

CITY OF WILLARD HURON COUNTY, OHIO

Basic Financial Statements

**For the Year Ended
December 31, 2019**

**CITY OF WILLARD
HURON COUNTY, OHIO**

BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

TABLE OF CONTENTS

Table of Contents.....	1
Accountant’s Compilation Report	2
Management’s Discussion and Analysis	3 - 19
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	21
Statement of Activities	22 - 23
Fund Financial Statements:	
Balance Sheet - Governmental Funds	24
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities.....	25
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.....	26
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	27
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) - General Fund.....	28
Statement of Net Position - Proprietary Funds	30 - 31
Statement of Revenues, Expenses and Changes in Net position - Proprietary Funds.....	32
Statement of Cash Flows - Proprietary Funds.....	34 - 35
Notes to the Basic Financial Statements	36 - 92
Required Supplementary Information:	
Schedule of the City’s Proportionate Share of the Net Pension Liability/Asset:	
Ohio Public Employees Retirement System (OPERS).....	94 - 95
Ohio Police and Fire (OP&F) Pension Fund	96 - 97
Schedule of City Pension Contributions:	
Ohio Public Employees Retirement System (OPERS)	98 - 99
Ohio Police and Fire (OP&F) Pension Fund	100 - 101
Schedule of the City’s Proportionate Share of the Net OPEB Liability:	
Ohio Public Employees Retirement System (OPERS)	102
Ohio Police and Fire (OP&F) Pension Fund.....	103
Schedule of City OPEB Contributions:	
Ohio Public Employees Retirement System (OPERS)	104 - 105
Ohio Police and Fire (OP&F) Pension Fund.....	106 - 107
Notes to Required Supplementary Information	108



Julian & Grube, Inc.

Serving Ohio Local Governments

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

Accountant's Compilation Report

To the Members of City Council
Willard, Ohio

Management is responsible for the accompanying basic financial statements of the City of Willard, which comprise the statements listed in the table of contents as of December 31, 2019 and for the fiscal year then ended, and the related notes to the financial statements in accordance with accounting principles generally accepted in the United States of America. We have performed the compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any assurance on the financial statements.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, on pages 3 through 19 and the required supplementary information on pages 94 through 108 be presented to supplement the basic financial statements. Although this information is not a part of the basic financial statements, the Governmental Accounting Standards Board considers it essential to placing the basic financial statements in an appropriate operational, economic, or historical context. Such information is the responsibility of management. The supplementary information was subject to our compilation engagement. We have not audited or reviewed the supplementary information and do not express an opinion, a conclusion, nor provide any form of assurance on such information.

Julian & Grube, Inc.

Westerville, Ohio
July 28, 2020

**CITY OF WILLARD
HURON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019
(SEE ACCOUNTANT'S COMPILATION REPORT)

The management's discussion and analysis of the City of Willard's (the "City") financial performance provides an overall review of the City's financial activities for the year ended December 31, 2019. 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 2019 are as follows:

- The total net position of the City increased \$1,528,020. Net position of governmental activities increased \$2,218,009 or 21.70% from 2018's restated net position and net position of business-type activities decreased \$689,989 or 5.77% from 2018's net position.
- General revenues accounted for \$4,376,525 or 75.19% of total governmental activities revenue. Program specific revenues accounted for \$1,443,934 or 24.81% of total governmental activities revenue.
- The City had \$3,593,450 in expenses related to governmental activities; \$1,443,934 of these expenses was offset by program specific charges for services, grants or contributions. The remaining expenses of the governmental activities of \$2,149,516 were offset by general revenues (primarily income taxes, property taxes and unrestricted grants and entitlements) of \$4,376,525.
- The general fund had revenues of \$3,925,470 in 2019. The expenditures of the general fund totaled \$3,867,811 in 2019. The net increase in fund balance for the general fund was \$57,659 or 1.64%.
- The income tax capital improvement fund had revenues and other financing sources of \$616,957 in 2019. The expenditures and other financing uses of the income tax capital improvement fund totaled \$665,169 in 2019. The net decrease in fund balance for the income tax capital improvement fund was \$48,212 or 11.93%.
- Net position for the business-type activities, which are made up of the sewer, water and storm water enterprise funds, decreased in 2019 by \$689,989 from 2018 net position. This decrease in net position was mainly due to decreasing expenses still being greater than decreasing revenues.
- In the general fund, the actual revenues and other financing sources came in \$158,554 less than they were in the final budget and actual expenditures were \$874,546 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, 2019
(SEE ACCOUNTANT'S COMPILATION REPORT)

Reporting the City as a Whole

Statement of Net Position and the Statement of Activities

While this document contains a large number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2019?" The statement of net position and the statement of activities answer this question. These statements include all assets, deferred outflows, liabilities, deferred inflows, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

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

Reporting the City's Most Significant Funds

Fund Financial Statements

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

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

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

**CITY OF WILLARD
HURON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019
(SEE ACCOUNTANT'S COMPILATION REPORT)

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.

Proprietary Funds

The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its sewer, water and storm water management functions. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses an internal service fund to account for its self-insurance program for medical-related employee benefits. The City's sewer and water enterprise funds are considered major funds.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information

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

**CITY OF WILLARD
HURON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019
(SEE ACCOUNTANT'S COMPILATION REPORT)

Government-Wide Financial Analysis

The table below provides a summary of the City's assets, deferred inflows of resources, liabilities, deferred outflows of resources and net position at December 31, 2019 and 2018. The net position at December 31, 2018 has been restated as described in Note 3 in the notes to the basic financial statements.

	Governmental Activities		Business-type Activities		Total	
	2019	Restated 2018	2019	2018	2019	Restated 2018
<u>Assets</u>						
Current and other assets	\$ 7,151,612	\$ 7,120,657	\$ 3,834,300	\$ 4,054,969	\$ 10,985,912	\$ 11,175,626
Capital assets, net	<u>14,641,039</u>	<u>14,569,039</u>	<u>12,498,272</u>	<u>13,035,088</u>	<u>27,139,311</u>	<u>27,604,127</u>
Total assets	<u>21,792,651</u>	<u>21,689,696</u>	<u>16,332,572</u>	<u>17,090,057</u>	<u>38,125,223</u>	<u>38,779,753</u>
<u>Deferred outflows of resources</u>						
Pension	2,541,246	1,175,523	469,501	296,589	3,010,747	1,472,112
OPEB	<u>648,700</u>	<u>379,276</u>	<u>75,089</u>	<u>84,506</u>	<u>723,789</u>	<u>463,782</u>
Total deferred outflows of resources	<u>3,189,946</u>	<u>1,554,799</u>	<u>544,590</u>	<u>381,095</u>	<u>3,734,536</u>	<u>1,935,894</u>
<u>Liabilities</u>						
Current liabilities	800,696	1,138,185	855,434	882,517	1,656,130	2,020,702
Long-term liabilities:						
Due within one year	262,267	323,383	322,333	410,074	584,600	733,457
Net pension liability	7,561,608	4,789,754	1,516,624	984,252	9,078,232	5,774,006
Net OPEB liability	1,900,425	4,064,870	722,997	680,664	2,623,422	4,745,534
Other amounts	<u>1,003,181</u>	<u>992,035</u>	<u>2,025,363</u>	<u>2,254,334</u>	<u>3,028,544</u>	<u>3,246,369</u>
Total liabilities	<u>11,528,177</u>	<u>11,308,227</u>	<u>5,442,751</u>	<u>5,211,841</u>	<u>16,970,928</u>	<u>16,520,068</u>
<u>Deferred inflows of resources</u>						
Property taxes	315,650	312,954	-	-	315,650	312,954
Pension	284,111	786,474	106,467	245,489	390,578	1,031,963
OPEB	<u>415,643</u>	<u>615,833</u>	<u>54,816</u>	<u>50,705</u>	<u>470,459</u>	<u>666,538</u>
Total deferred inflows of resources	<u>1,015,404</u>	<u>1,715,261</u>	<u>161,283</u>	<u>296,194</u>	<u>1,176,687</u>	<u>2,011,455</u>
<u>Net position</u>						
Net investment in capital assets	13,406,078	13,221,860	9,834,308	10,080,585	23,240,386	23,302,445
Restricted	3,139,102	2,487,414	-	-	3,139,102	2,487,414
Unrestricted (deficit)	<u>(4,106,164)</u>	<u>(5,488,267)</u>	<u>1,438,820</u>	<u>1,882,532</u>	<u>(2,667,344)</u>	<u>(3,605,735)</u>
Total net position	<u>\$ 12,439,016</u>	<u>\$ 10,221,007</u>	<u>\$ 11,273,128</u>	<u>\$ 11,963,117</u>	<u>\$ 23,712,144</u>	<u>\$ 22,184,124</u>

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

**CITY OF WILLARD
HURON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019
(SEE ACCOUNTANT'S COMPILATION REPORT)

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

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

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

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

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

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

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

**CITY OF WILLARD
HURON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019
(SEE ACCOUNTANT'S COMPILATION REPORT)

Over time, net position can serve as a useful indicator of a government's financial position. At December 31, 2019, the City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$23,712,144. At year-end, net position was \$12,439,016 and \$11,273,128 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 71.18% of total assets. Capital assets include land, construction in progress, land improvements, buildings, equipment, vehicles, infrastructure and utility plant in service. The City's net investment in capital assets at December 31, 2019, was \$13,406,078 and \$9,834,308 in the governmental activities and business-type activities, respectively. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the City's net position, \$3,139,102, represents resources that are subject to external restriction on how they may be used.

THIS SPACE IS INTENTIONALLY LEFT BLANK

**CITY OF WILLARD
HURON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019
(SEE ACCOUNTANT'S COMPILATION REPORT)

The following table shows the changes in net position for 2019 and 2018. The net position at December 31, 2018 has been restated as described in Note 3 in the notes to the basic financial statements.

	Change in Net Position					
	Governmental Activities		Business-type Activities		Total	
	2019	Restated 2018	2019	2018	2019	Restated 2018
Revenues						
Program revenues:						
Charges for services	\$ 708,772	\$ 712,853	\$ 3,321,981	\$ 3,636,808	\$ 4,030,753	\$ 4,349,661
Operating grants and contributions	526,728	394,311	-	-	526,728	394,311
Capital grants and contributions	208,434	199,921	-	-	208,434	199,921
Total program revenues	<u>1,443,934</u>	<u>1,307,085</u>	<u>3,321,981</u>	<u>3,636,808</u>	<u>4,765,915</u>	<u>4,943,893</u>
General revenues:						
Property taxes	321,263	303,288	-	-	321,263	303,288
Income taxes	3,421,843	3,363,575	-	-	3,421,843	3,363,575
Unrestricted grants and entitlements	252,419	214,666	-	-	252,419	214,666
Investment earnings	355,557	105,810	46,258	-	401,815	105,810
Decrease in FMV of investments	-	(103,295)	-	-	-	(103,295)
Miscellaneous	25,443	25,354	147	504	25,590	25,858
Total general revenues	<u>4,376,525</u>	<u>3,909,398</u>	<u>46,405</u>	<u>504</u>	<u>4,422,930</u>	<u>3,909,902</u>
Total revenues	<u>5,820,459</u>	<u>5,216,483</u>	<u>3,368,386</u>	<u>3,637,312</u>	<u>9,188,845</u>	<u>8,853,795</u>
Expenses						
General government	717,842	428,440	-	-	717,842	428,440
Security of persons and property	808,055	3,690,363	-	-	808,055	3,690,363
Public health and welfare	17,976	21,844	-	-	17,976	21,844
Transportation	1,263,613	732,419	-	-	1,263,613	732,419
Community environment	399,858	360,030	-	-	399,858	360,030
Leisure time activity	370,451	337,707	-	-	370,451	337,707
Interest and fiscal charges	15,655	12,003	-	-	15,655	12,003
Sewer	-	-	2,211,937	2,414,931	2,211,937	2,414,931
Water	-	-	1,855,438	2,110,623	1,855,438	2,110,623
Storm water	-	-	-	23,735	-	23,735
Total expenses	<u>3,593,450</u>	<u>5,582,806</u>	<u>4,067,375</u>	<u>4,549,289</u>	<u>7,660,825</u>	<u>10,132,095</u>
Transfers	<u>(9,000)</u>	<u>-</u>	<u>9,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net position	2,218,009	(366,323)	(689,989)	(911,977)	1,528,020	(1,278,300)
Net position at beginning of year (restated)	<u>10,221,007</u>	<u>10,587,330</u>	<u>11,963,117</u>	<u>12,875,094</u>	<u>22,184,124</u>	<u>23,462,424</u>
Net position at end of year	<u>\$ 12,439,016</u>	<u>\$ 10,221,007</u>	<u>\$ 11,273,128</u>	<u>\$ 11,963,117</u>	<u>\$ 23,712,144</u>	<u>\$ 22,184,124</u>

**CITY OF WILLARD
HURON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019
(SEE ACCOUNTANT'S COMPILATION REPORT)

Governmental Activities

Governmental activities net position increased \$2,218,009 in 2019. Expenses decreased in 2019 primarily due to the implementation of a new stipend-based health care model by Ohio Police & Fire (OP&F). Revenues increased primarily because of an increase in investment earnings and operating grants and contributions.

