

CITY OF WILLARD HURON COUNTY, OHIO

Basic Financial Statements

**For the Year Ended
December 31, 2022**

**CITY OF WILLARD
HURON COUNTY, OHIO**

BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

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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, 2022 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
June 27, 2023

**CITY OF WILLARD
HURON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2022
(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, 2022. 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 2022 are as follows:

- The total net position of the City increased \$3,398,799. Net position of governmental activities increased \$1,174,272 or 8.00% from 2021's net position and net position of business-type activities increased \$2,224,527 or 16.32% from 2021's net position.
- General revenues accounted for \$4,866,832 or 69.27% of total governmental activities revenue. Program specific revenues accounted for \$2,159,257 or 30.73% of total governmental activities revenue.
- The City had \$5,489,372 in expenses related to governmental activities; \$2,159,257 of these expenses was offset by program specific charges for services, grants or contributions. The remaining expenses of the governmental activities of \$3,330,115 were offset by general revenues (primarily income taxes, property taxes and unrestricted grants and entitlements) of \$4,866,832.
- The general fund had revenues and other financing sources of \$3,749,391 in 2022. The expenditures of the general fund totaled \$4,561,678 in 2022. The net decrease in fund balance for the general fund was \$812,287 or 21.44%.
- The American Rescue Plan Act fund had revenues of \$386,052 and expenditures of \$386,052 in 2022. The fund balance of the American Rescue Plan Act fund at year end is \$0 because any unspent amounts are offset by unearned revenue. The revenue will be recognized as the City spends the money on qualifying items.
- The income tax capital improvement fund had revenues of \$773,222 in 2022. The expenditures and other financing uses of the income tax capital improvement fund totaled \$621,602 in 2022. The net increase in fund balance for the income tax capital improvement fund was \$151,620 or 13.59%.
- Net position for the business-type activities, which are made up of the sewer, water and storm water enterprise funds, increased in 2022 by \$2,224,527 from 2021 net position. This increase in net position was due to the increase in cash and cash equivalents and the decrease in the net pension liability.
- In the general fund, the actual revenues and other financing sources came in \$286,688 less than they were in the final budget and actual expenditures were \$1,175,416 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, 2022
(SEE ACCOUNTANT'S COMPILATION REPORT)

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 2022?" 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
FOR THE YEAR ENDED DECEMBER 31, 2022
(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, American Rescue Plan Act fund and income tax capital improvement 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.

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, 2022
(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, 2022 and 2021.

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
<u>Assets</u>						
Current and other assets	\$ 9,279,628	\$ 8,742,622	\$ 7,851,616	\$ 5,924,949	\$ 17,131,244	\$ 14,667,571
Capital assets, net	<u>14,909,077</u>	<u>14,536,469</u>	<u>11,954,108</u>	<u>11,830,489</u>	<u>26,863,185</u>	<u>26,366,958</u>
Total assets	<u>24,188,705</u>	<u>23,279,091</u>	<u>19,805,724</u>	<u>17,755,438</u>	<u>43,994,429</u>	<u>41,034,529</u>
<u>Deferred outflows of resources</u>						
Pension	1,497,892	909,130	194,101	121,689	1,691,993	1,030,819
OPEB	<u>396,052</u>	<u>539,904</u>	<u>880</u>	<u>49,103</u>	<u>396,932</u>	<u>589,007</u>
Total deferred outflows of resources	<u>1,893,944</u>	<u>1,449,034</u>	<u>194,981</u>	<u>170,792</u>	<u>2,088,925</u>	<u>1,619,826</u>
<u>Liabilities</u>						
Current liabilities	874,831	581,927	183,632	220,959	1,058,463	802,886
Long-term liabilities:						
Due within one year	438,466	366,280	378,128	243,940	816,594	610,220
Net pension liability	4,213,867	5,122,716	421,839	725,381	4,635,706	5,848,097
Net OPEB liability	593,111	579,740	-	-	593,111	579,740
Other amounts	<u>802,909</u>	<u>825,708</u>	<u>2,444,517</u>	<u>2,396,434</u>	<u>3,247,426</u>	<u>3,222,142</u>
Total liabilities	<u>6,923,184</u>	<u>7,476,371</u>	<u>3,428,116</u>	<u>3,586,714</u>	<u>10,351,300</u>	<u>11,063,085</u>
<u>Deferred inflows of resources</u>						
Property taxes	352,716	349,365	-	-	352,716	349,365
Pension	2,287,544	1,265,694	547,505	397,385	2,835,049	1,663,079
OPEB	<u>657,520</u>	<u>949,282</u>	<u>172,108</u>	<u>313,682</u>	<u>829,628</u>	<u>1,262,964</u>
Total deferred inflows of resources	<u>3,297,780</u>	<u>2,564,341</u>	<u>719,613</u>	<u>711,067</u>	<u>4,017,393</u>	<u>3,275,408</u>
<u>Net position</u>						
Net investment in capital assets	14,212,260	13,871,500	9,327,396	9,498,462	23,539,656	23,369,962
Restricted	3,421,851	3,149,354	-	-	3,421,851	3,149,354
Unrestricted (deficit)	<u>(1,772,426)</u>	<u>(2,333,441)</u>	<u>6,525,580</u>	<u>4,129,987</u>	<u>4,753,154</u>	<u>1,796,546</u>
Total net position	<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>

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, 2022
(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, 2022, the City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$31,714,661. At year-end, net position was \$15,861,685 and \$15,852,976 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, 2022
(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 61.06% 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, 2022, was \$14,212,260 and \$9,327,396 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, \$3,421,851, represents resources that are subject to external restriction on how they may be used.

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**CITY OF WILLARD
HURON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2022
(SEE ACCOUNTANT'S COMPILATION REPORT)

The following table shows the changes in net position for 2022 and 2021.

	Change in Net Position					
	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Revenues						
Program revenues:						
Charges for services	\$ 902,070	\$ 851,390	\$ 4,996,692	\$ 4,308,279	\$ 5,898,762	\$ 5,159,669
Operating grants and contributions	894,002	592,180	-	-	894,002	592,180
Capital grants and contributions	363,185	129,075	-	24,989	363,185	154,064
Total program revenues	<u>2,159,257</u>	<u>1,572,645</u>	<u>4,996,692</u>	<u>4,333,268</u>	<u>7,155,949</u>	<u>5,905,913</u>
General revenues:						
Property taxes	355,196	337,301	-	-	355,196	337,301
Income taxes	4,564,104	3,789,297	-	-	4,564,104	3,789,297
Unrestricted grants and entitlements	297,190	257,601	-	-	297,190	257,601
Investment earnings	80,059	54,641	73,698	42,408	153,757	97,049
Change in fair value of investments	(566,056)	(139,291)	-	-	(566,056)	(139,291)
Miscellaneous	136,339	61,181	1,106	23,249	137,445	84,430
Total general revenues	<u>4,866,832</u>	<u>4,360,730</u>	<u>74,804</u>	<u>65,657</u>	<u>4,941,636</u>	<u>4,426,387</u>
Total revenues	<u>7,026,089</u>	<u>5,933,375</u>	<u>5,071,496</u>	<u>4,398,925</u>	<u>12,097,585</u>	<u>10,332,300</u>
Expenses						
General government	710,286	336,514	-	-	710,286	336,514
Security of persons and property	3,344,182	3,013,281	-	-	3,344,182	3,013,281
Public health and welfare	8,802	8,152	-	-	8,802	8,152
Transportation	790,748	358,107	-	-	790,748	358,107
Community environment	384,520	307,942	-	-	384,520	307,942
Leisure time activity	250,834	204,652	-	-	250,834	204,652
Interest and fiscal charges	-	4,485	-	-	-	4,485
Sewer	-	-	1,689,427	1,345,607	1,689,427	1,345,607
Water	-	-	1,519,987	1,166,169	1,519,987	1,166,169
Total expenses	<u>5,489,372</u>	<u>4,233,133</u>	<u>3,209,414</u>	<u>2,511,776</u>	<u>8,698,786</u>	<u>6,744,909</u>
Transfers	<u>(362,445)</u>	<u>-</u>	<u>362,445</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net position	1,174,272	1,700,242	2,224,527	1,887,149	3,398,799	3,587,391
Net position at beginning of year	<u>14,687,413</u>	<u>12,987,171</u>	<u>13,628,449</u>	<u>11,741,300</u>	<u>28,315,862</u>	<u>24,728,471</u>
Net position at end 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>

Governmental Activities

Governmental activities net position increased \$1,174,272 in 2022.

**CITY OF WILLARD
HURON COUNTY, OHIO**

**MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2022
(SEE ACCOUNTANT’S COMPILATION REPORT)**

Expenses of the governmental activities increased \$1,256,239. This increase is primarily due to the change in OPEB expense. In 2021, the OPEB expense was (\$1,597,843) and for 2022 OPEB expense was (\$416,401) for the City as a whole. This represents an increase of \$1,181,442 in OPEB expense for 2022. That increase in addition to increasing inflation, resulted in an increase in governmental activities expenses for 2022.

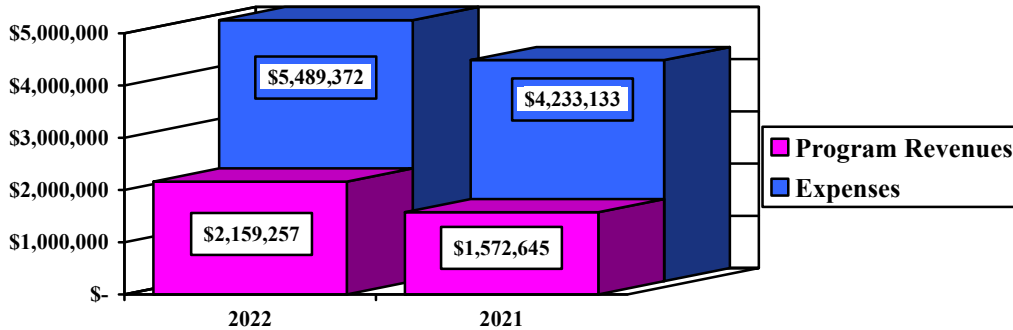
Security of persons and property which primarily supports the operations of the police and fire department accounted for \$3,344,182 or 38.44% of the total expenses of the City. Security of persons and property expenses were partially funded by \$567,445 in direct charges to users of the services. General government expenses totaled \$710,286. General government expenses were partially funded by \$38,550 in direct charges to users of the services. Transportation expenses totaled \$790,748. Transportation expenses were partially funded by \$121,309 in direct charges to users of the services, \$386,418 in operating grants and contributions and \$170,751 in capital grants and contributions.

The State and federal government contributed to the City a total of \$894,002 in operating grants and contributions and \$363,185 in capital grants and contributions. These revenues are restricted to a particular program or purpose.

General revenues totaled \$4,866,832 and amounted to 69.27% of total governmental revenues. These revenues primarily consist of property and income tax revenue of \$4,919,300. 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 \$297,190.

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 2022.

Governmental Activities – Program Revenues vs. Total Expenses



**CITY OF WILLARD
HURON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2022
(SEE ACCOUNTANT'S COMPILATION REPORT)

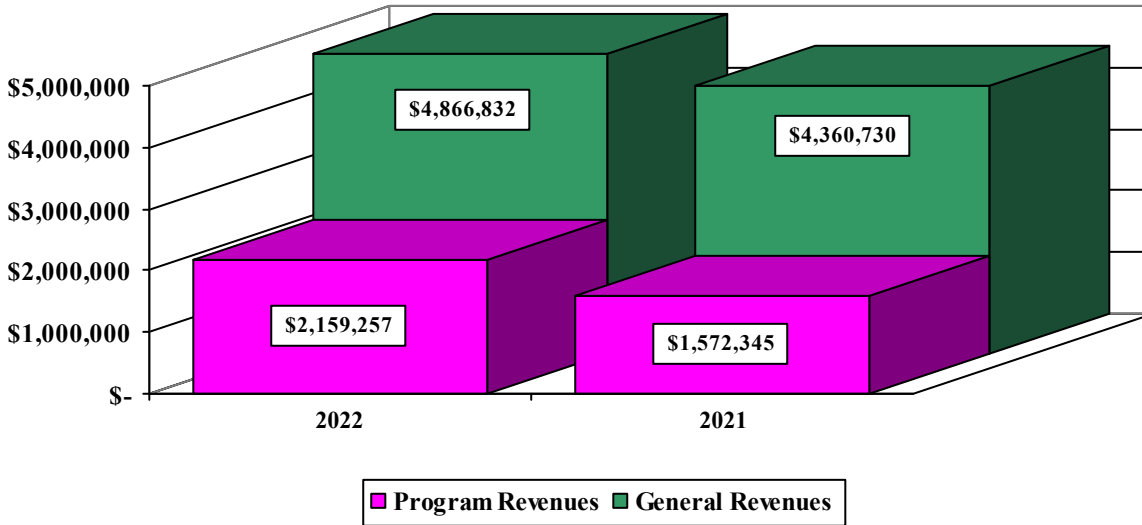
Governmental Activities

	Total Cost of Services 2022	Net Cost of Services 2022	Total Cost of Services 2021	Net Cost of Services 2021
Program expenses:				
General government	\$ 710,286	\$ 671,736	\$ 336,514	\$ 274,896
Security of persons and property	3,344,182	2,542,068	3,013,281	2,402,061
Public health and welfare	8,802	(20,149)	8,152	(25,663)
Transportation	790,748	112,270	358,107	(229,797)
Community environment	384,520	(77,845)	307,942	158,152
Leisure time activity	250,834	102,035	204,652	76,354
Interest and fiscal charges	-	-	4,485	4,485
Total	<u>\$ 5,489,372</u>	<u>\$ 3,330,115</u>	<u>\$ 4,233,133</u>	<u>\$ 2,660,488</u>

The dependence upon general revenues for governmental activities is apparent, with 60.67% of expenses supported through taxes and other general revenues.

