	785,983	-	-	(41,923)	744,060
Total fund balances.	<u>2,077,196</u>	<u>1,412,443</u>	<u>1,757,431</u>	<u>2,672,665</u>	<u>7,919,735</u>
Total liabilities, deferred inflows of resources and fund balances.	<u>\$ 3,065,389</u>	<u>\$ 1,422,597</u>	<u>\$ 1,757,431</u>	<u>\$ 3,397,219</u>	<u>\$ 9,642,636</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF WILLARD
HURON COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2023
(SEE ACCOUNTANT'S COMPILATION REPORT)

Total governmental fund balances	\$	7,919,735
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		15,512,486
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.		
Income taxes receivable	\$ 387,548	
Real and other taxes receivable	21,079	
Intergovernmental receivable	207,036	
Special assessments receivable	13,123	
Accrued interest receivable	20,870	
Total	649,656	649,656
The net pension asset and net pension liability are not available to pay for current period expenditures and are not due and payable in the current period, respectively; therefore, the asset, liability and related deferred inflows/outflows are not reported in governmental funds.		
Net pension asset	38,926	
Deferred outflows of resources	2,884,250	
Deferred inflows of resources	(328,558)	
Net pension liability	(7,960,526)	
Total	(5,365,908)	(5,365,908)
The net OPEB liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds.		
Deferred outflows of resources	507,469	
Deferred inflows of resources	(506,558)	
Net OPEB liability	(447,923)	
Total	(447,012)	(447,012)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences	(580,602)	
Issue II loans payable	(546,918)	
Total	(1,127,520)	(1,127,520)
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities on the statement of net position.		284,251
Net position of governmental activities	\$	<u>17,425,688</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF WILLARD
HURON COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2023
(SEE ACCOUNTANT'S COMPILATION REPORT)

	<u>General</u>	<u>Income Tax Capital Improvement</u>	<u>Electric System Sale</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
Income taxes	\$ 3,338,756	\$ 887,351	\$ -	\$ 625,979	\$ 4,852,086
Real and other taxes.	301,191	-	-	139,599	440,790
Charges for services.	611,246	-	-	124,476	735,722
Licenses and permits	88,849	-	-	-	88,849
Fines and forfeitures	8,392	-	-	5,229	13,621
Intergovernmental.	368,057	33,566	-	972,550	1,374,173
Investment income.	206,271	-	-	88,101	294,372
Rental income	-	-	-	41,911	41,911
Contributions and donations.	15,934	-	-	80,397	96,331
Change in fair value of investments.	325,156	-	-	-	325,156
Other	20,599	-	-	48,060	68,659
Total revenues	<u>5,284,451</u>	<u>920,917</u>	<u>-</u>	<u>2,126,302</u>	<u>8,331,670</u>
Expenditures:					
Current:					
General government	774,815	-	-	-	774,815
Security of persons and property	3,041,225	-	-	647,736	3,688,961
Public health and welfare.	6,132	-	-	-	6,132
Transportation	206,187	-	-	338,679	544,866
Community environment	405,752	-	-	23,139	428,891
Leisure time activity	-	-	-	296,380	296,380
Capital outlay	-	624,225	-	594,734	1,218,959
Debt service:					
Principal retirement.	-	-	-	149,899	149,899
Total expenditures.	<u>4,434,111</u>	<u>624,225</u>	<u>-</u>	<u>2,050,567</u>	<u>7,108,903</u>
Excess of revenues over expenditures.	<u>850,340</u>	<u>296,692</u>	<u>-</u>	<u>75,735</u>	<u>1,222,767</u>
Other financing sources (uses):					
Sale of capital assets.	8,150	-	-	-	8,150
Transfers in	-	-	107,431	151,500	258,931
Transfers (out).	(107,431)	(151,500)	-	-	(258,931)
Total other financing sources (uses)	<u>(99,281)</u>	<u>(151,500)</u>	<u>107,431</u>	<u>151,500</u>	<u>8,150</u>
Net change in fund balances	751,059	145,192	107,431	227,235	1,230,917
Fund balances at beginning of year	<u>1,326,137</u>	<u>1,267,251</u>	<u>1,650,000</u>	<u>2,445,430</u>	<u>6,688,818</u>
Fund balances at end of year	<u>\$ 2,077,196</u>	<u>\$ 1,412,443</u>	<u>\$ 1,757,431</u>	<u>\$ 2,672,665</u>	<u>\$ 7,919,735</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF WILLARD
HURON COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2023
(SEE ACCOUNTANT'S COMPILATION REPORT)

Net change in fund balances - total governmental funds	\$	1,230,917
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital asset additions	\$ 1,303,279	
Current year depreciation	(699,870)	
Total		603,409
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Income taxes	(49,779)	
Real and other taxes	7,548	
Intergovernmental revenues	1,898	
Special assessments	1,029	
Investment income	6,092	
Total		(33,212)
Repayment of loan principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.		
		149,899
Contractually required pension/OPEB contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
Pension	607,483	
OPEB	12,256	
Total		619,739
Except for amounts reported as deferred inflows/outflows, changes in the net pension asset/liability and net OPEB asset/liability are reported as pension/OPEB expense in the statement of activities.		
Pension	(1,034,183)	
OPEB	92,293	
Total		(941,890)
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		(50,616)
The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the government-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.		
		(14,243)
Change in net position of governmental activities	\$	1,564,003

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF WILLARD
HURON COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2023
(SEE ACCOUNTANT'S COMPILATION REPORT)

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Income taxes	\$ 3,200,000	\$ 3,200,000	\$ 3,000,830	\$ (199,170)
Real and other taxes	320,338	320,338	301,039	(19,299)
Charges for services	701,200	701,200	596,643	(104,557)
Licenses and permits	114,000	114,000	88,849	(25,151)
Fines and forfeitures	15,500	15,500	8,698	(6,802)
Intergovernmental	433,475	433,475	372,617	(60,858)
Investment income	42,600	209,200	189,775	(19,425)
Contributions and donations	25,000	25,000	15,934	(9,066)
Other	83,500	83,500	20,599	(62,901)
Total revenues	<u>4,935,613</u>	<u>5,102,213</u>	<u>4,594,984</u>	<u>(507,229)</u>
Expenditures:				
Current:				
General government	887,707	1,064,307	691,994	372,313
Security of persons and property	4,245,001	4,245,001	3,065,203	1,179,798
Public health and welfare	11,950	11,950	6,120	5,830
Transportation	304,663	304,663	206,633	98,030
Community environment	455,972	455,972	402,038	53,934
Total expenditures	<u>5,905,293</u>	<u>6,081,893</u>	<u>4,371,988</u>	<u>1,709,905</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(969,680)</u>	<u>(979,680)</u>	<u>222,996</u>	<u>1,202,676</u>
Other financing sources (uses):				
Sale of capital assets	25,000	25,000	8,150	(16,850)
Advances in	-	-	55,650	55,650
Advances (out)	-	(55,650)	(55,650)	-
Transfers in	45,935	45,935	-	(45,935)
Transfers (out)	(41,000)	(41,000)	(107,431)	(66,431)
Total other financing sources (uses)	<u>29,935</u>	<u>(25,715)</u>	<u>(99,281)</u>	<u>(73,566)</u>
Net change in fund balances	(939,745)	(1,005,395)	123,715	1,129,110
Fund balances at beginning of year	<u>1,275,214</u>	<u>1,275,214</u>	<u>1,275,214</u>	<u>-</u>
Fund balance at end of year	<u>\$ 335,469</u>	<u>\$ 269,819</u>	<u>\$ 1,398,929</u>	<u>\$ 1,129,110</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**CITY OF WILLARD
HURON COUNTY, OHIO**

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2023
(SEE ACCOUNTANT'S COMPILATION REPORT)

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Sewer	Water	Nonmajor Enterprise Fund	Total	
Assets:					
Current assets:					
Equity in pooled cash and investments.	\$ 2,687,437	\$ 5,228,899	\$ 15,607	\$ 7,931,943	\$ -
Cash with fiscal agent.	-	-	-	-	608,820
Receivables:					
Accounts.	299,584	299,138	-	598,722	-
Materials and supplies inventory.	48,774	191,846	-	240,620	-
Prepayments.	5,417	10,408	-	15,825	-
Restricted assets:					
Equity in pooled cash investments.	-	85,395	-	85,395	-
Total current assets	<u>3,041,212</u>	<u>5,815,686</u>	<u>15,607</u>	<u>8,872,505</u>	<u>608,820</u>
Noncurrent assets:					
Net pension asset	10,860	8,861	-	19,721	-
Capital assets:					
Nondepreciable capital assets	505,410	990,087	-	1,495,497	-
Depreciable capital assets, net.	5,267,346	5,467,830	-	10,735,176	-
Total capital assets, net.	<u>5,772,756</u>	<u>6,457,917</u>	<u>-</u>	<u>12,230,673</u>	<u>-</u>
Total noncurrent assets	<u>5,783,616</u>	<u>6,466,778</u>	<u>-</u>	<u>12,250,394</u>	<u>-</u>
Total assets	<u>8,824,828</u>	<u>12,282,464</u>	<u>15,607</u>	<u>21,122,899</u>	<u>608,820</u>
Deferred outflows of resources:					
Pension.	326,272	273,935	-	600,207	-
OPEB.	50,170	40,971	-	91,141	-
Total deferred outflows of resources	<u>\$ 376,442</u>	<u>\$ 314,906</u>	<u>\$ -</u>	<u>\$ 691,348</u>	<u>-</u>

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**CITY OF WILLARD
HURON COUNTY, OHIO**

STATEMENT OF NET POSITION
PROPRIETARY FUNDS (CONTINUED)
DECEMBER 31, 2023
(SEE ACCOUNTANT'S COMPILATION REPORT)

	<u>Business-type Activities - Enterprise Funds</u>			<u>Total</u>	<u>Governmental Activities - Internal Service Fund</u>
	<u>Sewer</u>	<u>Water</u>	<u>Nonmajor Enterprise Fund</u>		
Liabilities:					
Current liabilities:					
Accounts payable	\$ 39,010	\$ 56,663	\$ -	\$ 95,673	\$ -
Accrued wages	15,663	12,630	-	28,293	-
Compensated absences	57,910	39,692	-	97,602	-
Due to other governments	7,591	6,562	-	14,153	-
Accrued interest payable	8,605	-	-	8,605	-
Payable from restricted assets:					
Refundable deposits payable	-	85,395	-	85,395	-
OWDA loans payable	163,743	78,280	-	242,023	-
OPWC loans payable	19,998	3,000	-	22,998	-
Claims payable	-	-	-	-	122,454
Total current liabilities	<u>312,520</u>	<u>282,222</u>	<u>-</u>	<u>594,742</u>	<u>122,454</u>
Long-term liabilities:					
Compensated absences payable	66,106	16,392	-	82,498	-
OWDA loans payable	1,664,086	894,497	-	2,558,583	-
OPWC loans payable	23,733	43,500	-	67,233	-
Net OPEB liability	16,621	13,562	-	30,183	-
Net pension liability	775,380	632,651	-	1,408,031	-
Total long-term liabilities	<u>2,545,926</u>	<u>1,600,602</u>	<u>-</u>	<u>4,146,528</u>	<u>-</u>
Total liabilities	<u>2,858,446</u>	<u>1,882,824</u>	<u>-</u>	<u>4,741,270</u>	<u>122,454</u>
Deferred inflows of resources:					
Pension	16,904	1,252	-	18,156	-
OPEB	6,276	4,625	-	10,901	-
Total deferred inflows of resources	<u>23,180</u>	<u>5,877</u>	<u>-</u>	<u>29,057</u>	<u>-</u>
Net position:					
Net investment in capital assets	3,901,196	5,438,640	-	9,339,836	-
Restricted for pension	10,860	8,861	-	19,721	-
Unrestricted	<u>2,407,588</u>	<u>5,261,168</u>	<u>15,607</u>	<u>7,684,363</u>	<u>486,366</u>
Total net position	<u>\$ 6,319,644</u>	<u>\$ 10,708,669</u>	<u>\$ 15,607</u>	<u>17,043,920</u>	<u>\$ 486,366</u>
Adjustment to reflect the consolidation of the internal service fund activities related to enterprise funds.				<u>202,115</u>	
Net position of business-type activities				<u>\$ 17,246,035</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF WILLARD
HURON COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2023
(SEE ACCOUNTANT'S COMPILATION REPORT)

