

**CITY OF WILLARD
HURON COUNTY, OHIO**

BASIC FINANCIAL STATEMENTS
(AUDITED)

FOR THE YEAR ENDED
DECEMBER 31, 2018



Julian & Grube, Inc.
Serving Ohio Local Governments

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July 19, 2019

City of Willard
Huron County
631 South Myrtle Avenue
P.O. Box 367
Willard, Ohio 44890

Transmittal Letter

The City of Willard, year ending December 31, 2018, report is subject to review and acceptance by the Auditor of State's office, and the requirements of Ohio Revised Code § 117.25 are not met until the Auditor of State certifies this report. This process will be completed by the Auditor of State in a reasonable timeframe and reports are subject to change if the Auditor of State determines that modification of a report is necessary to comply with required accounting or auditing standards or Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.

Julian & Grube, Inc.

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**CITY OF WILLARD
HURON COUNTY, OHIO**

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333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Independent Auditor's Report

City of Willard
Huron County
631 South Myrtle Avenue
P.O. Box 367
Willard, Ohio 44890

To the Members of Council and City Manager:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Willard, Huron County, Ohio, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City of Willard's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the City of Willard's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the City of Willard's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Willard, Huron County, Ohio, as of December 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparisons for the General fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during 2018, the City of Willard adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Also discussed in Note 3 to the financial statements, during 2018, the City of Willard recorded a prior period restatement to properly establish the self-insurance fund as an internal service fund. We did not modify our opinion regarding these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *management's discussion and analysis*, and schedules of net pension assets and net pension and other post-employment benefit liabilities and pension and other post-employment benefit contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2019, on our consideration of the City of Willard's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Willard's internal control over financial reporting and compliance.



Julian & Grube, Inc.
June 20, 2019

**CITY OF WILLARD
HURON COUNTY, OHIO**

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

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, 2018. 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 2018 are as follows:

- The total net position of the City decreased \$1,257,800. Net position of governmental activities decreased \$345,823 or 3.28% from 2017's restated net position and net position of business-type activities decreased \$911,977 or 7.09% from 2017's restated net position.
- General revenues accounted for \$3,909,398 or 75.08% of total governmental activities revenue. Program specific revenues accounted for \$1,297,752 or 24.92% of total governmental activities revenue.
- The City had \$5,552,973 in expenses related to governmental activities; \$1,297,752 of these expenses was offset by program specific charges for services, grants or contributions. The remaining expenses of the governmental activities of \$4,255,221 were offset by general revenues (primarily income taxes, property taxes and unrestricted grants and entitlements) of \$3,909,398.
- The general fund had revenues and other financing sources of \$3,149,765 in 2018. The expenditures and other financing uses of the general fund totaled \$3,138,978 in 2018. The net increase in fund balance for the general fund was \$10,787 or 0.31%.
- The income tax capital improvement fund had revenues and other financing sources of \$665,714 in 2018. The expenditures and other financing uses of the income tax capital improvement fund totaled \$616,794 in 2018. The net increase in fund balance for the income tax capital improvement fund was \$48,920 or 13.77%.
- Net position for the business-type activities, which are made up of the sewer, water and storm water enterprise funds, decreased in 2018 by \$911,977 from 2017 net position. This decrease in net position was mainly due to increasing expenses and decreasing revenues.
- In the general fund, the actual revenues and other financing sources came in \$78,284 less than they were in the final budget and actual expenditures and other financing uses were \$1,107,841 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, 2018
(UNAUDITED)

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 2018?" 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 three categories: governmental funds, proprietary funds, and fiduciary 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. The analysis of the City's major governmental and proprietary funds begins on page 13.

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.

**CITY OF WILLARD
HURON COUNTY, OHIO**

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

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.

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 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. The basic governmental fund financial statements can be found on pages 24-28 of this report.

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. The basic proprietary fund financial statements can be found on pages 30-35 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. Agency funds are the City's fiduciary fund type. The basic fiduciary fund financial statements can be found on page 36 of this report.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 37-93 of this report.

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 liabilities. The required supplementary information can be found on pages 94-107 of this report.

**CITY OF WILLARD
HURON COUNTY, OHIO**

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

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, 2018 and 2017. The net position at December 31, 2017 has been restated as described in Note 3.

	Governmental Activities		Business-type Activities		Total	
	2018	Restated 2017	2018	Restated 2017	2018	Restated 2017
<u>Assets</u>						
Current and other assets	\$ 7,110,916	\$ 6,851,073	\$ 4,054,969	\$ 5,288,096	\$ 11,165,885	\$ 12,139,169
Capital assets, net	14,569,039	14,353,009	13,035,088	13,002,168	27,604,127	27,355,177
Total assets	21,679,955	21,204,082	17,090,057	18,290,264	38,770,012	39,494,346
<u>Deferred outflows of resources</u>						
Pension	1,175,523	1,989,964	296,589	525,431	1,472,112	2,515,395
OPEB	379,276	23,173	84,506	8,991	463,782	32,164
Total deferred outflows of resources	1,554,799	2,013,137	381,095	534,422	1,935,894	2,547,559
<u>Liabilities</u>						
Current liabilities	1,138,185	959,436	882,517	1,136,107	2,020,702	2,095,543
Long-term liabilities:						
Due within one year	323,383	392,654	410,074	392,646	733,457	785,300
Net pension liability	4,789,754	6,065,031	984,252	1,327,643	5,774,006	7,392,674
Net OPEB liability	4,064,870	3,843,905	680,664	583,430	4,745,534	4,427,335
Other amounts	992,035	1,071,215	2,254,334	2,476,953	3,246,369	3,548,168
Total liabilities	11,308,227	12,332,241	5,211,841	5,916,779	16,520,068	18,249,020
<u>Deferred inflows of resources</u>						
Property taxes	312,954	290,419	-	-	312,954	290,419
Pension	786,474	37,470	245,489	32,813	1,031,963	70,283
OPEB	615,833	-	50,705	-	666,538	-
Total deferred inflows of resources	1,715,261	327,889	296,194	32,813	2,011,455	360,702
<u>Net position</u>						
Net investment in capital assets	13,221,860	13,035,907	10,080,585	9,659,967	23,302,445	22,695,874
Restricted	2,481,514	2,845,159	-	-	2,481,514	2,845,159
Unrestricted (deficit)	(5,492,108)	(5,323,977)	1,882,532	3,215,127	(3,609,576)	(2,108,850)
Total net position	\$ 10,211,266	\$ 10,557,089	\$ 11,963,117	\$ 12,875,094	\$ 22,174,383	\$ 23,432,183

The net pension liability (NPL) is the largest single liability reported by the City at December 31, 2018 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." For 2018, the City adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the City's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

**CITY OF WILLARD
HURON COUNTY, OHIO**

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

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension liability or net 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 and the net OPEB liability to equal the City's proportionate share of each plan's collective:

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

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

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

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

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

**CITY OF WILLARD
HURON COUNTY, OHIO**

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

As a result of implementing GASB 75, the City is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at December 31, 2017, from \$14,757,666 to \$10,557,089 for governmental activities and \$13,449,533 to \$12,875,094 for business-type activities. The City also restated net position of the governmental activities at December 31, 2017 to properly present the City's internal service fund.

Over time, net position can serve as a useful indicator of a government's financial position. At December 31, 2018, the City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$22,174,383. At year-end, net position was \$10,211,266 and \$11,963,117 for the governmental activities and the business-type activities, respectively.

Capital assets reported on the government-wide statements represent the largest portion of the City's assets. At year-end, capital assets represented 71.20% 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, 2018, was \$13,221,860 and \$10,080,585 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, \$2,481,514, 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, 2018
(UNAUDITED)**

The following table shows the changes in net position for 2018 and 2017. The net position at December 31, 2017 has been restated as described in Note 3.

	Change in Net Position					
	Governmental Activities		Business-type Activities		Total	
	2018	Restated 2017	2018	Restated 2017	2018	Restated 2017
Revenues						
Program revenues:						
Charges for services	\$ 703,520	\$ 640,873	\$ 3,636,808	\$ 3,761,190	\$ 4,340,328	\$ 4,402,063
Operating grants and contributions	394,311	397,127	-	-	394,311	397,127
Capital grants and contributions	199,921	146,546	-	-	199,921	146,546
Total program revenues	<u>1,297,752</u>	<u>1,184,546</u>	<u>3,636,808</u>	<u>3,761,190</u>	<u>4,934,560</u>	<u>4,945,736</u>
General revenues:						
Property taxes	303,288	301,591	-	-	303,288	301,591
Income taxes	3,363,575	3,491,840	-	-	3,363,575	3,491,840
Payments in lieu of taxes	-	72,165	-	-	-	72,165
Unrestricted grants and entitlements	214,666	214,081	-	-	214,666	214,081
Investment earnings	105,810	72,772	-	62,218	105,810	134,990
Decrease in FMV of investments	(103,295)	(78,564)	-	-	(103,295)	(78,564)
Miscellaneous	25,354	15,889	504	4,267	25,858	20,156
Total general revenues	<u>3,909,398</u>	<u>4,089,774</u>	<u>504</u>	<u>66,485</u>	<u>3,909,902</u>	<u>4,156,259</u>
Total revenues	<u>5,207,150</u>	<u>5,274,320</u>	<u>3,637,312</u>	<u>3,827,675</u>	<u>8,844,462</u>	<u>9,101,995</u>
Expenses						
General government	428,440	650,055	-	-	428,440	650,055
Security of persons and property	3,660,530	3,395,876	-	-	3,660,530	3,395,876
Public health and welfare	21,844	24,716	-	-	21,844	24,716
Transportation	732,419	1,125,315	-	-	732,419	1,125,315
Community environment	360,030	349,261	-	-	360,030	349,261
Leisure time activity	337,707	335,606	-	-	337,707	335,606
Interest and fiscal charges	12,003	10,825	-	-	12,003	10,825
Sewer	-	-	2,414,931	2,272,393	2,414,931	2,272,393
Water	-	-	2,110,623	1,761,865	2,110,623	1,761,865
Storm water	-	-	23,735	16,500	23,735	16,500
Total expenses	<u>5,552,973</u>	<u>5,891,654</u>	<u>4,549,289</u>	<u>4,050,758</u>	<u>10,102,262</u>	<u>9,942,412</u>
Change in net position	<u>(345,823)</u>	<u>(617,334)</u>	<u>(911,977)</u>	<u>(223,083)</u>	<u>(1,257,800)</u>	<u>(840,417)</u>
Net position at beginning of year (restated)	<u>10,557,089</u>	<u>N/A</u>	<u>12,875,094</u>	<u>N/A</u>	<u>23,432,183</u>	<u>N/A</u>
Net position at end of year	<u>\$ 10,211,266</u>	<u>\$ 10,557,089</u>	<u>\$ 11,963,117</u>	<u>\$ 12,875,094</u>	<u>\$ 22,174,383</u>	<u>\$ 23,432,183</u>

**CITY OF WILLARD
HURON COUNTY, OHIO**

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

The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB 75 is not available. Therefore, 2017 functional expenses still include OPEB expense of \$32,164 computed under GASB 45. GASB 45 required recognizing OPEB expense equal to the contractually required contributions to the plan. Under GASB 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of OPEB expense. Under GASB 75, the 2018 statements report OPEB expense of \$562,388.

Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

	Governmental Activities	Business-Type Activities
Total 2018 program expenses under GASB 75	\$ 5,552,973	\$ 4,549,289
OPEB expense under GASB 75	(488,884)	(73,504)
2018 contractually required contributions	8,189	(1,080)
Adjusted 2018 program expenses	5,072,278	4,474,705
Total 2017 program expenses under GASB 45	5,891,654	4,050,758
Increase (decrease) in program expenses not related to OPEB	\$ (819,376)	\$ 423,947

Governmental Activities

Governmental activities net position decreased \$345,823 in 2018. This decrease is primarily the result of decreasing expenses still exceeding decreasing revenue.

Security of persons and property which primarily supports the operations of the police and fire department accounted for \$3,660,530 or 36.24% of the total expenses of the City. Security of persons and property expenses were partially funded by \$429,684 in direct charges to users of the services. General government expenses totaled \$428,440. General government expenses were partially funded by \$65,946 in direct charges to users of the services.

The State and federal government contributed to the City a total of \$394,311 in operating grants and contributions and \$199,921 in capital grants and contributions. These revenues are restricted to a particular program or purpose.

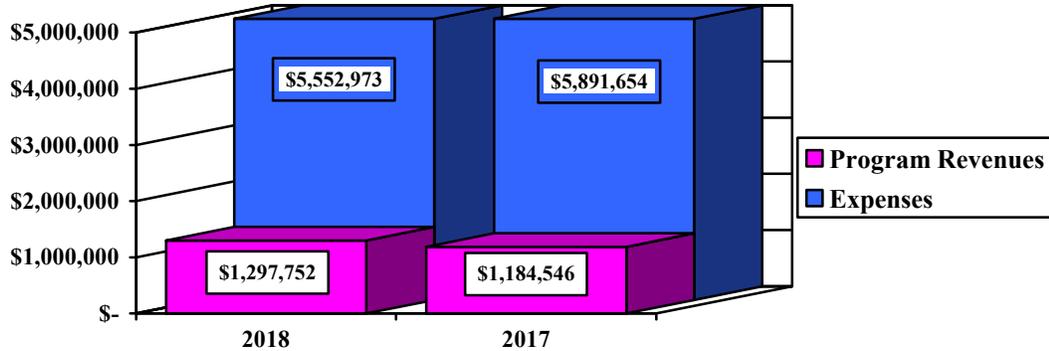
General revenues totaled \$3,909,398 and amounted to 75.08% of total governmental revenues. These revenues primarily consist of property and income tax revenue of \$3,666,863. The other primary source of general revenues is grants and entitlements not restricted to specific programs, including local government revenue and property tax reimbursements received from the State, making up \$214,666.

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 2018.

**CITY OF WILLARD
HURON COUNTY, OHIO**

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

Governmental Activities – Program Revenues vs. Total Expenses



Governmental Activities

	Total Cost of Services 2018	Total Cost of Services 2017	Net Cost of Services 2018	Net Cost of Services 2017
Program expenses:				
General government	\$ 428,440	\$ 650,055	\$ 362,494	\$ 585,776
Security of persons and property	3,660,530	3,395,876	3,192,781	2,990,797
Public health and welfare	21,844	24,716	(1,931)	2,031
Transportation	732,419	1,125,315	218,508	584,635
Community environment	360,030	349,261	221,760	270,255
Leisure time activity	337,707	335,606	249,606	262,789
Interest and fiscal charges	12,003	10,825	12,003	10,825
Total	<u>\$ 5,552,973</u>	<u>\$ 5,891,654</u>	<u>\$ 4,255,221</u>	<u>\$ 4,707,108</u>

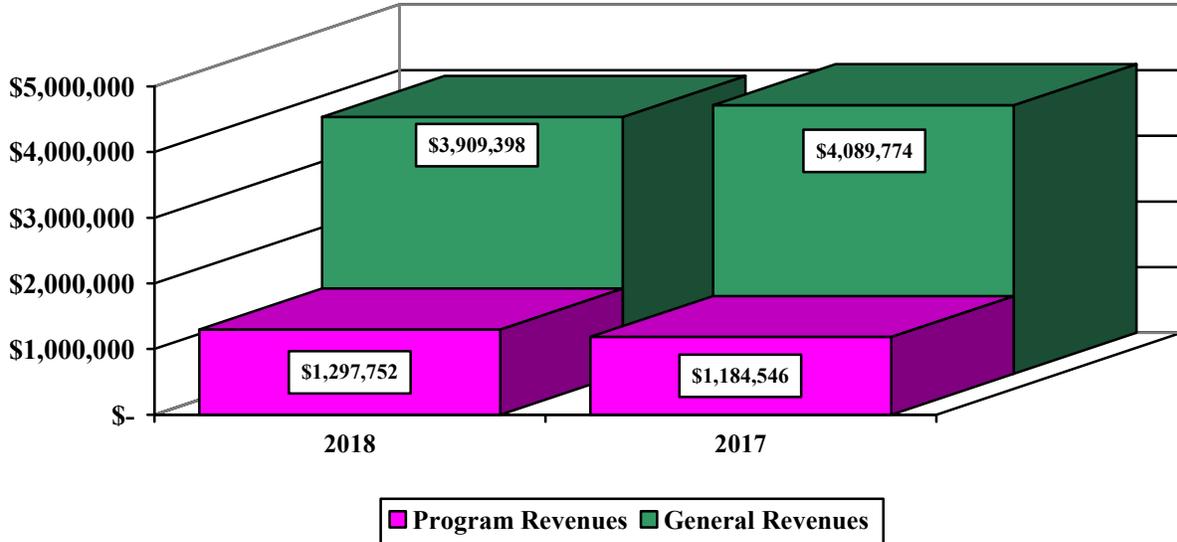
The dependence upon general revenues for governmental activities is apparent, with 76.63% of expenses supported through taxes and other general revenues.