The chart below illustrates the City's program revenues versus general revenues for 2022 and 2021.

Governmental Activities – General and Program Revenues

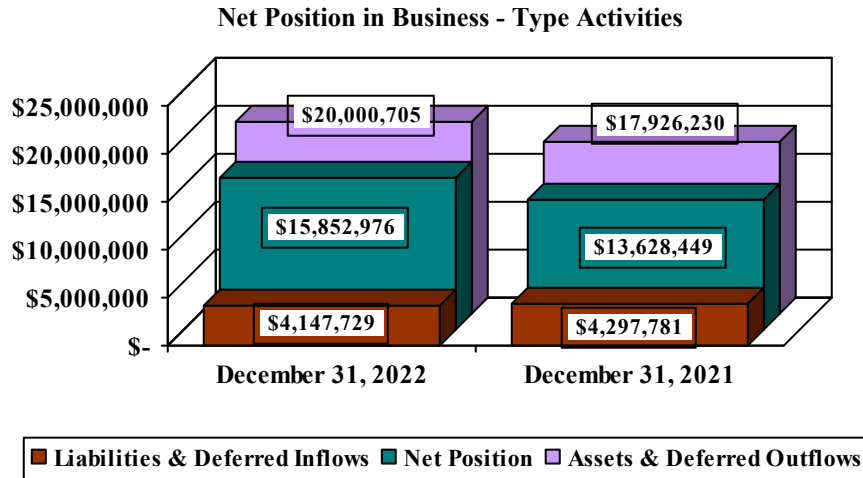


**CITY OF WILLARD
HURON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2022
(SEE ACCOUNTANT'S COMPILATION REPORT)

Business-Type Activities

Business-type activities include the sewer, water and storm water enterprise funds. These programs had program revenues of \$4,996,692, general revenues of \$74,804, transfers in of \$362,445 and expenses of \$3,209,414 for 2022. 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 2022 and 2021. The primary reason for the increase in the net position of business-type activities is the decrease in the net OPEB liability, which is discussed in the governmental activities section above.



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 \$6,688,818, which is \$235,985 less than the previous year's fund balance of \$6,924,803. The following schedule indicates the fund balances and the total change in fund balances as of December 31, 2022 for all major and nonmajor governmental funds.

	Fund Balances 12/31/22	Fund Balances 12/31/21	Change
Major funds:			
General	\$ 2,976,137	\$ 3,788,424	\$ (812,287)
Income tax capital improvement	1,267,251	1,115,631	151,620
Other nonmajor governmental funds	2,445,430	2,020,748	424,682
Total	<u>\$ 6,688,818</u>	<u>\$ 6,924,803</u>	<u>\$ (235,985)</u>

**CITY OF WILLARD
HURON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2022
(SEE ACCOUNTANT'S COMPILATION REPORT)

General Fund

The City's general fund balance decreased \$812,287. The table that follows assists in illustrating the revenues of the general fund.

	<u>2022</u>	<u>2021</u>	<u>Percentage</u>
	<u>Amount</u>	<u>Amount</u>	<u>Change</u>
<u>Revenues</u>			
Taxes	\$ 3,202,431	\$ 2,941,134	8.88 %
Charges for services	583,345	522,191	11.71 %
Fines and forfeitures	5,876	13,349	(55.98) %
Intergovernmental	315,890	288,666	9.43 %
Licenses and permits	105,965	93,908	12.84 %
Investment income	61,890	46,652	32.66 %
Change in fair value of investments	(566,056)	(139,291)	306.38 %
Other	<u>15,000</u>	<u>86,679</u>	(82.69) %
Total	<u>\$ 3,724,341</u>	<u>\$ 3,853,288</u>	(3.35) %

Tax revenue represents 85.99% of all general fund revenue. Income tax revenue increased by \$246,613 from the prior year as a result of decreasing unemployment. Intergovernmental revenue increased due to more Local Government Revenue from the State in 2022. The City's investment income increased 32.66% from the prior year. The City also reported a decrease in the fair value of investments of (\$566,056) for 2022. This was a result of increasing interest rates. All other amounts remained comparable to 2022.

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

	<u>2022</u>	<u>2021</u>	<u>Percentage</u>
	<u>Amount</u>	<u>Amount</u>	<u>Change</u>
<u>Expenditures</u>			
General government	\$ 857,684	\$ 705,945	21.49 %
Security of persons and property	2,998,868	2,812,472	6.63 %
Public health and welfare	4,556	5,210	(12.55) %
Transportation	397,609	375,454	5.90 %
Community environment	<u>302,961</u>	<u>245,724</u>	23.29 %
Total	<u>\$ 4,561,678</u>	<u>\$ 4,144,805</u>	10.06 %

The total general fund expenditures of the City increased 10.06%. General fund expenditures increased for mainly two reasons. The City was able to use CARES Act money received from the federal government in 2021 to offset some expenditures that were typically recorded in the general fund. The City did receive money from the American Rescue Plan Act (ARPA) in 2021 and 2022, but the expenditures made from that fund in 2022 did not offset general fund expenditures. The other reason for the increase in general fund expenditures is due to increasing inflation throughout 2022.

**CITY OF WILLARD
HURON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2022
(SEE ACCOUNTANT'S COMPILATION REPORT)

American Rescue Plan Act (ARPA) Fund

The American Rescue Plan Act fund reported \$386,052 in revenues and \$386,052 in expenditures for 2022. The fund balance at the end of the year was \$0. The City received \$315,091 in ARPA funding in 2021 and \$317,607 in 2022. These unspent amounts are offset by a liability to unearned revenue at December 31, 2022. The revenue will be recognized only when the City spends the money on expenditures that are allowable under the legislation. The City spent \$386,052 of this funding in 2022, \$362,445 of which was used for a belt press replacement project at the wastewater treatment plant.

Income Tax Capital Improvement Fund

The income tax capital improvement fund had revenues of \$773,222 in 2022. The expenditures and other financing uses of the income tax capital improvement fund totaled \$621,602 in 2022. The net increase in fund balance for the income tax capital improvement fund was \$151,620 or 13.59%. During 2022, the City's expenditures in the income tax capital improvement fund were primarily made up of payments for street improvements and the purchase of several new vehicles.

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 \$286,688 less than they were in the final budget and actual expenditures were \$1,175,416 less than the amount in the final budget. The final budgeted revenues and other financing sources were increased \$222,375 from the original budgeted revenues. Final budgeted expenditures were increased \$47,775 from the original budget.

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 2022, the City had \$26,863,185 (net of accumulated depreciation) invested in land, construction in progress, land improvements, buildings, equipment, vehicles, infrastructure and utility plant in service. Of this total, \$14,909,077 was reported in governmental activities and \$11,954,108 was reported in business-type activities. See Note 9 for further description of capital assets. The following table shows 2022 balances compared to 2021:

**CITY OF WILLARD
HURON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2022
(SEE ACCOUNTANT'S COMPILATION REPORT)

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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Land	\$ 1,320,002	\$ 1,320,002	\$ 954,431	\$ 954,431	\$ 2,274,433	\$ 2,274,433
Construction in progress	116,026	116,026	541,066	226,247	657,092	342,273
Buildings	1,030,532	1,048,947	802,282	868,928	1,832,814	1,917,875
Land improvements	117,785	107,001	19,690	21,698	137,475	128,699
Equipment	1,180,229	1,099,090	2,788,719	2,990,361	3,968,948	4,089,451
Vehicles	393,994	324,649	200,009	132,564	594,003	457,213
Utility plant in service	-	-	6,647,911	6,636,260	6,647,911	6,636,260
Infrastructure	<u>10,750,509</u>	<u>10,520,754</u>	<u>-</u>	<u>-</u>	<u>10,750,509</u>	<u>10,520,754</u>
Totals	<u>\$ 14,909,077</u>	<u>\$ 14,536,469</u>	<u>\$ 11,954,108</u>	<u>\$ 11,830,489</u>	<u>\$ 26,863,185</u>	<u>\$ 26,366,958</u>

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 72.11% 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 55.62% of the City's total business-type capital assets.

Debt Administration

The City had the following long-term obligations outstanding at December 31, 2022 and 2021.

Governmental Activities

	<u>2022</u>	<u>2021</u>
Issue II loans	<u>\$ 696,817</u>	<u>\$ 664,969</u>
Total long-term obligations	<u>\$ 696,817</u>	<u>\$ 664,969</u>

Business-type Activities

	<u>2022</u>	<u>2021</u>
OWDA loans	\$ 2,525,983	\$ 2,321,764
Issue II loans	<u>100,729</u>	<u>115,658</u>
Total long-term obligations	<u>\$ 2,626,712</u>	<u>\$ 2,437,422</u>

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

**CITY OF WILLARD
HURON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2022
(SEE ACCOUNTANT'S COMPILATION REPORT)

Economic Conditions and Outlook

The City of Willard population remains steady at 6,183 residents and we serve an additional estimated 5,000 area residents through our fire and rescue services as well as our water department. Willard is a well established manufacturing community with businesses such as Stanley Black & Decker (formerly MTD Industries), Pepperidge Farm, Lakeside Book (formerly R.R. Donnelly & Sons), Star of the West Flour Mill and Guardian Manufacturing.

The City had a 1.375% income tax rate in 2022. One eighth of a percent of that rate was approved by the citizens to support our police department. Income tax collections for 2022 were \$4,253,145 (on a cash-basis). This amounted to an 11% increase over collections in 2021. Local income taxes accounted for 24.72% of the City of Willard's revenue sources in 2022.

The City of Willard Public Works Department had a busy year. We completed a street resurfacing project in the total amount of \$527,549.98 and improved 8 streets within the community. The project also included ADA curb ramps. Public Works also completed plans and specifications to replace the existing 4" waterline on Park Street. We also received funding to replace existing lead homeowner service lines.

The City partnered with Fisher Titus Foundation and several other donors to convert the existing stone walking path around the top of the reservoir to a new concrete path. Construction began in May 2022 and the concrete was completed on June 21. Sponsor recognition and story walk signs were then added. This is a beautiful addition for Willard and the area residents.

Our Water Treatment Plant was put online in 1970. Now is the time to review the entire plant and prepare for the future. We completed the initial design phase and this project went out for bid in February 2023 with no bidders. The increase in the cost of materials has been detrimental. All potential bidders were over the initial estimate by more than ten percent. We have renominated this project for funding through DEFA. If the funding is not received we will need to scale back the project in order to move forward.

The City of Willard Recreation Department received total revenue (on a cash-basis) of \$373,474. \$175,000 or 46.86% of this revenue was from income taxes. New in 2022 included Goods in the Woods, a 2 day craft festival free of charge for those attending. Spring Fest 2022 was held in May with activities including Touch a Truck, Bike Rodeo, Pickleball, Cornhole, crafts, food trucks, music, and a magician. June included our second annual fishing derby during the State's free fish weekend. The Recreation Department provided Festivals/Concerts with a price tag of \$27,124 and invested in capital items totaling \$128,000 with a portion of funds provided by four different grants. A fall concert series was implemented downtown at the Roy Doster Plaza. The third annual Festival of Lights was again a success.

The Fire/EMS department services the City of Willard and the majority of the four surrounding townships. They cover 95 square miles for EMS and 71 square miles for fire. Overall, 2022 resulted in a call volume of 1,971 calls, an increase of 261 calls from the previous year. Simultaneous calls have also increased. In 2022 we were out on multiple calls over 250 times. Legislation was provided in January 2023 for a half percent Safety Services Levy. Thank you to our voters for passing this levy in May 2023.

When the Wastewater Treatment Plant was designed and built in 1981, it could handle 1.36 MGD. With the upgrades that took place from 2012-2016, the plant can now treat 4.5 MGD and as high as 7.2 MGD during a peak flow condition. In 2022 we replaced the main electrical transformer to the plant and made the following repairs: disc aerator hood cover, programmable logic controller at the Industrial Park lift station, scheduled repair of the mechanical rotating removal system on clarifier #2, rebuild of aeration blower #4 is in progress along with the belt filter press.