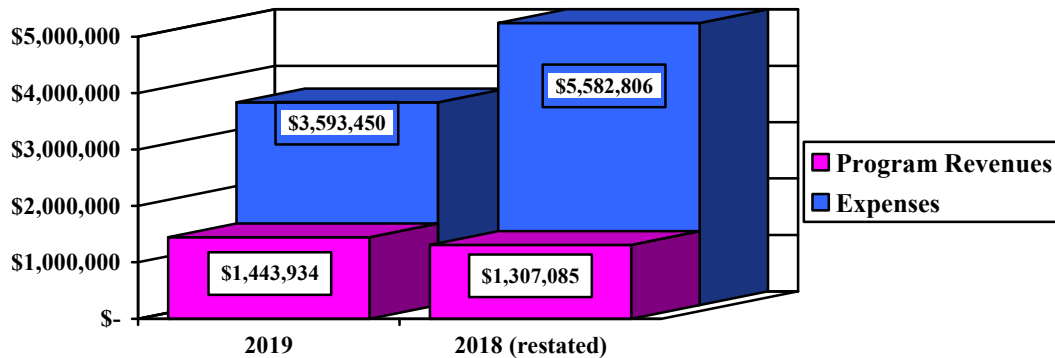
Security of persons and property which primarily supports the operations of the police and fire department accounted for \$808,055 or 10.55% of the total expenses of the City. Security of persons and property expenses were partially funded by \$466,226 in direct charges to users of the services. General government expenses totaled \$717,842. General government expenses were partially funded by \$51,338 in direct charges to users of the services. Transportation expenses totaled \$1,263,613. Transportation expenses were partially funded by \$73,451 in direct charges to users of the services, \$416,604 in operating grants and contributions and \$135,434 in capital grants and contributions.

The State and federal government contributed to the City a total of \$526,728 in operating grants and contributions and \$208,434 in capital grants and contributions. These revenues are restricted to a particular program or purpose.

General revenues totaled \$4,376,525 and amounted to 75.19% of total governmental revenues. These revenues primarily consist of property and income tax revenue of \$3,743,106. 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 \$252,419.

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 2019.

Governmental Activities – Program Revenues vs. Total Expenses



**CITY OF WILLARD
HURON COUNTY, OHIO**

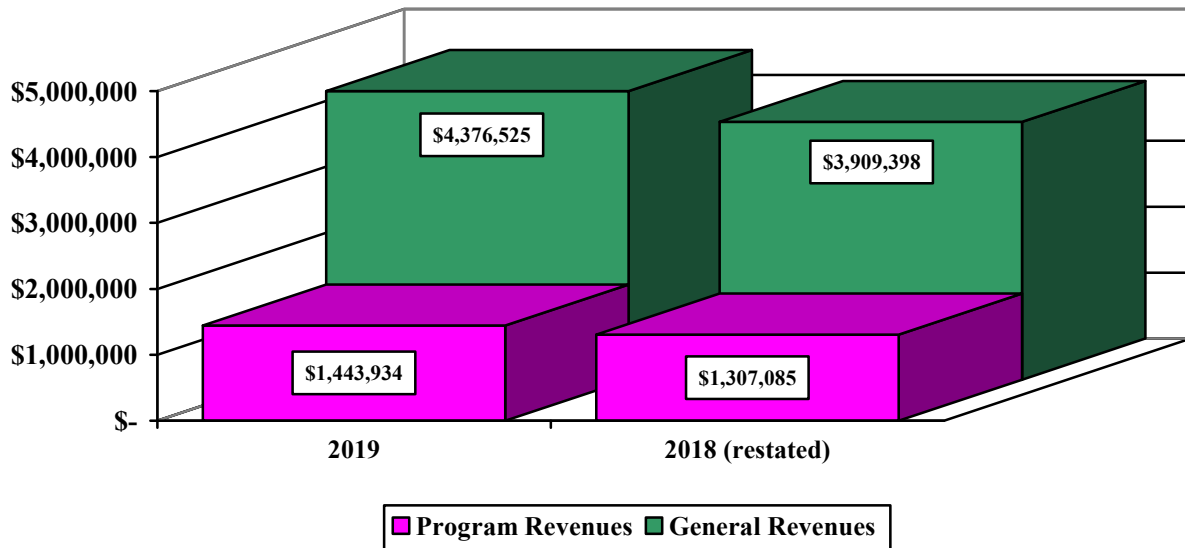
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019
(SEE ACCOUNTANT'S COMPILATION REPORT)

	Governmental Activities			
	Total Cost of	Net Cost of	Restated	Restated
	Services	Services	Total Cost of	Net Cost of
	2019	2019	Services	Services
	<u>2019</u>	<u>2019</u>	<u>2018</u>	<u>2018</u>
Program expenses:				
General government	\$ 717,842	\$ 666,504	\$ 428,440	\$ 362,494
Security of persons and property	808,055	318,877	3,690,363	3,213,281
Public health and welfare	17,976	(8,709)	21,844	(1,931)
Transportation	1,263,613	638,124	732,419	218,508
Community environment	399,858	249,430	360,030	221,760
Leisure time activity	370,451	269,635	337,707	249,606
Interest and fiscal charges	<u>15,655</u>	<u>15,655</u>	<u>12,003</u>	<u>12,003</u>
Total	<u>\$ 3,593,450</u>	<u>\$ 2,149,516</u>	<u>\$ 5,582,806</u>	<u>\$ 4,275,721</u>

The dependence upon general revenues for governmental activities is apparent, with 59.82% of expenses supported through taxes and other general revenues.

The chart below illustrates the City's program revenues versus general revenues for 2019 and 2018.

Governmental Activities – General and Program Revenues

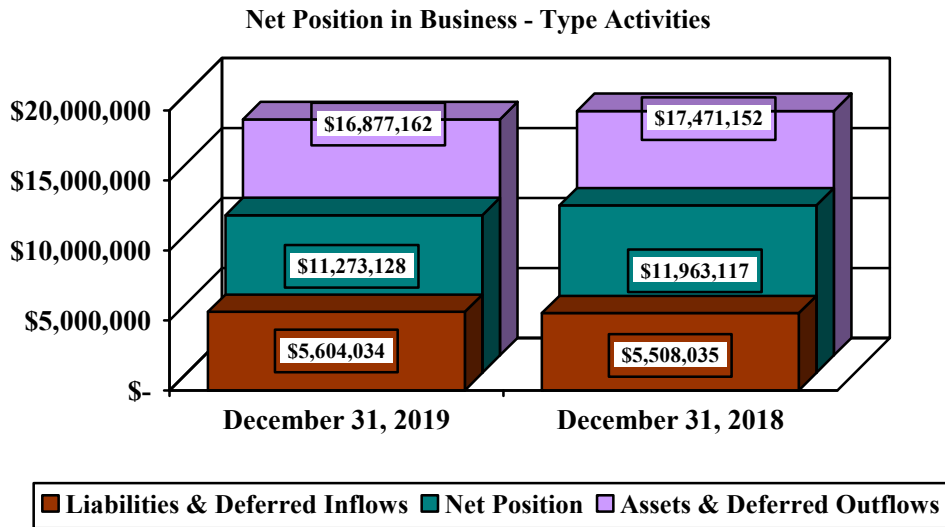


**CITY OF WILLARD
HURON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019
(SEE ACCOUNTANT'S COMPILATION REPORT)

Business-Type Activities

Business-type activities include the sewer, water and storm water enterprise funds. These programs had program revenues of \$3,321,981, general revenues of \$46,405, transfers in of \$9,000 and expenses of \$4,067,375 for 2019. 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 2019 and 2018.



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 reported a combined fund balance of \$5,568,168, which is \$223,086 greater than the previous year's restated fund balance of \$5,345,082. Fund balances at December 31, 2018 have been restated due to the implementation of GASB Statement No. 84, which is described in Note 3 in the notes to the basic financial statements. The following schedule indicates the fund balances and the total change in fund balances as of December 31, 2019 for all major and nonmajor governmental funds.

**CITY OF WILLARD
HURON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019
(SEE ACCOUNTANT'S COMPILATION REPORT)

	Fund Balances <u>12/31/19</u>	Restated Fund Balances <u>12/31/18</u>	Increase <u>(Decrease)</u>
Major funds:			
General	\$ 3,576,125	\$ 3,518,466	\$ 57,659
Income tax capital improvement	356,153	404,365	(48,212)
Other nonmajor governmental funds	<u>1,635,890</u>	<u>1,422,251</u>	<u>213,639</u>
Total	<u>\$ 5,568,168</u>	<u>\$ 5,345,082</u>	<u>\$ 223,086</u>

General Fund

The City's general fund balance increased \$57,659. The table that follows assists in illustrating the revenues of the general fund.

	<u>2019 Amount</u>	<u>2018 Amount</u>	<u>Percentage Change</u>
<u>Revenues</u>			
Taxes	\$ 2,729,931	\$ 2,389,798	14.23 %
Charges for services	475,440	445,370	6.75 %
Fines and forfeitures	11,522	13,609	(15.34) %
Intergovernmental	261,426	205,707	27.09 %
Licenses and permits	64,520	69,205	(6.77) %
Investment income	353,915	94,493	274.54 %
Decrease in FMV of investments	-	(103,295)	(100.00) %
Other	<u>28,716</u>	<u>19,787</u>	45.13 %
Total	<u>\$ 3,925,470</u>	<u>\$ 3,134,674</u>	25.23 %

Tax revenue represents 69.55% of all general fund revenue. Income tax revenue increased by approximately \$325,000 from the prior year. The increase in charges for services is primarily due to an increase in emergency rescue calls. Intergovernmental revenue increased due to greater Local Government Revenue from the State. The fair value of the City's investments increased in 2019. The fair value of investments fluctuates based on market conditions. All other amounts remained comparable to 2019.

**CITY OF WILLARD
HURON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019
(SEE ACCOUNTANT'S COMPILATION REPORT)

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

	<u>2019</u> <u>Amount</u>	<u>2018</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Expenditures</u>			
General government	\$ 571,019	\$ 351,240	62.57 %
Security of persons and property	2,602,559	2,426,738	7.25 %
Public health and welfare	16,121	17,994	(10.41) %
Transportation	421,211	31,840	1,222.90 %
Community environment	<u>256,901</u>	<u>249,591</u>	2.93 %
Total	<u>\$ 3,867,811</u>	<u>\$ 3,077,403</u>	25.68 %

The total general fund expenditures of the City increased 25.68%. 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 less services from the general fund in 2019 when compared to 2018, it resulted in an increase in general fund expenditures.