	<u>Business-type Activities - Enterprise Funds</u>			<u>Total</u>	<u>Governmental Activities - Internal Service Fund</u>
	<u>Sewer</u>	<u>Water</u>	<u>Nonmajor Enterprise Fund</u>		
Operating revenues:					
Charges for services	\$ 2,817,411	\$ 2,615,291	\$ -	\$ 5,432,702	\$ 1,163,846
Tap-in fees.	1,700	19,600	-	21,300	-
Large claim reimbursements.	-	-	-	-	133,956
Other operating revenues	-	65	-	65	49,842
Total operating revenues.	<u>2,819,111</u>	<u>2,634,956</u>	<u>-</u>	<u>5,454,067</u>	<u>1,347,644</u>
Operating expenses:					
Personal services	1,078,706	937,316	-	2,016,022	-
Contract services.	409,740	146,566	-	556,306	426,075
Materials and supplies.	133,719	371,194	-	504,913	-
Utilities	245,613	134,507	-	380,120	-
Claims expense	-	-	-	-	962,455
Depreciation.	466,481	329,620	-	796,101	-
Total operating expenses.	<u>2,334,259</u>	<u>1,919,203</u>	<u>-</u>	<u>4,253,462</u>	<u>1,388,530</u>
Operating income (loss).	<u>484,852</u>	<u>715,753</u>	<u>-</u>	<u>1,200,605</u>	<u>(40,886)</u>
Nonoperating revenues (expenses):					
Interest and fiscal charges	(17,585)	(7,078)	-	(24,663)	-
Gain (loss) on disposal of capital assets	(293)	3,270	-	2,977	-
Interest income	-	-	-	-	18,208
Total nonoperating revenues (expenses)	<u>(17,878)</u>	<u>(3,808)</u>	<u>-</u>	<u>(21,686)</u>	<u>18,208</u>
Income before capital contributions.	466,974	711,945	-	1,178,919	(22,678)
Capital contributions.	<u>100,000</u>	<u>122,575</u>	<u>-</u>	<u>222,575</u>	<u>-</u>
Change in net position	566,974	834,520	-	1,401,494	(22,678)
Net position at beginning of year.	<u>5,752,670</u>	<u>9,874,149</u>	<u>15,607</u>		<u>509,044</u>
Net position at end of year	<u>\$ 6,319,644</u>	<u>\$ 10,708,669</u>	<u>\$ 15,607</u>		<u>\$ 486,366</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.				<u>(8,435)</u>	
Change in net position of business-type activities				<u>\$ 1,393,059</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**CITY OF WILLARD
HURON COUNTY, OHIO**

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2023
(SEE ACCOUNTANT'S COMPILATION REPORT)

	<u>Business-type Activities - Enterprise Funds</u>				Governmental Activities - Internal Service Fund
	<u>Sewer</u>	<u>Water</u>	<u>Nonmajor Enterprise Fund</u>	<u>Total</u>	
Cash flows from operating activities:					
Cash received from customers	\$ 2,824,871	\$ 2,619,733	\$ -	\$ 5,444,604	\$ 1,163,846
Cash received from large claim reimbursements	-	-	-	-	133,956
Cash received from other operations	-	1,680	-	1,680	49,842
Cash payments for personal services	(1,110,519)	(917,659)	-	(2,028,178)	-
Cash payments for contract services	(416,434)	(144,605)	-	(561,039)	(426,075)
Cash payments for materials and supplies	(135,936)	(416,405)	-	(552,341)	-
Cash payments for utilities	(233,853)	(135,322)	-	(369,175)	-
Cash payments for claims	-	-	-	-	(885,413)
Cash payments for other expenses	-	-	-	-	-
Net cash provided by operating activities	<u>928,129</u>	<u>1,007,422</u>	<u>-</u>	<u>1,935,551</u>	<u>36,156</u>
Cash flows from capital and related financing activities:					
Acquisition of capital assets	(336,985)	(735,974)	-	(1,072,959)	-
Cash received from sale of capital assets	-	3,270	-	3,270	-
Capital grants	100,000	122,575	-	222,575	-
OWDA loan proceeds	-	542,254	-	542,254	-
Principal retirement	(169,745)	(108,384)	-	(278,129)	-
Interest and fiscal charges	(18,332)	(7,078)	-	(25,410)	-
Net cash used in capital and related financing activities	<u>(425,062)</u>	<u>(183,337)</u>	<u>-</u>	<u>(608,399)</u>	<u>-</u>
Cash flows from investing activities:					
Interest received	-	-	-	-	18,208
Net cash provided by investing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,208</u>
Net increase in cash and investments	503,067	824,085	-	1,327,152	54,364
Cash and investments at beginning of year	<u>2,184,370</u>	<u>4,490,209</u>	<u>15,607</u>	<u>6,690,186</u>	<u>554,456</u>
Cash and investments at end of year	<u>\$ 2,687,437</u>	<u>\$ 5,314,294</u>	<u>\$ 15,607</u>	<u>\$ 8,017,338</u>	<u>\$ 608,820</u>

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**CITY OF WILLARD
HURON COUNTY, OHIO**

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2023
(SEE ACCOUNTANT'S COMPILATION REPORT)

	<u>Business-type Activities - Enterprise Funds</u>				<u>Governmental Activities - Internal Service Fund</u>
	<u>Sewer</u>	<u>Water</u>	<u>Nonmajor Enterprise Fund</u>	<u>Total</u>	
Reconciliation of operating income (loss) to net cash provided by operating activities:					
Operating income (loss)	\$ 484,852	\$ 715,753	\$ -	\$ 1,200,605	\$ (40,886)
Adjustments:					
Depreciation.	466,481	329,620	-	796,101	-
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:					
Change in materials and supplies inventory	(9,922)	(70,867)	-	(80,789)	-
Change in accounts receivable	5,760	(15,158)	-	(9,398)	-
Change in prepayments	249	(305)	-	(56)	-
Change in net pension asset.	7,711	5,125	-	12,836	-
Change in net OPEB asset	87,502	65,897	-	153,399	-
Change in deferred outflows - pension.	(217,398)	(188,708)	-	(406,106)	-
Change in deferred outflows - OPEB.	(49,727)	(40,534)	-	(90,261)	-
Change in accounts payable.	12,980	27,139	-	40,119	-
Change in accrued wages	3,610	3,377	-	6,987	-
Change in intergovernmental payable.	51	462	-	513	-
Change in compensated absences payable.	(18,367)	2,534	-	(15,833)	-
Change in net pension liability.	534,755	451,437	-	986,192	-
Change in net OPEB liability.	16,621	13,562	-	30,183	-
Change in deferred inflows - pension.	(301,889)	(227,460)	-	(529,349)	-
Change in deferred inflows - OPEB.	(95,140)	(66,067)	-	(161,207)	-
Change in claims payable.	-	-	-	-	77,042
Change in payable from restricted assets.	-	1,615	-	1,615	-
Net cash provided by operating activities	<u>\$ 928,129</u>	<u>\$ 1,007,422</u>	<u>\$ -</u>	<u>\$ 1,935,551</u>	<u>\$ 36,156</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF WILLARD
HURON COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
DECEMBER 31, 2023
(SEE ACCOUNTANT'S COMPILATION REPORT)

	<u>Custodial</u>
Assets:	
Equity in pooled cash and cash equivalents.	\$ 1,003
Total assets	<u>1,003</u>
Net position:	
Restricted for individuals, organizations and other governments .	<u>1,003</u>
Total net position	<u><u>\$ 1,003</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF WILLARD
HURON COUNTY, OHIO**

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2023
(SEE ACCOUNTANT'S COMPILATION REPORT)

	Custodial
Additions:	
Licenses, permits and fees for other governments	\$ 12,031
Total additions	12,031
Deductions:	
Licenses, permits and fees distributions to other governments .	11,028
Total deductions	11,028
Net change in fiduciary net position	1,003
Net position beginning of year	-
Net position end of year	\$ 1,003

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 1 - DESCRIPTION OF THE CITY

The City of Willard ("The City") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution of the State of Ohio.

The City was originally organized as the Village of Chicago Junction in 1874. The name was changed to the Village of Willard in 1917, which became the City of Willard in 1959 as a home rule municipal corporation under the laws of the State of Ohio. The City operates under a council-manager form of government and provides the following services as authorized by its charter: public safety, water and sewer utilities, recreation, development, and street construction and maintenance.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

For financial reporting purposes, the City's BFS include all funds, agencies, boards, commissions, and departments for which the City is financially accountable. Financial accountability, as defined by the GASB, exists if the City appoints a voting majority of an organization's Governing Board and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific burdens on, the City. The City may also be financially accountable for governmental organizations with a separately elected Governing Board, a Governing Board appointed by another government, or a jointly appointed Board that is fiscally dependent on the City. The City also took into consideration other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's basic financial statements to be misleading or incomplete.

The primary government of the City consists of all funds, departments, boards and agencies that are not legally separate from the City. For the City of Willard, this includes police protection, fire protection, EMS services, street maintenance and repairs, planning and zoning, parks and recreation, water, sewer and storm water. The operation of each of these activities is directly controlled by Council through the budgetary process.

The City of Willard owns and is responsible for the lighting and any major repairs and improvements of the Willard Airport. Rental fees for use of public property and proceeds from the sale of airplane fuel are collected by the City and any minor repairs, services, and operations at the airport are performed by the City.

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 deficits of, or provide financial support to, the organization. Component units may also include organizations that are fiscally dependent on the City in that the City approves the budget, the issuance of debt or the levying of taxes. The City has no component units.

The City is associated with a certain organization which is considered a public entity risk pool:

Public Entities Pool of Ohio (PEP)

The City participates in the Public Entities Pool of Ohio, a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. Note 12.A to the financial statements provides additional information for this entity.

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

B. Basis of Presentation - Fund Accounting

The City's BFS 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. Interfund services provided and used are not eliminated in the process of consolidation. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

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

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

General - The general fund accounts and reports for all financial resources except those not accounted for in another fund. This includes, but is not limited to, police and fire protection, public health activities, cemetery, and the general administration of City functions. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Income tax capital improvement - This fund accounts for income tax receipts that are used for the acquisition and construction of capital assets.

Electric system sale - This fund accounts for the proceeds of the sale of the municipal electric system in 1965. Expenditure of the original proceeds of \$1,575,000 requires voter approval. Interest earnings may be accumulated or transferred to the general fund to be used for any legal purpose.

Other governmental funds of the City are used to account for (a) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets, (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects and (c) financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Proprietary Funds - Proprietary fund reporting focuses on changes in net position, financial position and cash flows. Proprietary funds are classified as either enterprise funds or internal service funds.

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

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

Water - This fund accounts for the provision of water treatment and distribution to its residential and commercial users located within the City.

The City's nonmajor enterprise fund accounts for the provision of storm drainage runoff services to the residents and commercial users located within the City.

Internal service fund - Internal service funds account 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 is used to account for the self-insurance program for medical, prescription, dental and vision benefits.

Fiduciary Funds - Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and custodial funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. The City's only fiduciary fund is a custodial fund that accounts for the collection and disbursement of a planning fee for the Southern 5 Regional Sewer District.

D. Measurement Focus

Government-Wide Financial Statements - The government-wide financial statements are prepared using the economic resources measurement focus. All assets, all deferred outflows of resources, all liabilities and all deferred inflows of resources associated with the operation of the City are included on the statement of net position.

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Fund Financial Statements - All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and deferred outflows of resources and current liabilities and deferred inflows of resources generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the financial statements for governmental funds.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the City's proprietary funds are charges for sales and services. Operating expenses for the enterprise funds include personnel and other expenses related to the operations of the enterprise activities. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

E. Basis of Accounting

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

Revenues - Exchange and Nonexchange Transactions - Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are 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 current 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 after year end.

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned (See Note 7). Revenue from property taxes is recognized in the year for which the taxes are levied (See Note 6). Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year end: income tax, State-levied locally shared taxes (including gasoline tax, local government funds and permissive tax), fines and forfeitures, fees and special assessments.

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Deferred Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net assets that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. See Notes 13 and 14 for deferred outflows of resources related to net pension liability/asset and net OPEB liability, respectively.

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2023, but which were levied to finance 2024 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. Unavailable revenue includes, but is not limited to, delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

See Notes 13 and 14 for deferred inflows of resources related to net pension liability/asset and net OPEB liability, respectively. These deferred inflows of resources are only reported on the government-wide statement of net position.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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

F. Budgetary Data

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. 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 certificate of estimated resources and the appropriations ordinance are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. The legal level of budgetary control is at the object level within each department. Budgetary modifications may only be made by ordinance of the City Council at the legal level of control.

Estimated Resources - The County Budget Commission certifies its actions to the City by September 1. As part of this process, the City receives the official certificate of estimated resources, which states the projected cash receipts of each fund. On or about January 1, this certificate is amended to include any unencumbered cash balances from the preceding year.

Appropriations - In accordance with the City Charter, an annual appropriation ordinance must be passed by December 26 of each year for the following period January 1 to December 31; this must be submitted to the County by April 1 of each year for the period January 1 to December 31. The appropriation ordinance fixes spending authority at the fund, department, and object level. The appropriation ordinance may be amended during the year as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified. The allocation of appropriations among departments and objects within a fund may be modified during the year by an ordinance of Council.

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Lapsing of Appropriations - At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. Encumbrances are carried forward and are not re-appropriated as part of the subsequent year appropriations.

G. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is utilized during the year for budget control purposes. Encumbrances outstanding at year-end are reported as expenditures under the City's budgetary basis of accounting. For GAAP reporting purposes, encumbrances outstanding at year end are reported in the various fund balance classifications as part of fund balance.

H. Inventories of Materials and Supplies

On the government-wide financial statements, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value. Inventories are recorded on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method.

On the 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. Inventory in governmental funds consists of expendable supplies held for consumption. 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.

On the fund financial statements, reported material and supplies inventory is equally offset by a nonspendable fund balance which indicates that it does not constitute available spendable resources even though it is a component of fund balance.

I. Prepayments

Payments made to vendors for services that will benefit periods beyond December 31, 2023, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount at the time of the purchase and reflecting the expenditures/expense in the year in which it was consumed.

J. Cash and Cash Equivalents

To improve cash management, 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 the City's records. Each fund's interest in the pool is presented as "equity in pooled cash and investments" on the financial statements.

During 2023, investments were limited to investments in federal agency securities, a corporate note, U.S. Treasury notes, negotiable certificates of deposit, municipal bonds, a U.S. Government money market fund and the State Treasury Asset Reserve of Ohio (STAR Ohio). Investments are reported at fair value which is based on quoted market prices.