The Maintenance department provides vital services for our community. They maintain 59.2 miles of water mains, 30.3 miles of sanitary sewer mains and 14.5 miles of storm sewers. The maintenance crew also maintains 31 miles of public streets and oversees the maintenance and mowing for 23 acres of cemetery grounds. In addition, they responded to and repaired 16 water main breaks, 9 water service leaks, and made 8 water taps. The crews flush and service the fire hydrants twice a year and repaired 7 hydrants. They completed 1 new sewer connection and investigated 50 sewer complaints. The maintenance department was also responsible for cleaning 14 catch basins and repairing 3 catch basins, pouring 262.5 yards of concrete for street repairs and running the street sweeper 606 miles in 2022 alone.

**CITY OF WILLARD
HURON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2022
(SEE ACCOUNTANT'S COMPILATION REPORT)

The City of Willard continues to look to the future and strive for improvements to benefit our residents.

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.

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**CITY OF WILLARD
HURON COUNTY, OHIO**

STATEMENT OF NET POSITION
DECEMBER 31, 2022
(SEE ACCOUNTANT'S COMPILATION REPORT)

	Governmental Activities	Business-type Activities	Total
Assets:			
Equity in pooled cash and investments.	\$ 6,383,834	\$ 6,606,406	\$ 12,990,240
Cash in segregated accounts.	178,118	-	178,118
Cash with fiscal agent.	554,456	-	554,456
Receivables:			
Income taxes.	728,996	-	728,996
Real and other taxes.	372,372	-	372,372
Accounts.	155,320	589,324	744,644
Special assessments.	12,094	-	12,094
Due from other governments.	445,031	-	445,031
Accrued interest.	37,350	-	37,350
Materials and supplies inventory.	48,570	159,831	208,401
Prepayments.	206,708	15,769	222,477
Net pension asset.	64,311	32,557	96,868
Net OPEB asset.	303,018	153,399	456,417
Restricted assets:			
Equity in pooled cash and investments.	-	83,780	83,780
Internal balance.	(210,550)	210,550	-
Capital assets:			
Nondepreciable capital assets.	1,436,028	1,495,497	2,931,525
Depreciable capital assets, net.	13,473,049	10,458,611	23,931,660
Total capital assets, net.	<u>14,909,077</u>	<u>11,954,108</u>	<u>26,863,185</u>
Total assets.	<u>24,188,705</u>	<u>19,805,724</u>	<u>43,994,429</u>
Deferred outflows of resources:			
Pension.	1,497,892	194,101	1,691,993
OPEB.	396,052	880	396,932
Total deferred outflows of resources.	<u>1,893,944</u>	<u>194,981</u>	<u>2,088,925</u>
Liabilities:			
Accounts payable.	51,974	55,554	107,528
Contracts payable.	362,445	-	362,445
Accrued wages.	88,133	21,306	109,439
Due to other governments.	80,221	13,640	93,861
Accrued interest payable.	-	9,352	9,352
Claims payable.	45,412	-	45,412
Payable from restricted assets:			
Refundable deposits payable.	-	83,780	83,780
Unearned revenue.	246,646	-	246,646
Long-term liabilities:			
Due within one year.	438,466	378,128	816,594
Due in more than one year:			
Net pension liability.	4,213,867	421,839	4,635,706
Net OPEB liability.	593,111	-	593,111
Other amounts due in more than one year.	802,909	2,444,517	3,247,426
Total liabilities.	<u>6,923,184</u>	<u>3,428,116</u>	<u>10,351,300</u>
Deferred inflows of resources:			
Property taxes levied for the next fiscal year.	352,716	-	352,716
Pension.	2,287,544	547,505	2,835,049
OPEB.	657,520	172,108	829,628
Total deferred inflows of resources.	<u>3,297,780</u>	<u>719,613</u>	<u>4,017,393</u>
Net position:			
Net investment in capital assets.	14,212,260	9,327,396	23,539,656
Restricted for:			
Capital projects.	31,411	-	31,411
Transportation projects.	1,332,961	-	1,332,961
Electric system sale.	1,575,000	-	1,575,000
Police and fire purposes.	103,199	-	103,199
Perpetual care.	32,052	-	32,052
Other purposes.	347,228	-	347,228
Unrestricted (deficit).	(1,772,426)	6,525,580	4,753,154
Total net position.	<u>\$ 15,861,685</u>	<u>\$ 15,852,976</u>	<u>\$ 31,714,661</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF WILLARD
HURON COUNTY, OHIO**

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2022
(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.	\$ 710,286	\$ 38,550	\$ -	\$ -
Security of persons and property	3,344,182	567,445	95,568	139,101
Public health and welfare	8,802	28,951	-	-
Transportation.	790,748	121,309	386,418	170,751
Community environment	384,520	72,257	385,728	4,380
Leisure time activity.	250,834	73,558	26,288	48,953
Total governmental activities	<u>5,489,372</u>	<u>902,070</u>	<u>894,002</u>	<u>363,185</u>
Business-type activities:				
Sewer.	1,689,427	2,568,467	-	-
Water.	1,519,987	2,428,225	-	-
Total business-type activities	<u>3,209,414</u>	<u>4,996,692</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 8,698,786</u>	<u>\$ 5,898,762</u>	<u>\$ 894,002</u>	<u>\$ 363,185</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

Transfers

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
\$ (671,736)	\$ -	\$ (671,736)
(2,542,068)	-	(2,542,068)
20,149	-	20,149
(112,270)	-	(112,270)
77,845	-	77,845
(102,035)	-	(102,035)
<u>(3,330,115)</u>	<u>-</u>	<u>(3,330,115)</u>
-	879,040	879,040
-	908,238	908,238
<u>-</u>	<u>1,787,278</u>	<u>1,787,278</u>
<u>(3,330,115)</u>	<u>1,787,278</u>	<u>(1,542,837)</u>
283,669	-	283,669
43,446	-	43,446
28,081	-	28,081
3,376,036	-	3,376,036
414,846	-	414,846
773,222	-	773,222
55,114	-	55,114
297,190	-	297,190
80,059	73,698	153,757
(566,056)	-	(566,056)
81,225	1,106	82,331
<u>4,866,832</u>	<u>74,804</u>	<u>4,941,636</u>
<u>(362,445)</u>	<u>362,445</u>	<u>-</u>
1,174,272	2,224,527	3,398,799
<u>14,687,413</u>	<u>13,628,449</u>	<u>28,315,862</u>
<u>\$ 15,861,685</u>	<u>\$ 15,852,976</u>	<u>\$ 31,714,661</u>

**CITY OF WILLARD
HURON COUNTY, OHIO**

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2022
(SEE ACCOUNTANT'S COMPILATION REPORT)

	<u>General</u>	<u>American Rescue Plan Act</u>	<u>Income Tax Capital Improvement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:					
Equity in pooled cash and investments.	\$ 2,452,070	\$ 609,091	\$ 1,123,714	\$ 2,198,959	\$ 6,383,834
Cash in segregated accounts.	-	-	-	178,118	178,118
Receivables:					
Income taxes.	662,724	-	-	66,272	728,996
Real and other taxes.	295,593	-	-	76,779	372,372
Accounts.	151,503	-	-	3,817	155,320
Special assessments.	12,094	-	-	-	12,094
Interfund loans.	46,044	-	143,537	-	189,581
Due from other governments.	129,283	-	-	315,748	445,031
Accrued interest.	37,350	-	-	-	37,350
Materials and supplies inventory.	9,235	-	-	39,335	48,570
Prepayments.	201,740	-	-	4,968	206,708
Total assets.	<u>\$ 3,997,636</u>	<u>609,091</u>	<u>\$ 1,267,251</u>	<u>\$ 2,883,996</u>	<u>\$ 8,757,974</u>
Liabilities:					
Accounts payable.	\$ 47,519	\$ -	\$ -	\$ 4,455	\$ 51,974
Contracts payable.	-	362,445	-	-	362,445
Accrued wages.	80,240	-	-	7,893	88,133
Compensated absences payable.	14,572	-	-	-	14,572
Due to other governments.	71,971	-	-	8,250	80,221
Interfund loans payable.	-	-	-	189,581	189,581
Unearned revenue.	-	246,646	-	-	246,646
Total liabilities.	<u>214,302</u>	<u>609,091</u>	<u>-</u>	<u>210,179</u>	<u>1,033,572</u>
Deferred inflows of resources:					
Property taxes levied for the next fiscal year.	283,989	-	-	68,727	352,716
Delinquent property tax revenue not available.	10,916	-	-	2,615	13,531
Accrued interest not available.	14,778	-	-	-	14,778
Special assessments revenue not available.	12,094	-	-	-	12,094
Intergovernmental revenue not available.	87,850	-	-	117,288	205,138
Income tax revenue not available.	397,570	-	-	39,757	437,327
Total deferred inflows of resources.	<u>807,197</u>	<u>-</u>	<u>-</u>	<u>228,387</u>	<u>1,035,584</u>
Fund balances:					
Nonspendable.	1,793,935	-	-	76,355	1,870,290
Restricted.	-	-	-	1,904,646	1,904,646
Committed.	-	-	1,267,251	324,697	1,591,948
Assigned.	943,586	-	-	181,655	1,125,241
Unassigned (deficit).	238,616	-	-	(41,923)	196,693
Total fund balances.	<u>2,976,137</u>	<u>-</u>	<u>1,267,251</u>	<u>2,445,430</u>	<u>6,688,818</u>
Total liabilities, deferred inflows of resources and fund balances.	<u>\$ 3,997,636</u>	<u>\$ 609,091</u>	<u>\$ 1,267,251</u>	<u>\$ 2,883,996</u>	<u>\$ 8,757,974</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, 2022
(SEE ACCOUNTANT'S COMPILATION REPORT)

Total governmental fund balances		\$	6,688,818
<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.			14,909,077
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Income taxes receivable	\$	437,327	
Real and other taxes receivable		13,531	
Intergovernmental receivable		205,138	
Special assessments receivable		12,094	
Accrued interest receivable		14,778	
Total			682,868
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		64,311	
Deferred outflows of resources		1,497,892	
Deferred inflows of resources		(2,287,544)	
Net pension liability		(4,213,867)	
Total			(4,939,208)
The net OPEB asset and net OPEB liability are not available to pay for current period expenditures and are not due and payable in the current period, respectively; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds.			
Net OPEB asset		303,018	
Deferred outflows of resources		396,052	
Deferred inflows of resources		(657,520)	
Net OPEB liability		(593,111)	
Total			(551,561)
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		529,986	
Issue II loans payable		696,817	
Total			(1,226,803)
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.			298,494
Net position of governmental activities			\$ 15,861,685

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, 2022
(SEE ACCOUNTANT'S COMPILATION REPORT)

	General	American Rescue Plan Act	Income Tax Capital Improvement	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
Income taxes	\$ 2,919,828	\$ -	\$ 773,222	\$ 585,925	\$ 4,278,975
Real and other taxes.	282,603	-	-	126,361	408,964
Charges for services.	583,345	-	-	163,317	746,662
Licenses and permits	105,965	-	-	-	105,965
Fines and forfeitures	5,876	-	-	6,651	12,527
Intergovernmental.	315,890	386,052	-	755,602	1,457,544
Investment income.	61,890	-	-	34,446	96,336
Rental income	-	-	-	45,036	45,036
Contributions and donations.	15,000	-	-	37,375	52,375
Change in fair value of investments.	(566,056)	-	-	-	(566,056)
Other	-	-	-	81,225	81,225
Total revenues	<u>3,724,341</u>	<u>386,052</u>	<u>773,222</u>	<u>1,835,938</u>	<u>6,719,553</u>
Expenditures:					
Current:					
General government	857,684	-	-	-	857,684
Security of persons and property	2,998,868	-	-	421,778	3,420,646
Public health and welfare.	4,556	-	-	-	4,556
Transportation	397,609	-	-	296,455	694,064
Community environment	302,961	-	-	34,477	337,438
Leisure time activity	-	-	-	267,843	267,843
Capital outlay	-	386,052	329,934	714,219	1,430,205
Debt service:					
Principal retirement.	-	-	-	84,770	84,770
Total expenditures.	<u>4,561,678</u>	<u>386,052</u>	<u>329,934</u>	<u>1,819,542</u>	<u>7,097,206</u>
Excess (deficiency) of revenues over (under) expenditures.	(837,337)	-	443,288	16,396	(377,653)
Other financing sources (uses):					
Sale of capital assets.	25,050	-	-	-	25,050
Transfers in	-	-	-	291,668	291,668
Transfers (out).	-	-	(291,668)	-	(291,668)
OPWC loan issuance	-	-	-	116,618	116,618
Total other financing sources (uses)	<u>25,050</u>	<u>-</u>	<u>(291,668)</u>	<u>408,286</u>	<u>141,668</u>
Net change in fund balances	(812,287)	-	151,620	424,682	(235,985)
Fund balances at beginning of year	<u>3,788,424</u>	<u>-</u>	<u>1,115,631</u>	<u>2,020,748</u>	<u>6,924,803</u>
Fund balances at end of year	<u>\$ 2,976,137</u>	<u>\$ -</u>	<u>\$ 1,267,251</u>	<u>\$ 2,445,430</u>	<u>\$ 6,688,818</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, 2022
(SEE ACCOUNTANT'S COMPILATION REPORT)