**CITY OF WILLARD
HURON COUNTY, OHIO**

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

The chart below illustrates the City's program revenues versus general revenues for 2018 and 2017.

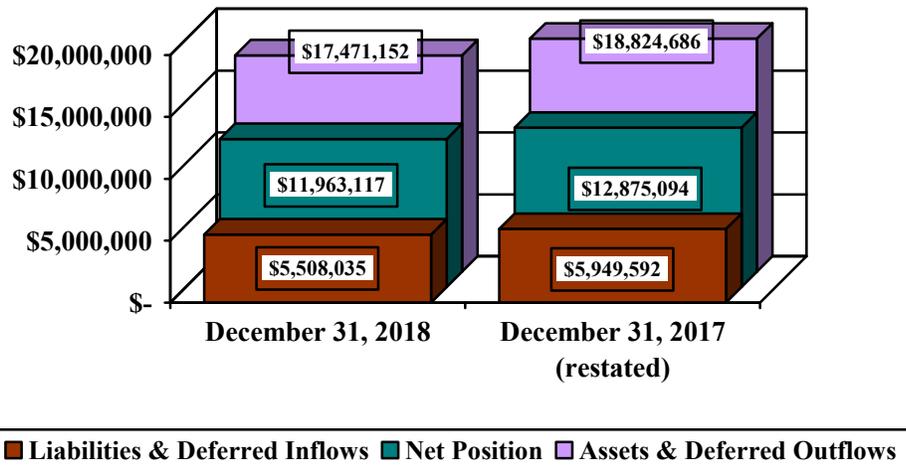
Governmental Activities – General and Program Revenues



Business-type Activities

Business-type activities include the sewer, water and storm water enterprise funds. These programs had program revenues of \$3,636,808, general revenues of \$504 and expenses of \$4,549,289 for 2018. 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 2018 and 2017. The net position at December 31, 2017 has been restated as described in Note 3.

Net Position in Business - Type Activities



**CITY OF WILLARD
HURON COUNTY, OHIO**

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

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, unreserved 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 (as presented on the balance sheet on page 24) reported a combined fund balance of \$5,335,341, which is \$123,788 less than the previous year's fund balance of \$5,459,129. The following schedule indicates the fund balances and the total change in fund balances as of December 31, 2018 for all major and nonmajor governmental funds.

	<u>Fund Balances</u> 12/31/18	<u>Fund Balances</u> 12/31/17	<u>Increase</u> <u>(Decrease)</u>
Major funds:			
General	\$ 3,514,625	\$ 3,503,838	\$ 10,787
Income tax capital improvement	404,365	355,445	48,920
Other nonmajor governmental funds	<u>1,416,351</u>	<u>1,599,846</u>	<u>(183,495)</u>
Total	<u>\$ 5,335,341</u>	<u>\$ 5,459,129</u>	<u>\$ (123,788)</u>

General Fund

The City's general fund balance increased \$10,787. The table that follows assists in illustrating the revenues of the general fund.

	<u>2018</u> <u>Amount</u>	<u>2017</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>			
Taxes	\$ 2,389,798	\$ 2,528,082	(5.47) %
Charges for services	445,370	397,514	12.04 %
Fines and forfeitures	13,609	20,098	(32.29) %
Intergovernmental	205,707	236,221	(12.92) %
Licenses and permits	69,205	53,134	30.25 %
Investment income	94,493	69,290	36.37 %
Decrease in FMV of investments	(103,295)	(78,564)	31.48 %
Other	<u>19,787</u>	<u>17,087</u>	15.80 %
Total	<u>\$ 3,134,674</u>	<u>\$ 3,242,862</u>	(3.34) %

**CITY OF WILLARD
HURON COUNTY, OHIO**

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

Tax revenue represents 76.24% of all general fund revenue. Income tax revenue decreased by approximately \$144,000 from the prior year. The increase in charges for services is primarily due to an increase in emergency rescue calls. Intergovernmental revenue decreased due to the continued phase out of certain property tax reimbursements from the State. The fair value of the City's investments decreased in 2018. The fair value of investments fluctuates based on market conditions. All other amounts remained comparable to 2018.

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

	<u>2018</u> <u>Amount</u>	<u>2017</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Expenditures</u>			
General government	\$ 351,240	\$ 550,336	(36.18) %
Security of persons and property	2,426,738	2,502,019	(3.01) %
Public health and welfare	17,994	19,723	(8.77) %
Transportation	31,840	306,883	(89.62) %
Community environment	<u>249,591</u>	<u>216,122</u>	15.49 %
Total	<u>\$ 3,077,403</u>	<u>\$ 3,595,083</u>	(14.40) %

The total general fund expenditures of the City decreased 14.40%. The most significant changes occurred in the general government and transportation line items. The water and sewer funds purchase the services of certain administrative general government employees and also employees at the City Garage. The City records this activity on a cash basis as a charges for services receipt in the general fund. In order to avoid doubling up these revenues and expenditures, the activity is eliminated in the general fund. Since the water and sewer funds purchased more services from the general fund in 2018 when compared to 2017, it resulted in a decrease in general fund expenditures.

Income Tax Capital Improvement Fund

The income tax capital improvement fund had revenues and other financing sources of \$665,714 in 2018. The expenditures and other financing uses of the income tax capital improvement fund totaled \$616,794 in 2018. The net increase in fund balance for the income tax capital improvement fund was \$48,920 or 13.77%.

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 \$78,284 less than they were in the final budget and actual expenditures were \$1,107,841 less than the amount in the final budget. The final budgeted revenues and other financing sources were unchanged from the original budgeted revenues. Final budgeted expenditures were also unchanged from the original budget.

**CITY OF WILLARD
HURON COUNTY, OHIO**

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

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 2018, the City had \$27,604,127 (net of accumulated depreciation) invested in land, construction in progress, land improvements, buildings, equipment, vehicles, infrastructure and utility plant in service. Of this total, \$14,569,039 was reported in governmental activities and \$13,035,088 was reported in business-type activities. See Note 9 for further description of capital assets. The following table shows 2018 balances compared to 2017:

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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Land	\$ 1,320,002	\$ 1,320,002	\$ 1,020,841	\$ 1,020,841	\$ 2,340,843	\$ 2,340,843
Construction in progress	25,000	7,500	-	286,108	25,000	293,608
Buildings	1,053,328	1,043,991	1,104,696	1,209,217	2,158,024	2,253,208
Land improvements	87,788	98,286	19,583	23,551	107,371	121,837
Equipment	1,203,239	1,102,295	3,391,177	3,205,260	4,594,416	4,307,555
Vehicles	278,060	402,029	206,368	105,998	484,428	508,027
Utility plant in service	-	-	7,292,423	7,151,193	7,292,423	7,151,193
Infrastructure	10,601,622	10,378,906	-	-	10,601,622	10,378,906
Totals	<u>\$ 14,569,039</u>	<u>\$ 14,353,009</u>	<u>\$ 13,035,088</u>	<u>\$ 13,002,168</u>	<u>\$ 27,604,127</u>	<u>\$ 27,355,177</u>

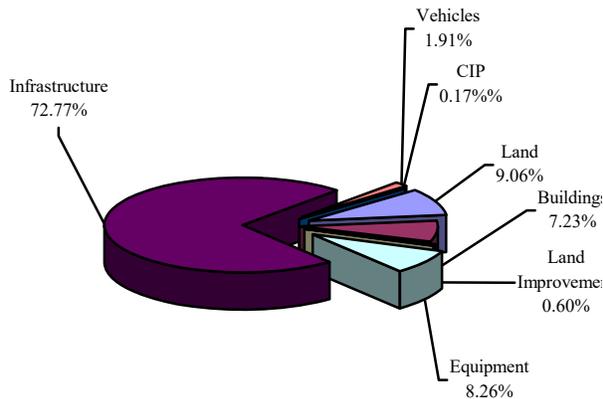
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**CITY OF WILLARD
HURON COUNTY, OHIO**

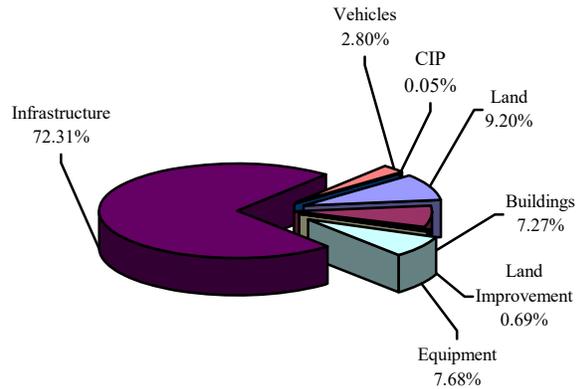
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018
(UNAUDITED)**

The following graphs show the breakdown of governmental capital assets by category for 2018 and 2017.

Capital Assets - Governmental Activities 2018



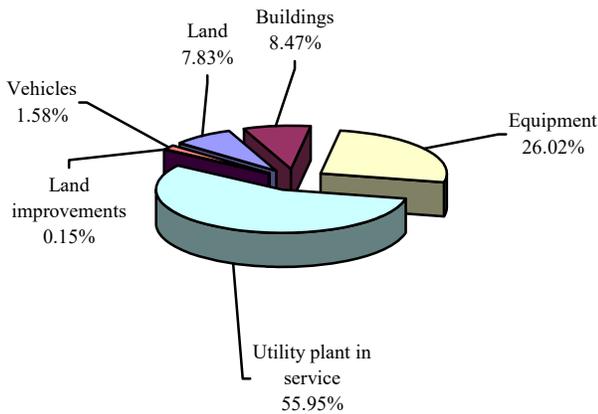
Capital Assets - Governmental Activities 2017



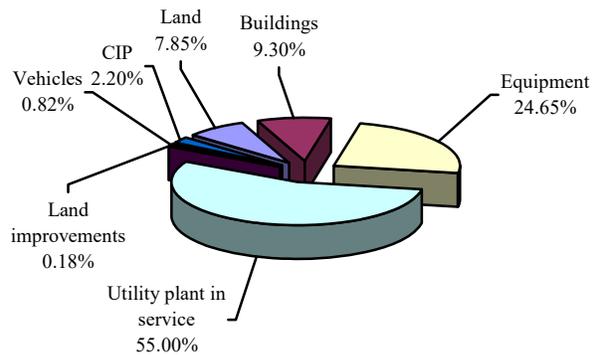
The City's infrastructure is the largest capital asset category. These items are immovable and of value only to the City, however, the annual cost of purchasing these items is quite significant. The net book value of the City's infrastructure (cost less accumulated depreciation) represents approximately 72.77% of the City's total governmental capital assets.

The following graphs show the breakdown of business-type capital assets by category for 2018 and 2017.

Capital Assets - Business-type Activities 2018



Capital Assets - Business-type Activities 2017



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 55.95% of the City's total business-type capital assets.

**CITY OF WILLARD
HURON COUNTY, OHIO**

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

Debt Administration

The City had the following long-term obligations outstanding at December 31, 2018 and 2017.

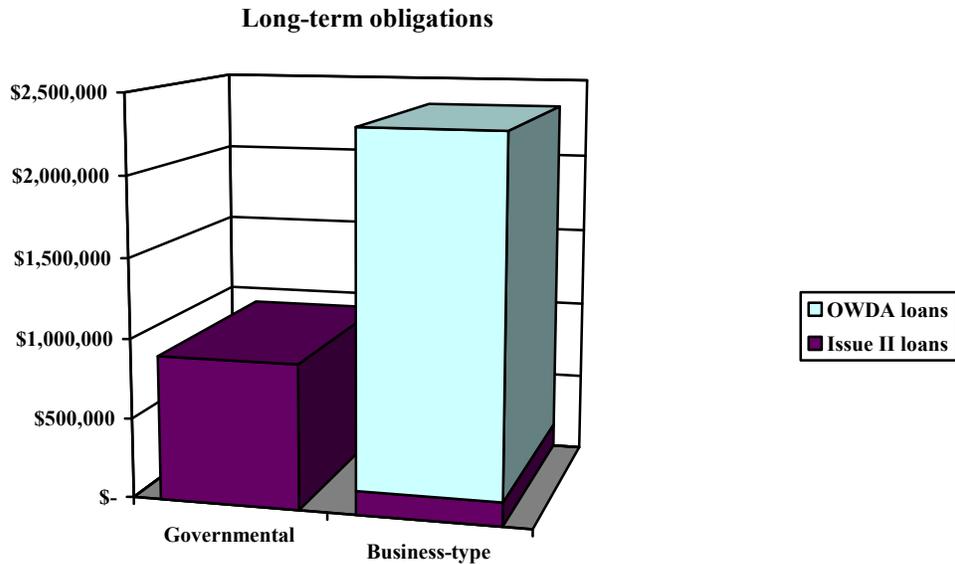
Governmental Activities

	2018	2017
General obligation bonds	\$ -	\$ 90,000
Issue II loans	902,179	1,003,102
Total long-term obligations	\$ 902,179	\$ 1,093,102

Business-type Activities

	2018	2017
OWDA loans	\$ 2,176,550	\$ 2,397,503
Issue II loans	147,953	139,102
Total long-term obligations	\$ 2,324,503	\$ 2,536,605

A comparison of the long-term obligations by category is depicted in the chart below.



Further detail on the City's long-term obligations can be found in Note 12 to the financial statements.

**CITY OF WILLARD
HURON COUNTY, OHIO**

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

Economic Conditions and Outlook

The City of Willard currently is home to about 6,200 residents and serves an additional 5,000 area residents through our fire and rescue services as well as our water department. The City is a well-established manufacturing community with businesses such as MTD Midwest, Pepperidge Farm, Star of the West Flour Mill, LSC Communications, and Guardian Manufacturing. The City has an active city government committed to encouraging new business to locate here. Our industrial park has about 77 acres of land dedicated to business development and expansion with full utility services, paved roads and a contractor willing to build to suit. Willard also has nationwide rail services provided by CSX east/west hub. Our low crime rate, dedicated work force and cooperative spirit makes Willard a great place to live, work and raise your family.

Construction of an assisted living complex has once again been delayed. Plans to break ground in 2017 were put on hold while a sister-facility planned to be built in nearby Tiffin, has faced some delays. This assisted living facility is planned for the open land donated to Mercy Hospital along Neal Zick Rd. They are hoping to get started with the project in the Spring of 2019.

The City saw three new homes constructed in 2018 on land that once housed Mercy Hospital. The property was purchased by a local contractor, who named the development Hoffman Estates to reflect the historical name of the area. One home that was started in 2017, was completed in early 2018. Another new home was completed in early 2018 on Conwell Ave. across from MTD.