During 2023, the City invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The City measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023
(SEE ACCOUNTANT’S COMPILATION REPORT)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

For 2023, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, 24 hours of advance notice for deposits and withdrawals of \$100 million or more is encouraged. STAR Ohio reserves the right to limit the transaction to \$250 million, requiring the excess amount to be transacted the following business day(s), but only to the \$250 million limit. All accounts of the participant will be combined for these purposes.

Interest income is distributed to the funds according to charter and statutory requirements. Interest revenue earned and credited to the general fund during 2023 amounted to \$206,271, which included \$179,871 assigned from other funds of the City.

For purpose of presentation on the financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the City are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

An analysis of the City’s investment account at year end is provided in Note 4.

K. Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in 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 updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition values as of the date received. The City maintains a capitalization threshold of \$1,000. The City’s infrastructure consists of streets, and water and sewer lines. 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.

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-type Activities Estimated Lives</u>
Land improvements	10 years	10 years
Buildings	20-40 years	20-40 years
Equipment	5-15 years	5-15 years
Vehicles	5 years	5 years
Infrastructure	40 years	-----
Utility plant in service	-----	40-80 years

**CITY OF WILLARD
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

L. Compensated Absences

The City reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences". Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributed to services already rendered and it is probable that the City will compensate the employees for the benefits through paid time off or some other means. The City records a liability for 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 is based on the sick leave accumulated at December 31 by those employees who are currently eligible to receive termination (severance) payments and by those employees for whom it is probable they will become eligible to receive termination (severance) benefits in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees age 50 or greater with at least 10 years of service; or 20 years of service at any age were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The entire compensated absence liability is reported on the government-wide financial statements.

On governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported. For proprietary funds, the entire amount of compensated absences is reported as a fund liability.

M. Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits.

N. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund loans receivable/payable". These amounts are eliminated in the governmental and business-type activities 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.

O. Interfund Activity

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

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023
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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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 nonoperating 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 BFS.

P. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

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

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

Assigned - Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of City Council, which includes giving the Finance Director the authority to constrain monies for intended purposes.

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

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

Q. Restricted Assets

Amounts held as deposits for water service are restricted and can only be expended for the return of such deposit, or to apply to the customer's account when the service is discontinued.

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

R. Estimates

The preparation of the BFS in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the BFS and accompanying notes. Actual results may differ from those estimates.

S. Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets, tap-in fees to the extent they exceed the cost of the connection to the system, or from grants or outside contributions of resources restricted to capital acquisition and construction. Capital contributions are reported as revenue in the proprietary fund financial statements. The City's sewer and water funds received \$100,000 and \$122,575, respectively, in capital contributions from grantors in 2023.

T. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. The net position component "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. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position.

Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes primarily includes amounts restricted for school resource officer grant, emergency management, an urban development block grant, clock tower donations and military memorial donations.

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

U. 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 Council and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2023.

V. Pensions/Other Postemployment Benefits (OPEB)

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

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023
(SEE ACCOUNTANT’S COMPILATION REPORT)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

W. Fair Value Measurements

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.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For 2023, the City has implemented GASB Statement No. 94, “Public-Private and Public-Public Partnerships and Availability Payment Arrangements”, GASB Statement No. 96, “Subscription Based Information Technology Arrangements”, certain questions and answers of GASB Implementation Guide 2021-1 and certain paragraphs of GASB Statement No. 99, “Omnibus 2022”.

GASB Statement No. 94 is to improve financial reporting by addressing issues related to public-private and 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. 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.

GASB Implementation Guide 2021-1 provides clarification on issues related to previously established GASB guidance. The implementation of GASB Implementation Guide 2021-1 did not have an effect on the financial statements of the City.

GASB Statement No. 99 is to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The implementation of GASB Statement No. 99 did not have an effect on the financial statements of the City.

B. Deficit Fund Balance

Fund balances at December 31, 2023 included the following individual fund deficit:

	<u>Deficit</u>
<u>Nonmajor governmental fund</u>	
CDBG	\$ 41,923

The general fund is liable for a deficit in any funds and provides transfers when cash is required, not when accruals occur. The deficit fund balance resulted from adjustments for accrued liabilities.

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 4 - DEPOSITS AND INVESTMENTS

Monies held by the City are classified by State statute into three categories:

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

Inactive deposits are public deposits that the Council has identified as not required for use within the current two-year period of designation of depositories. Inactive deposits must 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 in interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories.

Interim monies may be deposited or invested in the following:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, 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 two 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, and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in items (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and,
7. The State Treasurer's investment pool, the State Treasury Asset Reserve of Ohio (STAR Ohio); and,
8. Certain bankers' acceptances (for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met.

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

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

**CITY OF WILLARD
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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

3. Obligations of the City.

Protection of the deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions 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.

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. Except as noted above, 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 Finance Director or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Cash on Hand

At year end, the City had \$1,100 in undeposited cash on hand which is included on the financial statements of the City as part of "equity in pooled cash and investments" but is not considered part of the City's carrying amount of deposits at year end.

B. Cash in Segregated Accounts

At year end, the City had \$206,201 deposited with the Huron County Treasurer for monies related to the municipal road fund permissive tax.

C. Cash with Fiscal Agent

The City utilizes a self-insurance third party administrator to review and pay claims. Money held by the administrator is presented as "cash with fiscal agent." The amount held by the fiscal agent at December 31, 2023 was \$608,820.

D. Deposits with Financial Institutions

At December 31, 2023, the carrying amount of all City deposits was \$818,708. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2023, \$685,882 of the City's bank balance of \$935,882 was covered by pledged collateral as discussed below, while \$250,000 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. The City has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the City's and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured, or (2) participation in the OPCS, a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. For 2023, the City's financial institutions did not participate in the OPCS, but did have sufficient pledged collateral, which eliminated custodial credit risk. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the City to a successful claim by the FDIC.

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023
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NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

E. Investments

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

Measurement/ Investment type	Measurement Value	Investment Maturities				
		6 months or less	7 to 12 months	13 to 18 months	19 to 24 months	Greater than 24 months
<i>Fair value:</i>						
FNMA	\$ 556,939	\$ -	\$ 180,286	\$ 260,970	\$ -	\$ 115,683
FFCB	2,309,802	246,622	363,076	-	345,813	1,354,291
FAMC	414,119	249,650	-	-	-	164,469
FHLB	1,416,098	-	122,198	475,178	-	818,722
FHLMC	763,169	-	-	-	763,169	-
Negotiable CDs	2,542,631	1,422,924	119,028	355,653	287,897	357,129
Municipal bonds	149,130	-	-	-	149,130	-
Corporate note	172,228	-	-	-	-	172,228
U.S. Treasury notes	3,118,211	123,051	122,202	284,521	103,017	2,485,420
U.S. government money market fund	792,402	792,402	-	-	-	-
<i>Amortized cost:</i>						
STAR Ohio	<u>2,445,488</u>	<u>2,445,488</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 14,680,217</u>	<u>\$ 5,280,137</u>	<u>\$ 906,790</u>	<u>\$ 1,376,322</u>	<u>\$ 1,649,026</u>	<u>\$ 5,467,942</u>

The weighted average maturity of investments is 1.70 years.

The City's investments in U.S. government money market funds are valued using quoted market prices in active markets (Level 1 inputs). The City's investments in federal agency securities (FFCB, FAMC, FHLB, FHLMC, FNMA), U.S. Treasury notes, municipal bonds, corporate note and negotiable CDs are valued using quoted prices in markets that are not considered to be active, dealer quotations or alternative pricing sources for similar assets or liabilities for which all significant inputs are observable, either directly or indirectly (Level 2 inputs).

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the City's investment policy limits investment portfolio maturities to five years or less.

Credit Risk: Standard & Poor's has assigned the U.S. government money market fund an AAAM money market rating. The City's investments in federal agency securities and U.S. Treasury notes were rated AA+ and Aaa by Standard & Poor's and Moody's Investor Services, respectively. The City's investments in a corporate note was rated AA+ by Standard & Poor's. The City's investments in municipal bonds are rated AAA or SP-1+ by Standard & Poor's. Standard & Poor's has assigned STAR Ohio an AAAM money market rating. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The City's investments in negotiable certificates of deposit are fully insured by the FDIC. The City's investment policy does not specifically address credit risk beyond requiring the City to only invest in securities authorized by State statute.

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023
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NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The federal agency securities, municipal bonds, corporate note and U.S. Treasury notes are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent but not in the City's name. The City's investments in negotiable CDs are insured by the FDIC. The City has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the finance director or qualified trustee.

Concentration of Credit Risk: The City places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the City at December 31, 2023:

<u>Measurement\</u> <u>Investment type</u>	<u>Measurement</u> <u>Value</u>	<u>% of Total</u>
<i>Fair value:</i>		
FNMA	\$ 556,939	3.79
FFCB	2,309,802	15.73
FAMC	414,119	2.82
FHLB	1,416,098	9.65
FHLMC	763,169	5.20
Negotiable CDs	2,542,631	17.32
Municipal bonds	149,130	1.02
Corporate note	172,228	1.17
U.S. Treasury notes	3,118,211	21.24
U.S. government money market	792,402	5.40
<i>Amortized cost:</i>		
STAR Ohio	<u>2,445,488</u>	<u>16.66</u>
Total	<u>\$ 14,680,217</u>	<u>100.00</u>

F. Reconciliation of Cash and Investments to the Statement of Net Position

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of December 31, 2023:

<u>Cash and investments per note disclosure:</u>	
Carrying amount of deposits	\$ 818,708
Investments	14,680,217
Cash in segregated accounts	206,201
Cash with fiscal agent	608,820
Cash on hand	<u>1,100</u>
Total	<u>\$ 16,315,046</u>
<u>Cash and investments per statement of net position:</u>	
Governmental activities	\$ 8,296,705
Business-type activities	8,017,338
Custodial fund	<u>1,003</u>
Total	<u>\$ 16,315,046</u>

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023
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NOTE 5 - INTERFUND ACTIVITY

- A. Interfund transfers for the year ended December 31, 2023, consisted of the following, as reported on the fund financial statements:

Transfers from general fund to:	
Electric system sale fund	\$ 107,431
Transfers from income tax capital improvement fund to:	
Nonmajor governmental funds	<u>151,500</u>
Total	<u>\$ 258,931</u>

Transfers are used to (1) move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

The transfer to the general fund from the electric system sale fund was to transfer unrestricted investment earnings.

The purpose of the transfers from the income tax capital improvement fund was to pay off existing debt and to provide matching funds for a grant.

Interfund transfers between governmental funds are eliminated on the government-wide financial statements.

All transfers were made in accordance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

- B. Interfund loans consisted of the following at December 31, 2023, as reported on the fund financial statements.

Receivable funds	Payable funds	Amount
General	Nonmajor governmental funds	\$ 46,044

Interfund balances between governmental funds are eliminated on the government-wide financial statements.

NOTE 6 - PROPERTY TAXES

Property taxes include amounts levied against all real and public utility property located in the City. Taxes collected from real property taxes (other than public utility) in one calendar year are levied in the preceding calendar year on the assessed value as of January 1 of that preceding year, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be revaluated every six years. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2023 public utility property taxes became a lien December 31, 2022, are levied after October 1, 2023, and are collected in 2024 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
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(SEE ACCOUNTANT’S COMPILATION REPORT)

NOTE 6 - PROPERTY TAXES - (Continued)

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of Willard. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represent real property taxes, public utility taxes, delinquent tangible personal property taxes and other outstanding delinquencies which are measurable as of December 31, 2023, and for which there is an enforceable legal claim. In the governmental funds, the current portion receivable has been offset by a deferred inflow of resources since the current taxes were not levied to finance 2023 operations and the collection of delinquent taxes has been offset by deferred inflow of resources since the collection of the taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue is a deferred inflow of resources.

The full tax rate for all City operations for the year ended December 31, 2023, was \$3.80 per \$1,000 of assessed value. The assessed values of real and public utility property upon which 2023 property tax receipts were based are as follows:

<u>Real property</u>	
Residential/agricultural	\$ 62,661,790
Commercial/industrial/mineral	29,382,520
<u>Public utility</u>	
Real	4,325,110
Personal	<u>9,350,850</u>
Total assessed value	<u>\$ 105,720,270</u>

NOTE 7 - LOCAL INCOME TAX

For 2023, the City levies an income tax of 1.375%. The income tax is levied on the gross salaries, wages and other personnel service compensation earned by residents of the City and to the earnings of nonresidents working within the City. This tax also applies to the net income of businesses operating within the City. Residents of the City are granted a full credit for taxes paid to other Ohio municipalities, up to the percentage which would be due to the City.

The revenue received from income tax is recorded directly into the City income tax fund, income tax capital improvement fund, or police levy fund, a nonmajor governmental fund. The costs of operating the income tax department and income tax refunds are expended from the income tax fund. The remaining balance shall be used in accordance with ordinances adopted and approved by Council.

NOTE 8 - RECEIVABLES

Receivables at December 31, 2023, consisted of taxes, accounts (billings for user charged services), accrued interest, special assessments, and intergovernmental receivables arising from grants, entitlements, and shared revenue. All intergovernmental receivables have been classified as “due from other governments” on the BFS. Receivables have been recorded to the extent that they are measurable at December 31, 2023.

A summary of the principal items of receivables reported on the statement of net position follows:

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023
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NOTE 8 – RECEIVABLES - (Continued)

Governmental activities:

Income taxes	\$ 649,556
Real and other taxes	384,747
Accounts	196,371
Special assessments	13,123
Due from other governments	316,828
Accrued interest	59,938

Business-type activities:

Accounts	598,722
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Receivables have been disaggregated on the face of the BFS. The only receivable not expected to be collected within the subsequent year is the special assessments receivable which is collected over the life of the assessments.