Income Tax Capital Improvement Fund

The income tax capital improvement fund had revenues and other financing sources of \$616,957 in 2019. The expenditures and other financing uses of the income tax capital improvement fund totaled \$665,169 in 2019. The net decrease in fund balance for the income tax capital improvement fund was \$48,212 or 11.93%.

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 \$158,554 less than they were in the final budget and actual expenditures were \$874,546 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 increased \$67,375 from the original budget.

Proprietary Funds

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

**CITY OF WILLARD
HURON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019
(SEE ACCOUNTANT'S COMPILATION REPORT)

Capital Assets and Debt Administration

Capital Assets

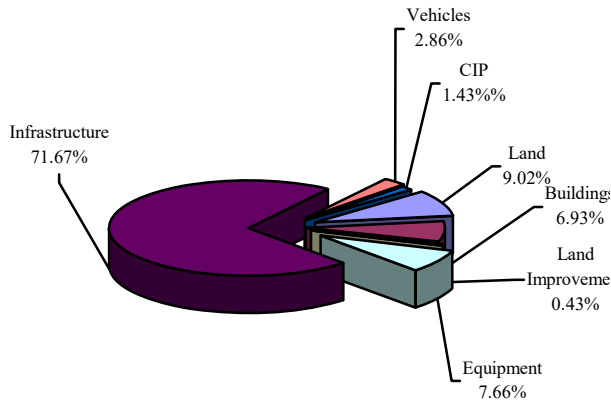
At the end of 2019, the City had \$27,139,311 (net of accumulated depreciation) invested in land, construction in progress, land improvements, buildings, equipment, vehicles, infrastructure and utility plant in service. Of this total, \$14,641,039 was reported in governmental activities and \$12,498,272 was reported in business-type activities. See Note 9 for further description of capital assets. The following table shows 2019 balances compared to 2018:

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

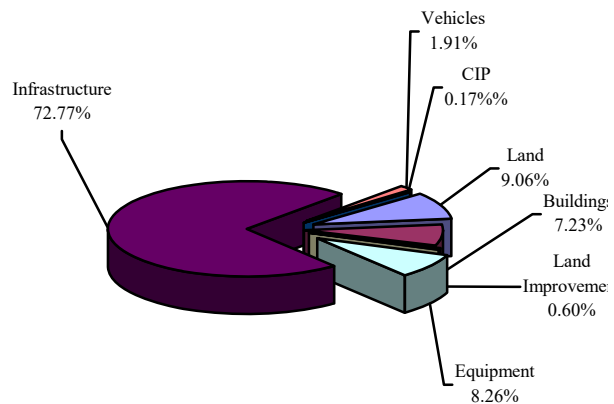
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Land	\$ 1,320,002	\$ 1,320,002	\$ 954,431	\$ 1,020,841	\$ 2,274,433	\$ 2,340,843
Construction in progress	209,418	25,000	-	-	209,418	25,000
Buildings	1,014,864	1,053,328	1,040,482	1,104,696	2,055,346	2,158,024
Land improvements	62,245	87,788	26,146	19,583	88,391	107,371
Equipment	1,121,655	1,203,239	3,309,410	3,391,177	4,431,065	4,594,416
Vehicles	419,065	278,060	179,264	206,368	598,329	484,428
Utility plant in service	-	-	6,988,539	7,292,423	6,988,539	7,292,423
Infrastructure	10,493,790	10,601,622	-	-	10,493,790	10,601,622
Totals	\$ 14,641,039	\$ 14,569,039	\$ 12,498,272	\$ 13,035,088	\$ 27,139,311	\$ 27,604,127

The following graphs show the breakdown of governmental capital assets by category for 2019 and 2018.

**Capital Assets - Governmental Activities
2019**



Capital Assets - Governmental Activities 2018

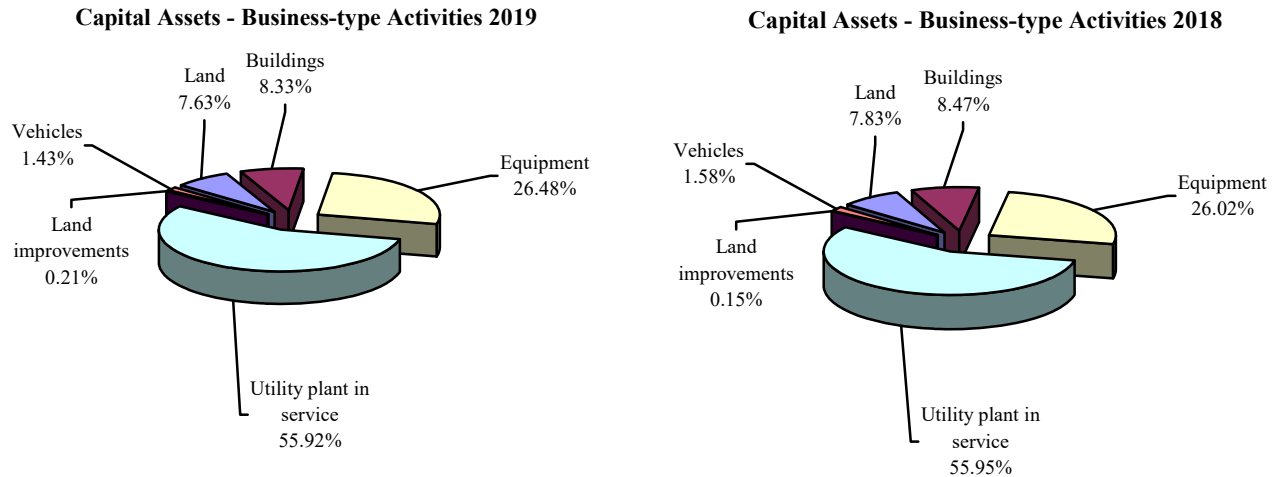


**CITY OF WILLARD
HURON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019
(SEE ACCOUNTANT'S COMPILATION REPORT)

The City's infrastructure is the largest capital asset category. These items are immovable and of value only to the City, however, the annual cost of purchasing these items is quite significant. The net book value of the City's infrastructure (cost less accumulated depreciation) represents approximately 71.67% of the City's total governmental capital assets.

The following graphs show the breakdown of business-type capital assets by category for 2019 and 2018.



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 55.92% of the City's total business-type capital assets.

Debt Administration

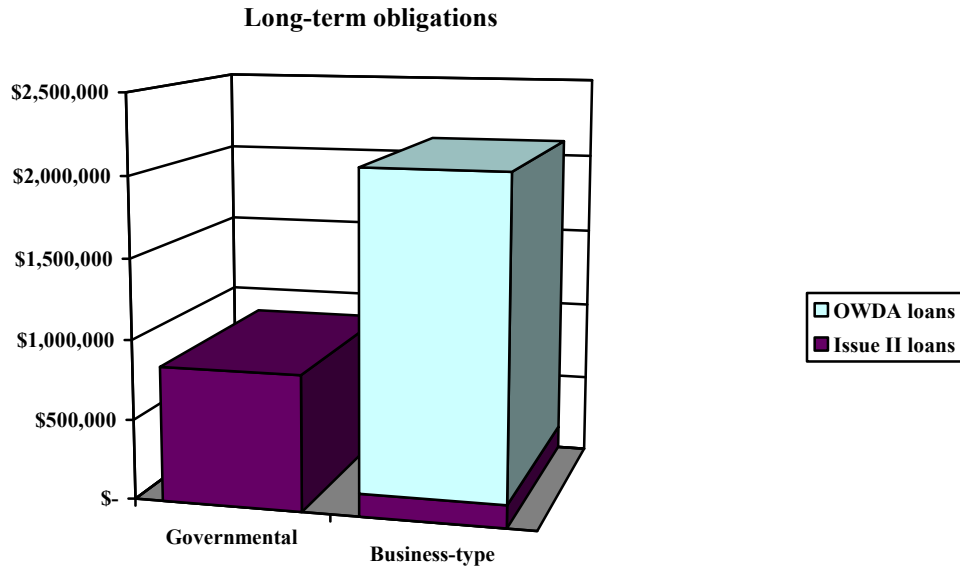
The City had the following long-term obligations outstanding at December 31, 2019 and 2018.

	Governmental Activities	
	<u>2019</u>	<u>2018</u>
Issue II loans	\$ 843,961	\$ 902,179
Total long-term obligations	<u>\$ 843,961</u>	<u>\$ 902,179</u>
	Business-type Activities	
	<u>2019</u>	<u>2018</u>
OWDA loans	\$ 1,952,470	\$ 2,176,550
Issue II loans	<u>141,494</u>	<u>147,953</u>
Total long-term obligations	<u>\$ 2,093,964</u>	<u>\$ 2,324,503</u>

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

**CITY OF WILLARD
HURON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019
(SEE ACCOUNTANT'S COMPILATION REPORT)



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

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 the first phase of an independent living complex consisting of 13 duplex living units and a clubhouse is 50% complete at the end of 2019. The nearly \$6 million dollar investment is tentatively scheduled to be completed in September of 2020.

The City saw three additional new homes constructed in 2019 as a part of the Hoffman Estates project. This area was formerly occupied by Mercy Hospital. A local contractor purchased the land in 2017 and built the first three homes in 2018.

The City had a 1.375% income tax rate in 2019. 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 December 31, 2018. That levy was passed and will continue until December 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 2019 were \$3,391,596 (on a cash-basis). This amounted to a 2% increase over collections in 2018. Local income taxes accounted for just over 24% of the City of Willard's revenue sources in 2019.

**CITY OF WILLARD
HURON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019
(SEE ACCOUNTANT'S COMPILATION REPORT)

The City of Willard was privileged to host one of our communities' grandest events in The Ohio Flags of Honor Memorial. Hundreds of friends, neighbors, veterans, and surrounding communities assembled at the park to pay homage to the 301 servicemen and women from Ohio who gave their lives fighting the war on terror, so we can continue to enjoy the numerous freedoms and activities that take place in our community throughout the year. We also provided \$21,427 of new playground equipment for the enjoyment of our community. The majority of this money was received from donations. More than half of the revenues for the Recreation Department come from income tax transfers, followed by real estate taxes from a park levy that brought in \$39,602 in 2019.

The City was able to improve 1.33 miles of roadway at a total cost of \$399,468. Our Motson and Third Street paving project was partially funded with \$95,000 Issue II grant money and \$40,000 from CDBG.

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 was utilized in 2019 for the following improvements:

- Construction of a Pole Building for storage of equipment
- Construction of 24'x24'x8 pavilion, 4 picnic tables, and a grill
- 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

2019 continued as a year of the high staffing levels of the Willard Police Department with 15 full-time officers, 1 part-time officer, 3 full-time dispatchers and 1 part-time dispatcher. Staffing levels have a direct effect on the effectiveness of this department. 2019 saw the decline of burglaries, breaking and entering complaints, and theft from vehicle complaints. 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. 2019 had a 1.5% increase in emergency calls from the previous year. We responded to 1,523 emergency calls. The department had a 2.8% increase in overall activity with 2,005 events. We had an 80% reduction in fire loss from 2018. The Fire and Rescue Department takes pride in what they can provide for our community not only with fire and rescue help but also by participating in Safety Town, Touch-a-Truck, parades, career days, fire prevention programs and veterans programs.

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 reduce manned plant hours from 16 to 13 hours per day. Upgrades were made to the laboratory equipment and processes, making the facility more efficient and compliant. Total cost for chemicals in 2019 was \$51,213 which is \$1,801 less than 2018. Electricity costs dropped \$54,137 from 2018 to 2019.

**CITY OF WILLARD
HURON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019
(SEE ACCOUNTANT'S COMPILATION REPORT)

The Willard Water Plant has a design capacity of 3.2 Million Gallons per Day (MGD). The average daily flow at the plant in 2019 was 1.254 MGD, so there is room to grow the amount of water we treat and disburse in a day. In 2019 the total amount spent on chemicals for the Water Plant was \$121,348. A 32% decrease from 2018. This decrease is attributed to the 2 solar units deployed in the Reservoir that emit ultrasonic sound waves to help control the algae problem.