Net change in fund balances - total governmental funds	\$	(235,985)
<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	\$ 1,126,207	
Current year depreciation	<u>(716,267)</u>	
Total		409,940
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, transfers-in, and donations) is to decrease net position.		
		(37,332)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Income taxes	285,129	
Real and other taxes	1,346	
Intergovernmental revenues	16,438	
Special assessments	(8,120)	
Investment income	<u>6,096</u>	
Total		300,889
Proceeds of loans are reported as an other financing source in the governmental funds, however, in the statement of activities, they are not reported as revenues as they increase the liabilities on the statement of net position.		
		(116,618)
Repayment of loan principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.		
		84,770
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	543,148	
OPEB	<u>9,174</u>	
Total		552,322
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	(49,075)	
OPEB	<u>258,775</u>	
Total		209,700
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.		
		(2,967)
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.		
		<u>9,553</u>
Change in net position of governmental activities	\$	<u>1,174,272</u>

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, 2022
(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	\$ 3,295,750	\$ 3,510,750	\$ 3,199,367	\$ (311,383)
Real and other taxes.	288,070	288,070	283,017	(5,053)
Charges for services.	542,000	542,000	563,964	21,964
Licenses and permits	90,000	90,000	105,965	15,965
Fines and forfeitures	15,750	15,750	5,586	(10,164)
Intergovernmental.	241,600	241,600	313,972	72,372
Investment income.	1,214	1,214	10,147	8,933
Contributions and donations.	10,000	10,000	15,000	5,000
Other	55,000	55,000	(18,241)	(73,241)
Total revenues	<u>4,539,384</u>	<u>4,754,384</u>	<u>4,478,777</u>	<u>(275,607)</u>
Expenditures:				
Current:				
General government	884,193	924,593	675,563	249,030
Security of persons and property	3,712,393	3,712,393	2,929,728	782,665
Public health and welfare.	9,600	9,600	4,622	4,978
Transportation	526,869	526,869	401,804	125,065
Community environment	313,230	313,230	299,552	13,678
Total expenditures.	<u>5,446,285</u>	<u>5,486,685</u>	<u>4,311,269</u>	<u>1,175,416</u>
Excess (deficiency) of revenues over (under) expenditures.	<u>(906,901)</u>	<u>(732,301)</u>	<u>167,508</u>	<u>899,809</u>
Other financing sources (uses):				
Sale of capital assets.	35,000	35,000	25,050	(9,950)
Transfers in	35,600	42,975	41,844	(1,131)
Transfers (out).	-	(7,375)	(7,375)	-
Total other financing sources (uses).	<u>70,600</u>	<u>70,600</u>	<u>59,519</u>	<u>(11,081)</u>
Net change in fund balances	(836,301)	(661,701)	227,027	888,728
Fund balances at beginning of year	<u>1,048,187</u>	<u>1,048,187</u>	<u>1,048,187</u>	<u>-</u>
Fund balance at end of year	<u>\$ 211,886</u>	<u>\$ 386,486</u>	<u>\$ 1,275,214</u>	<u>\$ 888,728</u>

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)
AMERICAN RESCUE PLAN ACT FUND
FOR THE YEAR ENDED DECEMBER 31, 2022
(SEE ACCOUNTANT'S COMPILATION REPORT)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 315,092	\$ 315,092	\$ 317,607	\$ 2,515
Total revenues	<u>315,092</u>	<u>315,092</u>	<u>317,607</u>	<u>2,515</u>
Expenditures:				
Capital outlay	370,000	439,703	23,607	416,096
Total expenditures	<u>370,000</u>	<u>439,703</u>	<u>23,607</u>	<u>416,096</u>
Excess (deficiency) of revenues over (under) expenditures.	<u>(54,908)</u>	<u>(124,611)</u>	<u>294,000</u>	<u>418,611</u>
Other financing sources (uses):				
Advances in	-	69,703	69,703	-
Advances (out)	-	(69,703)	(69,703)	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(54,908)	(124,611)	294,000	418,611
Fund balances at beginning of year	<u>315,091</u>	<u>315,091</u>	<u>315,091</u>	<u>-</u>
Fund balance at end of year	<u>\$ 260,183</u>	<u>\$ 190,480</u>	<u>\$ 609,091</u>	<u>\$ 418,611</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF WILLARD
HURON COUNTY, OHIO**

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2022
(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.	\$ 2,184,370	\$ 4,406,429	\$ 15,607	\$ 6,606,406	\$ -
Cash with fiscal agent.	-	-	-	-	554,456
Receivables:					
Accounts.	305,344	283,980	-	589,324	-
Materials and supplies inventory.	38,852	120,979	-	159,831	-
Prepayments.	5,666	10,103	-	15,769	-
Restricted assets:					
Equity in pooled cash investments.	-	83,780	-	83,780	-
Total current assets	2,534,232	4,905,271	15,607	7,455,110	554,456
Noncurrent assets:					
Net pension asset	18,571	13,986	-	32,557	-
Net OPEB asset.	87,502	65,897	-	153,399	-
Capital assets:					
Nondepreciable capital assets	505,410	990,087	-	1,495,497	-
Depreciable capital assets, net.	5,397,135	5,061,476	-	10,458,611	-
Total capital assets, net.	5,902,545	6,051,563	-	11,954,108	-
Total noncurrent assets	6,008,618	6,131,446	-	12,140,064	-
Total assets	8,542,850	11,036,717	15,607	19,595,174	554,456
Deferred outflows of resources:					
Pension.	108,874	85,227	-	194,101	-
OPEB.	443	437	-	880	-
Total deferred outflows of resources	\$ 109,317	\$ 85,664	\$ -	\$ 194,981	-

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**CITY OF WILLARD
HURON COUNTY, OHIO**

STATEMENT OF NET POSITION
PROPRIETARY FUNDS (CONTINUED)
DECEMBER 31, 2022
(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	\$ 26,030	\$ 29,524	\$ -	\$ 55,554	\$ -
Accrued wages	12,053	9,253	-	21,306	-
Compensated absences	67,510	34,489	-	101,999	-
Due to other governments	7,540	6,100	-	13,640	-
Accrued interest payable	9,352	-	-	9,352	-
Payable from restricted assets:					
Refundable deposits payable	-	83,780	-	83,780	-
OWDA loans payable	162,247	103,384	-	265,631	-
OPWC loans payable	7,498	3,000	-	10,498	-
Claims payable	-	-	-	-	45,412
Total current liabilities	<u>292,230</u>	<u>269,530</u>	<u>-</u>	<u>561,760</u>	<u>45,412</u>
Long-term liabilities:					
Compensated absences payable	74,873	19,061	-	93,934	-
OWDA loans payable	1,827,829	432,523	-	2,260,352	-
OPWC loans payable	43,731	46,500	-	90,231	-
Net pension liability	240,625	181,214	-	421,839	-
Total long-term liabilities	<u>2,187,058</u>	<u>679,298</u>	<u>-</u>	<u>2,866,356</u>	<u>-</u>
Total liabilities	<u>2,479,288</u>	<u>948,828</u>	<u>-</u>	<u>3,428,116</u>	<u>45,412</u>
Deferred inflows of resources:					
Pension	318,793	228,712	-	547,505	-
OPEB	101,416	70,692	-	172,108	-
Total deferred inflows of resources	<u>420,209</u>	<u>299,404</u>	<u>-</u>	<u>719,613</u>	<u>-</u>
Net position:					
Net investment in capital assets	3,861,240	5,466,156	-	9,327,396	-
Unrestricted	1,891,430	4,407,993	15,607	6,315,030	509,044
Total net position	<u>\$ 5,752,670</u>	<u>\$ 9,874,149</u>	<u>\$ 15,607</u>	<u>15,642,426</u>	<u>\$ 509,044</u>
Adjustment to reflect the consolidation of the internal service fund activities related to enterprise funds.				<u>210,550</u>	
Net position of business-type activities				<u>\$ 15,852,976</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, 2022
(SEE ACCOUNTANT'S COMPILATION REPORT)

	Business-type Activities - Enterprise Funds			Total	Governmental Activities - Internal Service Fund
	Sewer	Water	Nonmajor Enterprise Fund		
Operating revenues:					
Charges for services	\$ 2,563,067	\$ 2,407,125	\$ -	\$ 4,970,192	\$ 1,067,384
Tap-in fees.	5,400	21,100	-	26,500	-
Large claim reimbursements.	-	-	-	-	185,938
Other operating revenues	806	300	-	1,106	28,341
Total operating revenues.	2,569,273	2,428,525	-	4,997,798	1,281,663
Operating expenses:					
Personal services	778,033	682,533	-	1,460,566	-
Contract services.	100,257	49,310	-	149,567	358,458
Materials and supplies.	104,417	309,623	-	414,040	-
Utilities	228,804	138,104	-	366,908	-
Claims expense	-	-	-	-	918,178
Depreciation.	459,862	331,003	-	790,865	-
Total operating expenses.	1,671,373	1,510,573	-	3,181,946	1,276,636
Operating income	897,900	917,952	-	1,815,852	5,027
Nonoperating revenues (expenses):					
Interest and fiscal charges	(18,797)	(9,792)	-	(28,589)	-
Interest income	41,615	32,083	-	73,698	5,647
Total nonoperating revenues (expenses)	22,818	22,291	-	45,109	5,647
Income before capital contributions.	920,718	940,243	-	1,860,961	10,674
Capital contributions.	362,445	-	-	362,445	-
Change in net position	1,283,163	940,243	-	2,223,406	10,674
Net position at beginning of year.	4,469,507	8,933,906	15,607		498,370
Net position at end of year	\$ 5,752,670	\$ 9,874,149	\$ 15,607		\$ 509,044
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.				1,121	
Change in net position of business-type activities				<u>\$ 2,224,527</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, 2022
(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>		
Cash flows from operating activities:					
Cash received from customers	\$ 2,548,758	\$ 2,424,756	\$ -	\$ 4,973,514	\$ 1,067,384
Cash received from large claim reimbursements	-	-	-	-	185,938
Cash received from other operations	806	300	-	1,106	28,341
Cash payments for personal services	(1,046,705)	(813,761)	-	(1,860,466)	-
Cash payments for contract services	(92,755)	(42,543)	-	(135,298)	(358,458)
Cash payments for materials and supplies	(111,359)	(325,157)	-	(436,516)	-
Cash payments for utilities	(236,962)	(136,866)	-	(373,828)	-
Cash payments for claims	-	-	-	-	(942,284)
Cash payments for other expenses	-	(100)	-	(100)	-
Net cash provided by (used in) operating activities	<u>1,061,783</u>	<u>1,106,629</u>	<u>-</u>	<u>2,168,412</u>	<u>(19,079)</u>
Cash flows from capital and related financing activities:					
Acquisition of capital assets	(68,021)	(518,305)	-	(586,326)	-
OWDA loan proceeds	-	336,928	-	336,928	-
Principal retirement	(146,138)	(1,500)	-	(147,638)	-
Interest and fiscal charges	(19,159)	(9,792)	-	(28,951)	-
Net cash used in capital and related financing activities	<u>(233,318)</u>	<u>(192,669)</u>	<u>-</u>	<u>(425,987)</u>	<u>-</u>
Cash flows from investing activities:					
Interest received	<u>41,615</u>	<u>32,083</u>	<u>-</u>	<u>73,698</u>	<u>5,647</u>
Net cash provided by investing activities	<u>41,615</u>	<u>32,083</u>	<u>-</u>	<u>73,698</u>	<u>5,647</u>
Net increase (decrease) in cash and investments	870,080	946,043	-	1,816,123	(13,432)
Cash and investments at beginning of year	<u>1,314,290</u>	<u>3,544,166</u>	<u>15,607</u>	<u>4,874,063</u>	<u>567,888</u>
Cash and investments at end 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>

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**CITY OF WILLARD
HURON COUNTY, OHIO**

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2022
(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 to net cash provided by operating activities:					
Operating income.	\$ 897,900	\$ 917,952	\$ -	\$ 1,815,852	\$ 5,027
Adjustments:					
Depreciation.	459,862	331,003	-	790,865	-
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:					
Change in materials and supplies inventory	(1,393)	(11,010)	-	(12,403)	-
Change in accounts receivable	(19,709)	(404)	-	(20,113)	-
Change in prepayments	(1,673)	(1,585)	-	(3,258)	-
Change in net pension asset.	(4,718)	(3,879)	-	(8,597)	-
Change in net OPEB asset	(36,422)	(28,630)	-	(65,052)	-
Change in deferred outflows - pension.	(42,117)	(30,295)	-	(72,412)	-
Change in deferred outflows - OPEB.	25,214	23,009	-	48,223	-
Change in accounts payable.	(4,997)	4,480	-	(517)	-
Change in accrued wages	(225)	906	-	681	-
Change in intergovernmental payable.	(128)	451	-	323	-
Change in compensated absences payable.	(10,568)	3,549	-	(7,019)	-
Change in net pension liability.	(178,772)	(124,770)	-	(303,542)	-
Change in deferred inflows - pension.	70,634	79,486	-	150,120	-
Change in deferred inflows - OPEB.	(91,105)	(50,469)	-	(141,574)	-
Change in claims payable.	-	-	-	-	(24,106)
Change in payable from restricted assets.	-	(3,165)	-	(3,165)	-
Net cash provided by (used in) operating activities . . .	<u>\$ 1,061,783</u>	<u>\$ 1,106,629</u>	<u>\$ -</u>	<u>\$ 2,168,412</u>	<u>\$ (19,079)</u>

Non-cash transactions:

During 2022, the governmental activities provided \$362,445 in capital contributions to the sewer fund.
At December 31, 2021, the water fund purchased \$34,287 in capital assets on account.