NOTE 9 - CAPITAL ASSETS

A. Governmental capital asset activity for the year ended December 31, 2023, was as follows:

Governmental activities:	<u>Balance 1/1/2023</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 12/31/2023</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 1,320,002	\$ -	\$ -	\$ 1,320,002
Construction in progress	116,026	273,039	-	389,065
<i>Total capital assets, not being depreciated</i>	<u>1,436,028</u>	<u>273,039</u>	<u>-</u>	<u>1,709,067</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	438,689	14,298	-	452,987
Buildings	4,475,780	123,412	-	4,599,192
Equipment	3,692,726	246,221	(1,212)	3,937,735
Vehicles	3,320,412	152,061	-	3,472,473
Infrastructure	15,645,381	494,248	-	16,139,629
<i>Total capital assets, being depreciated</i>	<u>27,572,988</u>	<u>1,030,240</u>	<u>(1,212)</u>	<u>28,602,016</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(320,904)	(12,648)	-	(333,552)
Buildings	(3,445,248)	(67,398)	-	(3,512,646)
Equipment	(2,512,497)	(181,080)	1,212	(2,692,365)
Vehicles	(2,926,418)	(59,896)	-	(2,986,314)
Infrastructure	(4,894,872)	(378,848)	-	(5,273,720)
<i>Total accumulated depreciation</i>	<u>(14,099,939)</u>	<u>(699,870)</u>	<u>1,212</u>	<u>(14,798,597)</u>
Total capital assets, being depreciated, net	<u>13,473,049</u>	<u>330,370</u>	<u>-</u>	<u>13,803,419</u>
Total governmental activities capital assets	<u>\$ 14,909,077</u>	<u>\$ 603,409</u>	<u>\$ -</u>	<u>\$ 15,512,486</u>

**CITY OF WILLARD
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023
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NOTE 9 - CAPITAL ASSETS - (Continued)

B. Business-type activities capital asset activity for the year ended December 31, 2023, was as follows:

Business-type activities:	Balance <u>1/1/2023</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>12/31/2023</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 954,431	\$ -	\$ -	\$ 954,431
Construction in progress	<u>541,066</u>	<u>-</u>	<u>-</u>	<u>541,066</u>
<i>Total capital assets, not being depreciated:</i>	<u>1,495,497</u>	<u>-</u>	<u>-</u>	<u>1,495,497</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	115,380	-	-	115,380
Buildings	6,792,454	40,700	-	6,833,154
Equipment	8,631,193	141,762	(1,580)	8,771,375
Vehicles	898,096	85,656	-	983,752
Utility plant in service	<u>14,028,808</u>	<u>804,841</u>	<u>-</u>	<u>14,833,649</u>
<i>Total capital assets, being depreciated:</i>	<u>30,465,931</u>	<u>1,072,959</u>	<u>(1,580)</u>	<u>31,537,310</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(95,690)	(3,261)	-	(98,951)
Buildings	(5,990,172)	(99,344)	-	(6,089,516)
Equipment	(5,842,474)	(304,644)	1,287	(6,145,831)
Vehicles	(698,087)	(29,191)	-	(727,278)
Utility plant in service	<u>(7,380,897)</u>	<u>(359,661)</u>	<u>-</u>	<u>(7,740,558)</u>
<i>Total accumulated depreciation</i>	<u>(20,007,320)</u>	<u>(796,101)</u>	<u>1,287</u>	<u>(20,802,134)</u>
Total capital assets, being depreciated, net	<u>10,458,611</u>	<u>276,858</u>	<u>(293)</u>	<u>10,735,176</u>
Total business-type activities capital assets	<u>\$ 11,954,108</u>	<u>\$ 276,858</u>	<u>\$ (293)</u>	<u>\$ 12,230,673</u>

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**CITY OF WILLARD
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NOTES TO THE BASIC FINANCIAL STATEMENTS
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(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 9 - CAPITAL ASSETS - (Continued)

C. Depreciation expense was charged to functions/programs of the City as follows:

Governmental activities:

General government	\$ 32,607
Security of persons and property	167,636
Public health and welfare	3,187
Transportation	377,361
Community environment	72,439
Leisure time activities	<u>46,640</u>
Total governmental activities	<u>\$ 699,870</u>

Business-type activities:

Sewer	\$ 466,481
Water	<u>338,262</u>
Total business-type activities	<u>\$ 804,743</u>

NOTE 10 - VACATION, SICK LEAVE AND ACCUMULATED UNPAID EMPLOYEE BENEFITS

Vacation is earned and accrued monthly based upon the years of service, ranging from 4 hours/month to 20 hours/month. Vacation may be accrued up to two full years. Accrued vacation is paid at termination unless the employee has not completed one full year of service. The total obligation for vacation accrual for the City as a whole amounted to \$405,732 at December 31, 2023. Sick leave accumulates at a rate of 10 hours/month for all full-time employees. Accumulation of sick leave is limited to 1,440 hours. The amount payable to an eligible retiree is 35% of the unused accumulated sick leave.

The pay-off of the sick leave provision is also applicable in the case of death. The maximum liability to the City for accumulated sick leave vested employees on December 31, 2023 was \$354,970.

The City has union agreements with the Fraternal Order of Police (FOP) and the International Association of Fire Fighters (IAFF). The FOP agreement covers all the full-time police officers and dispatchers except the chief of police, assistant chief of police and probationary employees in the first sixty days of employment. The agreement with the IAFF covers all full-time fire fighters except the chief and assistant chief. Non-union employees are governed by the charter and City ordinances.

The agreement states that 35% of accrued unpaid sick leave will be paid to an employee when the employee retires from active service with the City and qualifies and begins to receive pension payments under the Ohio Public Employees Retirement System (OPERS) or other State operated pension and retirement programs. Sick leave may be accumulated to a total of 1,440 hours. A full-time employee shall be entitled to a cash payment, equal to 35% of his daily wage, of any unused sick leave accumulated in the current year above the 1,440 hour limit. This payment is made during the last pay period each year. After an employee has worked for the City for one year, the employee is entitled to vacation leave following his anniversary date. An employee may accumulate two years of unused vacation. No employee shall be compensated for any vacation not taken unless the employee is leaving the service of the City.

**CITY OF WILLARD
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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 11 - LONG-TERM OBLIGATIONS

A. During 2023, the following changes occurred in governmental activities long-term obligations.

Governmental activities:	Date of Issue	Interest Rate	Balance 12/31/2022	Additions	Retirements	Balance 12/31/2023	Amounts Due in One Year
<u>Issue II loans - direct borrowings:</u>							
Ash Street reconstruction II	2006	0.00%	\$ 30,591	\$ -	\$ (30,591)	\$ -	\$ -
Street improvements	2016	0.00%	444,984	-	(88,997)	355,987	88,997
US 224 improvements phase IV	2017	0.00%	12,000	-	(12,000)	-	-
Spring Street improvements	2018	0.00%	9,568	-	(9,568)	-	-
Willard street improvements	2021	0.00%	83,056	-	(8,743)	74,313	8,742
Various street improvements	2022	0.00%	116,618	-	-	116,618	11,662
Total Issue II loans			<u>696,817</u>	<u>-</u>	<u>(149,899)</u>	<u>546,918</u>	<u>109,401</u>
<u>Other long-term obligations:</u>							
Net pension liability			4,213,867	3,746,659	-	7,960,526	-
Net OPEB liability			593,111	59,578	(204,766)	447,923	-
Compensated absences			<u>544,558</u>	<u>244,162</u>	<u>(208,118)</u>	<u>580,602</u>	<u>308,130</u>
Total other long-term obligations			<u>5,351,536</u>	<u>4,050,399</u>	<u>(412,884)</u>	<u>8,989,051</u>	<u>308,130</u>
Total governmental activities							
long-term obligations			<u>\$ 6,048,353</u>	<u>\$ 4,050,399</u>	<u>\$ (562,783)</u>	<u>\$ 9,535,969</u>	<u>\$ 417,531</u>

Issue II loans: These loans were issued for various street improvements. Funding came from Issue II monies in the form of a note payable that is to be repaid from local funds from the note and bond retirement fund, a nonmajor governmental fund. The Spring Street improvements, Ash Street reconstruction II and US 224 improvements phase IV were retired early and paid in full in 2023. The 2021 Willard street improvements, 2016 Street improvements and 2022 Various street improvements loans will be repaid over a period of 10 years. These loans are interest free.

Issue II loans are direct borrowings that have terms negotiated directly between the City and the Ohio Public Works Commission (OPWC) and are not offered for public sale. In the event of default, the OPWC may declare the full amount of the then unpaid original loan amount to be immediately due and payable and/or require the City to pay any fines, penalties, interest, or late charges associated with the default.

Compensated absences: The liability reported in the statement of net position for governmental activities compensated absences will be paid from the fund from which the employee's salaries are paid, which, for the City, is the general fund and the following nonmajor governmental funds: police income tax fund and the recreation fund.

Net pension liability and net OPEB liability: For a discussion of the City's net pension liability and net OPEB liability, see Notes 13 and 14.

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NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

The following is the summary of the City's future annual debt service and interest requirements for governmental activities obligations:

Year Ending December 31,	Issue II Loans - Direct Borrowing		
	Principal	Interest	Total
2024	\$ 109,401	\$ -	\$ 109,401
2025	109,401	-	109,401
2026	109,402	-	109,402
2027	109,401	-	109,401
2028	20,404	-	20,404
2029 - 2033	88,909	-	88,909
Total	<u>\$ 546,918</u>	<u>\$ -</u>	<u>\$ 546,918</u>

B. During 2023, the following changes occurred in the City's business-type long-term obligations.

Business-type activities:	Date of Issue	Interest Rate	Balance			Balance 12/31/2023	Amounts Due in One Year
			1/1/2023	Additions	Retirements		
<u>OWDA loans - direct borrowings:</u>							
US 224 lift station	2010	1.00%	\$ 93,660	\$ -	\$ (11,303)	\$ 82,357	\$ 11,416
WWTP improvements	2014	1.00%	1,397,844	-	(97,213)	1,300,631	98,187
Sewer plant improvements	2021	0.76%	498,572	-	(53,731)	444,841	54,140
Water system improvements	2021	0.00%	526,115	-	(105,384)	420,731	52,692
Park St. waterline replacement	2022	1.91%	9,792	542,254	-	552,046	25,588
Total OWDA loans			<u>2,525,983</u>	<u>542,254</u>	<u>(267,631)</u>	<u>2,800,606</u>	<u>242,023</u>
<u>Issue II loans - direct borrowings:</u>							
US 224 pump station	2010	0.00%	28,729	-	(2,498)	26,231	2,498
WWTP improvements	2014	0.00%	22,500	-	(5,000)	17,500	17,500
Raw waterline replacement	2017	0.00%	49,500	-	(3,000)	46,500	3,000
Total Issue II loans			<u>100,729</u>	<u>-</u>	<u>(10,498)</u>	<u>90,231</u>	<u>22,998</u>
<u>Other long-term obligations:</u>							
Net pension liability			421,839	986,192	-	1,408,031	-
Net OPEB liability			-	30,183	-	30,183	-
Compensated absences			195,933	36,434	(52,267)	180,100	97,602
Total other long-term obligations			<u>617,772</u>	<u>1,052,809</u>	<u>(52,267)</u>	<u>1,618,314</u>	<u>97,602</u>
Total business-type activities long-term obligations			<u>\$ 3,244,484</u>	<u>\$ 1,595,063</u>	<u>\$ (330,396)</u>	<u>\$ 4,509,151</u>	<u>\$ 362,623</u>

Issue II loans: These loans were issued for the purpose of advancing funds so as to improve the Woodbine Avenue sewer system, US 224 pump station, the wastewater treatment plant (WWTP), and the raw waterline replacement. Funding for the projects came from the local funds and the above-mentioned notes. The WWTP improvement loan was retired early and paid in full in 2024 (see Note 22). The other loans will be repaid over a period of 20 years. The loans are interest free. The US 224 pump station and WWTP improvement loans are to be repaid from the sewer fund. The raw waterline replacement loan is to be repaid from the water fund.

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NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

Issue II loans are direct borrowings that have terms negotiated directly between the City and the Ohio Public Works Commission (OPWC) and are not offered for public sale. In the event of default, the OPWC may declare the full amount of the then unpaid original loan amount to be immediately due and payable and/or require the City to pay any fines, penalties, interest, or late charges associated with the default.

OWDA (Ohio Water Development Authority) loans:

US 224 lift station 2010: The debt was incurred in 2010 to pay the cost of improvements to the US 224 lift station. The loan is payable from the sewer fund. This loan bears an interest rate of 1.00% and matures on July 1, 2030.

WWTP improvement 2014: The debt was incurred beginning in 2014 to pay the cost of improvements to the wastewater treatment plant. The loan is payable from the sewer fund. This loan bears an interest rate of 1.00% and matures on January 1, 2036.

Sewer plant improvements 2021: The debt was incurred in 2021 to refinance the bond anticipation note payable discussed in Note 11, which was used to pay for upgrades at the wastewater treatment plant. The loan is payable from the sewer fund. This loan bears an interest rate of 0.76% and matures on July 1, 2031.

Water system improvement 2021: The debt was incurred beginning in 2021 to pay the cost of improvements to the water system. The loan is payable from the water fund. This loan bears an interest rate of 0.00% and matures on July 1, 2027. At December 31, 2023, the project is ongoing and the loan has not been finalized. Additional amounts are expected to be drawn down in 2024. Therefore, the balance of this loan is not included in the amortization schedule presented below.