There was an exchange of properties between the City of Willard and Willard City Schools late in 2017. The School was interested in a vacant lot on the northwest corner of SR 99 and SR 103 that the City owns. The School began building a new bus garage at that location in the fall of 2018. In exchange, the School transferred to the City, property located at 110 S. Myrtle Ave, where they had been temporarily housing their Superintendent and other administrative staff. As of the writing of this, the City still has not taken possession of the building, as the school continues working on remodeling the old cafeteria at the Hass Auditorium which they will use for their Administrative offices. There are no definite plans at this time as to what purposes the City will utilize for the building at 110 S. Myrtle Ave, but several ideas are being considered.

The City had a 1.375% income tax rate in 2018. One eighth of a percent of that rate was approved by the citizens to support our police department, and that portion was put on the November ballot in 2018, as it expired 12/31/18. That levy was passed and will continue until 12/31/2023. A portion of the remaining tax is earmarked for capital improvements, maintenance and repair; an equal portion is used to provide funds for payment of service debt on bonds, notes, loans and other obligations issued prior to January 1, 2005, and the remainder is allocated to various other funds of the City for operational expenses. Income tax collections for 2018 were \$3,322,840 (on a cash-basis). That is \$81,160 less than what we had budgeted to collect, and \$265,080 less than what we collected last year. Local income taxes accounted for about 23% of the City of Willard's revenue sources in 2018.

City Manager Jim Ludban had a vision to build a gathering place in our downtown area where the clock tower will eventually be built. The hope is that this will help build excitement for the area, which might, in turn, help generate donations to get the clock tower project fully funded. The area was named the Roy Doster Plaza in memory of a life-long resident who had contributed a great deal to the community as an incredible humanitarian and supporter of diversity in Willard. The plaza was funded by an anonymous donation, and the area began being rebuilt in 2017, with the final touches happening in 2018. The plaza has a stage, a grassy area for gathering, permanent picnic tables, parking and special lighting. In 2018, the Doster Plaza was used for movie nights put on by our recreation department, farmer's markets, community garage sales, food giveaways, harvest parties and costume judging after trick-or-treating.

**CITY OF WILLARD
HURON COUNTY, OHIO**

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

Major Projects for our Parks & Recreation department this year included a 9-hole disc golf course which was funded entirely by donations, resurfacing the basketball courts at the main park, the beginning stages of creating two pickleball courts that will be completed in the spring of 2019, and the purchase of an ice skating rink that was set up next to the Doster Plaza in January 2019. The Recreation Department spent a total of \$53,684 in capital improvements which also included the purchase of 2 zero-turn mowers. More than half of the revenues for the Recreation Department come from Income Tax transfers, followed by Real Estate taxes for a Park Levy that brought in \$39,124 in 2018.

The City was able to improve 1.57 miles of roadway, resurface half of the main reservoir parking lot and driveways leading to the reservoir along with the park projects mentioned above, at a total cost of \$546,700. Spring St., one of our major thoroughfares, was totally reconstructed, at a cost \$270,000 which is included in the figure above. For the Spring St. project, the City received a grant for nearly \$91,500 and a zero-interest, 10-year loan for \$14,000 from OPWC. The waterline was also replaced prior to the Spring St. reconstruction at a cost of \$98,000. Another street that was completely reconstructed including replacement of an aging sewer line and abutting sidewalks was Perry St. All but the paving work was performed by our own Street Maintenance crew.

The City finished moving a section of 16" raw waterline in order to accommodate a future railroad spur set to service Star of the West. This project started in 2015 and cost a total of \$401,100 with \$60,000 of funding from Issue I Loan from OPWC.

Our Public Works Department began the daunting task of implementing a Geographic Information System (GIS) in 2016 to have an accurate map of all infrastructure within the City of Willard. The sanitary sewer system was the initial mapped GIS in 2016, followed by storm sewers in 2017, and waterlines in 2018. Also, in 2018, zoning information was overlaid into GIS. This will eventually be made accessible to realtors, investors, site designers, appraisers and the public. The goal is to make this information available online anytime.

A long-awaited street light project was completed in 2018 along Neal Zick Rd. which leads to Mercy Hospital and the Willows of Willard Nursing Home. Seven energy-efficient streetlights were installed by our Maintenance Department at a total cost of \$13,200, which was roughly half of what it was estimated to cost.

The City learned of a recreational grant that was available through the Ohio Department of Natural Resources. A committee of City employees was formed to devise a plan for making improvements to the Reservoir. We were granted \$150,000 that will be utilized in 2019 for the following improvements:

- Construction of a Pole Building for storage of equipment
- Construction of 2 picnic shelters, and 6 picnic tables
- Replacement of 175 wooden posts along the drive
- Installation of new steps and railing on the North Side of the Reservoir
- Replacement of steps and railing on the South Side of the Reservoir
- Replacement of Rubber Dock Bumpers
- 250 tons of Limestone for Walking Path around top of Reservoir
- 54 tons of Limestone for North Parking Lot
- Replacement of 4 dock sections
- Addition of a Kayak Dock Launcher
- Add a Handicap-Accessible Portable Toilet, and Regular Portable Toilet to new North Parking Lot
- Install non-coin operated Optic Binocular
- Add 6 solar lights to Parking Lot and Step Areas
- Install 3 outdoor, Permanent Grills

**CITY OF WILLARD
HURON COUNTY, OHIO**

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

2018 marked a year of the highest staffing levels of the Willard Police Department for quite some time with 14 full-time officers, 1 part-time officer, 4 full-time dispatchers and 1 part-time dispatcher. Staffing levels have a direct effect on the effectiveness of this department. 2018 was a successful year for the Willard Police Department. Overdoses that accompany the opioid crisis decreased by 75% and continue their downward trend. Since drug usage goes together with other crimes, burglaries and breaking and entering complaints also reduced by 75%. Working together with other agencies resulted in many arrests, but none of it would have been possible without participation from Willard residents. Many have taken a stand against the criminal element of our City. It is because of our citizens that we can continue our efforts in fighting crime. We thank them for passing the 1/8% income tax levy that helps pay for our Detective, Juvenile Officer and School Resource Officer.

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. Since the EMS department has continually seen an increase in the number of double and triple calls happening over the years, they added an additional full-time Medic in 2016. When Assistant Chief Doug Coletta announced he was retiring at the end of 2017, it was decided to add two paramedics to the staff rather than fill that position. This brings the department to 6 full-time Paramedics in addition to the Fire Chief. Our EMS department continued train area Public Safety Dispatchers and certify them in Emergency Medical Dispatching and Public Safety Tele Communicator. The roof over the offices and living quarters was replaced in 2018 along with a new entry door to that area as well as two new garage doors. The number of overdose patients treated by our EMS department hit an all-time high of 96 in 2017. With concerted efforts from our Police Force and surrounding agencies that number decreased to only 26 overdoses in 2018.

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. With upgrades to the Telemetry System, the plant was able to eliminate third shift and move their operations to first and second shift. Upgrades were made to the laboratory equipment and processes, making the facility more efficient and compliant. Total cost for chemicals in 2018 was \$53,014 which is \$13,000 higher than 2017. Another significant cost increase from 2017 to 2018 was for electricity: a \$53,390 increase. Both of these increases in expense were directly related to treating 14 million gallons more wastewater, in addition to an increased blower demand for the aeration treatment process.

The Willard Water Plant has a design capacity of 3.2 Million Gallons per Day (MGD). The average daily flow at the plant in 2018 was 1.251 MGD, so there is room to grow the amount of water we treat and disburse in a day. In 2018 the total amount spent on chemicals for the Water Plant was \$179,123, which is slight increase from last year. Algal blooms continue to be a concern. In the upcoming year, the Willard Water Plant will be installing 2 units at the Reservoir that emit ultrasonic sound waves to help control the algae problem. It is our hope that this will significantly reduce the amount of chemicals that we need to apply at the reservoir, not only saving money, but keeping chemicals out of our water source. The Telemetry and SCADA upgrades that began in 2014, should be completed in 2019.

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: Sue Johnson, Director of Finance, at 631 S. Myrtle Ave. P.O. Box 367, Willard, Ohio 44890.

**CITY OF WILLARD
HURON COUNTY, OHIO**

STATEMENT OF NET POSITION
DECEMBER 31, 2018

	Governmental Activities	Business-type Activities	Total
Assets:			
Equity in pooled cash and investments.	\$ 5,516,646	\$ 2,830,053	\$ 8,346,699
Cash in segregated accounts.	64,112	-	64,112
Receivables:			
Income taxes.	604,938	-	604,938
Real and other taxes.	332,868	-	332,868
Accounts.	164,249	935,661	1,099,910
Special assessments.	21,404	-	21,404
Due from other governments.	223,932	-	223,932
Accrued interest.	23,520	-	23,520
Materials and supplies inventory.	37,041	156,727	193,768
Prepayments.	124,621	17,842	142,463
Net pension asset.	19,340	12,355	31,695
Restricted assets:			
Equity in pooled cash and investments.	-	80,576	80,576
Internal balance.	(21,755)	21,755	-
Capital assets:			
Nondepreciable capital assets.	1,345,002	1,020,841	2,365,843
Depreciable capital assets, net.	13,224,037	12,014,247	25,238,284
Total capital assets, net.	<u>14,569,039</u>	<u>13,035,088</u>	<u>27,604,127</u>
Total assets.	<u>21,679,955</u>	<u>17,090,057</u>	<u>38,770,012</u>
Deferred outflows of resources:			
Pension.	1,175,523	296,589	1,472,112
OPEB.	379,276	84,506	463,782
Total deferred outflows of resources.	<u>1,554,799</u>	<u>381,095</u>	<u>1,935,894</u>
Liabilities:			
Accounts payable.	95,072	78,995	174,067
Accrued wages.	164,130	53,478	217,608
Due to other governments.	320,471	22,374	342,845
Accrued interest payable.	3,545	17,094	20,639
Claims payable.	109,967	-	109,967
Notes payable.	445,000	630,000	1,075,000
Payable from restricted assets:			
Refundable deposits payable.	-	80,576	80,576
Long-term liabilities:			
Due within one year.	323,383	410,074	733,457
Due in more than one year:			
Net pension liability.	4,789,754	984,252	5,774,006
Net OPEB liability.	4,064,870	680,664	4,745,534
Other amounts due in more than one year.	992,035	2,254,334	3,246,369
Total liabilities.	<u>11,308,227</u>	<u>5,211,841</u>	<u>16,520,068</u>
Deferred inflows of resources:			
Property taxes levied for the next fiscal year.	312,954	-	312,954
Pension.	786,474	245,489	1,031,963
OPEB.	615,833	50,705	666,538
Total deferred inflows of resources.	<u>1,715,261</u>	<u>296,194</u>	<u>2,011,455</u>
Net position:			
Net investment in capital assets.	13,221,860	10,080,585	23,302,445
Restricted for:			
Debt service.	2,067	-	2,067
Capital projects.	93,321	-	93,321
Transportation projects.	561,607	-	561,607
Electric system sale.	1,575,000	-	1,575,000
Police and fire purposes.	36,163	-	36,163
Perpetual care.	30,482	-	30,482
Other purposes.	182,874	-	182,874
Unrestricted (deficit).	<u>(5,492,108)</u>	<u>1,882,532</u>	<u>(3,609,576)</u>
Total net position.	<u>\$ 10,211,266</u>	<u>\$ 11,963,117</u>	<u>\$ 22,174,383</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF WILLARD
HURON COUNTY, OHIO**

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental activities:				
General government.	\$ 428,440	\$ 65,946	\$ -	\$ -
Security of persons and property	3,660,530	429,684	38,065	-
Public health and welfare	21,844	23,775	-	-
Transportation.	732,419	93,989	326,118	93,804
Community environment	360,030	27,185	4,968	106,117
Leisure time activity.	337,707	62,941	25,160	-
Interest and fiscal charges.	12,003	-	-	-
Total governmental activities	<u>5,552,973</u>	<u>703,520</u>	<u>394,311</u>	<u>199,921</u>
Business-type activities:				
Sewer.	2,414,931	2,064,057	-	-
Water.	2,110,623	1,572,751	-	-
Other business-type activities:				
Storm water.	23,735	-	-	-
Total business-type activities	<u>4,549,289</u>	<u>3,636,808</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 10,102,262</u>	<u>\$ 4,340,328</u>	<u>\$ 394,311</u>	<u>\$ 199,921</u>

General revenues:

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

Total general revenues

Change in net position

Net position at beginning of year (restated).

Net position at end of year.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

Governmental Activities	Business-type Activities	Total
\$ (362,494)	\$ -	\$ (362,494)
(3,192,781)	-	(3,192,781)
1,931	-	1,931
(218,508)	-	(218,508)
(221,760)	-	(221,760)
(249,606)	-	(249,606)
(12,003)	-	(12,003)
<u>(4,255,221)</u>	<u>-</u>	<u>(4,255,221)</u>
-	(350,874)	(350,874)
-	(537,872)	(537,872)
-	<u>(23,735)</u>	<u>(23,735)</u>
-	<u>(912,481)</u>	<u>(912,481)</u>
<u>(4,255,221)</u>	<u>(912,481)</u>	<u>(5,167,702)</u>
238,143	-	238,143
41,997	-	41,997
23,148	-	23,148
2,453,591	-	2,453,591
305,845	-	305,845
604,139	-	604,139
214,666	-	214,666
105,810	-	105,810
(103,295)	-	(103,295)
25,354	504	25,858
<u>3,909,398</u>	<u>504</u>	<u>3,909,902</u>
(345,823)	(911,977)	(1,257,800)
<u>10,557,089</u>	<u>12,875,094</u>	<u>23,432,183</u>
<u>\$ 10,211,266</u>	<u>\$ 11,963,117</u>	<u>\$ 22,174,383</u>

**CITY OF WILLARD
HURON COUNTY, OHIO**

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2018

	<u>General</u>	<u>Income Tax Capital Improvement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and investments.	\$ 3,304,765	\$ 810,681	\$ 1,401,200	\$ 5,516,646
Cash in segregated accounts.	-	-	64,112	64,112
Receivables:				
Income taxes.	549,944	-	54,994	604,938
Real and other taxes.	265,459	-	67,409	332,868
Accounts.	153,512	-	10,737	164,249
Special assessments.	21,404	-	-	21,404
Interfund loans.	46,000	-	-	46,000
Due from other governments.	94,803	-	129,129	223,932
Accrued interest.	23,520	-	-	23,520
Materials and supplies inventory.	8,715	-	28,326	37,041
Prepayments.	118,870	-	5,751	124,621
Total assets.	<u>\$ 4,586,992</u>	<u>\$ 810,681</u>	<u>\$ 1,761,658</u>	<u>\$ 7,159,331</u>
Liabilities:				
Accounts payable.	\$ 75,734	\$ -	\$ 19,338	\$ 95,072
Accrued wages.	147,717	-	16,413	164,130
Due to other governments.	97,852	18,753	14,702	131,307
Interfund loans payable.	-	-	46,000	46,000
Accrued interest payable.	-	3,063	482	3,545
Notes payable.	-	384,500	60,500	445,000
Total liabilities.	<u>321,303</u>	<u>406,316</u>	<u>157,435</u>	<u>885,054</u>
Deferred inflows of resources:				
Property taxes levied for the next fiscal year.	249,602	-	63,352	312,954
Delinquent property tax revenue not available.	15,857	-	4,057	19,914
Accrued interest not available.	11,226	-	-	11,226
Special assessments revenue not available.	21,404	-	-	21,404
Intergovernmental revenue not available.	66,330	-	81,799	148,129
Income tax revenue not available.	386,645	-	38,664	425,309
Total deferred inflows of resources.	<u>751,064</u>	<u>-</u>	<u>187,872</u>	<u>938,936</u>
Fund balances:				
Nonspendable.	1,711,326	-	64,559	1,775,885
Restricted.	-	-	1,213,987	1,213,987
Committed.	-	404,365	200,624	604,989
Assigned.	963,718	-	4	963,722
Unassigned (deficit).	839,581	-	(62,823)	776,758
Total fund balances.	<u>3,514,625</u>	<u>404,365</u>	<u>1,416,351</u>	<u>5,335,341</u>
Total liabilities, deferred inflows of resources and fund balances.	<u>\$ 4,586,992</u>	<u>\$ 810,681</u>	<u>\$ 1,761,658</u>	<u>\$ 7,159,331</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, 2018