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, 2022
(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, public services, recreation and development.

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:

Jefferson Health Plan (JHP) Health Benefits Program

The JHP is a council of governments of school districts and other political subdivisions organized and existing as a joint self-insurance program pursuant to Section 9.833 of the Ohio Revised Code providing health care and related insurance benefits to over fifty member organizations. The JHP's business affairs are conducted by a Board of Directors elected from member organizations and composed of one representative from each county served and a career center representative. Each member organization pays a monthly premium based on its claims history and a monthly administration fee.

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022
(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.

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.

American Rescue Plan Act Fund - This fund accounts for monies received from the federal government as part of the American Rescue Plan Act (ARPA) of 2021. This Act provides additional relief to address the continued impact of the COVID-19 pandemic.

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022
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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.

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 has no fiduciary funds.

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.

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.

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022
(SEE ACCOUNTANT'S COMPILATION REPORT)

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

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 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.

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/asset, respectively.

**CITY OF WILLARD
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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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, 2022, but which were levied to finance 2023 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/asset, 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.

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.

**CITY OF WILLARD
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022
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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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, 2022, 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 2022, investments were limited to investments in federal agency securities, commercial paper, 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 2022, 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.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

For 2022, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, 24 hours 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 2022 amounted to \$61,890, which included \$24,270 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

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022
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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
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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
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NOTES TO THE BASIC FINANCIAL STATEMENTS
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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 fund received \$362,445 in capital contributions from governmental activities during 2022.

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 2022.

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.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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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 2022, the City has implemented GASB Statement No. 87, "Leases", GASB Implementation Guide 2019-3, "Leases", GASB Implementation Guide 2020-1, "Implementation Guide Update - 2020", GASB Statement No. 91, "Conduit Debt Obligations", GASB Statement No. 92, "Omnibus 2020", GASB Statement No. 93, "Replacement of Interbank Offered Rates", GASB Statement No. 97, "Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32" and certain paragraphs of GASB Statement No. 99, "Omnibus 2022".

GASB Statement No. 87 and GASB Implementation Guide 2019-3 enhance the relevance and consistency of information of the government's leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The implementation of GASB Statement No. 87 did not have an effect on the financial statements of the City.

GASB Implementation Guide 2020-1 provides clarification on issues related to previously established GASB guidance. The implementation of GASB Implementation Guide 2020-1 did not have an effect on the financial statements of the City.

GASB Statement No. 91 provides a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The implementation of GASB Statement No. 91 did not have an effect on the financial statements of the City.

GASB Statement No. 92 enhances comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The implementation of GASB Statement No. 92 did not have an effect on the financial statements of the City.

GASB Statement No. 93 establishes accounting and financial reporting requirements related to the replacement of Interbank Offered Rates (IBORs) in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. The implementation of GASB Statement No. 93 did not have an effect on the financial statements of the City.

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 97 is to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The implementation of GASB Statement No. 97 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, 2022 included the following individual fund deficit:

<u>Nonmajor governmental fund</u>	<u>Deficit</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.

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 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;

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

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,
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.

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

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 \$178,118 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, 2022 was \$554,456.

D. Deposits with Financial Institutions

At December 31, 2022, the carrying amount of all City deposits was \$586,786. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2022, \$766,422 of the City's bank balance of \$1,016,422 was exposed to custodial risk 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 2022, the City's financial institutions did not participate in the OPCS. 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
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022
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NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

E. Investments

As of December 31, 2022, 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	\$ 777,272	\$ -	\$ 239,182	\$ -	\$ 175,748	\$ 362,342
FFCB	2,286,895	98,265	348,276	235,455	355,596	1,249,303
FAMC	238,040	-	-	238,040	-	-
FHLB	1,262,184	-	-	-	118,550	1,143,634
FHLMC	879,397	-	144,308	-	-	735,089
Negotiable CDs	2,466,295	-	-	1,367,590	116,540	982,165
Municipal bonds	143,704	-	-	-	-	143,704
Commercial paper	1,295,007	1,100,613	194,394	-	-	-
U.S. Treasury notes	2,350,078	97,781	341,600	120,220	120,054	1,670,423
U.S. government money market fund	33,101	33,101	-	-	-	-
<i>Amortized cost:</i>						
STAR Ohio	754,161	754,161	-	-	-	-
Total	\$ 12,486,134	\$ 2,083,921	\$ 1,267,760	\$ 1,961,305	\$ 886,488	\$ 6,286,660

The weighted average maturity of investments is 2.12 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, commercial paper and negotiable CD's 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 commercial paper were rated A-1 and P-1 by Standard & Poor's and Moody's Investor Services, respectively. 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
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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, commercial paper 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, 2022:

<u>Measurement\ Investment type</u>	<u>Measurement Value</u>	<u>% of Total</u>
<i>Fair value:</i>		
FNMA	\$ 777,272	6.23
FFCB	2,286,895	18.32
FAMC	238,040	1.91
FHLB	1,262,184	10.11
FHLMC	879,397	7.04
Negotiable CDs	2,466,295	19.75
Municipal bonds	143,704	1.15
Commercial paper	1,295,007	10.37
U.S. Treasury notes	2,350,078	18.82
U.S. government money market	33,101	0.27
<i>Amortized cost:</i>		
STAR Ohio	<u>754,161</u>	<u>6.03</u>
Total	<u>\$ 12,486,134</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, 2022:

<u>Cash and investments per note disclosure:</u>	
Carrying amount of deposits	\$ 586,786
Investments	12,486,134
Cash in segregated accounts	178,118
Cash with fiscal agent	554,456
Cash on hand	<u>1,100</u>
Total	<u>\$ 13,806,594</u>
<u>Cash and investments per statement of net position:</u>	
Governmental activities	\$ 7,116,408
Business-type activities	<u>6,690,186</u>
Total	<u>\$ 13,806,594</u>

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 5 - INTERFUND ACTIVITY

- A. Interfund transfers for the year ended December 31, 2022, consisted of the following, as reported on the fund financial statements:

Transfers to nonmajor governmental funds from:	
Income tax capital improvement fund	\$ 291,668

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 purpose of the transfers from the income tax capital improvement fund was to pay off existing debt and to reimburse expenditures.

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, 2022, as reported on the fund financial statements.

Receivable fund	Payable fund	Amount
General	Nonmajor governmental	\$ 46,044
Income tax capital improvement	Nonmajor governmental	143,537
Total		\$ 189,581

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. 2022 public utility property taxes became a lien December 31, 2021, are levied after October 1, 2022, and are collected in 2023 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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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 represents real property taxes, public utility taxes, delinquent tangible personal property taxes and other outstanding delinquencies which are measurable as of December 31, 2022 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 2022 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, 2022 was \$3.80 per \$1,000 of assessed value. The assessed values of real and public utility property upon which 2022 property tax receipts were based are as follows:

<u>Real property</u>	
Residential/agricultural	\$ 62,449,440
Commercial/industrial/mineral	29,357,860
<u>Public utility</u>	
Real	3,851,080
Personal	<u>8,731,370</u>
Total assessed value	<u>\$ 104,389,750</u>

NOTE 7 - LOCAL INCOME TAX

For 2022, 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, 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. Pursuant to §197.14 of the City Charter, at least 40% of the remaining funds shall be allocated to capital improvements, maintenance and repair. The remaining balance shall be used in accordance with ordinances adopted and approved by Council.

NOTE 8 - RECEIVABLES

Receivables at December 31, 2022, 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, 2022.

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

**CITY OF WILLARD
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022
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NOTE 8 – RECEIVABLES - (Continued)

Governmental activities:

Income taxes	\$ 728,996
Real and other taxes	372,372
Accounts	155,320
Special assessments	12,094
Due from other governments	445,031
Accrued interest	37,350

Business-type activities:

Accounts	589,324
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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, 2022, was as follows:

Governmental activities:	<u>Balance 1/1/2022</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 12/31/2022</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 1,320,002	\$ -	\$ -	\$ 1,320,002
Construction in progress	<u>116,026</u>	<u>-</u>	<u>-</u>	<u>116,026</u>
<i>Total capital assets, not being depreciated</i>	<u>1,436,028</u>	<u>-</u>	<u>-</u>	<u>1,436,028</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	412,086	26,603	-	438,689
Buildings	4,420,607	55,173	-	4,475,780
Equipment	3,527,793	311,829	(146,896)	3,692,726
Vehicles	3,219,862	134,173	(33,623)	3,320,412
Infrastructure	<u>15,046,952</u>	<u>598,429</u>	<u>-</u>	<u>15,645,381</u>
<i>Total capital assets, being depreciated</i>	<u>26,627,300</u>	<u>1,126,207</u>	<u>(180,519)</u>	<u>27,572,988</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(305,085)	(15,819)	-	(320,904)
Buildings	(3,371,660)	(73,588)	-	(3,445,248)
Equipment	(2,428,703)	(193,358)	109,564	(2,512,497)
Vehicles	(2,895,213)	(64,828)	33,623	(2,926,418)
Infrastructure	<u>(4,526,198)</u>	<u>(368,674)</u>	<u>-</u>	<u>(4,894,872)</u>
<i>Total accumulated depreciation</i>	<u>(13,526,859)</u>	<u>(716,267)</u>	<u>143,187</u>	<u>(14,099,939)</u>
Total capital assets, being depreciated, net	<u>13,100,441</u>	<u>409,940</u>	<u>(37,332)</u>	<u>13,473,049</u>
Total governmental activities capital assets	<u>\$ 14,536,469</u>	<u>\$ 409,940</u>	<u>\$ (37,332)</u>	<u>\$ 14,909,077</u>

**CITY OF WILLARD
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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 9 - CAPITAL ASSETS - (Continued)

B. Business-type activities capital asset activity for the year ended December 31, 2022, was as follows:

Business-type activities:	<u>Balance</u> <u>1/1/2022</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>12/31/2022</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 954,431	\$ -	\$ -	\$ 954,431
Construction in progress	<u>226,247</u>	<u>314,819</u>	<u>-</u>	<u>541,066</u>
<i>Total capital assets, not being depreciated:</i>	<u>1,180,678</u>	<u>314,819</u>	<u>-</u>	<u>1,495,497</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	114,014	1,366	-	115,380
Buildings	6,760,604	31,850	-	6,792,454
Equipment	8,512,367	118,826	-	8,631,193
Vehicles	812,918	85,178	-	898,096
Utility plant in service	<u>13,666,363</u>	<u>362,445</u>	<u>-</u>	<u>14,028,808</u>
<i>Total capital assets, being depreciated:</i>	<u>29,866,266</u>	<u>599,665</u>	<u>-</u>	<u>30,465,931</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(92,316)	(3,374)	-	(95,690)
Buildings	(5,891,676)	(98,496)	-	(5,990,172)
Equipment	(5,522,006)	(320,468)	-	(5,842,474)
Vehicles	(680,354)	(17,733)	-	(698,087)
Utility plant in service	<u>(7,030,103)</u>	<u>(350,794)</u>	<u>-</u>	<u>(7,380,897)</u>
<i>Total accumulated depreciation</i>	<u>(19,216,455)</u>	<u>(790,865)</u>	<u>-</u>	<u>(20,007,320)</u>
Total capital assets, being depreciated, net	<u>10,649,811</u>	<u>(191,200)</u>	<u>-</u>	<u>10,458,611</u>
Total business-type activities capital assets	<u>\$ 11,830,489</u>	<u>\$ 123,619</u>	<u>\$ -</u>	<u>\$ 11,954,108</u>

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**CITY OF WILLARD
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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 9 - CAPITAL ASSETS - (Continued)

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

Governmental activities:

General government	\$ 37,193
Security of persons and property	186,820
Public health and welfare	3,197
Transportation	364,509
Community environment	79,479
Leisure time activities	<u>45,069</u>
Total governmental activities	<u>\$ 716,267</u>

Business-type activities:

Sewer	\$ 459,862
Water	<u>331,003</u>
Total business-type activities	<u>\$ 790,865</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 \$375,994 at December 31, 2022. 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, 2022 was \$364,497.