Park Street waterline replacement 2022: The debt was incurred beginning in 2022 to pay the cost of the replacement of the Park Street waterline. The loan is payable from the water fund. This loan bears an interest rate of 1.91% and matures on January 1, 2034.

The City has pledged future sewer revenues to repay OWDA loans. The loans are payable solely from sewer fund revenues and are payable through 2036. Annual principal and interest payments on the loans are expected to require 18.98 percent of net revenues and 6.19 percent of total revenues. Principal and interest paid for the current year were \$180,578, total net revenues were \$951,333 and total revenues were \$2,919,111.

The City has pledged future water revenues to repay OWDA loans. The loans are payable solely from water fund revenues and are payable through 2034. Annual principal and interest payments on the loans are expected to require 10.08 percent of net revenues and 3.82 percent of total revenues. Principal and interest paid for the current year were \$105,384, total net revenues were \$1,045,373 and total revenues were \$2,760,801.

OWDA loans are direct borrowings that have terms negotiated directly between the City and the OWDA and are not offered for public sale. In the event of default, the OWDA may declare the full amount of the then unpaid original loan amount to be immediately due and payable and/or require the City to pay any fines, penalties, interest, or late charges associated with the default.

Compensated absences: The liability reported on the statement of net position for business-type activities compensated absences will be paid from the fund from which the employee's salaries are paid, which, for the City, are the water fund and the sewer fund.

Net pension liability and net OPEB liability: For a discussion of the City's net pension liability and net OPEB liability, see Notes 13 and 14.

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NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

The following is the summary of the City's future annual debt service and interest requirements for business-type activities obligations:

Year Ending December 31,	OWDA Loans - Direct Borrowing			Issue II Loans - Direct Borrowing		
	Principal	Interest	Total	Principal	Interest	Total
2024	\$ 189,331	\$ 21,221	\$ 210,552	\$ 22,998	\$ -	\$ 22,998
2025	217,033	23,494	240,527	5,499	-	5,499
2026	219,374	21,153	240,527	5,498	-	5,498
2027	221,744	18,783	240,527	5,498	-	5,498
2028	224,145	16,381	240,526	5,498	-	5,498
2029 - 2033	1,005,254	45,911	1,051,165	27,491	-	27,491
2034 - 2038	302,994	4,352	307,346	16,249	-	16,249
2039	-	-	-	1,500	-	1,500
Total	<u>\$ 2,379,875</u>	<u>\$ 151,295</u>	<u>\$ 2,531,170</u>	<u>\$ 90,231</u>	<u>\$ -</u>	<u>\$ 90,231</u>

C. Legal Debt Margin

The Ohio Revised Code provides that the net debt of a municipal corporation, whether or not approved by the electors, shall not exceed 10.5% of the total value of all property in the municipal corporation as listed and assessed for taxation. In addition, the unvoted net debt of municipal corporations cannot exceed 5.5% of the total taxation value of property. The assessed valuation used in determining the City's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in calculating the City's legal debt margin calculation excludes tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The statutory limitations on debt are measured by a direct ratio of net debt to tax valuation and expressed in terms of a percentage. At December 31, 2023, the City's total debt margin was \$11,237,381 and the unvoted debt margin was \$5,814,615.

NOTE 12 - RISK MANAGEMENT

A. Property and Casualty Insurance

The City is exposed to various risks of property and casualty losses, and injuries to employees.

The City insures against injuries to employees through the Ohio Bureau of Workers' Compensation.

The City is a member of the Public Entities Pool of Ohio (The Pool). The Pool assumes the risk of loss up to the limits of the (local entity's) policy. The Pool covers the following risks:

- General liability and casualty
- Public official's liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

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NOTE 12 - RISK MANAGEMENT - (Continued)

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31, 2022 (the latest information available):

	2022
Cash and investments	\$ 42,310,794
Actuarial liabilities	\$ 15,724,479

Property and casualty settlements did not exceed insurance coverage for the past three years. There have been no significant reductions in coverage from the prior year.

B. Employee Health Insurance

The City has elected to provide employee medical, prescription, dental and vision benefits through a self-insurance program. The City maintains a self-insurance internal service fund to account for and finance its uninsured risk loss in this program. The Jefferson Health Plan is the consortium that administers the provision of medical, dental, vision, hospitalization, and prescription drug benefits for all claims incurred during membership in the Jefferson Health Plan. A third-party administrator chosen by the City then provides administrative services to the Jefferson Health Plan in connection with the processing and payment of claims. The City of Willard is responsible for the first \$50,000 in claims, the Jefferson Health Plan is responsible for claims from \$50,000 to \$1,500,000 and claims over \$1,500,000 are covered with stop-loss coverage with a carrier chosen by the consortium. Fixed premiums for the calendar year are determined by the Jefferson Health Plan and paid to the third-party administrator.

The claims liability of \$122,454 reported in the internal service fund at December 31, 2023 is based on an estimate provided by the third party administrator and the requirements of GASB Statement No. 10, “Accounting and Financial Reporting for Risk Financing and Related Insurance Issues”, as amended by GASB Statement No. 30, “Risk Financing Omnibus”, which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred, but not reported claims, be accrued at the estimated ultimate cost of settling the claims.

Changes in claims activity for the two fiscal years is as follows:

<u>Fiscal Year</u>	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claim Payments</u>	<u>Balance at End of Year</u>
2023	\$ 45,412	\$ 962,455	\$ (885,413)	\$ 122,454
2022	69,518	918,178	(942,284)	45,412

In 2023, traditional plan family coverage had a monthly cost of \$3,118.41 and traditional plan single coverage had a monthly cost of \$1,041.08. The City offers to the police department employees a traditional plan with the same benefits as the 2019 benefits. The cost of this traditional family plan was \$3,339.23 and the single plan was \$1,114.71. The City continues to offer the H.S.A. option with a monthly cost for families of \$2,484.31 and a single policy price of \$829.66. The City continues to pay a portion of the H.S.A deductible. Employees are responsible for 15% of the contributions.

There has been no significant reduction in insurance coverages from coverages in the prior year. In addition, settled claims resulting from these risks have not exceeded commercial insurance converge in any of the past three years.

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NOTE 13 - DEFINED BENEFIT PENSION PLANS

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

Net Pension Liability/Asset and Net OPEB Liability

The net pension liability/asset and the net OPEB liability reported on the statement of net position represents a liability or asset to employees for pensions and OPEB, respectively.

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

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

The 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/asset 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 health care to eligible benefit recipients.

The proportionate share of each plan's unfunded benefits is presented as a long-term net pension/OPEB liability/asset 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 due to other governments on both the accrual and modified accrual bases of accounting.

The remainder of this note includes the pension disclosures. See Note 14 for the OPEB disclosures.

Plan Description - Ohio Public Employees Retirement System (OPERS)

Plan Description - City employees, other than full-time police and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS 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. 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.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional and combined plans. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS’ fiduciary net position that may be obtained by visiting <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):

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

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

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.

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 3.00%. 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 3.00%.

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NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

Defined contribution plan benefits are established in the plan documents, which may be amended by the Board. Member-directed plan and combined plan 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 20.00% 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:

	State and Local	
	Traditional	Combined
2023 Statutory Maximum Contribution Rates		
Employer	14.0 %	14.0 %
Employee *	10.0 %	10.0 %
 2023 Actual Contribution Rates		
Employer:		
Pension **	14.0 %	12.0 %
Post-employment Health Care Benefits **	0.0	2.0
Total Employer	14.0 %	14.0 %
Employee	10.0 %	10.0 %

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

** 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 and are expressed as a percentage of covered payroll.

The City’s contractually required contribution for the Traditional Pension Plan, the Combined Plan and Member-Directed Plan was \$354,328 for 2023. Of this amount, \$33,985 is reported as due to other governments.

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NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

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

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.50% for each of the first 20 years of service credit, 2.00% for each of the next five years of service credit and 1.50% for each year of service credit in excess of 25 years. The maximum pension of 72.00% 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 3.00% 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 3.00% 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.

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NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

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	12.25 %	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was \$372,302 for 2023. Of this amount, \$39,995 is reported as due to other governments.

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

The net pension liability and net pension asset for OPERS was measured as of December 31, 2022, and the total pension liability or asset used to calculate the net pension liability or asset 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 or asset was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities.

Following is information related to the proportionate share and pension expense:

	<u>OPERS - Traditional</u>	<u>OPERS - Combined</u>	<u>OPERS - Member- Directed</u>	<u>OP&F</u>	<u>Total</u>
Proportion of the net pension liability/asset prior measurement date	0.01442600%	0.02407900%	0.01099400%	0.05411170%	
Proportion of the net pension liability/asset current measurement date	<u>0.01417500%</u>	<u>0.02460000%</u>	<u>0.00851300%</u>	<u>0.05454510%</u>	
Change in proportionate share	<u>-0.00025100%</u>	<u>0.00052100%</u>	<u>-0.00248100%</u>	<u>0.00043340%</u>	
Proportionate share of the net pension liability	\$ 4,187,301	\$ -	\$ -	\$ 5,181,256	\$ 9,368,557
Proportionate share of the net pension asset	-	57,981	666	-	58,647
Pension expense	585,080	7,434	(65)	-	592,449

**CITY OF WILLARD
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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

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	OPERS - Combined	OPERS - Member- Directed	OP&F	Total
Deferred outflows of resources					
Differences between expected and actual experience	\$ 139,085	\$ 3,564	\$ 1,920	\$ 77,721	\$ 222,290
Net difference between projected and actual earnings on pension plan investments	1,193,510	21,132	314	754,327	1,969,283
Changes of assumptions	44,236	3,842	40	467,332	515,450
Changes in employer's proportionate percentage/difference between employer contributions	15,384	-	-	35,420	50,804
Contributions subsequent to the measurement date	333,444	14,389	6,495	372,302	726,630
Total deferred outflows of resources	<u>\$ 1,725,659</u>	<u>\$ 42,927</u>	<u>\$ 8,769</u>	<u>\$ 1,707,102</u>	<u>\$ 3,484,457</u>
Deferred inflows of resources					
Differences between expected and actual experience	\$ -	\$ 8,286	\$ -	\$ 118,042	\$ 126,328
Changes of assumptions	-	-	-	101,033	101,033
Changes in employer's proportionate percentage/difference between employer contributions	29,380	-	-	89,973	119,353
Total deferred inflows of resources	<u>\$ 29,380</u>	<u>\$ 8,286</u>	<u>\$ -</u>	<u>\$ 309,048</u>	<u>\$ 346,714</u>

\$726,630 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of/increase to the net pension liability/asset in the year ending December 31, 2024.

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

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	OPERS - Combined	OPERS - Member- Directed	OP&F	Total
2024	\$ 154,742	\$ 863	\$ 324	\$ 78,754	\$ 234,683
2025	272,120	3,890	345	243,514	519,869
2026	351,309	5,395	346	281,245	638,295
2027	584,664	9,093	392	428,425	1,022,574
2028	-	(25)	223	(6,186)	(5,988)
Thereafter	-	1,036	644	-	1,680
Total	\$ 1,362,835	\$ 20,252	\$ 2,274	\$ 1,025,752	\$ 2,411,113

Actuarial Assumptions - OPERS

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

Projections of benefits for financial-reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2022, using the following actuarial assumptions applied to all periods included in the measurement in accordance with the requirements of GASB 67.

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of December 31, 2022, compared to the December 31, 2021 actuarial valuation, are presented below.

Wage inflation

Current measurement date 2.75%

Prior measurement date 2.75%

Future salary increases, including inflation

Current measurement date 2.75% to 10.75% including wage inflation

Prior measurement date 2.75% to 10.75% including wage inflation

COLA or ad hoc COLA

Current measurement date Pre 1/7/2013 retirees: 3.00%, simple

Post 1/7/2013 retirees: 3.00%, simple

through 2023, then 2.05% simple

Prior measurement date Pre 1/7/2013 retirees: 3.00%, simple

Post 1/7/2013 retirees: 3.00%, simple

through 2022, then 2.05% simple

Investment rate of return

Current measurement date 6.90%

Prior measurement date 6.90%

Actuarial cost method

Individual entry age

**CITY OF WILLARD
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NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

Pre-retirement mortality rates are based on 130% of the Pub-2010 General Employee Mortality tables (males and females) for State and Local Government divisions and 170% of the Pub-2010 Safety Employee Mortality tables (males and females) for the Public Safety and Law Enforcement divisions. Post-retirement mortality rates are based on 115% of the PubG-2010 Retiree Mortality Tables (males and females) for all divisions. Post-retirement mortality rates for disabled retirees are based on the PubNS-2010 Disabled Retiree Mortality Tables (males and females) for all divisions. For all of the 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 Defined Benefit portfolio contains the investment assets of 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 a loss of 12.1% for 2022.

The allocation of investment assets within the Defined Benefit portfolio is approved by the Board as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The long-term expected rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation. Best estimates of geometric real rates of return were provided by the Board’s investment consultant.