Total governmental fund balances	\$	5,335,341
<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.		14,569,039
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.		
Income taxes receivable	\$ 425,309	
Real and other taxes receivable	19,914	
Intergovernmental receivable	148,129	
Special assessments receivable	21,404	
Accrued interest receivable	11,226	
Total		625,982
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	19,340	
Deferred outflows of resources	1,175,523	
Deferred inflows of resources	(786,474)	
Net pension liability	(4,789,754)	
Total		(4,381,365)
The net OPEB liability is 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.		
Deferred outflows of resources	379,276	
Deferred inflows of resources	(615,833)	
Net OPEB liability	(4,064,870)	
Total		(4,301,427)
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	413,239	
Issue II loans payable	902,179	
Total		(1,315,418)
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.		(320,886)
Net position of governmental activities	\$	<u>10,211,266</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF WILLARD
HURON COUNTY, OHIO**

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

	<u>General</u>	<u>Income Tax Capital Improvement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Income taxes	\$ 2,149,153	\$ 604,139	\$ 436,552	\$ 3,189,844
Real and other taxes.	240,645	-	65,979	306,624
Charges for services.	445,370	-	132,404	577,774
Licenses and permits	69,205	-	-	69,205
Fines and forfeitures	13,609	-	3,030	16,639
Intergovernmental.	205,707	-	432,791	638,498
Investment income.	94,493	-	35,644	130,137
Rental income	-	-	34,007	34,007
Contributions and donations.	7,850	-	137,205	145,055
Payments in lieu of taxes.	-	-	72,165	72,165
Decrease in fair value of investments.	(103,295)	-	-	(103,295)
Other	11,937	-	8,026	19,963
Total revenues	<u>3,134,674</u>	<u>604,139</u>	<u>1,357,803</u>	<u>5,096,616</u>
Expenditures:				
Current:				
General government	351,240	-	-	351,240
Security of persons and property	2,426,738	-	417,112	2,843,850
Public health and welfare.	17,994	-	-	17,994
Transportation	31,840	-	386,730	418,570
Community environment	249,591	-	11,475	261,066
Leisure time activity	-	-	253,954	253,954
Capital outlay	-	470,911	404,894	875,805
Debt service:				
Principal retirement.	-	-	205,069	205,069
Interest and fiscal charges	-	4,416	7,936	12,352
Total expenditures.	<u>3,077,403</u>	<u>475,327</u>	<u>1,687,170</u>	<u>5,239,900</u>
Excess (deficiency) of revenues over (under) expenditures.	<u>57,271</u>	<u>128,812</u>	<u>(329,367)</u>	<u>(143,284)</u>
Other financing sources (uses):				
Sale of capital assets.	5,350	-	-	5,350
Transfers in	9,741	61,575	141,467	212,783
Transfers (out).	(61,575)	(141,467)	(9,741)	(212,783)
OPWC loan issuance	-	-	14,146	14,146
Total other financing sources (uses)	<u>(46,484)</u>	<u>(79,892)</u>	<u>145,872</u>	<u>19,496</u>
Net change in fund balances	10,787	48,920	(183,495)	(123,788)
Fund balances at beginning of year.	<u>3,503,838</u>	<u>355,445</u>	<u>1,599,846</u>	<u>5,459,129</u>
Fund balances at end of year	<u>\$ 3,514,625</u>	<u>\$ 404,365</u>	<u>\$ 1,416,351</u>	<u>\$ 5,335,341</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, 2018

Net change in fund balances - total governmental funds	\$	(123,788)
<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. This is the amount by which capital outlay expense exceeds depreciation in the current period.		
Capital asset additions	\$ 999,003	
Current year depreciation	(758,347)	
Total		240,656
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, transfers-in, and donations) is to decrease net position.		
		(24,626)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Income taxes	173,731	
Real and other taxes	(3,336)	
Intergovernmental revenues	7,739	
Special assessments	3,436	
Investment income	1,129	
Payments in lieu of taxes	(72,165)	
Total		110,534
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.		
		(14,146)
Repayment of bond and loan principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.		
		205,069
In the statement of activities, interest is accrued on outstanding bonds and loans, whereas in governmental funds, an interest expenditure is reported when due.		
		349
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	468,199	
OPEB	8,189	
Total		476,388
Except for amounts reported as deferred inflows/outflows, changes in the net pension asset/liability and net OPEB liability are reported as pension/OPEB expense in the statement of activities.		
Pension	(743,862)	
OPEB	(488,884)	
Total		(1,232,746)
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.		
		(42,472)
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.		
		58,959
Change in net position of governmental activities	\$	(345,823)

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, 2018

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Income taxes	\$ 2,205,000	\$ 2,205,000	\$ 2,205,000	\$ -
Real and other taxes.	262,800	262,800	240,427	(22,373)
Charges for services.	483,000	483,000	456,006	(26,994)
Licenses and permits	52,300	52,300	58,330	6,030
Fines and forfeitures	19,200	19,200	13,893	(5,307)
Intergovernmental.	220,710	220,710	205,932	(14,778)
Investment income.	50,000	50,000	30,627	(19,373)
Contributions and donations.	-	-	7,850	7,850
Other	10,100	10,100	11,411	1,311
Total revenues	<u>3,303,110</u>	<u>3,303,110</u>	<u>3,229,476</u>	<u>(73,634)</u>
Expenditures:				
Current:				
General government	627,834	627,834	402,126	225,708
Security of persons and property	3,208,022	3,208,022	2,427,752	780,270
Public health and welfare.	29,619	29,619	18,979	10,640
Transportation	71,574	71,574	37,808	33,766
Community environment	324,540	324,540	267,083	57,457
Total expenditures.	<u>4,261,589</u>	<u>4,261,589</u>	<u>3,153,748</u>	<u>1,107,841</u>
Excess (deficiency) of revenues over (under) expenditures.	<u>(958,479)</u>	<u>(958,479)</u>	<u>75,728</u>	<u>1,034,207</u>
Other financing sources (uses):				
Sale of capital assets.	10,000	10,000	5,350	(4,650)
Transfers in	9,741	9,741	9,741	-
Total other financing sources (uses)	<u>19,741</u>	<u>19,741</u>	<u>15,091</u>	<u>(4,650)</u>
Net change in fund balances	(938,738)	(938,738)	90,819	1,029,557
Fund balances at beginning of year	1,433,666	1,433,666	1,433,666	-
Prior year encumbrances appropriated	178,629	178,629	178,629	-
Fund balance at end of year	<u>\$ 673,557</u>	<u>\$ 673,557</u>	<u>\$ 1,703,114</u>	<u>\$ 1,029,557</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**CITY OF WILLARD
HURON COUNTY, OHIO**

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2018

	<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>	
Assets:					
Current assets:					
Equity in pooled cash and investments.	\$ 1,072,006	\$ 1,742,440	\$ 15,607	\$ 2,830,053	\$ -
Receivables:					
Accounts.	538,147	397,514	-	935,661	-
Materials and supplies inventory.	22,542	134,185	-	156,727	-
Prepayments	9,092	8,750	-	17,842	-
Restricted assets:					
Equity in pooled cash and investments.	-	80,576	-	80,576	-
Total current assets	<u>1,641,787</u>	<u>2,363,465</u>	<u>15,607</u>	<u>4,020,859</u>	<u>-</u>
Noncurrent assets:					
Net pension asset	7,335	5,020	-	12,355	-
Capital assets:					
Nondepreciable capital assets	505,410	515,431	-	1,020,841	-
Depreciable capital assets, net.	<u>6,310,331</u>	<u>5,703,916</u>	<u>-</u>	<u>12,014,247</u>	<u>-</u>
Total capital assets, net.	<u>6,815,741</u>	<u>6,219,347</u>	<u>-</u>	<u>13,035,088</u>	<u>-</u>
Total noncurrent assets	<u>6,823,076</u>	<u>6,224,367</u>	<u>-</u>	<u>13,047,443</u>	<u>-</u>
Total assets	<u>8,464,863</u>	<u>8,587,832</u>	<u>15,607</u>	<u>17,068,302</u>	<u>-</u>
Deferred outflows of resources:					
Pension.	171,769	124,820	-	296,589	-
OPEB.	<u>48,398</u>	<u>36,108</u>	<u>-</u>	<u>84,506</u>	<u>-</u>
Total deferred outflows of resources	<u>\$ 220,167</u>	<u>\$ 160,928</u>	<u>\$ -</u>	<u>\$ 381,095</u>	<u>-</u>

- - Continued

**CITY OF WILLARD
HURON COUNTY, OHIO**

STATEMENT OF NET POSITION
PROPRIETARY FUNDS (CONTINUED)
DECEMBER 31, 2018

	<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	\$ 46,279	\$ 32,716	\$ -	\$ 78,995	\$ -
Accrued wages	33,667	19,811	-	53,478	-
Compensated absences	110,583	62,493	-	173,076	-
Due to other governments	13,790	8,584	-	22,374	189,164
Accrued interest payable	16,532	562	-	17,094	-
Payable from restricted assets:					
Refundable deposits payable	-	80,576	-	80,576	-
OWDA loans payable	196,261	27,819	-	224,080	-
OPWC loans payable	9,918	3,000	-	12,918	-
Notes payable	630,000	-	-	630,000	-
Claims payable	-	-	-	-	109,967
Total current liabilities	<u>1,057,030</u>	<u>235,561</u>	<u>-</u>	<u>1,292,591</u>	<u>299,131</u>
Long-term liabilities:					
Compensated absences payable	118,227	48,602	-	166,829	-
OWDA loans payable	1,924,093	28,377	-	1,952,470	-
OPWC loans payable	79,535	55,500	-	135,035	-
Net OPEB liability	404,092	276,572	-	680,664	-
Net pension liability	584,324	399,928	-	984,252	-
Total long-term liabilities	<u>3,110,271</u>	<u>808,979</u>	<u>-</u>	<u>3,919,250</u>	<u>-</u>
Total liabilities	<u>4,167,301</u>	<u>1,044,540</u>	<u>-</u>	<u>5,211,841</u>	<u>299,131</u>
Deferred inflows of resources:					
Pension	149,076	96,413	-	245,489	-
OPEB	30,102	20,603	-	50,705	-
Total deferred inflows of resources	<u>179,178</u>	<u>117,016</u>	<u>-</u>	<u>296,194</u>	<u>-</u>
Net position:					
Net investment in capital assets	3,975,934	6,104,651	-	10,080,585	-
Unrestricted (deficit)	<u>362,617</u>	<u>1,482,553</u>	<u>15,607</u>	<u>1,860,777</u>	<u>(299,131)</u>
Total net position (deficit)	<u>\$ 4,338,551</u>	<u>\$ 7,587,204</u>	<u>\$ 15,607</u>	<u>11,941,362</u>	<u>\$ (299,131)</u>
Adjustment to reflect the consolidation of the internal service fund activities related to enterprise funds.				<u>21,755</u>	
Net position of business-type activities				<u>\$ 11,963,117</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, 2018

	<u>Business-type Activities - Enterprise Funds</u>			<u>Total</u>	<u>Governmental Activities - Internal Service Fund</u>
	<u>Sewer</u>	<u>Water</u>	<u>Nonmajor Enterprise Fund</u>		
Operating revenues:					
Charges for services	\$ 2,061,507	\$ 1,566,495	\$ -	\$ 3,628,002	\$ 1,121,564
Tap-in fees.	2,550	6,256	-	8,806	-
Other operating revenues	-	504	-	504	190,537
Total operating revenues.	<u>2,064,057</u>	<u>1,573,255</u>	<u>-</u>	<u>3,637,312</u>	<u>1,312,101</u>
Operating expenses:					
Personal services	1,439,998	1,278,921	-	2,718,919	-
Contract services.	55,917	74,737	23,735	154,389	277,304
Materials and supplies.	119,462	305,275	-	424,737	-
Utilities	329,518	143,308	-	472,826	-
Claims expense	-	-	-	-	954,083
Depreciation.	437,154	308,962	-	746,116	-
Other	5,513	8,553	-	14,066	-
Total operating expenses.	<u>2,387,562</u>	<u>2,119,756</u>	<u>23,735</u>	<u>4,531,053</u>	<u>1,231,387</u>
Operating income (loss)	<u>(323,505)</u>	<u>(546,501)</u>	<u>(23,735)</u>	<u>(893,741)</u>	<u>80,714</u>
Nonoperating expenses:					
Interest and fiscal charges	(38,731)	(1,260)	-	(39,991)	-
Total nonoperating expenses.	<u>(38,731)</u>	<u>(1,260)</u>	<u>-</u>	<u>(39,991)</u>	<u>-</u>
Change in net position	(362,236)	(547,761)	(23,735)	(933,732)	80,714
Net position (deficit) at beginning of year (restated).	<u>4,700,787</u>	<u>8,134,965</u>	<u>39,342</u>		<u>(379,845)</u>
Net position (deficit) at end of year	<u>\$ 4,338,551</u>	<u>\$ 7,587,204</u>	<u>\$ 15,607</u>		<u>\$ (299,131)</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.				<u>21,755</u>	
Change in net position of business-type activities				<u>\$ (911,977)</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, 2018

	<u>Business-type Activities - Enterprise Funds</u>				Governmental Activities - Internal Service Fund
	<u>Sewer</u>	<u>Water</u>	<u>Nonmajor Enterprise Fund</u>	<u>Total</u>	
Cash flows from operating activities:					
Cash received from customers	\$ 1,996,018	\$ 1,645,534	\$ -	\$ 3,641,552	1,121,564
Cash received from other operations	-	12,766	-	12,766	190,537
Cash payments for personal services	(1,334,565)	(1,226,006)	-	(2,560,571)	-
Cash payments for contract services	(96,928)	(85,722)	(23,735)	(206,385)	(277,304)
Cash payments for materials and supplies	(137,750)	(359,195)	-	(496,945)	-
Cash payments to JHP for cash overdraft	-	-	-	-	(78,419)
Cash payments for utilities	(309,903)	(130,830)	-	(440,733)	-
Cash payments for claims	-	-	-	-	(956,378)
Cash payments for other expenses	(3,878)	(15,537)	-	(19,415)	-
Net cash provided by (used in) operating activities	<u>112,994</u>	<u>(158,990)</u>	<u>(23,735)</u>	<u>(69,731)</u>	<u>-</u>
Cash flows from capital and related financing activities:					
Acquisition of capital assets	(496,573)	(358,059)	-	(854,632)	-
Sale of notes	630,000	-	-	630,000	-
OPWC loan proceeds	-	20,269	-	20,269	-
Principal retirement	(932,965)	(28,636)	-	(961,601)	-
Interest and fiscal charges	(38,917)	(1,668)	-	(40,585)	-
Net cash used in capital and related financing activities	<u>(838,455)</u>	<u>(368,094)</u>	<u>-</u>	<u>(1,206,549)</u>	<u>-</u>
Net decrease in cash and investments	(725,461)	(527,084)	(23,735)	(1,276,280)	-
Cash and investments at beginning of year	<u>1,797,467</u>	<u>2,350,100</u>	<u>39,342</u>	<u>4,186,909</u>	<u>-</u>
Cash and investments at end of year	<u>\$ 1,072,006</u>	<u>\$ 1,823,016</u>	<u>\$ 15,607</u>	<u>\$ 2,910,629</u>	<u>\$ -</u>

-- Continued

**CITY OF WILLARD
HURON COUNTY, OHIO**

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

	<u>Business-type Activities - Enterprise Funds</u>				<u>Governmental Activities - Internal Service Fund</u>
	<u>Sewer</u>	<u>Water</u>	<u>Nonmajor Enterprise Fund</u>	<u>Total</u>	
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	\$ (323,505)	\$ (546,501)	\$ (23,735)	\$ (893,741)	\$ 80,714
Adjustments:					
Depreciation	437,154	308,962	-	746,116	-
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:					
(Increase) in materials and supplies inventory	(1,319)	(43,881)	-	(45,200)	-
Decrease (increase) in accounts receivable	(68,039)	72,783	-	4,744	-
Decrease in prepayments	11,640	15,763	-	27,403	-
(Increase) in net pension asset	(4,936)	(3,409)	-	(8,345)	-
Decrease in deferred outflows - pension	139,479	89,363	-	228,842	-
(Increase) in deferred outflows - OPEB	(43,020)	(32,495)	-	(75,515)	-
(Decrease) in accounts payable	(57,548)	(27,048)	-	(84,596)	-
Increase (decrease) in accrued wages	4,946	(671)	-	4,275	-
(Decrease) in intergovernmental payable	(265)	(1,737)	-	(2,002)	(78,419)
Increase (decrease) in compensated absences payable	19,993	(13,082)	-	6,911	-
(Decrease) in net pension liability	(209,818)	(133,573)	-	(343,391)	-
Increase in net OPEB liability	55,108	42,126	-	97,234	-
Increase in deferred inflows - pension	123,022	89,654	-	212,676	-
Increase in deferred inflows - OPEB	30,102	20,603	-	50,705	-
(Decrease) in claims payable	-	-	-	-	(2,295)
Increase in payable from restricted assets	-	4,153	-	4,153	-
Net cash provided by (used in) operating activities	<u>\$ 112,994</u>	<u>\$ (158,990)</u>	<u>\$ (23,735)</u>	<u>\$ (69,731)</u>	<u>\$ -</u>

Non-cash transactions:

At December 31, 2017, the water fund purchased \$75,596 in capital assets on account.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF WILLARD
HURON COUNTY, OHIO**

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

	<u>Agency</u>
Assets:	
Equity in pooled cash and investments.	<u>\$ 9,741</u>
Liabilities:	
Deposits held and due to others	<u>\$ 9,741</u>

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, 2018

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.