Our Maintenance Department crews installed 375 feet of 6" waterlines and made 11 water taps for the Park Street Waterline project. They completed 380 feet of 8" waterline and 8 water taps on Dale Street and also completed 350 feet of 6" waterline with 5 water taps on Euclid Street. In addition, 5 water taps were installed outside city limits and they responded to 13 emergency water main breaks. The crews flush and service the fire hydrants twice a year. The maintenance department inspected and tested the new sewer system installed at the Trilogy Assisted Living Project. They completed 3 new sewer connections and investigated 33 sewer complaints. Five sewer line repairs were made in 2019. The maintenance department is also responsible for cleaning and repairing catch basins, installing concrete street panels, running the street sweeper, and 225 grass code violations. The maintenance crews planted 14 trees and Willard is proud to be named Tree City USA for the 39th year.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information please contact: Lori Huff, Director of Finance, at 631 S. Myrtle Ave. P.O. Box 367, Willard, Ohio 44890.

THIS PAGE IS INTENTIONALLY LEFT BLANK

**CITY OF WILLARD
HURON COUNTY, OHIO**

STATEMENT OF NET POSITION
DECEMBER 31, 2019
(SEE ACCOUNTANT'S COMPILATION REPORT)

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets:			
Equity in pooled cash and investments.	\$ 5,475,042	\$ 3,011,872	\$ 8,486,914
Cash in segregated accounts.	93,377	-	93,377
Cash with fiscal agent.	105,989	-	105,989
Receivables:			
Income taxes.	635,185	-	635,185
Real and other taxes	333,165	-	333,165
Accounts.	107,349	573,853	681,202
Special assessments	20,089	-	20,089
Due from other governments.	267,356	-	267,356
Accrued interest	21,412	-	21,412
Materials and supplies inventory.	27,915	39,463	67,378
Prepayments	145,090	8,104	153,194
Net pension asset	16,454	8,622	25,076
Restricted assets:			
Equity in pooled cash and investments.	-	95,575	95,575
Internal balance	(96,811)	96,811	-
Capital assets:			
Nondepreciable capital assets	1,529,420	954,431	2,483,851
Depreciable capital assets, net.	13,111,619	11,543,841	24,655,460
Total capital assets, net.	<u>14,641,039</u>	<u>12,498,272</u>	<u>27,139,311</u>
Total assets	<u>21,792,651</u>	<u>16,332,572</u>	<u>38,125,223</u>
Deferred outflows of resources:			
Pension.	2,541,246	469,501	3,010,747
OPEB.	648,700	75,089	723,789
Total deferred outflows of resources	<u>3,189,946</u>	<u>544,590</u>	<u>3,734,536</u>
Liabilities:			
Accounts payable.	22,935	103,795	126,730
Accrued wages.	166,073	49,090	215,163
Due to other governments	110,772	22,680	133,452
Accrued interest payable	2,607	14,294	16,901
Claims payable.	107,309	-	107,309
Notes payable.	391,000	570,000	961,000
Payable from restricted assets:			
Refundable deposits payable.	-	95,575	95,575
Long-term liabilities:			
Due within one year	262,267	322,333	584,600
Due in more than one year:			
Net pension liability.	7,561,608	1,516,624	9,078,232
Net OPEB liability.	1,900,425	722,997	2,623,422
Other amounts due in more than one year	1,003,181	2,025,363	3,028,544
Total liabilities	<u>11,528,177</u>	<u>5,442,751</u>	<u>16,970,928</u>
Deferred inflows of resources:			
Property taxes levied for the next fiscal year.	315,650	-	315,650
Pension.	284,111	106,467	390,578
OPEB.	415,643	54,816	470,459
Total deferred inflows of resources	<u>1,015,404</u>	<u>161,283</u>	<u>1,176,687</u>
Net position:			
Net investment in capital assets.	13,406,078	9,834,308	23,240,386
Restricted for:			
Debt service	2,067	-	2,067
Capital projects	93,321	-	93,321
Transportation projects	680,056	-	680,056
Electric system sale.	1,575,000	-	1,575,000
Police and fire purposes.	467,598	-	467,598
Perpetual care.	26,142	-	26,142
Other purposes.	294,918	-	294,918
Unrestricted (deficit).	<u>(4,106,164)</u>	<u>1,438,820</u>	<u>(2,667,344)</u>
Total net position	<u>\$ 12,439,016</u>	<u>\$ 11,273,128</u>	<u>\$ 23,712,144</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF WILLARD
HURON COUNTY, OHIO**

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019
(SEE ACCOUNTANT'S COMPILATION REPORT)

	<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.	\$ 717,842	\$ 51,338	\$ -	\$ -
Security of persons and property	808,055	466,226	22,952	-
Public health and welfare	17,976	26,685	-	-
Transportation.	1,263,613	73,451	416,604	135,434
Community environment	399,858	28,036	49,392	73,000
Leisure time activity.	370,451	63,036	37,780	-
Interest and fiscal charges.	15,655	-	-	-
Total governmental activities	<u>3,593,450</u>	<u>708,772</u>	<u>526,728</u>	<u>208,434</u>
Business-type activities:				
Sewer.	2,211,937	1,692,708	-	-
Water.	1,855,438	1,629,273	-	-
Total business-type activities	<u>4,067,375</u>	<u>3,321,981</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 7,660,825</u>	<u>\$ 4,030,753</u>	<u>\$ 526,728</u>	<u>\$ 208,434</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
- Miscellaneous

Total general revenues

Transfers

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
\$ (666,504)	\$ -	\$ (666,504)
(318,877)	-	(318,877)
8,709	-	8,709
(638,124)	-	(638,124)
(249,430)	-	(249,430)
(269,635)	-	(269,635)
(15,655)	-	(15,655)
<u>(2,149,516)</u>	<u>-</u>	<u>(2,149,516)</u>
-	(519,229)	(519,229)
-	(226,165)	(226,165)
-	<u>(745,394)</u>	<u>(745,394)</u>
<u>(2,149,516)</u>	<u>(745,394)</u>	<u>(2,894,910)</u>
253,521	-	253,521
43,622	-	43,622
24,120	-	24,120
2,494,180	-	2,494,180
311,071	-	311,071
616,592	-	616,592
252,419	-	252,419
355,557	46,258	401,815
25,443	147	25,590
<u>4,376,525</u>	<u>46,405</u>	<u>4,422,930</u>
<u>(9,000)</u>	<u>9,000</u>	<u>-</u>
2,218,009	(689,989)	1,528,020
<u>10,221,007</u>	<u>11,963,117</u>	<u>22,184,124</u>
<u>\$ 12,439,016</u>	<u>\$ 11,273,128</u>	<u>\$ 23,712,144</u>

**CITY OF WILLARD
HURON COUNTY, OHIO**

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2019
(SEE ACCOUNTANT'S COMPILATION REPORT)

	<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.	\$ 3,214,208	\$ 704,460	\$ 1,556,374	\$ 5,475,042
Cash in segregated accounts.	-	-	93,377	93,377
Receivables:				
Income taxes.	577,441	-	57,744	635,185
Real and other taxes	265,754	-	67,411	333,165
Accounts.	105,325	-	2,024	107,349
Special assessments	20,089	-	-	20,089
Interfund loans.	46,000	-	-	46,000
Due from other governments.	98,776	-	168,580	267,356
Accrued interest.	21,412	-	-	21,412
Materials and supplies inventory.	8,654	-	19,261	27,915
Prepayments	143,394	-	1,696	145,090
Total assets	<u>\$ 4,501,053</u>	<u>\$ 704,460</u>	<u>\$ 1,966,467</u>	<u>\$ 7,171,980</u>
Liabilities:				
Accounts payable.	\$ 13,012	\$ -	\$ 9,923	\$ 22,935
Accrued wages.	151,773	-	14,300	166,073
Due to other governments	96,420	-	14,352	110,772
Interfund loans payable.	-	-	46,000	46,000
Accrued interest payable	-	2,307	300	2,607
Notes payable	-	346,000	45,000	391,000
Total liabilities	<u>261,205</u>	<u>348,307</u>	<u>129,875</u>	<u>739,387</u>
Deferred inflows of resources:				
Property taxes levied for the next fiscal year.	251,807	-	63,843	315,650
Delinquent property tax revenue not available.	13,947	-	3,568	17,515
Accrued interest not available	10,187	-	-	10,187
Special assessments revenue not available.	20,089	-	-	20,089
Intergovernmental revenue not available.	64,196	-	102,941	167,137
Income tax revenue not available	303,497	-	30,350	333,847
Total deferred inflows of resources	<u>663,723</u>	<u>-</u>	<u>200,702</u>	<u>864,425</u>
Fund balances:				
Nonspendable	1,735,402	-	47,099	1,782,501
Restricted.	-	-	1,410,550	1,410,550
Committed	-	356,153	170,449	526,602
Assigned	1,077,888	-	49,715	1,127,603
Unassigned (deficit)	762,835	-	(41,923)	720,912
Total fund balances	<u>3,576,125</u>	<u>356,153</u>	<u>1,635,890</u>	<u>5,568,168</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 4,501,053</u>	<u>\$ 704,460</u>	<u>\$ 1,966,467</u>	<u>\$ 7,171,980</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, 2019
(SEE ACCOUNTANT'S COMPILATION REPORT)

Total governmental fund balances	\$	5,568,168
<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.		14,641,039
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.		
Income taxes receivable	\$ 333,847	
Real and other taxes receivable	17,515	
Intergovernmental receivable	167,137	
Special assessments receivable	20,089	
Accrued interest receivable	10,187	
Total	548,775	548,775
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	16,454	
Deferred outflows of resources	2,541,246	
Deferred inflows of resources	(284,111)	
Net pension liability	(7,561,608)	
Total	(5,288,019)	(5,288,019)
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	648,700	
Deferred inflows of resources	(415,643)	
Net OPEB liability	(1,900,425)	
Total	(1,667,368)	(1,667,368)
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	421,487	
Issue II loans payable	843,961	
Total	(1,265,448)	(1,265,448)
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.		(98,131)
Net position of governmental activities	\$	12,439,016

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, 2019
(SEE ACCOUNTANT'S COMPILATION REPORT)

	General	Income Tax Capital Improvement	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
Income taxes	\$ 2,474,500	\$ 616,592	\$ 422,213	\$ 3,513,305
Real and other taxes.	255,431	-	68,231	323,662
Charges for services.	475,440	-	110,155	585,595
Licenses and permits	64,520	-	-	64,520
Fines and forfeitures	11,522	-	1,076	12,598
Intergovernmental.	261,426	-	541,015	802,441
Investment income.	353,915	-	27,051	380,966
Rental income	-	-	34,019	34,019
Contributions and donations.	12,500	-	140,111	152,611
Other	16,216	-	10,082	26,298
Total revenues	<u>3,925,470</u>	<u>616,592</u>	<u>1,353,953</u>	<u>5,896,015</u>
Expenditures:				
Current:				
General government	571,019	-	-	571,019
Security of persons and property	2,602,559	-	389,169	2,991,728
Public health and welfare.	16,121	-	-	16,121
Transportation	421,211	-	286,055	707,266
Community environment	256,901	-	35,489	292,390
Leisure time activity	-	-	250,704	250,704
Capital outlay	-	521,715	252,180	773,895
Debt service:				
Principal retirement.	-	-	58,218	58,218
Interest and fiscal charges	-	13,581	2,074	15,655
Total expenditures.	<u>3,867,811</u>	<u>535,296</u>	<u>1,273,889</u>	<u>5,676,996</u>
Excess (deficiency) of revenues over (under) expenditures.	<u>57,659</u>	<u>81,296</u>	<u>80,064</u>	<u>219,019</u>
Other financing sources (uses):				
Sale of capital assets.	-	365	3,702	4,067
Transfers in	-	-	129,873	129,873
Transfers (out).	-	(129,873)	-	(129,873)
Total other financing sources (uses)	<u>-</u>	<u>(129,508)</u>	<u>133,575</u>	<u>4,067</u>
Net change in fund balances	57,659	(48,212)	213,639	223,086
Fund balances at				
beginning of year (restated).	3,518,466	404,365	1,422,251	5,345,082
Fund balances at end of year	<u>\$ 3,576,125</u>	<u>\$ 356,153</u>	<u>\$ 1,635,890</u>	<u>\$ 5,568,168</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, 2019
(SEE ACCOUNTANT'S COMPILATION REPORT)