For each major asset class that is included in the Defined Benefit portfolio’s target asset allocation as of December 31, 2022, these best estimates are summarized in the following table:

<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>	

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

Discount Rate - The discount rate used to measure the total pension liability/asset was 6.90%, post-experience study results, for the Traditional Pension Plan, the Combined Plan and Member-Directed Plan. The discount rate used to measure total pension liability prior to December 31, 2022 was 6.90%. 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 benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Traditional Pension Plan, Combined Plan and Member-Directed Plan was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability/Asset to Changes in the Discount Rate - The following table presents the proportionate share of the net pension liability/asset calculated using the current period discount rate assumption of 6.90%, as well as what the proportionate share of the net pension liability/asset would be if it were calculated using a discount rate that is one-percentage-point lower (5.90%) or one-percentage-point higher (7.90%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
City's proportionate share of the net pension liability (asset):			
Traditional Pension Plan	\$ 6,272,438	\$ 4,187,301	\$ 2,452,842
Combined Plan	(30,258)	(57,981)	(79,950)
Member-Directed Plan	(426)	(666)	(851)

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 retirement plan involve estimates of the value of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future. Experience study assumptions were performed by OP&F's prior actuary and completed as of December 31, 2016. Changes in demographic and economic actuarial assumptions were made. Assumptions considered were: withdrawal rates, disability retirement, service retirement, DROP elections, mortality, percent married and forms of payment, DROP interest rate, CPI-based COLA, investment returns, salary increases and payroll growth. The changes in assumptions are being amortized over the estimated remaining useful lives of the participants which was 5.81 years at December 31, 2022.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of December 31, 2022, compared to December 31, 2021, are presented below.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

Valuation date	1/1/22 with actuarial liabilities rolled forward to 12/31/22
Actuarial cost method	Entry age normal (level percent of payroll)
Investment rate of return	
Current measurement date	7.50%
Prior measurement date	7.50%
Projected salary increases	3.75% - 10.50%
Payroll increases	3.25% per annum, compounded annually, consisting of inflation rate of 2.75% plus productivity increase rate of 0.50%
Cost of living adjustments	2.20% per year simple

Health Mortality

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% for males and 98.7% for females. All rates are projected using the MP-2021 Improvement Scale.

Disabled Mortality

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

Contingent Annuitant Mortality

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

Pre-Retirement Mortality

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

The 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.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

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 **
Cash and cash equivalents	0.00 %	0.00 %
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 2x

** Numbers are net of expected inflation.

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

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

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50%, 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%), or one percentage point higher (8.50%) than the current rate.

	Current		
	1% Decrease	Discount Rate	1% Increase
City's proportionate share of the net pension liability	\$ 6,835,076	\$ 5,181,256	\$ 3,806,435

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 14 - DEFINED BENEFIT OPEB PLANS

Net OPEB Liability

See Note 13 for a description of the net OPEB liability.

Plan Description - Ohio Public Employees Retirement System (OPERS)

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

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust. 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 for coverage at age 65 if they have at least 20 years of qualifying service.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

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 50.00% 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 14.00% of earnable salary and public safety and law enforcement employers contributed at 18.10%. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. For 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 2.00% 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 2023 was 4.00%; however, effective July 1, 2022, a portion of the health care rate was funded with reserves.

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NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$4,996 for 2023. Of this amount, \$479 is reported as due to other governments.

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

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

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

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.

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.

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

Funding Policy – The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F defined benefit pension plan. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently 19.50% and 24.00% of covered payroll for police and fire employer units, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.50% of covered payroll for police employer units and 24.00% 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 0.50% 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.

**CITY OF WILLARD
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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

The City's contractually required contribution to OP&F was \$8,940 for 2023. Of this amount, \$960 is reported as due to other governments.

Net OPEB Liabilities, OPEB Expense, and Deferred Outflows or Resources and Deferred Inflows of Resources Related to OPEB

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 and OPEB expense:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Proportion of the net OPEB liability/asset prior measurement date	0.01457200%	0.05411170%	
Proportion of the net OPEB liability current measurement date	<u>0.01423600%</u>	<u>0.05454510%</u>	
Change in proportionate share	<u>-0.00033600%</u>	<u>0.00043340%</u>	
Proportionate share of the net OPEB liability	\$ 89,761	\$ 388,345	\$ 478,106
OPEB expense	(175,405)	16,906	(158,499)

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**CITY OF WILLARD
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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Deferred outflows of resources			
Differences between expected and actual experience	\$ -	\$ 23,175	\$ 23,175
Net difference between projected and actual earnings on OPEB plan investments	178,266	33,310	211,576
Changes of assumptions	87,672	193,532	281,204
Changes in employer's proportionate percentage/difference between employer contributions	769	67,950	68,719
Contributions subsequent to the measurement date	4,996	8,940	13,936
Total deferred outflows of resources	<u>\$ 271,703</u>	<u>\$ 326,907</u>	<u>\$ 598,610</u>
Deferred inflows of resources			
Differences between expected and actual experience	\$ 22,391	\$ 76,573	\$ 98,964
Changes of assumptions	7,214	317,636	324,850
Changes in employer's proportionate percentage/difference between employer contributions	1,886	91,759	93,645
Total deferred inflows of resources	<u>\$ 31,491</u>	<u>\$ 485,968</u>	<u>\$ 517,459</u>

\$13,936 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of/increase to the net OPEB liability in the year ending December 31, 2024.

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

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	OP&F	Total
2024	\$ 28,850	\$ (20,620)	\$ 8,230
2025	64,660	(10,726)	53,934
2026	55,589	(16,614)	38,975
2027	86,117	(10,120)	75,997
2028	-	(32,713)	(32,713)
Thereafter	-	(77,208)	(77,208)
Total	\$ 235,216	\$ (168,001)	\$ 67,215

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.

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**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Wage Inflation	
Current measurement date	2.75%
Prior Measurement date	2.75%
Projected Salary Increases, including inflation	
Current measurement date	2.75 to 10.75%
	including wage inflation
Prior Measurement date	2.75 to 10.75%
	including wage inflation
Single Discount Rate:	
Current measurement date	5.22%
Prior Measurement date	6.00%
Investment Rate of Return	
Current measurement date	6.00%
Prior Measurement date	6.00%
Municipal Bond Rate	
Current measurement date	4.05%
Prior Measurement date	1.84%
Health Care Cost Trend Rate	
Current measurement date	5.50% initial, 3.50% ultimate in 2036
Prior Measurement date	5.50% initial, 3.50% ultimate in 2034
Actuarial Cost Method	Individual Entry Age Normal

Pre-retirement mortality rates are based on 130% of the Pub-2010 General Employee Mortality tables (males and females) for State and Local Government divisions and 170% of the Pub-2010 Safety Employee Mortality tables (males and females) for the Public Safety and Law Enforcement divisions. Post-retirement mortality rates are based on 115% of the PubG-2010 Retiree Mortality Tables (males and females) for all divisions. Post-retirement mortality rates for disabled retirees are based on the PubNS-2010 Disabled Retiree Mortality Tables (males and females) for all divisions. For all of the 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, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio was a loss of 15.6% for 2022.

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

The allocation of investment assets within the Health Care portfolio is approved by the Board as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. The System's primary goal is to achieve and maintain a fully funded status for benefits provided through the defined benefit pension plans. Health care is a discretionary benefit. The long-term expected rate of return on health care investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation. Best estimates of geometric real rates of return were provided by the Board's investment consultant.

For each major asset class that is included in the Health Care's portfolio's target asset allocation as of December 31, 2022, these best estimates are summarized in the following table:

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 Trusts (REITs)	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% was used to measure the total OPEB liability on the measurement date of December 31, 2022; however, the single discount rate used at the beginning of the year was 6.00%. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) a tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on the actuarial assumed rate of return on the health care investment portfolio of 6.00% and a municipal bond rate of 4.05%. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through the year 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 City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate - The following table presents the proportionate share of the net OPEB liability calculated using the single discount rate of 5.22%, as well as what the 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%) or one-percentage-point higher (6.22%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
City's proportionate share of the net OPEB liability/(asset)	\$ 305,505	\$ 89,761	\$ (88,263)

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

Sensitivity of the City’s Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate - Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.00% lower or 1.00% higher than the current rate.

Retiree health care valuations use a health care cost trend assumption with changes over several years built into that assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2023 is 5.50%. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is the health care cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.50% in the most recent valuation.

	1% Decrease	Current Health Care Trend Rate Assumption	1% Increase
City's proportionate share of the net OPEB liability	\$ 84,135	\$ 89,761	\$ 96,093

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.

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

Valuation Date	January 1, 2022, with actuarial liabilities rolled forward to December 31, 2022
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)
Investment Rate of Return	
Current measurement date	7.50%
Prior measurement date	7.50%
Projected Salary Increases	3.75% to 10.50%
Payroll Growth	3.25%
Single discount rate:	
Current measurement date	4.27%
Prior measurement date	2.84%
Cost of Living Adjustments	2.20% simple per year

Health Mortality

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% for males and 98.7% for females. All rates are projected using the MP-2021 Improvement Scale.

Disabled Mortality

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

Contingent Annuitant Mortality

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

Pre-Retirement Mortality

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

The 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 OP&F's Statement of Investment Policy. A forecasted rate of inflation serves as a baseline for the return expected. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted average of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes.

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

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 **
Cash and cash equivalents	0.00 %	0.00 %
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 2x

** Numbers are net of expected inflation.

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

Discount Rate - For 2022, the total OPEB liability was calculated using the discount rate of 4.27%. For 2021, the total OPEB liability was calculated using the discount rate of 2.84%. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from members would be computed based on contribution requirements as stipulated by state statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return 7.50%. Based on those assumptions, OP&F's fiduciary net position was projected to not be able to make all future benefit payment of current plan members. Therefore, the long-term assumed rate of return on investments of 7.50% was applied to periods before December 31, 2035 and the Municipal Bond Index Rate of 3.65% was applied to periods on and after December 31, 2035, resulting in a discount rate of 4.27%.

**CITY OF WILLARD
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023
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NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate - Net OPEB liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net OPEB liability calculated using the discount rate of 4.27%, 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%), or one percentage point higher (5.27%) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
City's proportionate share of the net OPEB liability	\$ 478,211	\$ 388,345	\$ 312,476

Sensitivity of the City's 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 15 - BUDGETARY BASIS OF ACCOUNTING

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

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund and major special revenue funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Investments are reported at fair value (GAAP basis) rather than cost (budget basis); and,
- (e) Some funds are included in the general fund (GAAP basis) but have separate legally adopted budgets (budget basis).

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023
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NOTE 15 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements (as reported in the fund financial statements) to the budgetary basis statements for all governmental funds for which a budgetary basis statement is presented:

Net Change in Fund Balance	
	General fund
Budget basis	\$ 123,715
Net adjustment for revenue accruals	351,541
Net adjustment for expenditure accruals	26,838
Funds budgeted elsewhere	248,965
GAAP basis	\$ 751,059

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the income tax fund, the insurance fund, and the unclaimed monies fund.

NOTE 16 - TAX ABATEMENTS

As of December 31, 2023, the City provides tax abatements through two programs: Community Reinvestment Area (CRA) and Enterprise Zone (Ezone). These programs relate to the abatement of property taxes.

CRA - Under the authority of Ohio Revised Code (ORC) Section 3735.67, the CRA program is an economic development tool administered by municipal and county governments that provides real property tax exemptions for property owners who renovate existing or construct new buildings. CRA’s are areas of land in which property owners can receive tax incentives for investing in real property improvements. Under the CRA program, local governments petition to the Ohio Development Services Agency (ODSA) for confirmation of a geographical area in which investment in housing is desired. Once an area is confirmed by the ODSA, local governments may offer real property tax exemptions to taxpayers that invest in that area. Property owners in the CRA can receive temporary tax abatements for renovation of existing structures and new construction in these areas. Property owners apply to the local legislative authority for approval to renovate or construct in the CRA. Upon approval and certification of completion, the amount of the abatement is deducted from the individual or entity’s property tax bill.

Ezone - Under the authority of ORC Sections 5709.62 and 5709.63, the Ezone program is an economic development tool administered by municipal and county governments that provides real and personal property tax exemptions to businesses making investments in Ohio. An Ezone is a designated area of land in which businesses can receive tax incentives in the form of tax exemptions on qualifying new investment. An Ezone's geographic area is identified by the local government involved in the creation of the zone. Once the zone is defined, the local legislative authority participating in the creation must petition the OSDA. The OSDA must then certify the area for it to become an active Enterprise Zone. The local legislative authority negotiates the terms of the Enterprise Zone Agreement (the “Agreement”) with the business, which may include tax sharing with the Board of Education. Legislation must then be passed to approve the Agreement. All Agreements must be finalized before the project begins and may contain provisions for the recoupment of taxes should the individual or entity fail to perform. The amount of the abatement is deducted from the business’s property tax bill.

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023
(SEE ACCOUNTANT’S COMPILATION REPORT)

NOTE 16 - TAX ABATEMENTS - (Continued)

The City has entered into agreements to abate property taxes through these programs. During 2023, the City’s property tax revenues were reduced as a result of these agreements as follows:

<u>Tax Abatement Program</u>	<u>City Taxes Abated</u>
CRA	\$ 3,078
Ezone	<u>13,901</u>
Total	<u>\$ 16,979</u>

NOTE 17 - CONTINGENCIES

A. Grants

The City receives significant financial assistance from numerous 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 and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the City at December 31, 2023.

B. Litigation

At December 31, 2023, the City was not involved in any lawsuits that would have a material adverse effect on the City’s financial position.

NOTE 18 - RESTRICTED ASSETS

Restricted assets are specifically restricted for repayment to water customers who were required to make deposits for the guarantee of payment of water and sewer bills. Restricted cash and investments designated by the City or provided by operations are equally offset by a refundable deposit payable. Restricted assets at December 31, 2023 are comprised of the following:

	<u>Cash and Investments</u>
Water fund:	
Customer deposits	<u>\$ 85,395</u>

NOTE 19 - ASSET RETIREMENT OBLIGATIONS

Ohio Revised Code Section 6111.44 requires the City to submit any changes to their sewage treatment system to the Ohio Environmental Protection Agency (Ohio EPA) for approval. Through this permitting process, the City would be responsible for addressing 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. Due to the lack of specific legal requirements for retiring the sewage treatment plant, the City has determined that the asset retirement obligation cannot be reasonably estimated.