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
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 11 - LONG-TERM OBLIGATIONS

A. During 2022, the following changes occurred in governmental activities long-term obligations.

Governmental activities:	Date of Issue	Interest Rate	Balance 12/31/2021	Additions	Retirements	Balance 12/31/2022	Amounts Due in One Year
<u>Issue II loans - direct borrowings:</u>							
Ash Street reconstruction II	2006	0.00%	\$ 33,650	\$ -	\$ (3,059)	\$ 30,591	\$ 30,591
Myrtle Avenue curbs and ramps	2009	0.00%	12,750	-	(12,750)	-	-
Myrtle Avenue phase VII	2011	0.00%	10,500	-	(10,500)	-	-
Street improvements	2016	0.00%	489,482	-	(44,498)	444,984	88,997
Pearl Street improvements	2017	0.00%	7,932	-	(7,932)	-	-
US 224 improvements phase IV	2017	0.00%	12,375	-	(375)	12,000	12,000
Spring Street improvements	2018	0.00%	10,251	-	(683)	9,568	9,568
Euclid Street improvements	2020	0.00%	601	-	(601)	-	-
Willard street improvements	2021	0.00%	87,428	-	(4,372)	83,056	8,743
Various street improvements	2022	0.00%	-	116,618	-	116,618	-
Total Issue II loans			<u>664,969</u>	<u>116,618</u>	<u>(84,770)</u>	<u>696,817</u>	<u>149,899</u>
<u>Other long-term obligations:</u>							
Net pension liability			5,122,716	-	(908,849)	4,213,867	-
Net OPEB liability			579,740	13,371	-	593,111	-
Compensated absences			527,019	217,597	(200,058)	544,558	288,567
Total other long-term obligations			<u>6,229,475</u>	<u>230,968</u>	<u>(1,108,907)</u>	<u>5,351,536</u>	<u>288,567</u>
Total governmental activities long-term obligations			<u>\$ 6,894,444</u>	<u>\$ 347,586</u>	<u>\$(1,193,677)</u>	<u>\$ 6,048,353</u>	<u>\$ 438,466</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 2016 street improvements, Myrtle Avenue curbs and ramps, Myrtle Avenue phase VII Pearl Street improvements and Euclid Street improvements were retired early and paid in full during 2022. The Spring Street improvements, Ash Street reconstruction II and US 224 improvements phase IV were retired early and paid in full in 2023 (see Note 21). The 2021 Willard street improvements and 2026 Street improvements loans will be repaid over a period of 10 years. The 2022 Various street improvements loan has not been finalized at December 31, 2022 and is not included in the amortization schedule below. 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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HURON COUNTY, OHIO**

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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
2023	\$ 149,899	\$ -	\$ 149,899
2024	97,739	-	97,739
2025	97,739	-	97,739
2026	97,740	-	97,740
2027	97,739	-	97,739
2028 - 2032	39,343	-	39,343
Total	<u>\$ 580,199</u>	<u>\$ -</u>	<u>\$ 580,199</u>

B. During 2022, the following changes occurred in the City's business-type long-term obligations.

	Date of Issue	Interest Rate	Balance 1/1/2022	Additions	Retirements	Balance 12/31/2022	Amounts Due in One Year
Business-type activities:							
<u>OWDA loans - direct borrowings:</u>							
US 224 lift station	2010	1.00%	\$ 104,851	\$ -	\$ (11,191)	\$ 93,660	\$ 11,303
WWTP improvements	2014	1.00%	1,494,092	-	(96,248)	1,397,844	97,213
Sewer plant improvements	2021	0.76%	523,842	-	(25,270)	498,572	53,731
Water system improvements	2021	0.00%	198,979	327,136	-	526,115	103,384
Park St. waterline replacement	2022	1.91%	-	9,792	-	9,792	-
Total OWDA loans			<u>2,321,764</u>	<u>336,928</u>	<u>(132,709)</u>	<u>2,525,983</u>	<u>265,631</u>
<u>Issue II loans - direct borrowings:</u>							
Woodbine Avenue	2005	0.00%	9,680	-	(9,680)	-	-
US 224 pump station	2010	0.00%	29,978	-	(1,249)	28,729	2,498
WWTP improvements	2014	0.00%	25,000	-	(2,500)	22,500	5,000
Raw waterline replacement	2017	0.00%	51,000	-	(1,500)	49,500	3,000
Total Issue II loans			<u>115,658</u>	<u>-</u>	<u>(14,929)</u>	<u>100,729</u>	<u>10,498</u>
<u>Other long-term obligations:</u>							
Net pension liability			725,381	-	(303,542)	421,839	-
Compensated absences			202,952	65,665	(72,684)	195,933	101,999
Total other long-term obligations			<u>928,333</u>	<u>65,665</u>	<u>(376,226)</u>	<u>617,772</u>	<u>101,999</u>
Total business-type activities long-term obligations			<u>\$ 3,365,755</u>	<u>\$ 402,593</u>	<u>\$ (523,864)</u>	<u>\$ 3,244,484</u>	<u>\$ 378,128</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 will be repaid over a period of 10 years. The other loans will be repaid over a period of 20 years. The loans are interest free. The Woodbine Avenue loan was retired early and in full from the sewer fund in 2022. 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, 2022, the project is ongoing and the loan has not been finalized. Additional amounts are expected to be drawn down in 2023. 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. At December 31, 2022, the project is ongoing and the loan has not been finalized. Additional amounts are expected to be drawn down in 2023. Therefore, the balance of this loan is not included in the amortization schedule presented below.

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 10.85 percent of net revenues and 5.11 percent of total revenues. Principal and interest paid for the current year were \$151,868, total net revenues were \$1,399,377 and total revenues were \$2,973,333.

The City has pledged future water revenues to repay OWDA loans. The City was not required to make any principal or interest payments on the water fund OWDA loans during 2022.

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
2023	\$ 162,247	\$ 18,332	\$ 180,579	\$ 10,498	\$ -	\$ 10,498
2024	163,743	16,835	180,578	10,498	-	10,498
2025	165,254	15,324	180,578	10,499	-	10,499
2026	166,780	13,798	180,578	10,498	-	10,498
2027	168,319	12,259	180,578	7,998	-	7,998
2028 - 2032	783,064	37,986	821,050	27,491	-	27,491
2033 - 2037	380,669	7,651	388,320	18,747	-	18,747
2038 - 2039	-	-	-	4,500	-	4,500
Total	<u>\$ 1,990,076</u>	<u>\$ 122,185</u>	<u>\$ 2,112,261</u>	<u>\$ 100,729</u>	<u>\$ -</u>	<u>\$ 100,729</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, 2022, the City's total debt margin was \$11,142,575 and the unvoted debt margin was \$5,741,436.

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:

	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 \$45,412 reported in the internal service fund at December 31, 2022 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:

Fiscal Year	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2022	\$ 69,518	\$ 918,178	\$ (942,284)	\$ 45,412
2021	124,166	724,668	(779,316)	69,518

In 2022, 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/Asset

The net pension liability/asset and the net OPEB liability/asset 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/asset 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.

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 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 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 initial amount of a member’s pension benefit is vested upon receipt of the initial benefit payment for calculation of an annual cost-of-living adjustment.

When a traditional plan benefit recipient has received benefits for 12 months, current law provides for an annual cost of living adjustment (COLA). This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. Members retiring under the combined plan receive a cost-of-living adjustment on the defined benefit portion of their pension benefit. For those who retired prior to January 7, 2013, the cost of living adjustment is 3 percent. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, current law provides that the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3.00%.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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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. The amount available for defined contribution benefits in the combined plan consists of the member’s contributions plus or minus the investment gains or losses resulting from the member’s investment selections. Combined plan members wishing to receive benefits must meet the requirements for both the defined benefit and defined contribution plans. Member-directed participants must have attained the age of 55, have money on deposit in the defined contribution plan and have terminated public service to apply for retirement benefits. The amount available for defined contribution benefits in the member-directed plan consists of the members’ contributions, vested employer contributions and investment gains or losses resulting from the members’ investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20 percent each year. At retirement, members may select one of several distribution options for payment of the vested balance in their individual OPERS accounts. Options include the annuitization of the benefit (which includes joint and survivor options), 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.

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

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

	State and Local
2022 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee *	10.0 %
2022 Actual Contribution Rates	
Employer:	
Pension	14.0 %
Post-employment Health Care Benefits **	0.0 %
Total Employer	14.0 %
Employee	10.0 %

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

** This employer health care rate is for the traditional and combined plans. The employer contribution for the member-directed plan is 4.00%.

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 \$339,573 for 2022. Of this amount, \$37,028 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 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, surviving beneficiaries, and statutory survivors. Members participating in the DROP program have separate eligibility requirements related to COLA.

The COLA amount for members who have 15 or more years of service credit as of July 1, 2013, and members who are receiving a pension benefit that became effective before July 1, 2013, will be equal to 3.00% 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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NOTES TO THE BASIC FINANCIAL STATEMENTS
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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>
2022 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
2022 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 \$317,704 for 2022. Of this amount, \$39,480 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, 2021, 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, 2021, and was determined by rolling forward the total pension liability as of January 1, 2021, to December 31, 2021. 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	0.01430300%	0.02348100%	0.01195400%	0.05471740%	
Proportion of the net pension liability/asset current measurement date	<u>0.01442600%</u>	<u>0.02407900%</u>	<u>0.01099400%</u>	<u>0.05411170%</u>	
Change in proportionate share	<u>0.00012300%</u>	<u>0.00059800%</u>	<u>-0.00096000%</u>	<u>-0.00060570%</u>	
Proportionate share of the net pension liability	\$ 1,255,120	\$ -	\$ -	\$ 3,380,586	\$ 4,635,706
Proportionate share of the net pension asset	-	94,872	1,996	-	96,868
Pension expense	(307,477)	(3,423)	(320)	239,994	(71,226)

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

At December 31, 2022, 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	\$ 63,984	\$ 589	\$ 1,971	\$ 97,476	\$ 164,020
Changes of assumptions	156,952	4,765	68	617,825	779,610
Changes in employer's proportionate percentage/difference between employer contributions	29,947	-	-	61,139	91,086
Contributions subsequent to the measurement date	317,782	16,013	5,778	317,704	657,277
Total deferred outflows of resources	<u>\$ 568,665</u>	<u>\$ 21,367</u>	<u>\$ 7,817</u>	<u>\$ 1,094,144</u>	<u>\$ 1,691,993</u>
Deferred inflows of resources					
Differences between expected and actual experience	\$ 27,527	\$ 10,618	\$ -	\$ 175,743	\$ 213,888
Net difference between projected and actual earnings on pension plan investments	1,492,921	20,338	455	886,338	2,400,052
Changes in employer's proportionate percentage/difference between employer contributions	38,581	-	-	182,528	221,109
Total deferred inflows of resources	<u>\$ 1,559,029</u>	<u>\$ 30,956</u>	<u>\$ 455</u>	<u>\$ 1,244,609</u>	<u>\$ 2,835,049</u>

\$657,277 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, 2023.

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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
2023	\$ (212,831)	\$ (6,233)	\$ 198	\$ (45,244)	\$ (264,110)
2024	(506,779)	(8,619)	154	(243,619)	(758,863)
2025	(351,046)	(5,656)	175	(160,221)	(516,748)
2026	(237,490)	(4,176)	183	(82,575)	(324,058)
2027	-	(558)	243	63,490	63,175
Thereafter	-	(360)	631	-	271
Total	<u>\$ (1,308,146)</u>	<u>\$ (25,602)</u>	<u>\$ 1,584</u>	<u>\$ (468,169)</u>	<u>\$ (1,800,333)</u>

Actuarial Assumptions - OPERS

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

Projections of 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, 2021, 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, 2021, are presented below.

Wage inflation

Current measurement date	2.75%
Prior measurement date	3.25%

Future salary increases, including inflation

Current measurement date	2.75% to 10.75% including wage inflation
Prior measurement date	3.25% 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 2022, then 2.05% simple
Prior measurement date	Pre 1/7/2013 retirees: 3.00%, simple Post 1/7/2013 retirees: 0.50%, simple through 2021, then 2.15% simple

Investment rate of return

Current measurement date	6.90%
Prior measurement date	7.20%

Actuarial cost method

Individual entry age

In July 2021, the OPERS Board adopted a change in COLA for Post-January 7, 2013 retirees, changing it from 0.50% simple through 2021 then 2.15% simple to 3.00% simple through 2022 then 2.05% simple.

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
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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 2021, 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 gain of 15.3% for 2021.

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

For each major asset class that is included in the Defined Benefit portfolio's target asset allocation as of December 31, 2021, 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 (Arithmetic)</u>
Fixed income	24.00 %	1.03 %
Domestic equities	21.00	3.78
Real estate	11.00	3.66
Private equity	12.00	7.43
International equities	23.00	4.88
Risk Parity	5.00	2.92
Other investments	4.00	2.85
Total	<u>100.00 %</u>	<u>4.21 %</u>

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HURON COUNTY, OHIO**

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, 2021 was 7.20%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Traditional Pension Plan, Combined Plan and Member-Directed Plan was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the 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:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
City's proportionate share of the net pension liability (asset):			
Traditional Pension Plan	\$ 3,309,180	\$ 1,255,120	\$ (454,130)
Combined Plan	(70,792)	(94,872)	(113,653)
Member-Directed Plan	(1,759)	(1,996)	(2,199)

Actuarial Assumptions - OP&F

OP&F's total pension liability as of December 31, 2021, is based on the results of an actuarial valuation date of January 1, 2021, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OP&F's actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future. Assumptions considered were: withdrawal rates, disability retirement, service retirement, DROP elections, mortality, percent married and forms of the payment, DROP interest rate, CPI-based COLA, investment returns, salary increases and payroll growth.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2022, are presented below.