Net change in fund balances - total governmental funds	\$	223,086
<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 outlays exceeds depreciation expense in the current period.		
Capital asset additions	\$ 762,561	
Current year depreciation	<u>(688,374)</u>	
Total		74,187
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, transfers-in, and donations) is to decrease net position.		
		(2,187)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Income taxes	(91,462)	
Real and other taxes	(2,399)	
Intergovernmental revenues	19,008	
Special assessments	(1,315)	
Investment income	<u>(1,039)</u>	
Total		(77,207)
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.		
		58,218
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	479,263	
OPEB	<u>8,676</u>	
Total		487,939
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	(1,385,917)	
OPEB	<u>2,625,383</u>	
Total		1,239,466
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.		
		(8,248)
The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the government-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.		
		<u>222,755</u>
Change in net position of governmental activities	\$	<u><u>2,218,009</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF WILLARD
HURON COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2019
(SEE ACCOUNTANT'S COMPILATION REPORT)

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Income taxes	\$ 2,385,000	\$ 2,385,000	\$ 2,358,109	\$ (26,891)
Real and other taxes	261,300	261,300	255,121	(6,179)
Charges for services	483,000	483,000	524,042	41,042
Licenses and permits	55,300	55,300	64,415	9,115
Fines and forfeitures	20,000	20,000	11,225	(8,775)
Intergovernmental	301,675	301,675	255,616	(46,059)
Investment income	53,000	53,000	47,552	(5,448)
Contributions and donations	-	-	12,500	12,500
Other	52,924	52,924	16,185	(36,739)
Total revenues	<u>3,612,199</u>	<u>3,612,199</u>	<u>3,544,765</u>	<u>(67,434)</u>
Expenditures:				
Current:				
General government	638,734	706,109	622,428	83,681
Security of persons and property	3,288,766	3,288,766	2,602,463	686,303
Public health and welfare	30,729	30,729	16,047	14,682
Transportation	458,753	458,753	419,175	39,578
Community environment	315,512	315,512	265,210	50,302
Total expenditures	<u>4,732,494</u>	<u>4,799,869</u>	<u>3,925,323</u>	<u>874,546</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,120,295)</u>	<u>(1,187,670)</u>	<u>(380,558)</u>	<u>807,112</u>
Other financing sources:				
Transfers in	91,120	91,120	-	(91,120)
Total other financing sources	<u>91,120</u>	<u>91,120</u>	<u>-</u>	<u>(91,120)</u>
Net change in fund balances	(1,029,175)	(1,096,550)	(380,558)	715,992
Fund balances at beginning of year	1,703,114	1,703,114	1,703,114	-
Prior year encumbrances appropriated	116,564	116,564	116,564	-
Fund balance at end of year	<u>\$ 790,503</u>	<u>\$ 723,128</u>	<u>\$ 1,439,120</u>	<u>\$ 715,992</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

THIS PAGE IS INTENTIONALLY LEFT BLANK

**CITY OF WILLARD
HURON COUNTY, OHIO**

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2019
(SEE ACCOUNTANT'S COMPILATION REPORT)

	<u>Business-type Activities - Enterprise Funds</u>			<u>Total</u>	<u>Governmental Activities - Internal Service Fund</u>
	<u>Sewer</u>	<u>Water</u>	<u>Nonmajor Enterprise Fund</u>		
Assets:					
Current assets:					
Equity in pooled cash and investments.	\$ 935,390	\$ 2,060,875	\$ 15,607	\$ 3,011,872	\$ -
Cash with fiscal agent.	-	-	-	-	105,989
Receivables:					
Accounts.	296,600	277,253	-	573,853	-
Materials and supplies inventory.	17,313	22,150	-	39,463	-
Prepayments.	67	8,037	-	8,104	-
Restricted assets:					
Equity in pooled cash investments.	-	95,575	-	95,575	-
Total current assets.	<u>1,249,370</u>	<u>2,463,890</u>	<u>15,607</u>	<u>3,728,867</u>	<u>105,989</u>
Noncurrent assets:					
Net pension asset.	5,487	3,135	-	8,622	-
Capital assets:					
Nondepreciable capital assets.	505,410	449,021	-	954,431	-
Depreciable capital assets, net.	<u>6,033,395</u>	<u>5,510,446</u>	<u>-</u>	<u>11,543,841</u>	<u>-</u>
Total capital assets, net.	<u>6,538,805</u>	<u>5,959,467</u>	<u>-</u>	<u>12,498,272</u>	<u>-</u>
Total noncurrent assets.	<u>6,544,292</u>	<u>5,962,602</u>	<u>-</u>	<u>12,506,894</u>	<u>-</u>
Total assets.	<u>7,793,662</u>	<u>8,426,492</u>	<u>15,607</u>	<u>16,235,761</u>	<u>105,989</u>
Deferred outflows of resources:					
Pension.	296,376	173,125	-	469,501	-
OPEB.	<u>46,116</u>	<u>28,973</u>	<u>-</u>	<u>75,089</u>	<u>-</u>
Total deferred outflows of resources.	<u>\$ 342,492</u>	<u>\$ 202,098</u>	<u>\$ -</u>	<u>\$ 544,590</u>	<u>-</u>

- - Continued

**CITY OF WILLARD
HURON COUNTY, OHIO**

STATEMENT OF NET POSITION
PROPRIETARY FUNDS (CONTINUED)
DECEMBER 31, 2019
(SEE ACCOUNTANT'S COMPILATION REPORT)

	<u>Business-type Activities - Enterprise Funds</u>			<u>Total</u>	<u>Governmental Activities - Internal Service Fund</u>
	<u>Sewer</u>	<u>Water</u>	<u>Nonmajor Enterprise Fund</u>		
Liabilities:					
Current liabilities:					
Accounts payable	\$ 34,255	\$ 69,540	\$ -	\$ 103,795	\$ -
Accrued wages	28,790	20,300	-	49,090	-
Compensated absences	89,519	27,296	-	116,815	-
Due to other governments	11,879	10,801	-	22,680	-
Accrued interest payable	14,010	284	-	14,294	-
Payable from restricted assets:					
Refundable deposits payable	-	95,575	-	95,575	-
OWDA loans payable	170,682	28,377	-	199,059	-
OPWC loans payable	4,959	1,500	-	6,459	-
Notes payable	570,000	-	-	570,000	-
Claims payable	-	-	-	-	107,309
Total current liabilities	<u>924,094</u>	<u>253,673</u>	<u>-</u>	<u>1,177,767</u>	<u>107,309</u>
Long-term liabilities:					
Compensated absences payable	106,343	30,574	-	136,917	-
OWDA loans payable	1,753,411	-	-	1,753,411	-
OPWC loans payable	79,535	55,500	-	135,035	-
Net OPEB liability	460,082	262,915	-	722,997	-
Net pension liability	965,110	551,514	-	1,516,624	-
Total long-term liabilities	<u>3,364,481</u>	<u>900,503</u>	<u>-</u>	<u>4,264,984</u>	<u>-</u>
Total liabilities	<u>4,288,575</u>	<u>1,154,176</u>	<u>-</u>	<u>5,442,751</u>	<u>107,309</u>
Deferred inflows of resources:					
Pension	37,583	68,884	-	106,467	-
OPEB	15,399	39,417	-	54,816	-
Total deferred inflows of resources	<u>52,982</u>	<u>108,301</u>	<u>-</u>	<u>161,283</u>	<u>-</u>
Net position:					
Net investment in capital assets	3,960,218	5,874,090	-	9,834,308	-
Unrestricted (deficit)	<u>(165,621)</u>	<u>1,492,023</u>	<u>15,607</u>	<u>1,342,009</u>	<u>(1,320)</u>
Total net position (deficit)	<u>\$ 3,794,597</u>	<u>\$ 7,366,113</u>	<u>\$ 15,607</u>	<u>11,176,317</u>	<u>\$ (1,320)</u>
Adjustment to reflect the consolidation of the internal service fund activities related to enterprise funds.				<u>96,811</u>	
Net position of business-type activities				<u>\$ 11,273,128</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, 2019
(SEE ACCOUNTANT'S COMPILATION REPORT)

	<u>Business-type Activities - Enterprise Funds</u>			<u>Total</u>	<u>Governmental Activities - Internal Service Fund</u>
	<u>Sewer</u>	<u>Water</u>	<u>Nonmajor Enterprise Fund</u>		
Operating revenues:					
Charges for services	\$ 1,682,608	\$ 1,594,905	\$ -	\$ 3,277,513	\$ 1,298,442
Tap-in fees.	10,100	34,368	-	44,468	-
Other operating revenues	-	147	-	147	143,383
Total operating revenues.	<u>1,692,708</u>	<u>1,629,420</u>	<u>-</u>	<u>3,322,128</u>	<u>1,441,825</u>
Operating expenses:					
Personal services	1,363,519	944,414	-	2,307,933	-
Contract services.	61,275	91,301	-	152,576	280,942
Materials and supplies.	117,530	361,080	-	478,610	-
Utilities	239,946	104,620	-	344,566	-
Claims expense	-	-	-	-	864,723
Depreciation.	435,588	316,379	-	751,967	-
Other	2,262	2,195	-	4,457	-
Total operating expenses.	<u>2,220,120</u>	<u>1,819,989</u>	<u>-</u>	<u>4,040,109</u>	<u>1,145,665</u>
Operating income (loss)	<u>(527,412)</u>	<u>(190,569)</u>	<u>-</u>	<u>(717,981)</u>	<u>296,160</u>
Nonoperating expenses:					
Interest and fiscal charges	(35,204)	(708)	-	(35,912)	-
Loss on disposal of capital assets	-	(66,410)	-	(66,410)	-
Interest income	18,662	27,596	-	46,258	1,651
Total nonoperating expenses.	<u>(16,542)</u>	<u>(39,522)</u>	<u>-</u>	<u>(56,064)</u>	<u>1,651</u>
Income (loss) before and capital contributions.	(543,954)	(230,091)	-	(774,045)	297,811
Capital contributions.	-	9,000	-	9,000	-
Change in net position	(543,954)	(221,091)	-	(765,045)	297,811
Net position (deficit) at beginning of year.	<u>4,338,551</u>	<u>7,587,204</u>	<u>15,607</u>		<u>(299,131)</u>
Net position (deficit) at end of year	<u>\$ 3,794,597</u>	<u>\$ 7,366,113</u>	<u>\$ 15,607</u>		<u>\$ (1,320)</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.				<u>75,056</u>	
Change in net position of business-type activities				<u>\$ (689,989)</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

THIS PAGE IS INTENTIONALLY LEFT BLANK

**CITY OF WILLARD
HURON COUNTY, OHIO**

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019
(SEE ACCOUNTANT'S COMPILATION REPORT)