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 20 - COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June 2021 while the national state of emergency ended in April 2023. The City will continue to spend available COVID-19 funding consistent with the applicable program guidelines.

NOTE 21 - 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:

Fund balance	General	Income Tax Capital Improvement	Electric System Sale	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:					
Materials and supplies inventory	\$ 9,093	\$ -	\$ -	\$ 50,633	\$ 59,726
Prepays	220,716	-	-	7,702	228,418
Unclaimed monies	7,427	-	-	-	7,427
Perpetual care	-	-	-	35,352	35,352
Total nonspendable	<u>237,236</u>	<u>-</u>	<u>-</u>	<u>93,687</u>	<u>330,923</u>
Restricted:					
Capital improvements	-	-	1,575,000	31,411	1,606,411
Transportation projects	-	-	-	1,375,825	1,375,825
Police and fire purposes	-	-	-	413,050	413,050
Other purposes	-	-	-	311,680	311,680
Total restricted	<u>-</u>	<u>-</u>	<u>1,575,000</u>	<u>2,131,966</u>	<u>3,706,966</u>
Committed:					
Capital improvements	-	1,412,443	-	-	1,412,443
Recreation programs	-	-	-	222,646	222,646
Transportation projects	-	-	-	36,227	36,227
Other purposes	-	-	-	93,305	93,305
Total committed	<u>-</u>	<u>1,412,443</u>	<u>-</u>	<u>352,178</u>	<u>1,764,621</u>
Assigned:					
Debt service	-	-	-	136,753	136,753
Capital improvements	-	-	182,431	4	182,435
Subsequent year appropriations	1,050,136	-	-	-	1,050,136
Other purposes	3,841	-	-	-	3,841
Total assigned	<u>1,053,977</u>	<u>-</u>	<u>182,431</u>	<u>136,757</u>	<u>1,373,165</u>
Unassigned (deficit)	<u>785,983</u>	<u>-</u>	<u>-</u>	<u>(41,923)</u>	<u>744,060</u>
Total fund balances	<u>\$ 2,077,196</u>	<u>\$ 1,412,443</u>	<u>\$ 1,757,431</u>	<u>\$ 2,672,665</u>	<u>\$ 7,919,735</u>

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 22 - SUBSEQUENT EVENTS

Due to the passage by the voters in May 2023 of an additional 0.50% income tax for safety service purposes, and the expiration of the 0.125% police income tax levy, effective January 1, 2024, the City's total income tax rate increased to 1.75%.

The City retired the WWTP improvements Issue II loan in early 2024. This loan was scheduled to mature in a future year but the City decided to use excess cash to retire the loan in full in early 2024.

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REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF WILLARD
HURON COUNTY, OHIO**

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY/NET PENSION ASSET
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

LAST TEN YEARS
(SEE ACCOUNTANT'S COMPILATION REPORT)

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
<i>Traditional Plan:</i>				
City's proportion of the net pension liability	0.014175%	0.014426%	0.014303%	0.014912%
City's proportionate share of the net pension liability	\$ 4,187,301	\$ 1,255,120	\$ 2,117,963	\$ 2,947,458
City's covered payroll	\$ 2,269,871	\$ 2,207,629	\$ 1,895,579	\$ 2,040,364
City's proportionate share of the net pension liability as a percentage of its covered payroll	184.47%	56.85%	111.73%	144.46%
Plan fiduciary net position as a percentage of the total pension liability	75.74%	92.62%	86.88%	82.17%
<i>Combined Plan:</i>				
City's proportion of the net pension asset	0.024600%	0.024079%	0.023481%	0.022380%
City's proportionate share of the net pension asset	\$ 57,981	\$ 94,872	\$ 67,780	\$ 46,668
City's covered payroll	\$ 114,379	\$ 109,779	\$ 103,479	\$ 99,629
City's proportionate share of the net pension asset as a percentage of its covered payroll	50.69%	86.42%	65.50%	46.84%
Plan fiduciary net position as a percentage of the total pension asset	137.14%	169.88%	157.67%	145.28%
<i>Member Directed Plan:</i>				
City's proportion of the net pension asset	0.008513%	0.010994%	0.011954%	0.012101%
City's proportionate share of the net pension asset	\$ 666	\$ 1,996	\$ 2,179	\$ 457
City's covered payroll	\$ 57,780	\$ 68,930	\$ 71,790	\$ 71,930
City's proportionate share of the net pension asset as a percentage of its covered payroll	1.15%	2.90%	3.04%	0.64%
Plan fiduciary net position as a percentage of the total pension asset	126.74%	171.84%	188.21%	118.84%

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

	2019	2018	2017	2016	2015	2014
	0.016105%	0.016095%	0.015811%	0.015702%	0.016149%	0.016149%
\$	4,410,833	\$ 2,524,993	\$ 3,590,409	\$ 2,719,784	\$ 1,947,749	\$ 1,903,756
\$	2,230,507	\$ 2,111,692	\$ 2,061,800	\$ 1,984,567	\$ 1,988,125	\$ 2,039,885
	197.75%	119.57%	174.14%	137.05%	97.97%	93.33%
	74.70%	84.66%	77.25%	81.08%	86.45%	86.36%
	0.022178%	0.023018%	0.019417%	0.024720%	0.028183%	0.028183%
\$	24,800	\$ 31,336	\$ 10,807	\$ 12,029	\$ 10,851	\$ 2,957
\$	94,850	\$ 94,262	\$ 75,575	\$ 98,275	\$ 103,017	\$ 96,362
	26.15%	33.24%	14.30%	12.24%	10.53%	3.07%
	126.64%	137.28%	116.55%	116.90%	114.83%	104.56%
	0.012121%	0.010278%	0.009051%	0.007258%	n/a	n/a
\$	276	\$ 359	\$ 38	\$ 28	n/a	n/a
\$	69,290	\$ 56,340	\$ 37,200	\$ 40,425	n/a	n/a
	0.40%	0.64%	0.10%	0.07%	n/a	n/a
	113.42%	124.45%	103.40%	103.91%	n/a	n/a

**CITY OF WILLARD
HURON COUNTY, OHIO**

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
OHIO POLICE AND FIRE (OP&F) PENSION FUND

LAST TEN YEARS
(SEE ACCOUNTANT'S COMPILATION REPORT)

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
City's proportion of the net pension liability	0.05454510%	0.05411170%	0.05471740%	0.05519880%
City's proportionate share of the net pension liability	\$ 5,181,256	\$ 3,380,586	\$ 3,730,134	\$ 3,718,486
City's covered payroll	\$ 1,528,082	\$ 1,447,266	\$ 1,314,708	\$ 1,357,672
City's proportionate share of the net pension liability as a percentage of its covered payroll	339.07%	233.58%	283.72%	273.89%
Plan fiduciary net position as a percentage of the total pension liability	62.90%	75.03%	70.65%	69.89%

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

2019	2018	2017	2016	2015	2014
0.05718000%	0.05293800%	0.06003100%	0.05395600%	0.05308930%	0.05308930%
\$ 4,667,399	\$ 3,249,013	\$ 3,802,265	\$ 3,471,018	\$ 2,750,247	\$ 2,585,615
\$ 1,299,698	\$ 1,570,297	\$ 1,455,742	\$ 1,509,985	\$ 1,444,386	\$ 1,467,735
359.11%	206.90%	261.19%	229.87%	190.41%	176.16%
63.07%	70.91%	68.36%	66.77%	72.20%	73.00%

**CITY OF WILLARD
HURON COUNTY, OHIO**

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CITY PENSION CONTRIBUTIONS
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

LAST TEN YEARS
(SEE ACCOUNTANT'S COMPILATION REPORT)

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
<i>Traditional Plan:</i>				
Contractually required contribution	\$ 333,444	\$ 317,782	\$ 309,068	\$ 265,381
Contributions in relation to the contractually required contribution	<u>(333,444)</u>	<u>(317,782)</u>	<u>(309,068)</u>	<u>(265,381)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 2,381,743	\$ 2,269,871	\$ 2,207,629	\$ 1,895,579
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%
<i>Combined Plan:</i>				
Contractually required contribution	\$ 14,389	\$ 16,013	\$ 15,369	\$ 14,487
Contributions in relation to the contractually required contribution	<u>(14,389)</u>	<u>(16,013)</u>	<u>(15,369)</u>	<u>(14,487)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 119,908	\$ 114,379	\$ 109,779	\$ 103,479
Contributions as a percentage of covered payroll	12.00%	14.00%	14.00%	14.00%
<i>Member Directed Plan:</i>				
Contractually required contribution	\$ 6,495	\$ 5,778	\$ 6,893	\$ 7,179
Contributions in relation to the contractually required contribution	<u>(6,495)</u>	<u>(5,778)</u>	<u>(6,893)</u>	<u>(7,179)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 64,950	\$ 57,780	\$ 68,930	\$ 71,790
Contributions as a percentage of covered payroll	10.00%	10.00%	10.00%	10.00%

Note: Information prior to 2015 for the for the Member Directed Plan was unavailable.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 285,651	\$ 312,271	\$ 274,520	\$ 247,416	\$ 238,148	\$ 238,575
<u>(285,651)</u>	<u>(312,271)</u>	<u>(274,520)</u>	<u>(247,416)</u>	<u>(238,148)</u>	<u>(238,575)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 2,040,364	\$ 2,230,507	\$ 2,111,692	\$ 2,061,800	\$ 1,984,567	\$ 1,988,125
14.00%	14.00%	13.00%	12.00%	12.00%	12.00%
\$ 13,948	\$ 13,279	\$ 12,254	\$ 9,069	\$ 11,793	\$ 12,362
<u>(13,948)</u>	<u>(13,279)</u>	<u>(12,254)</u>	<u>(9,069)</u>	<u>(11,793)</u>	<u>(12,362)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 99,629	\$ 94,850	\$ 94,262	\$ 75,575	\$ 98,275	\$ 103,017
14.00%	14.00%	13.00%	12.00%	12.00%	12.00%
\$ 7,193	\$ 6,929	\$ 5,634	\$ 4,464	\$ 4,851	
<u>(7,193)</u>	<u>(6,929)</u>	<u>(5,634)</u>	<u>(4,464)</u>	<u>(4,851)</u>	
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
\$ 71,930	\$ 69,290	\$ 56,340	\$ 37,200	\$ 40,425	
10.00%	10.00%	10.00%	12.00%	12.00%	

**CITY OF WILLARD
HURON COUNTY, OHIO**

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CITY PENSION CONTRIBUTIONS
OHIO POLICE AND FIRE (OP&F) PENSION FUND

LAST TEN YEARS
(SEE ACCOUNTANT'S COMPILATION REPORT)

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
<i>Police:</i>				
Contractually required contribution	\$ 202,069	\$ 174,780	\$ 173,185	\$ 159,196
Contributions in relation to the contractually required contribution	<u>(202,069)</u>	<u>(174,780)</u>	<u>(173,185)</u>	<u>(159,196)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 1,063,521	\$ 919,895	\$ 911,500	\$ 837,874
Contributions as a percentage of covered payroll	19.00%	19.00%	19.00%	19.00%
<i>Fire:</i>				
Contractually required contribution	\$ 170,233	\$ 142,924	\$ 125,905	\$ 112,056
Contributions in relation to the contractually required contribution	<u>(170,233)</u>	<u>(142,924)</u>	<u>(125,905)</u>	<u>(112,056)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 724,396	\$ 608,187	\$ 535,766	\$ 476,834
Contributions as a percentage of covered payroll	23.50%	23.50%	23.50%	23.50%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 173,507	\$ 169,341	\$ 223,633	\$ 196,673	\$ 222,441	\$ 212,018
<u>(173,507)</u>	<u>(169,341)</u>	<u>(223,633)</u>	<u>(196,673)</u>	<u>(222,441)</u>	<u>(212,018)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 913,195	\$ 891,268	\$ 1,177,016	\$ 1,035,121	\$ 1,170,742	\$ 1,115,884
19.00%	19.00%	19.00%	19.00%	19.00%	19.00%
\$ 104,452	\$ 95,981	\$ 92,421	\$ 98,846	\$ 79,722	\$ 77,198
<u>(104,452)</u>	<u>(95,981)</u>	<u>(92,421)</u>	<u>(98,846)</u>	<u>(79,722)</u>	<u>(77,198)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 444,477	\$ 408,430	\$ 393,281	\$ 420,621	\$ 339,243	\$ 328,502
23.50%	23.50%	23.50%	23.50%	23.50%	23.50%

**CITY OF WILLARD
HURON COUNTY, OHIO**

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF
THE NET OPEB LIABILITY/NET OPEB ASSET
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

LAST SEVEN YEARS
(SEE ACCOUNTANT'S COMPILATION REPORT)

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
City's proportion of the net OPEB liability/asset	0.014236%	0.014572%	0.014479%	0.015023%
City's proportionate share of the net OPEB liability/(asset)	\$ 89,761	\$ (456,417)	\$ (257,955)	\$ 2,075,067
City's covered payroll	\$ 2,442,030	\$ 2,386,338	\$ 2,070,848	\$ 2,211,923
City's proportionate share of the net OPEB liability/asset as a percentage of its covered payroll	3.68%	19.13%	12.46%	93.81%
Plan fiduciary net position as a percentage of the total OPEB liability/asset	94.79%	128.23%	115.57%	47.80%