Valuation date	1/1/21 with actuarial liabilities rolled forward to 12/31/21
Actuarial cost method	Entry age normal (level percent of payroll)
Investment rate of return	
Current measurement date	7.50%
Prior measurement date	8.00%
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

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

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

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

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

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy and Guidelines. A forecasted rate of inflation serves as the baseline for the return expected. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted 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.

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, 2021 are summarized below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash and cash equivalents	0.00 %	0.00 %
Domestic equity	21.00	3.60
Non-US equity	14.00	4.40
Private markets	8.00	6.80
Core fixed income *	23.00	1.10
High yield fixed income	7.00	3.00
Private credit	5.00	4.50
U.S. inflation linked bonds *	17.00	0.80
Midstream energy infrastructure	5.00	5.00
Real assets	8.00	5.90
Gold	5.00	2.40
Private real estate	12.00	4.80
Total	125.00 %	

Note: assumptions are geometric.

* levered 2x

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

OP&F’s Board of Trustees has incorporated the risk parity concept into OP&F’s asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return and creating a more risk-balanced portfolio based on 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 8.00% 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 earning were calculated using the longer-term assumed investment rate of return 8.00%. 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.

	1% Decrease	Current Discount Rate	1% Increase
City's proportionate share of the net pension liability	\$ 5,013,362	\$ 3,380,586	\$ 2,020,887

NOTE 14 - DEFINED BENEFIT OPEB PLANS

Net OPEB Liability/Asset

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

Plan Description - Ohio Public Employees Retirement System (OPERS)

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

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

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NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

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

The health care trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or separation, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

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

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit with a minimum age of 60, or generally 30 years of qualifying service at any age. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. Current retirees eligible (or who became eligible prior to January 1, 2022) to participate in the OPERS health care program will continue to be eligible after January 1, 2022. Eligibility requirements will change for those retiring after January 1, 2022, with differing eligibility requirements for Medicare retirees and non-Medicare retirees. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. See OPERS' Annual Comprehensive Financial Report referenced below for additional information.

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

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <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 and the combined plan.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2022, 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.

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NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. For 2022, OPERS did not allocate any employer contribution to health care for members in the Traditional Pension Plan and Combined Plan. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2022 was 4.00%.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$2,311 for 2022. Of this amount, \$252 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.

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

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

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

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

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NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

The Board of Trustees is authorized to allocate a portion of the total employer contributions for retiree health care benefits. For 2022, 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.

The City's contractually required contribution to OP&F was \$7,640 for 2022. Of this amount, \$949 is reported as due to other governments.

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

The net OPEB liability/asset and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2020, rolled forward to the measurement date of December 31, 2021, 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, 2021, and was determined by rolling forward the total OPEB liability as of January 1, 2021, to December 31, 2021. The City's proportion of the net OPEB liability/asset was based on the City's share of contributions to the retirement plan relative to the contributions of all participating entities.

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

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Proportion of the net OPEB liability/asset prior measurement date	0.01447900%	0.05471740%	
Proportion of the net OPEB liability/asset current measurement date	<u>0.01457200%</u>	<u>0.05411170%</u>	
Change in proportionate share	<u>0.00009300%</u>	<u>-0.00060570%</u>	
Proportionate share of the net OPEB liability	\$ -	\$ 593,111	\$ 593,111
Proportionate share of the net OPEB asset	456,417	-	456,417
OPEB expense	(448,917)	32,516	(416,401)

**CITY OF WILLARD
HURON COUNTY, OHIO**

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

At December 31, 2022, 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	\$ -	\$ 26,982	\$ 26,982
Changes of assumptions	-	262,527	262,527
Changes in employer's proportionate percentage/ difference between employer contributions	2,234	95,238	97,472
Contributions subsequent to the measurement date	2,311	7,640	9,951
Total deferred outflows of resources	<u>\$ 4,545</u>	<u>\$ 392,387</u>	<u>\$ 396,932</u>
Deferred inflows of resources			
Differences between expected and actual experience	\$ 69,231	\$ 78,387	\$ 147,618
Net difference between projected and actual earnings on pension plan investments	217,587	53,578	271,165
Changes of assumptions	184,753	68,887	253,640
Changes in employer's proportionate percentage/ difference between employer contributions	19,340	137,865	157,205
Total deferred inflows of resources	<u>\$ 490,911</u>	<u>\$ 338,717</u>	<u>\$ 829,628</u>

\$9,951 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/asset in the year ending December 31, 2023.

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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:	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
2023	\$ (309,047)	\$ 8,416	\$ (300,631)
2024	(100,839)	464	(100,375)
2025	(47,541)	10,333	(37,208)
2026	(31,250)	4,553	(26,697)
2027	-	10,980	10,980
Thereafter	-	11,284	11,284
Total	<u>\$ (488,677)</u>	<u>\$ 46,030</u>	<u>\$ (442,647)</u>

Actuarial Assumptions - OPERS

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

Projections of health care costs for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2020, rolled forward to the measurement date of December 31, 2021.

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:

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

Wage Inflation	
Current measurement date	2.75%
Prior Measurement date	3.25%
Projected Salary Increases, including inflation	
Current measurement date	2.75 to 10.75%
	including wage inflation
Prior Measurement date	3.25 to 10.75%
	including wage inflation
Single Discount Rate:	
Current measurement date	6.00%
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	1.84%
Prior Measurement date	2.00%
Health Care Cost Trend Rate	
Current measurement date	5.50% initial, 3.50% ultimate in 2034
Prior Measurement date	8.50% initial, 3.50% ultimate in 2035
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.

The long-term expected rate of return on health care investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

During 2021, 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 gain of 14.3% for 2021.

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

For each major asset class that is included in the Health Care's portfolio's target asset allocation as of December 31, 2021, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	34.00 %	0.91 %
Domestic equities	25.00	3.78
Real Estate Investment Trusts (REITs)	7.00	3.71
International equities	25.00	4.88
Risk parity	2.00	2.92
Other investments	7.00	1.93
Total	100.00 %	3.45 %

Discount Rate - A single discount rate of 6.00% was used to measure the total OPEB liability on the measurement date of December 31, 2021. A single discount rate of 6.00% was used to measure the total OPEB liability on the measurement date of December 31, 2021. 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 1.84%. 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 2121. As a result, the actuarial assumed long-term expected rate of return on health care investments was applied to projected costs through the year 2121, the duration of the projection period through which projected health care payments are fully funded.

Sensitivity of the City's Proportionate Share of the Net OPEB Asset to Changes in the Discount Rate - The following table presents the proportionate share of the net OPEB asset calculated using the single discount rate of 6.00%, as well as what the proportionate share of the net OPEB asset would be if it were calculated using a discount rate that is one-percentage-point lower (5.00%) or one-percentage-point higher (7.00%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
City's proportionate share of the net OPEB asset	\$ 268,416	\$ 456,417	\$ 612,461

**CITY OF WILLARD
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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 Asset to Changes in the Health Care Cost Trend Rate

- Changes in the health care cost trend rate may also have a significant impact on the net OPEB asset. The following table presents the net OPEB asset calculated using the assumed trend rates, and the expected net OPEB asset if it were calculated using a health care cost trend rate that is 1.00% 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 healthcare; the trend starting in 2022 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 asset	\$ 461,350	\$ 456,417	\$ 450,566

Actuarial Assumptions - OP&F

OP&F's total OPEB liability as of December 31, 2021, is based on the results of an actuarial valuation date of January 1, 2021, 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, 2021, with actuarial liabilities rolled forward to December 31, 2021
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)
Investment Rate of Return	
Current measurement date	7.50%
Prior measurement date	8.00%
Projected Salary Increases	3.75% to 10.50%
Payroll Growth	3.25%
Single discount rate:	
Current measurement date	2.84%
Prior measurement date	2.96%
Cost of Living Adjustments	2.20% simple per year

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

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

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

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

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

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

**CITY OF WILLARD
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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, 2020, are summarized below:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash and cash equivalents	0.00 %	0.00 %
Domestic equity	21.00	3.60
Non-US equity	14.00	4.40
Private markets	8.00	6.80
Core fixed income *	23.00	1.10
High yield fixed income	7.00	3.00
Private credit	5.00	4.50
U.S. inflation linked bonds *	17.00	0.80
Midstream energy infrastructure	5.00	5.00
Real assets	8.00	5.90
Gold	5.00	2.40
Private real estate	12.00	4.80
Total	<u>125.00 %</u>	

Note: assumptions are geometric.

* levered 2x

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

Discount Rate - For 2021, the total OPEB liability was calculated using the discount rate of 2.84%. For 2020, the total OPEB liability was calculated using the discount rate of 2.96%. The projection of cash flows used to determine the discount rate assumed the contribution from employers and from members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return 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, a municipal bond rate of 2.05% at December 31, 2021 and 2.12% at December 31, 2020 was blended with the long-term rate of 7.50%, which resulted in a blended discount rate of 2.84%.

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 2.84%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.84%), or one percentage point higher (3.84%) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
City's proportionate share of the net OPEB liability	\$ 745,553	\$ 593,111	\$ 467,803

**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 - 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).

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	American Rescue Plan Act
Budget basis	\$ 227,027	\$ 294,000
Net adjustment for revenue accruals	(509,366)	68,445
Net adjustment for expenditure accruals	(56,294)	(362,445)
Funds budgeted elsewhere	(473,654)	-
GAAP basis	\$ (812,287)	\$ -

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 electric system sale fund, the insurance fund, and the unclaimed monies fund.

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022
(SEE ACCOUNTANT’S COMPILATION REPORT)

NOTE 16 - TAX ABATEMENTS

As of December 31, 2022, 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.

The City has entered into agreements to abate property taxes through these programs. During 2022, 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>13,900</u>
Total	<u>\$ 16,978</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, 2022.

B. Litigation

At December 31, 2022, the City was not involved in any lawsuits that would have a material adverse effect on the City’s financial position.

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022
(SEE ACCOUNTANT’S COMPILATION REPORT)

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 deposits payable. Restricted assets at December 31, 2022 are comprised of the following:

	<u>Cash and Investments</u>
Water fund:	
Customer deposits	<u>\$ 83,780</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.

NOTE 20 - COVID-19

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. Ohio’s state of emergency ended in June 2021 and the national state of emergency continues ended in April 2023. During 2022, the City received COVID-19 funding. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the City. The impact on the City’s future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

NOTE 21 - SUBSEQUENT EVENT

The City retired the following Issue II loans in early 2023: Ash Street reconstruction II, US 224 improvements phase IV and Spring Street improvements. These loans were scheduled to mature in future years but the City decided to use excess cash to retire the loans in full in early 2023.