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

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

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.

B. Basis of Presentation - Fund Accounting

The City's BFS consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-Wide Financial Statements - The statement of net position and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses. Interfund services provided and used are not eliminated in the process of consolidation. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

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

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

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

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

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.

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.

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

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

Fiduciary Funds - Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. The City has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City's agency funds are used to account for cash deposits in lieu of bonds for contracts formally bid, COBRA and other insurance premiums paid by non-employees, which are then disbursed, and payments received for fires or accidents that require destruction/removal of debris.

D. Measurement Focus and Basis of Accounting

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.

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.

Agency funds do not report a measurement focus as they do not report operations.

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

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

E. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and agency 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, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. See Notes 14 and 15 for deferred outflows of resources related the City's net pension liability and net OPEB liability, respectively.

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

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 position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City, 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, 2018, but which were levied to finance 2019 operations. This amount has 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. For the City, unavailable revenue includes, but is not limited to, income taxes, 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 14 and 15 for deferred inflows of resources related to the City's net pension liability and net OPEB liability, respectively. This deferred inflow of resources is 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.

Tax Budget - A budget of estimated cash receipts and disbursements is prepared by July 15 of each year, for the period of January 1, to December 31 of the following year.

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.

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

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

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.

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, 2018, 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.

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

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

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 2018, investments were limited to investments in federal agency securities, negotiable certificates of deposit and a U.S. Government money market fund. Investments are reported at fair value which is based on quoted market prices.

Interest income is distributed to the funds according to charter and statutory requirements. Interest revenue earned and credited to the general fund during 2018 amounted to \$94,493, which included \$47,940 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. Interest incurred during the construction of capital assets is also capitalized for business-type activities.

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:

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

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

<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

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.

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

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

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.

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.

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

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

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.

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 proprietary funds did not receive any capital contributions during 2018.

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 emergency management, an urban development block grant and clock tower donations.

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

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

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

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 2018.

V. Pensions/Other Postemployment Benefits (OPEB)

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

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/Restatement of Net Position

For fiscal year 2018, the City has implemented GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions", GASB Statement No. 85, "Omnibus 2017" and GASB Statement No. 86, "Certain Debt Extinguishments Issues".

GASB Statement No. 75 improves the accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The implementation of GASB Statement No. 75 effected the City's postemployment benefit plan disclosures and added required supplementary information which is presented after the notes to the basic financial statements.

GASB Statement No. 85 addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and OPEB. The implementation of GASB Statement No. 85 did not have an effect on the financial statements of the City.

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

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

A prior period adjustment resulting in a net position restatement is required to establish the self-insurance fund as an internal service fund.

The governmental activities, business-type activities, enterprise funds and internal service fund at January 1, 2018 have been restated as follows as follows for the implement GASB Statement No. 75 and the prior period adjustment to include the beginning balance for the self-insurance internal service fund:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Sewer Fund</u>	<u>Water Fund</u>
Net position as previously reported	\$ 14,757,666	\$ 13,449,533	\$ 5,044,393	\$ 8,365,798
Prior period adjustment for internal service fund	(379,845)	-	-	-
Deferred outflows - payments subsequent to measurement date	23,173	8,991	5,378	3,613
Net OPEB liability	<u>(3,843,905)</u>	<u>(583,430)</u>	<u>(348,984)</u>	<u>(234,446)</u>
Restated net position at January 1, 2018	<u>\$ 10,557,089</u>	<u>\$ 12,875,094</u>	<u>\$ 4,700,787</u>	<u>\$ 8,134,965</u>
		<u>Internal Service Fund</u>		
Net position as previously reported		\$ -		
Prior period adjustment: December 31, 2017 interal service balance		<u>(379,845)</u>		
Restated net position at January 1, 2018		<u>\$ (379,845)</u>		

Other than employer contributions subsequent to the measurement date, the City made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

B. Deficit Fund Balances

Fund balances at December 31, 2018 included the following individual fund deficits:

	<u>Deficit</u>
Internal service fund	\$ 299,131
<u>Nonmajor governmental funds</u>	
Note and bond retirement	20,900
CDBG	41,923

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

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

C. Compliance

Contrary to Ohio Revised Code Section 9.833, the City did not establish a special fund to account for self-insurance activity.

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;
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, Government National Mortgage Association, and Student Loan Marketing 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;
5. 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,
6. The State Treasurer's investment pool, the State Treasury Asset Reserve of Ohio (STAR Ohio).

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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 City's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public moneys deposited with the 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. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Finance Director or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Cash on Hand

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

B. Cash in Segregated Accounts

At year end, the City had \$64,112 deposited with the Huron County Treasurer for monies related to the municipal road fund permissive tax.

C. Deposits with Financial Institutions

At December 31, 2018, the carrying amount of all City deposits, including cash in segregated accounts, was \$259,102. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2018, \$370,912 of the City's bank balance of \$620,912 was exposed to custodial risk as discussed below, while \$250,000 was covered by the FDIC.

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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 2018, 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.

D. Investments

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

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
FNMA	\$ 244,782	\$ -	\$ -	\$ -	\$ 244,782	\$ -
FHLB	246,535	-	-	-	-	246,535
FHLMC	344,320	-	-	-	99,017	245,303
Negotiable CDs	7,329,742	124,816	978,285	243,347	1,115,245	4,868,049
U.S. government money market fund	11,435	11,435	-	-	-	-
Total	\$ 8,176,814	\$ 136,251	\$ 978,285	\$ 243,347	\$ 1,459,044	\$ 5,359,887

The weighted average maturity of investments is 2.50 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 (FHLB, FHLMC, FNMA) 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 were rated AA+ and Aaa by Standard & Poor's and Moody's Investor Services, respectively. The City's investments in negotiable certificates of deposit are fully insured by the FDIC. The City's investment policy does not specifically address credit risk beyond requiring the City to only invest in securities authorized by State statute.

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

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 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, 2018:

Investment type	Measurement	
	Value	% of Total
FNMA	\$ 244,782	2.99
FHLB	246,535	3.02
FHLMC	344,320	4.21
Negotiable CDs	7,329,742	89.64
U.S. government money market	11,435	0.14
Total	<u>\$ 8,176,814</u>	<u>100.00</u>

E. 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, 2018:

Cash and investments per note disclosure:

Carrying amount of deposits	\$ 259,102
Investments	8,176,814
Cash in segregated accounts	64,112
Cash on hand	<u>1,100</u>
Total	<u>\$ 8,501,128</u>

Cash and investments per statement of net position:

Governmental activities	\$ 5,580,758
Business-type activities	2,910,629
Agency funds	<u>9,741</u>
Total	<u>\$ 8,501,128</u>

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 5 - INTERFUND ACTIVITY

- A. Interfund transfers for the year ended December 31, 2018, consisted of the following, as reported on the fund financial statements:

<u>Transfer From</u>	<u>Transfer To</u>		
	<u>General</u>	<u>Income Tax Capital Improvement</u>	<u>Nonmajor Governmental Funds</u>
General	\$ -	\$ 61,575	\$ -
Income tax capital improvement	-	-	141,467
Nonmajor governmental funds	<u>9,741</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 9,741</u>	<u>\$ 61,575</u>	<u>\$ 141,467</u>

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

The purpose of the transfer to the general fund from nonmajor governmental funds was to close a special revenue fund.

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, 2018, as reported on the fund financial statements.

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General	Nonmajor governmental	\$ 46,000

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.

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 6 - PROPERTY TAXES - (Continued)

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. 2018 public utility property taxes became a lien December 31, 2017, are levied after October 1, 2018, and are collected in 2019 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

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, 2018 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 2018 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, 2018 was \$3.80 per \$1,000 of assessed value. The assessed values of real and public utility property upon which 2018 property tax receipts were based are as follows:

<u>Real property</u>	
Residential/agricultural	\$ 54,229,480
Commercial/industrial/mineral	28,631,090
<u>Public utility</u>	
Real	2,745,210
Personal	<u>7,862,840</u>
Total assessed value	<u>\$ 93,468,620</u>

NOTE 7 - LOCAL INCOME TAX

For 2018, 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.

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 8 - RECEIVABLES

Receivables at December 31, 2018, 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, 2018.

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

Governmental activities:

Income taxes	\$ 604,938
Real and other taxes	332,868
Accounts	164,249
Special assessments	21,404
Due from other governments	223,932
Accrued interest	23,520

Business-type activities:

Accounts	935,661
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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.

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**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 9 - CAPITAL ASSETS

A. Governmental capital asset activity for the year ended December 31, 2018, was as follows:

Governmental activities:	<u>Balance 1/1/2018</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 12/31/2018</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 1,320,002	\$ -	\$ -	\$ 1,320,002
Construction in progress	<u>7,500</u>	<u>17,500</u>	<u>-</u>	<u>25,000</u>
<i>Total capital assets, not being depreciated</i>	<u>1,327,502</u>	<u>17,500</u>	<u>-</u>	<u>1,345,002</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	328,144	14,431	-	342,575
Buildings	4,215,791	59,938	(16,494)	4,259,235
Equipment	3,421,485	261,768	(476,832)	3,206,421
Vehicles	3,049,866	58,314	(199,605)	2,908,575
Infrastructure	<u>13,487,376</u>	<u>587,052</u>	<u>(9,995)</u>	<u>14,064,433</u>
<i>Total capital assets, being depreciated</i>	<u>24,502,662</u>	<u>981,503</u>	<u>(702,926)</u>	<u>24,781,239</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(229,858)	(24,929)	-	(254,787)
Buildings	(3,171,800)	(50,601)	16,494	(3,205,907)
Equipment	(2,319,190)	(141,152)	457,160	(2,003,182)
Vehicles	(2,647,837)	(182,283)	199,605	(2,630,515)
Infrastructure	<u>(3,108,470)</u>	<u>(359,382)</u>	<u>5,041</u>	<u>(3,462,811)</u>
<i>Total accumulated depreciation</i>	<u>(11,477,155)</u>	<u>(758,347)</u>	<u>678,300</u>	<u>(11,557,202)</u>
Total capital assets, being depreciated, net	<u>13,025,507</u>	<u>223,156</u>	<u>(24,626)</u>	<u>13,224,037</u>
Total governmental activities capital assets	<u>\$ 14,353,009</u>	<u>\$ 240,656</u>	<u>\$ (24,626)</u>	<u>\$ 14,569,039</u>

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**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 9 - CAPITAL ASSETS - (Continued)

B. Business-type activities capital asset activity for the year ended December 31, 2018, was as follows:

Business-type activities:	Balance <u>1/1/2018</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>12/31/2018</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 1,020,841	\$ -	\$ -	\$ 1,020,841
Construction in progress	<u>286,108</u>	<u>70,902</u>	<u>(357,010)</u>	<u>-</u>
<i>Total capital assets, not being depreciated:</i>	<u>1,306,949</u>	<u>70,902</u>	<u>(357,010)</u>	<u>1,020,841</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	102,164	-	-	102,164
Buildings	6,692,970	1,500	-	6,694,470
Equipment	8,329,871	459,866	(758,025)	8,031,712
Vehicles	670,225	142,693	-	812,918
Utility plant in service	<u>12,865,758</u>	<u>461,085</u>	<u>(5,000)</u>	<u>13,321,843</u>
<i>Total capital assets, being depreciated:</i>	<u>28,660,988</u>	<u>1,065,144</u>	<u>(763,025)</u>	<u>28,963,107</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(78,613)	(3,968)	-	(82,581)
Buildings	(5,483,753)	(106,021)	-	(5,589,774)
Equipment	(5,124,611)	(273,949)	758,025	(4,640,535)
Vehicles	(564,227)	(42,323)	-	(606,550)
Utility plant in service	<u>(5,714,565)</u>	<u>(319,855)</u>	<u>5,000</u>	<u>(6,029,420)</u>
<i>Total accumulated depreciation</i>	<u>(16,965,769)</u>	<u>(746,116)</u>	<u>763,025</u>	<u>(16,948,860)</u>
Total capital assets, being depreciated, net	<u>11,695,219</u>	<u>319,028</u>	<u>-</u>	<u>12,014,247</u>
Total business-type activities capital assets	<u>\$ 13,002,168</u>	<u>\$ 389,930</u>	<u>\$ (357,010)</u>	<u>\$ 13,035,088</u>

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 9 - CAPITAL ASSETS - (Continued)

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

Governmental activities:

General government	\$ 16,522
Security of persons and property	257,561
Public health and welfare	2,164
Transportation	346,080
Community environment	76,563
Leisure time activities	<u>59,457</u>
Total governmental activities	<u>\$ 758,347</u>

Business-type activities:

Sewer	\$ 437,154
Water	<u>308,962</u>
Total business-type activities	<u>\$ 746,116</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 \$360,125 at December 31, 2018. 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, 2018 was \$393,019.

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 180 working days or 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 180 day 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, 2018

NOTE 11 - NOTES PAYABLE

The City had the following bond anticipation notes outstanding at December 31, 2018:

	<u>Issue Date</u>	<u>Interest Rate</u>	<u>Balance 12/31/2017</u>	<u>Issued</u>	<u>Reductions</u>	<u>Balance 12/31/2018</u>
Governmental activities:						
<i><u>Note and Bond retirement fund:</u></i>						
Fire truck	2016	1.35%	\$ 73,000	\$ -	\$ (73,000)	\$ -
Fire truck	2018	2.39%	-	60,500	-	60,500
<i>Income tax capital improvement fund:</i>						
Fire engine	2016	1.35%	151,000	-	(151,000)	-
Fire engine	2018	2.39%	-	134,500	-	134,500
Ambulance	2018	2.39%	-	250,000	-	250,000
Total governmental activities			<u>224,000</u>	<u>445,000</u>	<u>(224,000)</u>	<u>445,000</u>
Business-type activities:						
<i>Sewer fund:</i>						
WWTP upgrade	2016	1.35%	730,000	-	(730,000)	-
WWTP upgrade	2018	2.39%	-	630,000	-	630,000
Total business-type activities			<u>730,000</u>	<u>630,000</u>	<u>(730,000)</u>	<u>630,000</u>
Total notes payable			<u>\$ 954,000</u>	<u>\$ 1,075,000</u>	<u>\$ (954,000)</u>	<u>\$ 1,075,000</u>

Bond anticipation notes - fire truck: On August 22, 2018, the City issued \$60,500 in fire truck bond anticipation notes. The proceeds were used to retire the 2016 notes. These notes bear an interest rate of 2.39% and mature on August 22, 2019. These notes are recorded as a liability in the note and bond retirement fund, which is the fund that received the proceeds. The note and bond retirement fund is a nonmajor governmental fund.