Note: Information prior to 2017 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2019</u>	<u>2018</u>	<u>2017</u>
0.016128%	0.016080%	0.015621%
\$ 2,102,710	\$ 1,746,170	\$ 1,577,798
\$ 2,394,647	\$ 2,262,294	\$ 2,174,575
87.81%	77.19%	72.56%
46.33%	54.14%	54.05%

**CITY OF WILLARD
HURON COUNTY, OHIO**

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF
THE NET OPEB LIABILITY
OHIO POLICE AND FIRE (OP&F) PENSION FUND

LAST SEVEN YEARS
(SEE ACCOUNTANT'S COMPILATION REPORT)

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
City's proportion of the net OPEB liability	0.05454510%	0.05411170%	0.05471740%	0.05519880%
City's proportionate share of the net OPEB liability	\$ 388,345	\$ 593,111	\$ 579,740	\$ 545,239
City's covered payroll	\$ 1,528,082	\$ 1,447,266	\$ 1,314,708	\$ 1,357,672
City's proportionate share of the net OPEB liability as a percentage of its covered payroll	25.41%	40.98%	44.10%	40.16%
Plan fiduciary net position as a percentage of the total OPEB liability	52.59%	46.86%	45.42%	47.08%

Note: Information prior to 2017 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2019</u>	<u>2018</u>	<u>2017</u>
0.05718000%	0.05293800%	0.06003100%
\$ 520,712	\$ 2,999,364	\$ 2,849,537
\$ 1,299,698	\$ 1,570,297	\$ 1,455,742
40.06%	191.01%	195.74%
46.57%	14.13%	15.96%

**CITY OF WILLARD
HURON COUNTY, OHIO**

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CITY OPEB CONTRIBUTIONS
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

LAST TEN YEARS
(SEE ACCOUNTANT'S COMPILATION REPORT)

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Contractually required contribution	\$ 4,996	\$ 2,311	\$ 2,757	\$ 2,872
Contributions in relation to the contractually required contribution	<u>(4,996)</u>	<u>(2,311)</u>	<u>(2,757)</u>	<u>(2,872)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 2,566,601	\$ 2,442,030	\$ 2,386,338	\$ 2,070,848
Contributions as a percentage of covered payroll	0.19%	0.09%	0.12%	0.14%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 2,877	\$ 2,771	\$ 24,313	\$ 44,862	\$ 41,657	\$ 41,564
<u>(2,877)</u>	<u>(2,771)</u>	<u>(24,313)</u>	<u>(44,862)</u>	<u>(41,657)</u>	<u>(41,564)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 2,211,923	\$ 2,394,647	\$ 2,262,294	\$ 2,174,575	\$ 2,123,267	\$ 2,091,142
0.13%	0.12%	1.07%	2.06%	1.96%	1.99%

**CITY OF WILLARD
HURON COUNTY, OHIO**

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CITY OPEB CONTRIBUTIONS
OHIO POLICE AND FIRE (OP&F) PENSION FUND

LAST TEN YEARS
(SEE ACCOUNTANT'S COMPILATION REPORT)

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
<i>Police:</i>				
Contractually required contribution	\$ 5,318	\$ 4,599	\$ 4,558	\$ 4,189
Contributions in relation to the contractually required contribution	<u>(5,318)</u>	<u>(4,599)</u>	<u>(4,558)</u>	<u>(4,189)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 1,063,521	\$ 919,895	\$ 911,500	\$ 837,874
Contributions as a percentage of covered payroll	0.50%	0.50%	0.50%	0.50%
<i>Fire:</i>				
Contractually required contribution	\$ 3,622	\$ 3,041	\$ 2,679	\$ 2,384
Contributions in relation to the contractually required contribution	<u>(3,622)</u>	<u>(3,041)</u>	<u>(2,679)</u>	<u>(2,384)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 724,396	\$ 608,187	\$ 535,766	\$ 476,834
Contributions as a percentage of covered payroll	0.50%	0.50%	0.50%	0.50%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 4,566	\$ 4,456	\$ 5,885	\$ 5,176	\$ 6,012	\$ 5,680
<u>(4,566)</u>	<u>(4,456)</u>	<u>(5,885)</u>	<u>(5,176)</u>	<u>(6,012)</u>	<u>(5,680)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 913,195	\$ 891,268	\$ 1,177,016	\$ 1,035,121	\$ 1,170,742	\$ 1,115,884
0.50%	0.50%	0.50%	0.50%	0.50%	0.50%
\$ 2,222	\$ 2,042	\$ 1,966	\$ 2,106	\$ 1,696	\$ 1,564
<u>(2,222)</u>	<u>(2,042)</u>	<u>(1,966)</u>	<u>(2,106)</u>	<u>(1,696)</u>	<u>(1,564)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 444,477	\$ 408,430	\$ 393,281	\$ 420,621	\$ 339,243	\$ 328,502
0.50%	0.50%	0.50%	0.50%	0.50%	0.50%

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2023
(SEE ACCOUNTANT'S COMPILATION REPORT)

PENSION

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Changes in benefit terms :

- There were no changes in benefit terms from the amounts reported for 2014.
- There were no changes in benefit terms from the amounts reported for 2015.
- There were no changes in benefit terms from the amounts reported for 2016.
- There were no changes in benefit terms from the amounts reported for 2017.
- There were no changes in benefit terms from the amounts reported for 2018.
- There were no changes in benefit terms from the amounts reported for 2019.
- There were no changes in benefit terms from the amounts reported for 2020.
- There were no changes in benefit terms from the amounts reported for 2021.
- There were no changes in benefit terms from the amounts reported for 2022.
- There were no changes in benefit terms from the amounts reported for 2023.

Changes in assumptions :

- There were no changes in assumptions for 2014.
- There were no changes in assumptions for 2015.
- There were no changes in assumptions for 2016.
- For 2017, the following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date: (a) reduction in the actuarially assumed rate of return from 8.00% down to 7.50%, (b) for defined benefit investments, decreasing the wage inflation from 3.75% to 3.25% and (c) changing the future salary increases from a range of 4.25%-10.05% to 3.25%-10.75%.
- There were no changes in assumptions for 2018.
- For 2019, the following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date: (a) the assumed rate of return and discount rate were reduced from 7.50% down to 7.20%.
- There were no changes in assumptions for 2020.
- There were no changes in assumptions for 2021.
- For 2022, the following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date: (a) wage inflation was changed from 3.25% to 2.75%, (b) future salary increases, including inflation were changed from 3.25%-10.75% to 2.75%-10.75%, (c) COLA for post 1/7/2013 retirees were changed from 0.50%, simple through 2021, then 2.15% simple to 3.00%, simple through 2022, then 2.05% simple and (d) the actuarially assumed rate of return was changed from 7.20% to 6.90%.
- There were no changes in assumptions for 2023.

(Continued)

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2023
(SEE ACCOUNTANT'S COMPILATION REPORT)

PENSION

OHIO POLICE AND FIRE (OP&F) PENSION FUND

Changes in benefit terms :

- There were no changes in benefit terms from the amounts reported for 2014.
- There were no changes in benefit terms from the amounts reported for 2015.
- There were no changes in benefit terms from the amounts reported for 2016.
- There were no changes in benefit terms from the amounts reported for 2017.
- There were no changes in benefit terms from the amounts reported for 2018.
- There were no changes in benefit terms from the amounts reported for 2019.
- There were no changes in benefit terms from the amounts reported for 2020.
- There were no changes in benefit terms from the amounts reported for 2021.
- There were no changes in benefit terms from the amounts reported for 2022.
- There were no changes in benefit terms from the amounts reported for 2023.

Changes in assumptions :

- There were no changes in assumptions for 2014.
- There were no changes in assumptions for 2015.
- There were no changes in assumptions for 2016.
- There were no changes in assumptions for 2017.
- For 2018, the following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date: (a) reduction in the actuarially assumed rate of return from 8.25% down to 8.00%, (b) changing the future salary increases from a range of 4.25%-11.00% to 3.75%-10.50%, (c) reduction in payroll increases from 3.75% down to 3.25%, (d) reduction in inflation assumptions from 3.25% down to 2.75% and (e) Cost of Living Adjustments (COLA) were reduced from 2.60% and 3.00% simple to 2.20% and 3.00% simple.
- There were no changes in assumptions for 2019.
- There were no changes in assumptions for 2020.
- There were no changes in assumptions for 2021.
- For 2022, the following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date: (a) the actuarially assumed rate of return was changed from 8.00% to 7.50%.
- For 2023, the following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date: (a) the mortality rates were changed from the RP-2014 Total Employee and Healthy Annuitant mortality tables to various Pub-2010 mortality tables using the MP-2021 Improvement Scale.

(Continued)

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2023
(SEE ACCOUNTANT'S COMPILATION REPORT)

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Changes in benefit terms :

- There were no changes in benefit terms from the amounts reported for 2017.
- There were no changes in benefit terms from the amounts reported for 2018.
- There were no changes in benefit terms from the amounts reported for 2019.
- There were no changes in benefit terms from the amounts reported for 2020.
- For 2021, the following were the most significant changes in benefit terms since the prior measurement date: the Board approved several changes to the health care plan offered to Medicare and non-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 non-Medicare retirees with monthly allowances, similar to the program for Medicare retirees. These changes are reflected in the December 31, 2020 measurement date health care valuation. These changes significantly decreased the total OPEB liability for the measurement date December 31, 2020.
- There were no changes in benefit terms from the amounts reported for 2022.
- There were no changes in benefit terms from the amounts reported for 2023.

Changes in assumptions :

- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2017.
- For 2018, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date: (a) reduction in the actuarially assumed rate of return from 4.23% down to 3.85%.
- For 2019, the following were the most significant changes of assumptions that affect the total OPEB liability since the prior measurement date: (a) the discount rate was increased from 3.85% up to 3.96%, (b) The investment rate of return was decreased from 6.50% percent down to 6.00%, (c) the municipal bond rate was increased from 3.31% up to 3.71% and (d) the health care cost trend rate was increased from 7.50%, initial/3.25%, ultimate in 2028 up to 10.00%, initial/3.25% ultimate in 2029.
- For 2020, the following were the most significant changes of assumptions that affect the total OPEB liability since the prior measurement date: (a) the discount rate was decreased from 3.96% up to 3.16%, (b) the municipal bond rate was decreased from 3.71% up to 2.75% and (c) the health care cost trend rate was increased from 10.50%, initial/3.25%, ultimate in 2029 up to 10.50%, initial/3.50% ultimate in 2030.
- For 2021, the following were the most significant changes of assumptions that affect the total OPEB liability since the prior measurement date: (a) the discount rate was increased from 3.16% up to 6.00%, (b) the municipal bond rate was decreased from 2.75% up to 2.00% and (c) the health care cost trend rate was decreased from 10.50%, initial/3.50%, ultimate in 2030 down to 8.50%, initial/3.50% ultimate in 2035.
- For 2022, the following were the most significant changes of assumptions that affect the total OPEB liability since the prior measurement date: (a) wage inflation changed from 3.25% to 2.75%, (b) projected salary increases, including inflation changed from 3.25%-10.75% to 2.75%-10.75%, (c) the municipal bond rate was changed from 2.00% to 1.84% and (d) the health care cost trend rate was changed from 8.50% initial, 3.50% ultimate in 2035 to 5.50% initial, 3.50% ultimate in 2034.
- For 2023, the following were the most significant changes of assumptions that affect the total OPEB liability since the prior measurement date: (a) the single discount rate changed from 6.00% to 5.22%, (b) the municipal bond rate was changed from 1.84% to 4.05% and (c) the health care cost trend rate was changed from 5.50% initial, 3.50% ultimate in 2034 to 5.50% initial, 3.50% ultimate in 2036.

(Continued)

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2023
(SEE ACCOUNTANT'S COMPILATION REPORT)

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

OHIO POLICE AND FIRE (OP&F) PENSION FUND

Changes in benefit terms :

- There were no changes in benefit terms from the amounts reported for 2017.
- There were no changes in benefit terms from the amounts reported for 2018.
- For 2019, OP&F changed its retiree health care model from a self-insured health care plan to a stipend-based health care model.
- There were no changes in benefit terms from the amounts reported for 2020.
- There were no changes in benefit terms from the amounts reported for 2021.
- There were no changes in benefit terms from the amounts reported for 2022.
- There were no changes in benefit terms from the amounts reported for 2023.

Changes in assumptions :

- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2017.
- For 2018, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date: (a) DROP interest rate was reduced from 4.50% to 4.00%, (b) CPI-based COLA was reduced from 2.60% to 2.20%, (c) investment rate of return was reduced from 8.25% to 8.00%, (d) salary increases were reduced from 3.75% to 3.25% and (e) payroll growth was reduced from 3.75% to 3.25%.
- For 2019, the following were the most significant changes of assumptions that affect the total OPEB liability since the prior measurement date: (a) the discount rate was increased from 3.24% up to 4.66%.
- For 2020, the following were the most significant changes of assumptions that affect the total OPEB liability since the prior measurement date: (a) the discount rate was decreased from 4.66% up to 3.56%.
- For 2021, the following were the most significant changes of assumptions that affect the total OPEB liability since the prior measurement date: (a) the discount rate was decreased from 3.56% down to 2.96%.
- For 2022, the following were the most significant changes of assumptions that affect the total OPEB liability since the prior measurement date: (a) the investment rate of return was changed from 8.00% to 7.50% and (b) the discount rate was changed from 2.96% to 2.84%.
- For 2023, the following were the most significant changes of assumptions that affect the total OPEB liability since the prior measurement date: (a) the discount rate was changed from 2.84% to 4.27% and (b) the mortality rates were changed from the RP-2014 Total Employee and Healthy Annuitant mortality tables to various Pub-2010 mortality tables using the MP-2021 Improvement Scale.