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**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 22 - 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	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:				
Materials and supplies inventory	\$ 9,235	\$ -	\$ 39,335	\$ 48,570
Prepays	201,740	-	4,968	206,708
Electric system sale	1,575,000	-	-	1,575,000
Unclaimed monies	7,960	-	-	7,960
Perpetual care	-	-	32,052	32,052
Total nonspendable	<u>1,793,935</u>	<u>-</u>	<u>76,355</u>	<u>1,870,290</u>
Restricted:				
Capital improvements	-	-	31,411	31,411
Transportation projects	-	-	1,180,338	1,180,338
Police and fire purposes	-	-	345,669	345,669
Other purposes	-	-	347,228	347,228
Total restricted	<u>-</u>	<u>-</u>	<u>1,904,646</u>	<u>1,904,646</u>
Committed:				
Capital improvements	-	1,267,251	-	1,267,251
Recreation programs	-	-	201,591	201,591
Transportation projects	-	-	30,952	30,952
Other purposes	-	-	92,154	92,154
Total committed	<u>-</u>	<u>1,267,251</u>	<u>324,697</u>	<u>1,591,948</u>
Assigned:				
Debt service	-	-	181,651	181,651
Capital improvements	-	-	4	4
Subsequent year appropriations	939,745	-	-	939,745
Other purposes	3,841	-	-	3,841
Total assigned	<u>943,586</u>	<u>-</u>	<u>181,655</u>	<u>1,125,241</u>
Unassigned (deficit)	<u>238,616</u>	<u>-</u>	<u>(41,923)</u>	<u>196,693</u>
Total fund balances	<u>\$ 2,976,137</u>	<u>\$ 1,267,251</u>	<u>\$ 2,445,430</u>	<u>\$ 6,688,818</u>

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 NINE YEARS
(SEE ACCOUNTANT'S COMPILATION REPORT)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
<i>Traditional Plan:</i>				
City's proportion of the net pension liability	0.014426%	0.014303%	0.014912%	0.016105%
City's proportionate share of the net pension liability	\$ 1,255,120	\$ 2,117,963	\$ 2,947,458	\$ 4,410,833
City's covered payroll	\$ 2,207,629	\$ 1,895,579	\$ 2,040,364	\$ 2,230,507
City's proportionate share of the net pension liability as a percentage of its covered payroll	56.85%	111.73%	144.46%	197.75%
Plan fiduciary net position as a percentage of the total pension liability	92.62%	86.88%	82.17%	74.70%
<i>Combined Plan:</i>				
City's proportion of the net pension asset	0.024079%	0.023481%	0.022380%	0.022178%
City's proportionate share of the net pension asset	\$ 94,872	\$ 67,780	\$ 46,668	\$ 24,800
City's covered payroll	\$ 109,779	\$ 103,479	\$ 99,629	\$ 94,850
City's proportionate share of the net pension asset as a percentage of its covered payroll	86.42%	65.50%	46.84%	26.15%
Plan fiduciary net position as a percentage of the total pension asset	169.88%	157.67%	145.28%	126.64%
<i>Member Directed Plan:</i>				
City's proportion of the net pension asset	0.010994%	0.011954%	0.012101%	0.012121%
City's proportionate share of the net pension asset	\$ 1,996	\$ 2,179	\$ 457	\$ 276
City's covered payroll	\$ 68,930	\$ 71,790	\$ 71,930	\$ 69,290
City's proportionate share of the net pension asset as a percentage of its covered payroll	2.90%	3.04%	0.64%	0.40%
Plan fiduciary net position as a percentage of the total pension asset	171.84%	188.21%	118.84%	113.42%

Note: Information prior to 2014 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

	2018	2017	2016	2015	2014
	0.016095%	0.015811%	0.015702%	0.016149%	0.016149%
\$	2,524,993	\$ 3,590,409	\$ 2,719,784	\$ 1,947,749	\$ 1,903,756
\$	2,111,692	\$ 2,061,800	\$ 1,984,567	\$ 1,988,125	\$ 2,039,885
	119.57%	174.14%	137.05%	97.97%	93.33%
	84.66%	77.25%	81.08%	86.45%	86.36%
	0.023018%	0.019417%	0.024720%	0.028183%	0.028183%
\$	31,336	\$ 10,807	\$ 12,029	\$ 10,851	\$ 2,957
\$	94,262	\$ 75,575	\$ 98,275	\$ 103,017	\$ 96,362
	33.24%	14.30%	12.24%	10.53%	3.07%
	137.28%	116.55%	116.90%	114.83%	104.56%
	0.010278%	0.009051%	0.007258%	n/a	n/a
\$	359	\$ 38	\$ 28	n/a	n/a
\$	56,340	\$ 37,200	\$ 40,425	n/a	n/a
	0.64%	0.10%	0.07%	n/a	n/a
	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 NINE YEARS
(SEE ACCOUNTANT'S COMPILATION REPORT)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
City's proportion of the net pension liability	0.05411170%	0.05471740%	0.05519880%	0.05718000%
City's proportionate share of the net pension liability	\$ 3,380,586	\$ 3,730,134	\$ 3,718,486	\$ 4,667,399
City's covered payroll	\$ 1,447,266	\$ 1,314,708	\$ 1,357,672	\$ 1,299,698
City's proportionate share of the net pension liability as a percentage of its covered payroll	233.58%	283.72%	273.89%	359.11%
Plan fiduciary net position as a percentage of the total pension liability	75.03%	70.65%	69.89%	63.07%

Note: Information prior to 2014 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

2018	2017	2016	2015	2014
0.05293800%	0.06003100%	0.05395600%	0.05308930%	0.05308930%
\$ 3,249,013	\$ 3,802,265	\$ 3,471,018	\$ 2,750,247	\$ 2,585,615
\$ 1,570,297	\$ 1,455,742	\$ 1,509,985	\$ 1,444,386	\$ 1,467,735
206.90%	261.19%	229.87%	190.41%	176.16%
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>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
<i>Traditional Plan:</i>				
Contractually required contribution	\$ 317,782	\$ 309,068	\$ 265,381	\$ 285,651
Contributions in relation to the contractually required contribution	<u>(317,782)</u>	<u>(309,068)</u>	<u>(265,381)</u>	<u>(285,651)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 2,269,871	\$ 2,207,629	\$ 1,895,579	\$ 2,040,364
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%
<i>Combined Plan:</i>				
Contractually required contribution	\$ 16,013	\$ 15,369	\$ 14,487	\$ 13,948
Contributions in relation to the contractually required contribution	<u>(16,013)</u>	<u>(15,369)</u>	<u>(14,487)</u>	<u>(13,948)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 114,379	\$ 109,779	\$ 103,479	\$ 99,629
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%
<i>Member Directed Plan:</i>				
Contractually required contribution	\$ 5,778	\$ 6,893	\$ 7,179	\$ 7,193
Contributions in relation to the contractually required contribution	<u>(5,778)</u>	<u>(6,893)</u>	<u>(7,179)</u>	<u>(7,193)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 57,780	\$ 68,930	\$ 71,790	\$ 71,930
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>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
\$ 312,271	\$ 274,520	\$ 247,416	\$ 238,148	\$ 238,575	\$ 265,185
<u>(312,271)</u>	<u>(274,520)</u>	<u>(247,416)</u>	<u>(238,148)</u>	<u>(238,575)</u>	<u>(265,185)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 2,230,507	\$ 2,111,692	\$ 2,061,800	\$ 1,984,567	\$ 1,988,125	\$ 2,039,885
14.00%	13.00%	12.00%	12.00%	12.00%	13.00%
\$ 13,279	\$ 12,254	\$ 9,069	\$ 11,793	\$ 12,362	\$ 12,527
<u>(13,279)</u>	<u>(12,254)</u>	<u>(9,069)</u>	<u>(11,793)</u>	<u>(12,362)</u>	<u>(12,527)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 94,850	\$ 94,262	\$ 75,575	\$ 98,275	\$ 103,017	\$ 96,362
14.00%	13.00%	12.00%	12.00%	12.00%	13.00%
\$ 6,929	\$ 5,634	\$ 4,464	\$ 4,851		
<u>(6,929)</u>	<u>(5,634)</u>	<u>(4,464)</u>	<u>(4,851)</u>		
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		
\$ 69,290	\$ 56,340	\$ 37,200	\$ 40,425		
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>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
<i>Police:</i>				
Contractually required contribution	\$ 174,780	\$ 173,185	\$ 159,196	\$ 173,507
Contributions in relation to the contractually required contribution	<u>(174,780)</u>	<u>(173,185)</u>	<u>(159,196)</u>	<u>(173,507)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 919,895	\$ 911,500	\$ 837,874	\$ 913,195
Contributions as a percentage of covered payroll	19.00%	19.00%	19.00%	19.00%
<i>Fire:</i>				
Contractually required contribution	\$ 142,924	\$ 125,905	\$ 112,056	\$ 104,452
Contributions in relation to the contractually required contribution	<u>(142,924)</u>	<u>(125,905)</u>	<u>(112,056)</u>	<u>(104,452)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 608,187	\$ 535,766	\$ 476,834	\$ 444,477
Contributions as a percentage of covered payroll	23.50%	23.50%	23.50%	23.50%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
\$ 169,341	\$ 223,633	\$ 196,673	\$ 222,441	\$ 212,018	\$ 189,672
<u>(169,341)</u>	<u>(223,633)</u>	<u>(196,673)</u>	<u>(222,441)</u>	<u>(212,018)</u>	<u>(189,672)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 891,268	\$ 1,177,016	\$ 1,035,121	\$ 1,170,742	\$ 1,115,884	\$ 1,194,157
19.00%	19.00%	19.00%	19.00%	19.00%	15.88%
\$ 95,981	\$ 92,421	\$ 98,846	\$ 79,722	\$ 77,198	\$ 55,704
<u>(95,981)</u>	<u>(92,421)</u>	<u>(98,846)</u>	<u>(79,722)</u>	<u>(77,198)</u>	<u>(55,704)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 408,430	\$ 393,281	\$ 420,621	\$ 339,243	\$ 328,502	\$ 273,282
23.50%	23.50%	23.50%	23.50%	23.50%	20.38%

**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 SIX YEARS
(SEE ACCOUNTANT'S COMPILATION REPORT)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
City's proportion of the net OPEB liability/asset	0.014572%	0.014479%	0.015023%	0.016128%
City's proportionate share of the net OPEB liability/(asset)	\$ (456,417)	\$ (257,955)	\$ 2,075,067	\$ 2,102,710
City's covered payroll	\$ 2,386,338	\$ 2,070,848	\$ 2,211,923	\$ 2,394,647
City's proportionate share of the net OPEB liability/asset as a percentage of its covered payroll	19.13%	12.46%	93.81%	87.81%
Plan fiduciary net position as a percentage of the total OPEB liability/asset	128.23%	115.57%	47.80%	46.33%

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>2018</u>	<u>2017</u>
	0.016080%	0.015621%
\$	1,746,170	\$ 1,577,798
\$	2,262,294	\$ 2,174,575
	77.19%	72.56%
	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 SIX YEARS
(SEE ACCOUNTANT'S COMPILATION REPORT)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
City's proportion of the net OPEB liability	0.05411170%	0.05471740%	0.05519880%	0.05718000%
City's proportionate share of the net OPEB liability	\$ 593,111	\$ 579,740	\$ 545,239	\$ 520,712
City's covered payroll	\$ 1,447,266	\$ 1,314,708	\$ 1,357,672	\$ 1,299,698
City's proportionate share of the net OPEB liability as a percentage of its covered payroll	40.98%	44.10%	40.16%	40.06%
Plan fiduciary net position as a percentage of the total OPEB liability	46.86%	45.42%	47.08%	46.57%

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>2018</u>	<u>2017</u>
0.05293800%	0.06003100%
\$ 2,999,364	\$ 2,849,537
\$ 1,570,297	\$ 1,455,742
191.01%	195.74%
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>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contractually required contribution	\$ 2,311	\$ 2,757	\$ 2,872	\$ 2,877
Contributions in relation to the contractually required contribution	<u>(2,311)</u>	<u>(2,757)</u>	<u>(2,872)</u>	<u>(2,877)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 2,442,030	\$ 2,386,338	\$ 2,070,848	\$ 2,211,923
Contributions as a percentage of covered payroll	0.09%	0.12%	0.14%	0.13%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
\$ 2,771	\$ 24,313	\$ 44,862	\$ 41,657	\$ 41,564	\$ 21,353
<u>(2,771)</u>	<u>(24,313)</u>	<u>(44,862)</u>	<u>(41,657)</u>	<u>(41,564)</u>	<u>(21,353)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 2,394,647	\$ 2,262,294	\$ 2,174,575	\$ 2,123,267	\$ 2,091,142	\$ 2,136,247
0.12%	1.07%	2.06%	1.96%	1.99%	1.00%

**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>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
<i>Police:</i>				
Contractually required contribution	\$ 4,599	\$ 4,558	\$ 4,189	\$ 4,566
Contributions in relation to the contractually required contribution	<u>(4,599)</u>	<u>(4,558)</u>	<u>(4,189)</u>	<u>(4,566)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 919,895	\$ 911,500	\$ 837,874	\$ 913,195
Contributions as a percentage of covered payroll	0.50%	0.50%	0.50%	0.50%
<i>Fire:</i>				
Contractually required contribution	\$ 3,041	\$ 2,679	\$ 2,384	\$ 2,222
Contributions in relation to the contractually required contribution	<u>(3,041)</u>	<u>(2,679)</u>	<u>(2,384)</u>	<u>(2,222)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 608,187	\$ 535,766	\$ 476,834	\$ 444,477
Contributions as a percentage of covered payroll	0.50%	0.50%	0.50%	0.50%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
\$ 4,456	\$ 5,885	\$ 5,176	\$ 6,012	\$ 5,680	\$ 42,776
<u>(4,456)</u>	<u>(5,885)</u>	<u>(5,176)</u>	<u>(6,012)</u>	<u>(5,680)</u>	<u>(42,776)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 891,268	\$ 1,177,016	\$ 1,035,121	\$ 1,170,742	\$ 1,115,884	\$ 1,194,157
0.50%	0.50%	0.50%	0.50%	0.50%	3.62%
\$ 2,042	\$ 1,966	\$ 2,106	\$ 1,696	\$ 1,564	\$ 9,389
<u>(2,042)</u>	<u>(1,966)</u>	<u>(2,106)</u>	<u>(1,696)</u>	<u>(1,564)</u>	<u>(9,389)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 408,430	\$ 393,281	\$ 420,621	\$ 339,243	\$ 328,502	\$ 273,282
0.50%	0.50%	0.50%	0.50%	0.50%	3.62%

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2022
(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.

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%.

(Continued)

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2022
(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.

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%.

(Continued)

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2022
(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.

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 10.00%, 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 10.00%, 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.

(Continued)

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2022
(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.

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%.