	<u>Business-type Activities - Enterprise Funds</u>				Governmental Activities - Internal Service Fund
	<u>Sewer</u>	<u>Water</u>	<u>Nonmajor Enterprise Fund</u>	<u>Total</u>	
Cash flows from operating activities:					
Cash received from customers	\$ 1,934,255	\$ 1,749,534	\$ -	\$ 3,683,789	1,298,442
Cash received from other operations	-	147	-	147	143,383
Cash payments for personal services	(1,205,827)	(903,911)	-	(2,109,738)	-
Cash payments for contract services	(57,838)	(51,588)	-	(109,426)	(280,942)
Cash payments for materials and supplies	(110,425)	(223,924)	-	(334,349)	-
Cash payments to JHP for cash overdraft	-	-	-	-	(189,164)
Cash payments for utilities	(253,948)	(116,886)	-	(370,834)	-
Cash payments for claims	-	-	-	-	(867,381)
Cash payments for other expenses	(3,897)	(3,320)	-	(7,217)	-
Net cash provided by operating activities	<u>302,320</u>	<u>450,052</u>	<u>-</u>	<u>752,372</u>	<u>104,338</u>
Cash flows from capital and related financing activities:					
Acquisition of capital assets	(158,652)	(113,909)	-	(272,561)	-
Sale of notes	570,000	-	-	570,000	-
Principal retirement	(831,220)	(29,319)	-	(860,539)	-
Interest and fiscal charges	(37,726)	(986)	-	(38,712)	-
Net cash used in capital and related financing activities	<u>(457,598)</u>	<u>(144,214)</u>	<u>-</u>	<u>(601,812)</u>	<u>-</u>
Cash flows from investing activities:					
Interest received	<u>18,662</u>	<u>27,596</u>	<u>-</u>	<u>46,258</u>	<u>1,651</u>
Net cash provided by investing activities	<u>18,662</u>	<u>27,596</u>	<u>-</u>	<u>46,258</u>	<u>1,651</u>
Net increase (decrease) in cash and investments	(136,616)	333,434	-	196,818	105,989
Cash and investments at beginning of year	<u>1,072,006</u>	<u>1,823,016</u>	<u>15,607</u>	<u>2,910,629</u>	<u>-</u>
Cash and investments at end of year	<u>\$ 935,390</u>	<u>\$ 2,156,450</u>	<u>\$ 15,607</u>	<u>\$ 3,107,447</u>	<u>\$ 105,989</u>

-- Continued

**CITY OF WILLARD
HURON COUNTY, OHIO**

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2019
(SEE ACCOUNTANT'S COMPILATION REPORT)

	<u>Business-type Activities - Enterprise Funds</u>				<u>Governmental Activities - Internal Service Fund</u>
	<u>Sewer</u>	<u>Water</u>	<u>Nonmajor Enterprise Fund</u>	<u>Total</u>	
Reconciliation of operating income (loss) to net cash provided by operating activities:					
Operating income (loss)	\$ (527,412)	\$ (190,569)	\$ -	\$ (717,981)	\$ 296,160
Adjustments:					
Depreciation	435,588	316,379	-	751,967	-
Changes in assets and liabilities:					
Change in materials and supplies inventory	5,229	112,035	-	117,264	-
Change in accounts receivable	241,547	120,261	-	361,808	-
Change in prepayments	9,025	713	-	9,738	-
Change in net pension asset	1,848	1,885	-	3,733	-
Change in deferred outflows - pension	(124,607)	(48,305)	-	(172,912)	-
Change in deferred outflows - OPEB	2,282	7,135	-	9,417	-
Change in accounts payable	(12,024)	36,824	-	24,800	-
Change in accrued wages	(4,877)	489	-	(4,388)	-
Change in intergovernmental payable	(1,911)	2,217	-	306	(189,164)
Change in compensated absences payable	(32,948)	(53,225)	-	(86,173)	-
Change in net pension liability	380,786	151,586	-	532,372	-
Change in net OPEB liability	55,990	(13,657)	-	42,333	-
Change in deferred inflows - pension	(111,493)	(27,529)	-	(139,022)	-
Change in deferred inflows - OPEB	(14,703)	18,814	-	4,111	-
Change in claims payable	-	-	-	-	(2,658)
Change in payable from restricted assets	-	14,999	-	14,999	-
Net cash provided by operating activities	<u>\$ 302,320</u>	<u>\$ 450,052</u>	<u>\$ -</u>	<u>\$ 752,372</u>	<u>\$ 104,338</u>

Non-cash transactions:

During 2019, the governmental activities provided \$9,000 in capital contributions to the water fund.

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, 2019
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 1 - DESCRIPTION OF THE CITY

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance deficits of, or provide financial support to, the organization. Component units may also include organizations that are fiscally dependent on the City in that the City approves the budget, the issuance of debt or the levying of taxes. The City has no component units.

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(SEE ACCOUNTANT'S COMPILATION REPORT)

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.

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(SEE ACCOUNTANT'S COMPILATION REPORT)

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, 2019
(SEE ACCOUNTANT'S COMPILATION REPORT)

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 custodial funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. The City has no fiduciary funds.

D. Measurement Focus 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.

E. Basis of Accounting

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

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(SEE ACCOUNTANT'S COMPILATION REPORT)

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

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.

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, 2019, but which were levied to finance 2020 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.

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(SEE ACCOUNTANT'S COMPILATION REPORT)

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

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

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

F. Budgetary Data

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

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

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

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

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.

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(SEE ACCOUNTANT'S COMPILATION REPORT)

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

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, 2019, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount at the time of the purchase and reflecting the expenditures/expense in the year in which it was consumed.

J. Cash and Cash Equivalents

To improve cash management, cash received by the City is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the City's records. Each fund's interest in the pool is presented as "equity in pooled cash and investments" on the financial statements.

During 2019, 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 2019 amounted to \$353,915, which included \$193,700 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.

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(SEE ACCOUNTANT'S COMPILATION REPORT)

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

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:

<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.

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(SEE ACCOUNTANT'S COMPILATION REPORT)

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

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

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

M. Accrued Liabilities and Long-Term Obligations

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

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

N. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund loans receivable/payable". These amounts are eliminated in the governmental and business-type activities columns of the statement of net position, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances.

O. Interfund Activity

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

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.

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(SEE ACCOUNTANT'S COMPILATION REPORT)

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

P. Fund Balance

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

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

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

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

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

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

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

Q. Restricted Assets

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

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(SEE ACCOUNTANT'S COMPILATION REPORT)

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

R. Estimates

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

S. Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets, tap-in fees to the extent they exceed the cost of the connection to the system, or from grants or outside contributions of resources restricted to capital acquisition and construction. Capital contributions are reported as revenue in the proprietary fund financial statements. The City's water fund received \$9,000 in capital contributions from the governmental activities during 2019.

T. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. The net position component "net investment in capital assets," consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position.

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

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

U. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Council and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2019.

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.

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(SEE ACCOUNTANT'S COMPILATION REPORT)

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

W. Fair Value Measurements

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For 2019, the City has implemented GASB Statement No. 83, "*Certain Asset Retirement Obligations*", GASB Statement No. 84, "*Fiduciary Activities*", GASB Statement No. 88, "*Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*" and GASB Statement No. 90, "*Majority Equity Interests - an amendment to GASB Statements No. 14 and No. 61*".

GASB Statement No. 83 addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability. The implementation of GASB Statement No. 83 did not have an effect on the financial statements of the City.

GASB Statement No. 84 establishes specific criteria for identifying activities that should be reported as fiduciary activities and clarifies whether and how business-type activities should report their fiduciary activities. Due to the implementation of GASB Statement No. 84, the City will no longer be reporting agency funds. The City reviewed its agency funds and have reclassified agency funds as governmental funds. These fund reclassifications resulted in the restatement of the City's financial statements.

GASB Statement No. 88 improves the information that is disclosed in notes to the basic financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The implementation of GASB Statement No. 88 did not have an effect on the financial statements of the City.

GASB Statement No. 90 improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. The implementation of GASB Statement No. 90 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, 2019
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

B. Restatement of Net Position and Fund Balances

The implementation of GASB 84 had the following effect on fund balance as reported at December 31, 2018:

	<u>General</u>	<u>Income Tax Capital Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund Balance as previously reported	\$ 3,514,625	\$ 404,365	\$ 1,416,351	\$ 5,335,341
GASB Statement No. 84	<u>3,841</u>	<u>-</u>	<u>5,900</u>	<u>9,741</u>
Restated Fund Balance, at December 31, 2018	<u>\$ 3,518,466</u>	<u>\$ 404,365</u>	<u>\$ 1,422,251</u>	<u>\$ 5,345,082</u>

The implementation of the GASB 84 pronouncement had the following effect on the net position as reported at December 31, 2018:

	<u>Governmental Activities</u>
Net position as previously reported	\$ 10,211,266
GASB Statement No. 84	<u>9,741</u>
Restated net position at December 31, 2018	<u>\$ 10,221,007</u>

Due to the implementation of GASB Statement No. 84, the City will no longer be reporting agency funds. At December 31, 2018, agency funds reported assets and liabilities of \$9,741.

C. Deficit Fund Balances

Fund balances at December 31, 2019 included the following individual fund deficits:

	<u>Deficit</u>
Internal service fund	\$ 1,320
<u>Nonmajor governmental funds</u> CDBG	41,923

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.

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(SEE ACCOUNTANT'S COMPILATION REPORT)

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, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio, and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in items (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and,
7. The State Treasurer's investment pool, the State Treasury Asset Reserve of Ohio (STAR Ohio); and,
8. Certain bankers' acceptances for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met.

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(SEE ACCOUNTANT'S COMPILATION REPORT)

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 deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. Except as noted above, an investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Finance Director or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Cash on Hand

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

B. Cash in Segregated Accounts

At year end, the City had \$93,377 deposited with the Huron County Treasurer for monies related to the municipal road fund permissive tax.

C. Cash with Fiscal Agent

The City utilizes a self-insurance third party administrator to review and pay claims. Money held by the administrator is presented as "cash with fiscal agent." The amount held by the fiscal agent at December 31, 2019 was \$105,989.

D. Deposits with Financial Institutions

At December 31, 2019, the carrying amount of all City deposits was \$273,291. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2019, \$129,989 of the City's bank balance of \$379,989 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, 2019
(SEE ACCOUNTANT'S COMPILATION REPORT)

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 2019, 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, 2019, 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	\$ 433,781	\$ -	\$ 249,625	\$ -	\$ -	\$ 184,156
FFCB	476,262	-	-	-	-	476,262
FHLMC	522,103	-	-	-	-	522,103
Negotiable CDs	5,089,093	246,990	1,135,989	994,482	608,141	2,103,491
U.S. government money market fund	1,786,859	1,786,859	-	-	-	-
Total	\$ 8,308,098	\$ 2,033,849	\$ 1,385,614	\$ 994,482	\$ 608,141	\$ 3,286,012

The weighted average maturity of investments is 1.81 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, 2019
(SEE ACCOUNTANT'S COMPILATION REPORT)

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, 2019:

Investment type	Measurement Value	% of Total
FNMA	\$ 433,781	5.23
FFCB	476,262	5.73
FHLMC	522,103	6.28
Negotiable CDs	5,089,093	61.25
U.S. government money market	1,786,859	21.51
Total	<u>\$ 8,308,098</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, 2019:

Cash and investments per note disclosure:

Carrying amount of deposits	\$ 273,291
Investments	8,308,098
Cash in segregated accounts	93,377
Cash with fiscal agent	105,989
Cash on hand	<u>1,100</u>
Total	<u>\$ 8,781,855</u>

Cash and investments per statement of net position:

Governmental activities	\$ 5,674,408
Business-type activities	<u>3,107,447</u>
Total	<u>\$ 8,781,855</u>

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(SEE ACCOUNTANT’S COMPILATION REPORT)

NOTE 5 - INTERFUND ACTIVITY

- A. Interfund transfers for the year ended December 31, 2019, consisted of the following, as reported on the fund financial statements:

Transfers to nonmajor governmental funds from:	
Income tax capital improvement fund	\$ 129,873

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.

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, 2019, as reported on the fund financial statements.

Receivable fund	Payable fund	Amount
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 revalued every six years. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2019 public utility property taxes became a lien December 31, 2018, are levied after October 1, 2019, and are collected in 2020 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 6 - PROPERTY TAXES - (Continued)

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of Willard. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real property taxes, public utility taxes, delinquent tangible personal property taxes and other outstanding delinquencies which are measurable as of December 31, 2019 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 2019 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, 2019 was \$3.80 per \$1,000 of assessed value. The assessed values of real and public utility property upon which 2019 property tax receipts were based are as follows:

<u>Real property</u>	
Residential/agricultural	\$ 54,209,550
Commercial/industrial/mineral	28,736,830
<u>Public utility</u>	
Real	3,134,820
Personal	<u>8,130,040</u>
Total assessed value	<u>\$ 94,211,240</u>

NOTE 7 - LOCAL INCOME TAX

For 2019, 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, 2019
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 8 - RECEIVABLES

Receivables at December 31, 2019, 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, 2019.