Bond anticipation notes - fire engine: On August 22, 2018, the City issued \$134,500 in fire engine bond anticipation notes. The proceeds were used to retire the 2016 notes. These notes bear an interest rate of 2.39% and mature on August 22, 2019. These notes are recorded as a liability in the income tax capital improvement fund, which is the fund that received the proceeds.

Bond anticipation notes - ambulance: On August 22, 2018, the City issued \$250,000 in ambulance bond anticipation notes. The proceeds were used to purchase an ambulance. These notes bear an interest rate of 2.39% and mature on August 22, 2019. These notes are recorded as a liability in the income tax capital improvement fund, which is the fund that received the proceeds.

Bond anticipation notes - WWTP upgrade: On August 22, 2018, the City issued \$630,000 in bond anticipation notes. The proceeds were used to retire the 2016 notes. These notes bear an interest rate of 2.39% and mature on August 22, 2019. These notes are recorded as a liability in the sewer fund, which is the fund that received the proceeds.

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 12 - LONG-TERM OBLIGATIONS

A. Long-term obligations at December 31, 2017 have been restated as described in Note 3. During 2018, the following changes occurred in governmental activities long-term obligations.

Governmental activities:	Date of Issue	Interest Rate	Restated			Balance 12/31/2018	Amounts Due in One Year
			Balance 12/31/2017	Additions	Retirements		
<u>Issue II loans:</u>							
Pearl Street repavement	1999	0.00%	\$ 14,063	\$ -	\$ (7,031)	\$ 7,032	\$ 7,032
East Howard repavement I	2002	0.00%	864	-	(192)	672	192
East Howard repavement II	2003	0.00%	17,192	-	(2,456)	14,736	2,456
Ash Street reconstruction I	2005	0.00%	15,848	-	(1,981)	13,867	1,981
North Main reconstruction	2005	0.00%	15,180	-	(2,024)	13,156	2,024
Ash Street reconstruction II	2006	0.00%	55,063	-	(6,118)	48,945	6,118
Myrtle Avenue curbs and ramps	2009	0.00%	18,000	-	(1,500)	16,500	1,500
US 224 widening	2010	0.00%	12,500	-	(1,000)	11,500	1,000
Myrtle Avenue phase VII	2011	0.00%	14,000	-	(1,000)	13,000	1,000
Neal Zick Road improvements	2013	0.00%	9,300	-	(600)	8,700	600
Crestwood Dr. reconstruction	2014	0.00%	3,397	-	(200)	3,197	200
Street improvements	2016	0.00%	800,970	-	(88,997)	711,973	88,996
Pearl Street improvements	2017	0.00%	11,725	478	(1,220)	10,983	1,220
US 224 improvements phase IV	2017	0.00%	15,000	-	(750)	14,250	750
Spring Street improvements	2018	0.00%	-	13,668	-	13,668	1,367
Total Issue II loans			<u>1,003,102</u>	<u>14,146</u>	<u>(115,069)</u>	<u>902,179</u>	<u>116,436</u>
<u>Bonds payable:</u>							
Industrial park	2009	3.0-4.5%	<u>90,000</u>	<u>-</u>	<u>(90,000)</u>	<u>-</u>	<u>-</u>
<u>Other long-term obligations:</u>							
Net pension liability			6,065,031	-	(1,275,277)	4,789,754	-
Net OPEB liability			3,843,905	220,965	-	4,064,870	-
Compensated absences			<u>370,767</u>	<u>195,068</u>	<u>(152,596)</u>	<u>413,239</u>	<u>206,947</u>
Total other long-term obligations			<u>10,279,703</u>	<u>416,033</u>	<u>(1,427,873)</u>	<u>9,267,863</u>	<u>206,947</u>
Total governmental activities long-term obligations			<u>\$ 11,372,805</u>	<u>\$ 430,179</u>	<u>\$ (1,632,942)</u>	<u>\$ 10,170,042</u>	<u>\$ 323,383</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, Pearl Street improvements and Spring Street improvements loans will be repaid over a period of 10 years while all other governmental activities Issue II loans will be repaid over a period of 20 years. These loans are interest free.

Bonds payable: On April 16, 2009, the City issued \$770,000 in industrial park bonds. These bonds bore interest rates ranging from 3% to 4.5% and matured on December 1, 2018. These bonds were paid from the TIF improvement fund, a nonmajor governmental fund, into which all service payments in lieu of taxes were deposited.

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

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: street construction, maintenance & repair fund, 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 14 and 15.

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		
	Principal	Interest	Total
2019	\$ 116,436	\$ -	\$ 116,436
2020	109,405	-	109,405
2021	109,404	-	109,404
2022	109,308	-	109,308
2023	109,214	-	109,214
2024 - 2028	331,763	-	331,763
2029 - 2033	13,449	-	13,449
2034 - 2037	3,200	-	3,200
Total	<u>\$ 902,179</u>	<u>\$ -</u>	<u>\$ 902,179</u>

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**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

B. Long-term obligations at December 31, 2017 have been restated as described in Note 3. During 2018, the following changes occurred in the City's business-type long-term obligations.

Business-type activities:	Date of Issue	Interest Rate	Restated			Balance 12/31/2018	Amounts Due in One Year
			Balance 12/31/2017	Additions	Retirements		
<u>OWDA loans:</u>							
Drinking water loan	2000	2.00%	\$ 83,467	\$ -	\$ (27,271)	\$ 56,196	\$ 27,819
Water pollution loan	2000	1.20%	54,282	-	(17,878)	36,404	18,093
Sewer loan	2001	2.20%	124,322	-	(10,753)	113,569	10,861
Storm water loan	1998	1.20%	55,390	-	(27,529)	27,861	27,861
Storm water loan	2001	2.20%	61,903	-	(14,971)	46,932	15,303
US 224 lift station	2010	1.00%	148,514	-	(30,068)	118,446	30,733
WWTP improvements	2014	1.00%	1,869,625	-	(92,483)	1,777,142	93,410
Total OWDA loans			<u>2,397,503</u>	<u>-</u>	<u>(220,953)</u>	<u>2,176,550</u>	<u>224,080</u>
<u>Issue II loans:</u>							
Woodbine Avenue	2005	0.00%	18,150	-	(2,420)	15,730	2,420
US 224 pump station	2010	0.00%	38,721	-	(2,498)	36,223	2,498
WWTP improvements	2014	0.00%	42,500	-	(5,000)	37,500	5,000
Raw waterline replacement	2017	0.00%	39,731	20,269	(1,500)	58,500	3,000
Total Issue II loans			<u>139,102</u>	<u>20,269</u>	<u>(11,418)</u>	<u>147,953</u>	<u>12,918</u>
<u>Other long-term obligations:</u>							
Net pension liability			1,327,643	-	(343,391)	984,252	-
Net OPEB liability			583,430	97,234	-	680,664	-
Compensated absences			332,994	78,557	(71,646)	339,905	173,076
Total other long-term obligations			<u>2,244,067</u>	<u>175,791</u>	<u>(415,037)</u>	<u>2,004,821</u>	<u>173,076</u>
Total business-type activities long-term obligations			<u>\$ 4,780,672</u>	<u>\$ 196,060</u>	<u>\$ (647,408)</u>	<u>\$ 4,329,324</u>	<u>\$ 410,074</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, 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.

OWDA (Ohio Water Development Authority) loans:

Drinking water loan: The debt was incurred in 2000 to pay the cost of improvements to the water plant. The project was funded by local funds which were borrowed from the OWDA. A cooperative agreement was entered into in 2000 to finance the local portion. The loan is payable from revenues of the water fund. This loan bears an interest rate of 2.0% and matures on July 1, 2020.

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

Water pollution loan: The debt was incurred in 2000 to pay the cost of improvements to the storm water drainage system. The project was funded by local funds which were borrowed from the Ohio EPA but administered by the OWDA. A cooperative agreement was entered into in 2000 to finance the local portion. The loan is payable from revenues of the sewer fund. This loan bears an interest rate of 1.20% and matures on July 1, 2020.

Sewer loan: The debt was incurred in 2001 to pay the cost of improvements to the sewer line on South Main Street. The project was funded by local funds which were borrowed from the Ohio EPA but administered by the OWDA. A cooperative agreement was entered into in 2001 to finance the local portion. The loan is payable from revenues of the sewer fund. This loan bears an interest rate of 2.20% and matures on July 1, 2021.

Storm water loan 1998: The debt was incurred in 1998 to pay the cost of improvements to the storm water drainage system and the wastewater treatment plant. The projects were funded by local funds which were borrowed from the Ohio EPA but administered by the OWDA. A cooperative agreement with OWDA was entered into in 1998 to finance the local portion. The loan is payable from the sewer fund. This loan bears an interest rate of 1.20% and matures on July 1, 2019.

Storm water loan 2001: The debt was incurred in 2001 to pay the cost of improvements to the storm water drainage system at U.S. Route 224 - Section A. The project was funded by local funds which were borrowed from the Ohio EPA but administered by the OWDA. A cooperative agreement was entered into in 2001 to finance the local portion. The loan is payable from the sewer fund. This loan bears an interest rate of 2.20% and matures on July 1, 2021.

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.

The City has pledged future water revenues to repay the drinking water OWDA loan. The loan is payable solely from water fund revenues and is payable through 2020. Annual principal and interest payments on the loan are expected to require (12.13) percent of net revenues and 1.83 percent of total revenues. Principal and interest paid for the current year were \$28,804, total net revenues were (\$237,539) and total revenues were \$1,573,255.

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 192.38 percent of net revenues and 10.59 percent of total revenues. Principal and interest paid for the current year were \$218,637, total net revenues were \$113,649 and total revenues were \$2,064,057.

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.

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

Net pension liability and net OPEB liability: For a discussion of the City’s net pension liability and net OPEB liability, see Notes 14 and 15.

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			Issue II Loans		
	Principal	Interest	Total	Principal	Interest	Total
2019	\$ 224,080	\$ 23,362	\$ 247,442	\$ 12,918	\$ -	\$ 12,918
2020	199,059	20,271	219,330	12,918	-	12,918
2021	154,467	17,583	172,050	12,918	-	12,918
2022	107,439	15,722	123,161	12,918	-	12,918
2023	108,516	14,644	123,160	12,918	-	12,918
2024 - 2028	559,116	56,684	615,800	43,621	-	43,621
2029 - 2033	550,614	28,552	579,166	26,242	-	26,242
2034 - 2038	273,259	4,113	277,372	13,500	-	13,500
Total	<u>\$ 2,176,550</u>	<u>\$ 180,931</u>	<u>\$ 2,357,481</u>	<u>\$ 147,953</u>	<u>\$ -</u>	<u>\$ 147,953</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, 2018, the City’s total debt margin was \$9,814,205 and the unvoted debt margin was \$5,140,774.

NOTE 13 - 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.

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 13 - RISK MANAGEMENT - (Continued)

The City belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York) functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insurance risks up to an amount specified in the contracts. At December 31, 2018, PEP retained \$500,000 for casualty claims and \$250,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Property and casualty settlements did not exceed insurance coverage for the past three years.

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2017 and 2018:

<u>Casualty & Property Coverage</u>	<u>2017</u>	<u>2018</u>
Assets	\$44,452,326	\$49,921,998
Liabilities	<u>(13,004,011)</u>	<u>(14,676,199)</u>
Net Position	<u>\$31,448,315</u>	<u>\$35,245,799</u>

At December 31, 2017 and 2018, respectively, the liabilities above include approximately \$11.8 million and \$13.0 million of estimated incurred claims payable. The assets above also include approximately \$11.2 million and \$11.8 million of unpaid claims to be billed. The Pool's membership increased from 527 members in 2017 to 538 members in 2018. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2018, the City's share of these unpaid claims collectible in future years is approximately \$59,000.

Based on discussions with PEP the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 13 - RISK MANAGEMENT - (Continued)

<u>Contributions to PEP</u>	
2018	\$94,040
2017	\$94,160

After completing one year of membership, a member may withdraw on the anniversary date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the withdrawal.

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 \$109,967 reported in the internal service fund at December 31, 2018 is based on an estimate provided by the third party administrator and the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", as amended by GASB Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred, but not reported claims, be accrued at the estimated ultimate cost of settling the claims.

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

<u>Fiscal Year</u>	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claim Payments</u>	<u>Balance at End of Year</u>
2018	\$ 112,262	\$ 954,083	\$ (956,378)	\$ 109,967
2017	-	1,261,923	(1,149,661)	112,262

In 2018, traditional plan family coverage had a monthly cost of \$2,358.61 and traditional plan single coverage had a monthly cost of \$787.37. Beginning in 2018, the City chose to offer a Health Savings Account (HSA) option. HSA plan family coverage had a monthly cost of \$1,878.05 and HSA plan single coverage had a monthly cost of \$627.14. Employees who chose the HSA option had a portion of their deductible paid for by the City. Employees are responsible for 15% percent 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.

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 14 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability/Asset

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

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

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

GASB 68 assumes any net pension liability/asset is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits or overfunded benefits is presented as a long-term *net pension liability* or *net pension asset*, respectively, on the accrual basis of accounting. Any liability for this contractually-required pension 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.

Plan Description - Ohio Public Employees Retirement System (OPERS)

Plan Description - City employees, other than full-time police and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan and the Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. City employees) may elect the Member-Directed Plan and the Combined Plan, substantially all employee members are in OPERS' Traditional Pension Plan.

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the Traditional Pension Plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the Traditional Pension Plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

Group A	Group B	Group C
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
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
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	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	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

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

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

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3.00% simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 2.25%.

Benefits in the Combined Plan consist of both an age-and-service formula benefit (defined benefit) and a defined contribution element. The defined benefit element is calculated on the basis of age, FAS, and years of service. Eligibility regarding age and years of service in the Combined Plan is the same as the Traditional Pension Plan. The benefit formula for the defined benefit component of the plan for State and Local members in transition Groups A and B applies a factor of 1.00% to the member's FAS for the first 30 years of service.

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

A factor of 1.25% is applied to years of service in excess of 30. The benefit formula for transition Group C applies a factor of 1.0% to the member's FAS and the first 35 years of service and a factor of 1.25% is applied to years in excess of 35. Persons retiring before age 65 with less than 30 years of service credit receive a percentage reduction in benefit. The defined contribution portion of the benefit is based on accumulated member contributions plus or minus any investment gains or losses on those contributions. Members retiring under the Combined Plan receive a 2.25% COLA adjustment on the defined benefit portion of their benefit.

Defined contribution plan benefits are established in the plan documents, which may be amended by the OPERS's Board of Trustees. 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 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% each year. For additional information, see the Plan Statement in the OPERS CAFR.

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

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

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

The City's contractually required contribution for the Traditional Pension Plan, the Combined Plan and Member-Directed Plan was \$332,479 for 2018. Of this amount, \$56,013 is reported as due to other governments.

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

Plan Description - City full-time police and firefighters participate in Ohio Police and Fire Pension Fund (OP&F), a cost-sharing, multiple-employer defined benefit pension plan administered by OP&F. OP&F provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OP&F fiduciary net position. The report that may be obtained by visiting the OPF website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.50% for each of the first 20 years of service credit, 2.00% for each of the next five years of service credit and 1.50% for each year of service credit in excess of 25 years. The maximum pension of 72.00% of the allowable average annual salary is paid after 33 years of service credit.