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

Governmental activities:

Income taxes	\$ 635,185
Real and other taxes	333,165
Accounts	107,349
Special assessments	20,089
Due from other governments	267,356
Accrued interest	21,412

Business-type activities:

Accounts	573,853
----------	---------

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.

THIS SPACE INTENTIONALLY LEFT BLANK

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 9 - CAPITAL ASSETS

A. Governmental capital asset activity for the year ended December 31, 2019, was as follows:

Governmental activities:	<u>Balance 1/1/2019</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 12/31/2019</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 1,320,002	\$ -	\$ -	\$ 1,320,002
Construction in progress	<u>25,000</u>	<u>184,418</u>	<u>-</u>	<u>209,418</u>
<i>Total capital assets, not being depreciated</i>	<u>1,345,002</u>	<u>184,418</u>	<u>-</u>	<u>1,529,420</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	342,575	-	-	342,575
Buildings	4,259,235	14,100	(2,650)	4,270,685
Equipment	3,206,421	64,250	(9,363)	3,261,308
Vehicles	2,908,575	249,490	-	3,158,065
Infrastructure	<u>14,064,433</u>	<u>250,303</u>	<u>-</u>	<u>14,314,736</u>
<i>Total capital assets, being depreciated</i>	<u>24,781,239</u>	<u>578,143</u>	<u>(12,013)</u>	<u>25,347,369</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(254,787)	(25,543)	-	(280,330)
Buildings	(3,205,907)	(52,564)	2,650	(3,255,821)
Equipment	(2,003,182)	(143,647)	7,176	(2,139,653)
Vehicles	(2,630,515)	(108,485)	-	(2,739,000)
Infrastructure	<u>(3,462,811)</u>	<u>(358,135)</u>	<u>-</u>	<u>(3,820,946)</u>
<i>Total accumulated depreciation</i>	<u>(11,557,202)</u>	<u>(688,374)</u>	<u>9,826</u>	<u>(12,235,750)</u>
Total capital assets, being depreciated, net	<u>13,224,037</u>	<u>(110,231)</u>	<u>(2,187)</u>	<u>13,111,619</u>
Total governmental activities capital assets	<u>\$ 14,569,039</u>	<u>\$ 74,187</u>	<u>\$ (2,187)</u>	<u>\$ 14,641,039</u>

THIS SPACE INTENTIONALLY LEFT BLANK

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 9 - CAPITAL ASSETS - (Continued)

B. Business-type activities capital asset activity for the year ended December 31, 2019, was as follows:

	Balance			Balance
Business-type activities:	<u>1/1/2019</u>	<u>Additions</u>	<u>Disposals</u>	<u>12/31/2019</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 1,020,841	\$ -	\$ (66,410)	\$ 954,431
<i>Total capital assets, not being depreciated:</i>	<u>1,020,841</u>	<u>-</u>	<u>(66,410)</u>	<u>954,431</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	102,164	9,850	-	112,014
Buildings	6,694,470	42,199	-	6,736,669
Equipment	8,031,712	205,946	-	8,237,658
Vehicles	812,918	-	-	812,918
Utility plant in service	<u>13,321,843</u>	<u>23,566</u>	<u>-</u>	<u>13,345,409</u>
<i>Total capital assets, being depreciated:</i>	<u>28,963,107</u>	<u>281,561</u>	<u>-</u>	<u>29,244,668</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(82,581)	(3,287)	-	(85,868)
Buildings	(5,589,774)	(106,413)	-	(5,696,187)
Equipment	(4,640,535)	(287,713)	-	(4,928,248)
Vehicles	(606,550)	(27,104)	-	(633,654)
Utility plant in service	<u>(6,029,420)</u>	<u>(327,450)</u>	<u>-</u>	<u>(6,356,870)</u>
<i>Total accumulated depreciation</i>	<u>(16,948,860)</u>	<u>(751,967)</u>	<u>-</u>	<u>(17,700,827)</u>
Total capital assets, being depreciated, net	<u>12,014,247</u>	<u>(470,406)</u>	<u>-</u>	<u>11,543,841</u>
Total business-type activities capital assets	<u>\$ 13,035,088</u>	<u>\$ (470,406)</u>	<u>\$ (66,410)</u>	<u>\$ 12,498,272</u>

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 9 - CAPITAL ASSETS - (Continued)

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

Governmental activities:

General government	\$ 18,574
Security of persons and property	181,718
Public health and welfare	2,054
Transportation	340,685
Community environment	83,571
Leisure time activities	<u>61,772</u>
Total governmental activities	<u>\$ 688,374</u>

Business-type activities:

Sewer	\$ 435,588
Water	<u>316,379</u>
Total business-type activities	<u>\$ 751,967</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 \$320,863 at December 31, 2019. 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, 2019 was \$354,356.

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

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

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 11 - NOTES PAYABLE

The City had the following bond anticipation notes outstanding at December 31, 2019:

	<u>Issue Date</u>	<u>Interest Rate</u>	<u>Balance 12/31/2018</u>	<u>Issued</u>	<u>Reductions</u>	<u>Balance 12/31/2019</u>
Governmental activities:						
<i><u>Note and Bond retirement fund:</u></i>						
Fire truck	2018	2.39%	\$ 60,500	\$ -	\$ (60,500)	\$ -
Fire truck	2019	2.00%	-	45,000	-	45,000
<i><u>Income tax capital improvement fund:</u></i>						
Fire engine	2018	2.39%	134,500	-	(134,500)	-
Fire engine	2019	2.00%	-	121,000	-	121,000
Ambulance	2018	2.39%	250,000	-	(250,000)	-
Ambulance	2018	2.00%	-	225,000	-	225,000
Total governmental activities			<u>445,000</u>	<u>391,000</u>	<u>(445,000)</u>	<u>391,000</u>
Business-type activities:						
<i><u>Sewer fund:</u></i>						
WWTP upgrade	2018	2.39%	630,000	-	(630,000)	-
WWTP upgrade	2019	2.00%	-	570,000	-	570,000
Total business-type activities			<u>630,000</u>	<u>570,000</u>	<u>(630,000)</u>	<u>570,000</u>
Total notes payable			<u>\$ 1,075,000</u>	<u>\$ 961,000</u>	<u>\$ (1,075,000)</u>	<u>\$ 961,000</u>

Bond anticipation notes - fire truck: On August 21, 2019, the City issued \$45,000 in fire truck bond anticipation notes. The proceeds were used to retire the 2018 notes. These notes bear an interest rate of 2.00% and mature on August 21, 2020. 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 21, 2019, the City issued \$121,000 in fire engine bond anticipation notes. The proceeds were used to retire the 2018 notes. These notes bear an interest rate of 2.00% and mature on August 21, 2020. 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 21, 2019, the City issued \$225,000 in ambulance bond anticipation notes. The proceeds were used to retire the 2018 notes. These notes bear an interest rate of 2.00% and mature on August 21, 2020. 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 21, 2019, the City issued \$570,000 in bond anticipation notes. The proceeds were used to retire the 2018 notes. These notes bear an interest rate of 2.00% and mature on August 21, 2020. 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, 2019
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 12 - LONG-TERM OBLIGATIONS

A. During 2019, the following changes occurred in governmental activities long-term obligations.

Governmental activities:	Date of Issue	Interest Rate	Balance 12/31/2018	Additions	Retirements	Balance 12/31/2019	Amounts Due in One Year
<u>Issue II loans - direct borrowings:</u>							
Pearl Street repavement	1999	0.00%	\$ 7,032	\$ -	\$ (3,516)	\$ 3,516	\$ 3,516
East Howard repavement I	2002	0.00%	672	-	(96)	576	96
East Howard repavement II	2003	0.00%	14,736	-	(1,228)	13,508	1,228
Ash Street reconstruction I	2005	0.00%	13,867	-	(991)	12,876	991
North Main reconstruction	2005	0.00%	13,156	-	(1,012)	12,144	1,012
Ash Street reconstruction II	2006	0.00%	48,945	-	(3,059)	45,886	3,059
Myrtle Avenue curbs and ramps	2009	0.00%	16,500	-	(750)	15,750	750
US 224 widening	2010	0.00%	11,500	-	(500)	11,000	500
Myrtle Avenue phase VII	2011	0.00%	13,000	-	(500)	12,500	500
Neal Zick Road improvements	2013	0.00%	8,700	-	(300)	8,400	300
Crestwood Dr. reconstruction	2014	0.00%	3,197	-	(100)	3,097	99
Street improvements	2016	0.00%	711,973	-	(44,498)	667,475	44,498
Pearl Street improvements	2017	0.00%	10,983	-	(610)	10,373	611
US 224 improvements phase IV	2017	0.00%	14,250	-	(375)	13,875	375
Spring Street improvements	2018	0.00%	13,668	-	(683)	12,985	684
Total Issue II loans			<u>902,179</u>	<u>-</u>	<u>(58,218)</u>	<u>843,961</u>	<u>58,219</u>
<u>Other long-term obligations:</u>							
Net pension liability			4,789,754	2,771,854	-	7,561,608	-
Net OPEB liability			4,064,870	314,207	(2,478,652)	1,900,425	-
Compensated absences			413,239	183,844	(175,596)	421,487	204,048
Total other long-term obligations			<u>9,267,863</u>	<u>3,269,905</u>	<u>(2,654,248)</u>	<u>9,883,520</u>	<u>204,048</u>
Total governmental activities long-term obligations			<u>\$ 10,170,042</u>	<u>\$ 3,269,905</u>	<u>\$ (2,712,466)</u>	<u>\$ 10,727,481</u>	<u>\$ 262,267</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.

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

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

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(SEE ACCOUNTANT'S COMPILATION REPORT)

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 governmental activities obligations:

Year Ending December 31,	<u>Issue II Loans - Direct Borrowing</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 58,219	\$ -	\$ 58,219
2021	109,404	-	109,404
2022	109,404	-	109,404
2023	109,310	-	109,310
2024	109,212	-	109,212
2025 - 2029	331,763	-	331,763
2030 - 2034	13,449	-	13,449
2035 - 2038	3,200	-	3,200
Total	<u>\$ 843,961</u>	<u>\$ -</u>	<u>\$ 843,961</u>

THIS SPACE INTENTIONALLY LEFT BLANK

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

B. During 2019, the following changes occurred in the City's business-type long-term obligations.

Business-type activities:	Date of Issue	Interest Rate	Balance 12/31/2018	Additions	Retirements	Balance 12/31/2019	Amounts Due in One Year
<u>OWDA loans - direct borrowings:</u>							
Drinking water loan	2000	2.00%	\$ 56,196	\$ -	\$ (27,819)	\$ 28,377	\$ 28,377
Water pollution loan	2000	1.20%	36,404	-	(18,093)	18,311	18,311
Sewer loan	2001	2.20%	94,254	-	(30,733)	63,521	31,413
Storm water loan	1998	1.20%	27,861	-	(27,861)	-	-
Storm water loan	2001	2.20%	46,932	-	(15,303)	31,629	15,641
US 224 lift station	2010	1.00%	137,761	-	(10,861)	126,900	10,970
WWTP improvements	2014	1.00%	<u>1,777,142</u>	-	<u>(93,410)</u>	<u>1,683,732</u>	<u>94,347</u>
Total OWDA loans			<u>2,176,550</u>	<u>-</u>	<u>(224,080)</u>	<u>1,952,470</u>	<u>199,059</u>
<u>Issue II loans - direct borrowings:</u>							
Woodbine Avenue	2005	0.00%	15,730	-	(1,210)	14,520	1,210
US 224 pump station	2010	0.00%	36,223	-	(1,249)	34,974	1,249
WWTP improvements	2014	0.00%	37,500	-	(2,500)	35,000	2,500
Raw waterline replacement	2017	0.00%	<u>58,500</u>	-	<u>(1,500)</u>	<u>57,000</u>	<u>1,500</u>
Total Issue II loans			<u>147,953</u>	<u>-</u>	<u>(6,459)</u>	<u>141,494</u>	<u>6,459</u>
<u>Other long-term obligations:</u>							
Net pension liability			984,252	532,372	-	1,516,624	-
Net OPEB liability			680,664	42,333	-	722,997	-
Compensated absences			<u>339,905</u>	<u>32,114</u>	<u>(118,287)</u>	<u>253,732</u>	<u>116,815</u>
Total other long-term obligations			<u>2,004,821</u>	<u>606,819</u>	<u>(118,287)</u>	<u>2,493,353</u>	<u>116,815</u>
Total business-type activities long-term obligations			<u>\$ 4,329,324</u>	<u>\$ 606,819</u>	<u>\$ (348,826)</u>	<u>\$ 4,587,317</u>	<u>\$ 322,333</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.