Under normal service retirement, retired members who are at least 55 years old and have been receiving OPF benefits for at least one year may be eligible for a cost-of-living allowance adjustment. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit and statutory survivors.

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

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

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

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was \$265,322 for 2018. Of this amount, \$51,175 is reported as due to other governments.

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

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 the OPERS Traditional Pension Plan, Combined Plan and Member-Directed Plan, respectively, were measured as of December 31, 2017, 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, 2017, and was determined by rolling forward the total pension liability as of January 1, 2017, to December 31, 2017. The City's proportion of the net pension 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:

	OPERS - Traditional	OPERS - Combined	OPERS - Member- Directed	OP&F	Total
Proportion of the net pension liability/asset prior measurement date	0.01581100%	0.01941700%	0.00905100%	0.06003100%	
Proportion of the net pension liability/asset current measurement date	<u>0.01609500%</u>	<u>0.02301800%</u>	<u>0.01027800%</u>	<u>0.05293800%</u>	
Change in proportionate share	<u>0.00028400%</u>	<u>0.00360100%</u>	<u>0.00122700%</u>	<u>-0.00709300%</u>	
Proportionate share of the net pension liability	\$ 2,524,993	\$ -	\$ -	\$ 3,249,013	\$ 5,774,006
Proportionate share of the net pension asset	-	31,336	359	-	31,695
Pension expense	546,003	5,059	(117)	412,301	963,246

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**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

	OPERS - Traditional	OPERS - Combined	OPERS - Member- Directed	OP&F	Total
Deferred outflows of resources					
Differences between expected and actual experience	\$ 2,579	\$ -	\$ 700	\$ 49,307	\$ 52,586
Changes of assumptions	301,754	2,738	42	141,578	446,112
Changes in employer's proportionate percentage/ difference between employer contributions	56,686	-	-	318,927	375,613
City contributions subsequent to the measurement date	312,271	13,279	6,929	265,322	597,801
Total deferred outflows of resources	<u>\$ 673,290</u>	<u>\$ 16,017</u>	<u>\$ 7,671</u>	<u>\$ 775,134</u>	<u>\$ 1,472,112</u>
Deferred inflows of resources					
Differences between expected and actual experience	\$ 49,760	\$ 9,332	\$ -	\$ 5,879	\$ 64,971
Net difference between projected and actual earnings on pension plan investments	542,085	4,945	101	112,391	659,522
Changes in employer's proportionate percentage/ difference between employer contributions	26,134	-	-	281,336	307,470
Total deferred inflows of resources	<u>\$ 617,979</u>	<u>\$ 14,277</u>	<u>\$ 101</u>	<u>\$ 399,606</u>	<u>\$ 1,031,963</u>

\$597,801 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 the net pension liability/asset in the year ending December 31, 2019.

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 14 - 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
2019	\$ 242,187	\$ (1,573)	\$ 80	\$ 114,806	\$ 355,500
2020	(37,692)	(1,709)	79	85,258	45,936
2021	(238,704)	(2,816)	64	(39,198)	(280,654)
2022	(222,751)	(2,699)	64	(34,839)	(260,225)
2023	-	(963)	97	(11,642)	(12,508)
Thereafter	-	(1,779)	257	(4,179)	(5,701)
Total	\$ (256,960)	\$ (11,539)	\$ 641	\$ 110,206	\$ (157,652)

Actuarial Assumptions - OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2017, using the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 67.

Wage inflation	3.25%
Future salary increases, including inflation COLA or ad hoc COLA	3.25% to 10.75% including wage inflation Pre 1/7/2013 retirees: 3.00%, simple Post 1/7/2013 retirees: 3.00%, simple through 2018, then 2.15% simple
Investment rate of return	7.50%
Actuarial cost method	Individual entry age

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

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

During 2017, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was 16.82% for 2017.

The allocation of investment assets with the Defined Benefit portfolio is approved by the OPERS Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2017 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed income	23.00 %	2.20 %
Domestic equities	19.00	6.37
Real estate	10.00	5.26
Private equity	10.00	8.97
International equities	20.00	7.88
Other investments	18.00	5.26
Total	<u>100.00 %</u>	<u>5.66 %</u>

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

Discount Rate - The discount rate used to measure the total pension liability/asset was 7.50%, post-experience study results, for the Traditional Pension Plan, the Combined Plan and Member-Directed Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Traditional Pension Plan, Combined Plan and Member-Directed Plan was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents the City's proportionate share of the net pension liability/asset calculated using the current period discount rate assumption of 7.50%, as well as what the City's proportionate share of the net pension liability/asset would be if it were calculated using a discount rate that is one-percentage-point lower (6.50%) or one-percentage-point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the net pension liability (asset):			
Traditional Pension Plan	\$ 4,483,745	\$ 2,524,993	\$ 891,985
Combined Plan	(17,033)	(31,335)	(41,202)
Member-Directed Plan	(206)	(359)	(514)

Actuarial Assumptions - OP&F

OP&F's total pension liability as of December 31, 2017 is based on the results of an actuarial valuation date of January 1, 2017, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by 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 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.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2017, are presented below. The following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date: (a) reduction in the investment rate of return from 8.25% to 8.00%, (b) projected salary increases decreased from 4.25% - 11.00% to 3.75% - 10.50%, (c) payroll increases decreased from 3.75% to 3.25%, (d) inflation assumptions decreased from 3.25% to 2.75% and (e) Cost of Living Adjustments (COLAs) decreased from 2.60% to 2.20%.

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

Valuation date	January 1, 2017
Actuarial cost method	Entry age normal
Investment rate of return	8.00%
Projected salary increases	3.75% - 10.50%
Payroll increases	3.25%
Inflation assumptions	2.75%
Cost of living adjustments	2.20% and 3.00% simple

Rates of death are based on the RP2000 Combined Table, age-adjusted as follows. For active members, set back six years. For disability retirements, set forward five years for police and three years for firefighters. For service retirements, set back zero years for police and two years for firefighters. For beneficiaries, set back zero years. The rates are applied on a fully generational basis, with a base year of 2009, using mortality improvement Scale AA.

The most recent experience study was completed for the five-year period ended December 31, 2016. The recommended assumption changes based on this experience study were adopted by OPF's Board and were effective beginning with the January 1, 2017 actuarial valuation.

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 OPF's target asset allocation as of December 31, 2017 are summarized below:

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**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

Asset Class	Target Allocation	10 Year Expected Real Rate of Return **	30 Year Expected Real Rate of Return **
Cash and Cash Equivalents	- %		
Domestic Equity	16.00	4.22 %	5.39 %
Non-US Equity	16.00	4.41	5.59
Private Markets	8.00	6.67	8.08
Core Fixed Income *	23.00	1.57	2.71
High Yield Fixed Income	7.00	2.94	4.71
Private Credit	5.00	6.93	7.26
Global Inflation			
Protected Securities *	17.00	0.98	2.52
Master Limited Partnerships	8.00	7.50	7.93
Real Assets	8.00	6.88	7.24
Private Real Estate	12.00	5.58	6.34
Total	120.00 %		

Note: assumptions are geometric.

* levered 2x

** numbers include inflation

OP&F's Board of Trustees has incorporated the risk parity concept into OP&F's asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return and creating a more risk-balanced portfolio based on the relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.20 times due to the application of leverage in certain fixed income asset classes.

Discount Rate - The total pension liability was calculated using the discount rate of 8.00%. A discount rate of 8.25% was used in the prior measurement period. 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 8.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.00%), or one percentage point higher (9.00%) than the current rate.

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
City's proportionate share of the net pension liability	\$ 4,504,027	\$ 3,249,013	\$ 2,225,491

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 15 - DEFINED BENEFIT OPEB PLANS

Net OPEB Liability

For 2018, Governmental Accounting Standards Board (GASB) Statement No. 75, “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions” was effective. This GASB pronouncement had no effect on beginning net position as reported January 1, 2018, as the net OPEB liability is not reported in the accompanying financial statements. The net OPEB liability has been disclosed below.

OPEB is a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

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

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

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The proportionate share of each plan’s unfunded benefits is presented as a long-term *net OPEB liability* on the accrual basis of accounting. Any liability for the contractually-required OPEB contribution outstanding at the end of the year is included in *due to other governments* on both the accrual and modified accrual bases of accounting.

Plan Description - Ohio Public Employees Retirement System (OPERS)

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

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

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 15 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

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

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

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS' Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. Beginning in 2018, health care is not being funded.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2018, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 0 percent for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2018 was 4.0 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$2,771 for 2018. Of this amount, \$467 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 healthcare plan administered by a third-party provider. This program is not guaranteed and is subject to change at any time upon action of the Board of Trustees. OP&F provides health care benefits including coverage for medical, prescription drug, dental, vision, and Medicare Part B Premium to retirees, qualifying benefit recipients and their eligible dependents.

**CITY OF WILLARD
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 15 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

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

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

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

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

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

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

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

The City's contractually required contribution to OP&F was \$6,498 for 2018. Of this amount, \$1,253 is reported as due to other governments.

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 15 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2016, rolled forward to the measurement date of December 31, 2017, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. OP&F's total OPEB liability was measured as of December 31, 2017, and was determined by rolling forward the total OPEB liability as of January 1, 2017, to December 31, 2017. The City's proportion of the net OPEB liability was based on the City's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	OPERS	OP&F	Total
Proportion of the net OPEB liability prior measurement date	0.01562100%	0.06003100%	
Proportion of the net OPEB liability current measurement date	<u>0.01608000%</u>	<u>0.05293800%</u>	
Change in proportionate share	<u>0.00045900%</u>	<u>-0.00709300%</u>	
Proportionate share of the net OPEB liability	\$ 1,746,170	\$ 2,999,364	\$ 4,745,534
OPEB expense	163,591	398,797	562,388

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**CITY OF WILLARD
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 15 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Deferred outflows of resources			
Differences between expected and actual experience	\$ 1,361	\$ -	\$ 1,361
Changes of assumptions	127,139	292,677	419,816
Changes in employer's proportionate percentage/difference between employer contributions	33,336	-	33,336
City contributions subsequent to the measurement date	2,771	6,498	9,269
Total deferred outflows of resources	<u>\$ 164,607</u>	<u>\$ 299,175</u>	<u>\$ 463,782</u>
Deferred inflows of resources			
Differences between expected and actual experience	\$ -	\$ 15,127	\$ 15,127
Net difference between projected and actual earnings on pension plan investments	130,078	19,743	149,821
Changes in employer's proportionate percentage/difference between employer contributions	2,664	498,926	501,590
Total deferred inflows of resources	<u>\$ 132,742</u>	<u>\$ 533,796</u>	<u>\$ 666,538</u>

\$9,269 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending December 31, 2019.

**CITY OF WILLARD
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 15 - DEFINED BENEFIT OPEB 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	OP&F	Total
2019	\$ 43,582	\$ (75,347)	\$ (31,765)
2020	43,582	(75,347)	(31,765)
2021	(25,549)	(75,347)	(100,896)
2022	(32,521)	(7,579)	(40,100)
2023	-	(2,643)	(2,643)
Thereafter	-	(4,856)	(4,856)
Total	\$ 29,094	\$ (241,119)	\$ (212,025)

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 and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2016, rolled forward to the measurement date of December 31, 2017. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

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

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 15 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

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

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

During 2017, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio is 15.2 percent for 2017.

The allocation of investment assets with the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the Board-approved asset allocation policy for 2017 and the long-term expected real rates of return:

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

**CITY OF WILLARD
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 15 - DEFINED BENEFIT OPEB PLANS - (Continued)

Discount Rate A single discount rate of 3.85 percent was used to measure the OPEB liability on the measurement date of December 31, 2017. A single discount rate of 4.23 percent was used to measure the OPEB liability on the measurement date of December 31, 2016. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.50 percent and a municipal bond rate of 3.31 percent. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2034. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

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

	1% Decrease (2.85%)	Current Discount Rate (3.85%)	1% Increase (4.85%)
City's proportionate share of the net OPEB liability	\$ 2,319,862	\$ 1,746,170	\$ 1,282,058

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

Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.0 percent lower or 1.0 percent higher than the current rate.

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2018 is 7.50 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.25 percent in the most recent valuation.

	1% Decrease	Current Health Care Trend Rate Assumption	1% Increase
City's proportionate share of the net OPEB liability	\$ 1,670,712	\$ 1,746,170	\$ 1,824,115

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 15 - DEFINED BENEFIT OPEB PLANS - (Continued)

Actuarial Assumptions - OP&F

OP&F's total OPEB liability as of December 31, 2017, is based on the results of an actuarial valuation date of January 1, 2017, and rolled-forward using generally accepted actuarial procedures. The total OPEB liability is determined by OP&F's actuaries in accordance with GASB Statement No. 74, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

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

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

**CITY OF WILLARD
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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 15 - DEFINED BENEFIT OPEB 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 according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120 percent.

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

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

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

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

The long-term expected rate of return on OPEB plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expected. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2017, are summarized below:

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

Note: Assumptions are geometric.

*levered 2x

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 15 - DEFINED BENEFIT OPEB PLANS - (Continued)

OP&F's Board of Trustees has incorporated the risk parity concept into OP&F's asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return, and creating a more risk-balanced portfolio based on their relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.2 times due to the application of leverage in certain fixed income asset classes.

Discount Rate - The total OPEB liability was calculated using the discount rate of 3.24 percent. The projection of cash flows used to determine the discount rate assumed the contribution from employers and from members would be computed based on contribution requirements as stipulated by state statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return 8 percent. Based on those assumptions, OP&F's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, a municipal bond rate of 3.16 percent at December 31, 2017 and 3.71 percent at December 31, 2016, was blended with the long-term rate of 8 percent, which resulted in a blended discount rate of 3.24 percent. The municipal bond rate was determined using the S&P Municipal Bond 20 Year High Grade Rate Index. The OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments until 2025. The long-term expected rate of return on health care investments was applied to projected costs through 2025, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate Net OPEB liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net OPEB liability calculated using the discount rate of 3.24 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.24 percent), or one percentage point higher (4.24 percent) than the current rate.

	1% Decrease (2.24%)	Current Discount Rate (3.24%)	1% Increase (4.24%)
City's proportionate share of the net OPEB liability	\$ 3,749,277	\$ 2,999,364	\$ 2,422,390

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

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 15 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

	1% Decrease	Current Health Care Trend Rate Assumption	1% Increase
City's proportionate share of the net OPEB liability	\$ 2,329,982	\$ 2,999,364	\$ 3,901,532

NOTE 16 - 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 is 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:

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ 90,819
Net adjustment for revenue accruals	(104,733)
Net adjustment for expenditure accruals	27,222
Funds budgeted elsewhere	(119,085)
Adjustment for encumbrances	116,564
GAAP basis	\$ 10,787

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 and the unclaimed monies fund.

NOTE 17 - TAX ABATEMENTS

As of December 31, 2018, the City provides tax abatements through an Enterprise Zone (Ezone) program. This program relates to the abatement of property taxes.

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 two Ezone agreements in effect at December 31, 2018. The total value of the City's share of taxes abated for 2018 was \$13,912.

NOTE 18 - 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, 2018.

**CITY OF WILLARD
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 18 - CONTINGENCIES - (Continued)

B. Litigation

At December 31, 2018, the City was not involved in any lawsuits that would have a material adverse effect on the City's financial position.

NOTE 19 - 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	\$ 8,715	\$ -	\$ 28,326	\$ 37,041
Prepays	118,870	-	5,751	124,621
Electric system sale	1,575,000	-	-	1,575,000
Unclaimed monies	8,741	-	-	8,741
Perpetual care	-	-	30,482	30,482
Total nonspendable	<u>1,711,326</u>	<u>-</u>	<u>64,559</u>	<u>1,775,885</u>
Restricted:				
Capital improvements	-	-	93,321	93,321
Debt service	-	-	2,067	2,067
Transportation projects	-	-	472,601	472,601
Police and fire purposes	-	-	442,445	442,445
Other purposes	-	-	203,553	203,553
Total restricted	<u>-</u>	<u>-</u>	<u>1,213,987</u>	<u>1,213,987</u>
Committed:				
Capital improvements	-	404,365	-	404,365
Recreation programs	-	-	98,549	98,549
Transportation projects	-	-	25,611	25,611
Other purposes	-	-	76,464	76,464
Total committed	<u>-</u>	<u>404,365</u>	<u>200,624</u>	<u>604,989</u>
Assigned:				
Capital improvements	-	-	4	4
Subsequent year appropriations	912,611	-	-	912,611
Other purposes	51,107	-	-	51,107
Total assigned	<u>963,718</u>	<u>-</u>	<u>4</u>	<u>963,722</u>
Unassigned (deficit)	<u>839,581</u>	<u>-</u>	<u>(62,823)</u>	<u>776,758</u>
Total fund balances	<u>\$ 3,514,625</u>	<u>\$ 404,365</u>	<u>\$ 1,416,351</u>	<u>\$ 5,335,341</u>

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 20 - OTHER COMMITMENTS

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

<u>Fund</u>	<u>Year-End Encumbrances</u>
General fund	\$ 51,468
Income tax capital improvement	45,759
Other governmental	<u>40,536</u>
 Total	 <u>\$ 137,763</u>

NOTE 21 - 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, 2018 are comprised of the following:

	<u>Cash and Investments</u>
Water fund:	
Customer deposits	<u>\$ 80,576</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 FIVE YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<i>Traditional Plan:</i>					
City's proportion of the net pension liability	0.016095%	0.015811%	0.015702%	0.016149%	0.016149%
City's proportionate share of the net pension liability	\$ 2,524,993	\$ 3,590,409	\$ 2,719,784	\$ 1,947,749	\$ 1,903,756
City's covered payroll	\$ 2,111,692	\$ 2,061,800	\$ 1,984,567	\$ 1,988,125	\$ 2,039,885
City's proportionate share of the net pension liability as a percentage of its covered payroll	119.57%	174.14%	137.05%	97.97%	93.33%
Plan fiduciary net position as a percentage of the total pension liability	84.66%	77.25%	81.08%	86.45%	86.36%
<i>Combined Plan:</i>					
City's proportion of the net pension asset	0.023018%	0.019417%	0.024720%	0.028183%	0.028183%
City's proportionate share of the net pension asset	\$ 31,336	\$ 10,807	\$ 12,029	\$ 10,851	\$ 2,957
City's covered payroll	\$ 94,262	\$ 75,575	\$ 98,275	\$ 103,017	\$ 96,362
City's proportionate share of the net pension asset as a percentage of its covered payroll	33.24%	14.30%	12.24%	10.53%	3.07%
Plan fiduciary net position as a percentage of the total pension asset	137.28%	116.55%	116.90%	114.83%	104.56%
<i>Member Directed Plan:</i>					
City's proportion of the net pension asset	0.010278%	0.009051%	0.007258%	n/a	n/a
City's proportionate share of the net pension asset	\$ 359	\$ 38	\$ 28	n/a	n/a
City's covered payroll	\$ 56,340	\$ 37,200	\$ 40,425	n/a	n/a
City's proportionate share of the net pension asset as a percentage of its covered payroll	0.64%	0.10%	0.07%	n/a	n/a
Plan fiduciary net position as a percentage of the total pension asset	124.45%	103.40%	103.91%	n/a	n/a

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

**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 FIVE YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
City's proportion of the net pension liability	0.05293800%	0.06003100%	0.05395600%	0.05308930%	0.05308930%
City's proportionate share of the net pension liability	\$ 3,249,013	\$ 3,802,265	\$ 3,471,018	\$ 2,750,247	\$ 2,585,615
City's covered payroll	\$ 1,570,297	\$ 1,455,742	\$ 1,509,985	\$ 1,444,386	\$ 1,467,735
City's proportionate share of the net pension liability as a percentage of its covered payroll	206.90%	261.19%	229.87%	190.41%	176.16%
Plan fiduciary net position as a percentage of the total pension liability	70.91%	68.36%	66.77%	72.20%	73.00%

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

**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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<i>Traditional Plan:</i>				
Contractually required contribution	\$ 312,271	\$ 274,520	\$ 247,416	\$ 238,148
Contributions in relation to the contractually required contribution	<u>(312,271)</u>	<u>(274,520)</u>	<u>(247,416)</u>	<u>(238,148)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 2,230,507	\$ 2,111,692	\$ 2,061,800	\$ 1,984,567
Contributions as a percentage of covered payroll	14.00%	13.00%	12.00%	12.00%
<i>Combined Plan:</i>				
Contractually required contribution	\$ 13,279	\$ 12,254	\$ 9,069	\$ 11,793
Contributions in relation to the contractually required contribution	<u>(13,279)</u>	<u>(12,254)</u>	<u>(9,069)</u>	<u>(11,793)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 94,850	\$ 94,262	\$ 75,575	\$ 98,275
Contributions as a percentage of covered payroll	14.00%	13.00%	12.00%	12.00%
<i>Member Directed Plan:</i>				
Contractually required contribution	\$ 6,929	\$ 5,634	\$ 4,464	\$ 4,851
Contributions in relation to the contractually required contribution	<u>(6,929)</u>	<u>(5,634)</u>	<u>(4,464)</u>	<u>(4,851)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 69,290	\$ 56,340	\$ 37,200	\$ 40,425
Contributions as a percentage of covered payroll	10.00%	10.00%	12.00%	12.00%

Note: Information prior to 2010 for the for the Combined Plan was unavailable.

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 238,575	\$ 265,185	\$ 216,003	\$ 222,402	\$ 199,024	\$ 192,731
<u>(238,575)</u>	<u>(265,185)</u>	<u>(216,003)</u>	<u>(222,402)</u>	<u>(199,024)</u>	<u>(192,731)</u>
<u>\$ -</u>					
\$ 1,988,125	\$ 2,039,885	\$ 2,160,030	\$ 2,224,020	\$ 2,231,211	\$ 2,370,615
12.00%	13.00%	10.00%	10.00%	8.92%	8.13%
\$ 12,362	\$ 12,527	\$ 7,375	\$ 6,949	\$ 8,324	
<u>(12,362)</u>	<u>(12,527)</u>	<u>(7,375)</u>	<u>(6,949)</u>	<u>(8,324)</u>	
<u>\$ -</u>					
\$ 103,017	\$ 96,362	\$ 92,767	\$ 87,409	\$ 85,903	
12.00%	13.00%	7.95%	7.95%	9.69%	

**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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<i>Police:</i>				
Contractually required contribution	\$ 169,341	\$ 223,633	\$ 196,673	\$ 222,441
Contributions in relation to the contractually required contribution	<u>(169,341)</u>	<u>(223,633)</u>	<u>(196,673)</u>	<u>(222,441)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 891,268	\$ 1,177,016	\$ 1,035,121	\$ 1,170,742
Contributions as a percentage of covered payroll	19.00%	19.00%	19.00%	19.00%
<i>Fire:</i>				
Contractually required contribution	\$ 95,981	\$ 92,421	\$ 98,846	\$ 79,722
Contributions in relation to the contractually required contribution	<u>(95,981)</u>	<u>(92,421)</u>	<u>(98,846)</u>	<u>(79,722)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 408,430	\$ 393,281	\$ 420,621	\$ 339,243
Contributions as a percentage of covered payroll	23.50%	23.50%	23.50%	23.50%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 212,018	\$ 189,672	\$ 136,777	\$ 146,003	\$ 148,723	\$ 151,853
<u>(212,018)</u>	<u>(189,672)</u>	<u>(136,777)</u>	<u>(146,003)</u>	<u>(148,723)</u>	<u>(151,853)</u>
<u>\$ -</u>					
\$ 1,115,884	\$ 1,194,157	\$ 1,072,761	\$ 1,145,122	\$ 1,166,455	\$ 1,191,004
19.00%	15.88%	12.75%	12.75%	12.75%	12.75%
\$ 77,198	\$ 55,704	\$ 59,795	\$ 54,771	\$ 50,728	\$ 49,316
<u>(77,198)</u>	<u>(55,704)</u>	<u>(59,795)</u>	<u>(54,771)</u>	<u>(50,728)</u>	<u>(49,316)</u>
<u>\$ -</u>					
\$ 328,502	\$ 273,282	\$ 346,638	\$ 317,513	\$ 294,075	\$ 285,890
23.50%	20.38%	17.25%	17.25%	17.25%	17.25%

**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 PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

LAST TWO YEARS

	2018	2017
City's proportion of the net OPEB liability	0.016080%	0.015621%
City's proportionate share of the net OPEB liability	\$ 1,746,170	\$ 1,577,798
City's covered payroll	\$ 2,262,294	\$ 2,174,575
City's proportionate share of the net OPEB liability as a percentage of its covered payroll	77.19%	72.56%
Plan fiduciary net position as a percentage of the total OPEB liability	54.14%	54.05%

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

**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 TWO YEARS

	2018	2017
City's proportion of the net OPEB liability	0.05293800%	0.06003100%
City's proportionate share of the net OPEB liability	\$ 2,999,364	\$ 2,849,537
City's covered payroll	\$ 1,570,297	\$ 1,455,742
City's proportionate share of the net OPEB liability as a percentage of its covered payroll	191.01%	195.74%
Plan fiduciary net position as a percentage of the total OPEB liability	14.13%	15.96%

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

**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

	2018	2017	2016	2015
Contractually required contribution	\$ 2,771	\$ 24,313	\$ 44,862	\$ 41,657
Contributions in relation to the contractually required contribution	(2,771)	(24,313)	(44,862)	(41,657)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
City's covered payroll	\$ 2,394,647	\$ 2,262,294	\$ 2,174,575	\$ 2,123,267
Contributions as a percentage of covered payroll	0.12%	1.07%	2.06%	1.96%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 41,564	\$ 21,353	\$ 92,014	\$ 94,249	\$ 117,169	\$ 139,359
<u>(41,564)</u>	<u>(21,353)</u>	<u>(92,014)</u>	<u>(94,249)</u>	<u>(117,169)</u>	<u>(139,359)</u>
<u>\$ -</u>	<u>\$ -</u>				
\$ 2,091,142	\$ 2,136,247	\$ 2,252,797	\$ 2,311,429	\$ 2,317,114	\$ 2,370,615
1.99%	1.00%	4.08%	4.08%	5.06%	5.88%

**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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<i>Police:</i>				
Contractually required contribution	\$ 4,456	\$ 5,885	\$ 5,176	\$ 6,012
Contributions in relation to the contractually required contribution	<u>(4,456)</u>	<u>(5,885)</u>	<u>(5,176)</u>	<u>(6,012)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 891,268	\$ 1,177,016	\$ 1,035,121	\$ 1,170,742
Contributions as a percentage of covered payroll	0.50%	0.50%	0.50%	0.50%
<i>Fire:</i>				
Contractually required contribution	\$ 2,042	\$ 1,966	\$ 2,106	\$ 1,696
Contributions in relation to the contractually required contribution	<u>(2,042)</u>	<u>(1,966)</u>	<u>(2,106)</u>	<u>(1,696)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 408,430	\$ 393,281	\$ 420,621	\$ 339,243
Contributions as a percentage of covered payroll	0.50%	0.50%	0.50%	0.50%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 5,680	\$ 42,776	\$ 72,412	\$ 77,296	\$ 78,735	\$ 80,393
<u>(5,680)</u>	<u>(42,776)</u>	<u>(72,412)</u>	<u>(77,296)</u>	<u>(78,735)</u>	<u>(80,393)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,115,884	\$ 1,194,157	\$ 1,072,761	\$ 1,145,122	\$ 1,166,455	\$ 1,191,004
0.50%	3.62%	6.75%	6.75%	6.75%	6.75%
\$ 1,564	\$ 9,389	\$ 23,398	\$ 21,432	\$ 19,850	\$ 19,297
<u>(1,564)</u>	<u>(9,389)</u>	<u>(23,398)</u>	<u>(21,432)</u>	<u>(19,850)</u>	<u>(19,297)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 328,502	\$ 273,282	\$ 346,638	\$ 317,513	\$ 294,075	\$ 285,890
0.50%	3.62%	6.75%	6.75%	6.75%	6.75%

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2018

PENSION

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for 2014-2018.

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

OHIO POLICE AND FIRE (OP&F) PENSION FUND

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for 2014-2018.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2017. For 2018, the following were the most significant changes of assumptions that affected the total pension since the prior measurement date: (a) reduction in the actuarially assumed rate of return from 8.50% 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.

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

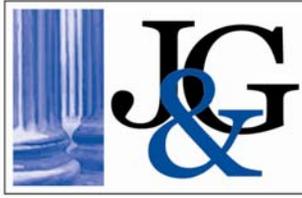
Changes in benefit terms : There were no changes in benefit terms from the amounts reported for 2017-2018.

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%.

OHIO POLICE AND FIRE (OP&F) PENSION FUND

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for 2017-2018.

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%, (e) payroll growth was reduced from 3.75% to 3.25% and (f) the discount rate (interest rate) was reduced from 3.79% to 3.24%.



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**Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Required by *Government Auditing Standards***

City of Willard
Huron County
631 South Myrtle Avenue
P.O. Box 367
Willard, Ohio 44890

To the Members of Council and City Manager:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Willard, Huron County, Ohio, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City of Willard's basic financial statements and have issued our report thereon dated June 20, 2019, wherein we noted as discussed in Note 3, the City of Willard adopted Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. We also noted in Note 3, the City of Willard recorded a prior period restatement to properly establish the self-insurance fund as an internal service fund.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the City of Willard's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the City of Willard's internal control. Accordingly, we have not opined on it.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses that we consider a significant deficiency. We consider finding 2018-001 to be a significant deficiency.

Compliance and Other Matters

As part of reasonably assuring whether the City of Willard's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings and responses as item 2018-001.

City of Willard's Response to the Finding

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

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the City of Willard's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the City of Willard's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Julian & Grube, Inc.
June 20, 2019

**CITY OF WILLARD
HURON COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2018**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2018-001

Significant Deficiency/Noncompliance - Self-Insurance Activity:

Ohio Revised Code Section 9.833 requires self-insured governments to establish a special fund to account for self-insurance activity. It also requires self-insured governments to calculate amounts required to cover health care benefit liabilities. Finally, it requires programs to prepare (or obtain) a report, reflecting reserves and the aggregate of disbursements made to pay self-insured claims, legal, and consultant costs during the preceding year. Management is responsible for establishing control and monitoring procedures over the financial reporting process to ensure all activity is properly included and accounted for.

The City did not establish a special fund to account for their self-insurance activity. They also did not calculate amounts required to cover health care benefit liabilities, nor did they obtain a report reflecting those reserves and disbursements for self-insured claims. Additionally, certain adjustments were made to the financial statements and notes to properly account for the City's self-insurance activity.

An absence of policies and procedures for control and monitoring activities associated with self-insurance activity could lead to financial statement and note disclosure adjustments, which if uncorrected, could lead to a misrepresentation of the City's activity. This could also lead to noncompliance with Ohio Revised Code Section 9.833.

We recommend the City design and implement policies and procedures in order to properly account for and disclose self-insurance activity. We also recommend the City consult with their auditors, the Auditor of State, Ohio Revised Code Section 9.833, AOS Bulletins 2001-005 and 2011-008, and/or further consult with an accounting firm specializing in governmental accounting and municipalities to help ensure accurate financial reporting.

Client Response: We were not aware that we were truly self-insured, and we have implemented additional policies and procedures to ensure this is corrected going forward.