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

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

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.

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 matured 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 18.78 percent of net revenues and 1.73 percent of total revenues. Principal and interest paid for the current year were \$28,804, total net revenues were \$153,406 and total revenues were \$1,666,016.

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

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 (298.84) percent of net revenues and 12.78 percent of total revenues. Principal and interest paid for the current year were \$218,637, total net revenues were (\$73,162) and total revenues were \$1,711,370.

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

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

Net pension liability and net OPEB liability: For a discussion of the City's net pension liability and net OPEB liability, see Notes 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 - Direct Borrowing			Issue II Loans - Direct Borrowing		
	Principal	Interest	Total	Principal	Interest	Total
2020	\$ 199,059	\$ 20,271	\$ 219,330	\$ 6,459	\$ -	\$ 6,459
2021	154,467	17,583	172,050	12,918	-	12,918
2022	107,439	15,721	123,160	12,918	-	12,918
2023	108,516	14,644	123,160	12,918	-	12,918
2024	109,603	13,556	123,159	12,918	-	12,918
2025 - 2029	564,721	51,079	615,800	43,621	-	43,621
2030 - 2034	543,892	23,063	566,955	26,242	-	26,242
2035 - 2039	164,773	1,650	166,423	13,500	-	13,500
Total	<u>\$ 1,952,470</u>	<u>\$ 157,567</u>	<u>\$ 2,110,037</u>	<u>\$ 141,494</u>	<u>\$ -</u>	<u>\$ 141,494</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, 2019, the City's total debt margin was \$9,943,958 and the unvoted debt margin was \$5,181,618.

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(SEE ACCOUNTANT'S COMPILATION REPORT)

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.

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, 2019, 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, 2018 and 2019:

<u>Casualty & Property Coverage</u>	<u>2018</u>	<u>2019</u>
Assets	\$49,921,998	\$54,973,597
Liabilities	<u>(14,676,199)</u>	<u>(16,440,940)</u>
Net Position	<u>\$35,245,799</u>	<u>\$38,532,657</u>

At December 31, 2018 and 2019, respectively, the liabilities above include approximately \$13 million and \$14.7 million of estimated incurred claims payable. The assets above also include approximately \$11.8 million and \$13.7 million of unpaid claims to be billed. The Pool's membership increased from 538 members in 2018 to 553 members in 2019. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2019, the City's share of these unpaid claims collectible in future years is approximately \$70,000.

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 13 - RISK MANAGEMENT - (Continued)

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.

<u>Contributions to PEP</u>	
2019	\$105,497
2018	\$94,040

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 \$107,309 reported in the internal service fund at December 31, 2019 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>
2019	\$ 109,967	\$ 864,723	\$ (867,381)	\$ 107,309
2018	112,262	954,083	(956,378)	109,967

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 13 - RISK MANAGEMENT - (Continued)

In 2019, traditional plan family coverage had a monthly cost of \$2,896.60 and traditional plan single coverage had a monthly cost of \$966.94. Beginning in 2018, the City chose to offer a Health Savings Account (HSA) option. HSA plan family coverage had a monthly cost of \$2,305.91 and HSA plan single coverage had a monthly cost of \$769.99. 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.

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 is presented as a long-term net pension liability/asset on the accrual basis of accounting. Any liability for the 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.

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

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.

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
Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35
Combined Plan Formula: 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	Combined Plan Formula: 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	Combined Plan Formula: 1% of FAS multiplied by years of service for the first 35 years and 1.25% for service years in excess of 35

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

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

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

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 3.00%.

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.

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 1.00% 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 3.00% 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.

THIS SPACE INTENTIONALLY LEFT BLANK

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

	State and Local
2019 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee *	10.0 %
2019 Actual Contribution Rates	
Employer:	
Pension	14.0 %
Post-employment Health Care Benefits **	0.0 %
Total Employer	14.0 %
Employee	10.0 %

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

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

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

The City's contractually required contribution for the Traditional Pension Plan, the Combined Plan and Member-Directed Plan was \$306,792 for 2019. Of this amount, \$51,097 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 OP&F website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

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

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

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

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 OP&F benefits for at least one year may be eligible for a cost-of-living allowance adjustment. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit 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 3.00% 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 3.00% of their base pension or disability benefit.

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

	<u>Police</u>	<u>Firefighters</u>
2019 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
2019 Actual Contribution Rates		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	<u>0.50 %</u>	<u>0.50 %</u>
Total Employer	<u>19.50 %</u>	<u>24.00 %</u>
Employee	12.25 %	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was \$277,959 for 2019. Of this amount, \$53,865 is reported as due to other governments.

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

The net pension liability and net pension asset for the OPERS Traditional Pension Plan, Combined Plan and Member-Directed Plan, respectively, were measured as of December 31, 2018, 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, 2018, and was determined by rolling forward the total pension liability as of January 1, 2018, to December 31, 2018. 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.

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

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	0.01609500%	0.02301800%	0.01027800%	0.05293800%	
Proportion of the net pension liability/asset current measurement date	<u>0.01610500%</u>	<u>0.02217800%</u>	<u>0.01212100%</u>	<u>0.05718000%</u>	
Change in proportionate share	<u>0.00001000%</u>	<u>-0.00084000%</u>	<u>0.00184300%</u>	<u>0.00424200%</u>	
Proportionate share of the net pension liability	\$ 4,410,833	\$ -	\$ -	\$ 4,667,399	\$ 9,078,232
Proportionate share of the net pension asset	-	24,800	276	-	25,076
Pension expense	1,004,202	6,882	(72)	704,563	1,715,575

At December 31, 2019, 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	\$ 203	\$ -	\$ 1,149	\$ 191,765	\$ 193,117
Net difference between projected and actual earnings on pension plan investments	598,675	5,346	94	575,022	1,179,137
Changes of assumptions	383,975	5,539	84	123,739	513,337
Changes in employer's proportionate percentage/difference between employer contributions	109,576	-	-	430,829	540,405
Contributions subsequent to the measurement date	285,651	13,948	7,193	277,959	584,751
Total deferred outflows of resources	<u>\$ 1,378,080</u>	<u>\$ 24,833</u>	<u>\$ 8,520</u>	<u>\$ 1,599,314</u>	<u>\$ 3,010,747</u>

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

	OPERS - Traditional	OPERS - Combined	OPERS - Member- Directed	OP&F	Total
Deferred inflows of resources					
Differences between expected and actual experience	\$ 57,916	\$ 10,128	\$ -	\$ 4,359	\$ 72,403
Changes in employer's proportionate percentage/ difference between employer contributions	90,529	-	-	227,646	318,175
Total deferred inflows of resources	<u>\$ 148,445</u>	<u>\$ 10,128</u>	<u>\$ -</u>	<u>\$ 232,005</u>	<u>\$ 390,578</u>

\$584,751 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, 2020.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	OPERS - Traditional	OPERS - Combined	OPERS - Member- Directed	OP&F	Total
Year Ending December 31:					
2020	\$ 414,779	\$ 838	\$ 192	\$ 359,771	\$ 775,580
2021	195,238	(228)	179	225,991	421,180
2022	55,539	(116)	181	232,111	287,715
2023	278,428	1,553	214	261,595	541,790
2024	-	(641)	161	9,882	9,402
Thereafter	-	(649)	400	-	(249)
Total	<u>\$ 943,984</u>	<u>\$ 757</u>	<u>\$ 1,327</u>	<u>\$ 1,089,350</u>	<u>\$ 2,035,418</u>

Actuarial Assumptions - OPERS

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

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

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, 2018, 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	
Current measurement date	7.20%
Prior measurement date	7.50%
Actuarial cost method	Individual entry age

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. 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 expected rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

During 2018, 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 a loss of 2.94% for 2018.

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

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 2018 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 %	2.79 %
Domestic equities	19.00	6.21
Real estate	10.00	4.90
Private equity	10.00	10.81
International equities	20.00	7.83
Other investments	18.00	5.50
Total	100.00 %	5.95 %

Discount Rate - The discount rate used to measure the total pension liability/asset was 7.20%, post-experience study results, for the Traditional Pension Plan, the Combined Plan and Member-Directed Plan. The discount rate used to measure total pension liability prior to December 31, 2018 was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Traditional Pension Plan, Combined Plan and Member-Directed Plan was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability/Asset to Changes in the Discount Rate - The following table presents the City's proportionate share of the net pension liability/asset calculated using the current period discount rate assumption of 7.20%, 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 (6.20%) or one-percentage-point higher (8.20%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
City's proportionate share of the net pension liability (asset):			
Traditional Pension Plan	\$ 6,516,083	\$ 4,410,833	\$ 2,661,351
Combined Plan	(8,206)	(24,800)	(36,815)
Member-Directed Plan	(121)	(276)	(485)

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

Actuarial Assumptions - OP&F

OP&F's total pension liability as of December 31, 2018 is based on the results of an actuarial valuation date of January 1, 2018, 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, 2018, are presented below.

Valuation date	1/1/18 with actuarial liabilities rolled forward to 12/31/18
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%, plus productivity increase rate of 0.50%
Cost of living adjustments	3.00% simple; 2.20% simple for increases based on the lesser of the increase in CPI and 3.00%

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

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

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

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

The most recent experience study was completed for the five-year period ended December 31, 2016. The recommended assumption changes based on this experience study were adopted by OP&F's Board and were effective beginning with the January 1, 2018 actuarial valuation.

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2018 are summarized below:

Asset Class	Target Allocation	10 Year Expected Real Rate of Return **	30 Year Expected Real Rate of Return **
Cash and Cash Equivalents	- %	1.00 %	0.80 %
Domestic Equity	16.00	5.30	5.50
Non-US Equity	16.00	6.10	5.90
Private Markets	8.00	8.40	8.40
Core Fixed Income *	23.00	2.20	2.60
High Yield Fixed Income	7.00	4.20	4.80
Private Credit	5.00	8.30	7.50
U.S. Inflation			
Linked Bonds *	17.00	1.30	2.30
Master Limited Partnerships	8.00	6.70	6.40
Real Assets	8.00	7.00	7.00
Private Real Estate	12.00	5.70	6.10
Total	<u>120.00 %</u>		

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%. 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.

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(SEE ACCOUNTANT’S COMPILATION REPORT)

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

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	Current Discount Rate	1% Increase
City's proportionate share of the net pension liability	\$ 6,134,974	\$ 4,667,399	\$ 3,441,028

NOTE 15 - DEFINED BENEFIT OPEB PLANS

Net OPEB Liability

The net OPEB liability reported on the statement of net position represents a liability to employees for OPEB. 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 obligation to sacrifice resources for OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

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.

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 15 - DEFINED BENEFIT OPEB PLANS - (Continued)

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.

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. Health care is not being funded.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2019, state and local employers contributed at a rate of 14.00% of earnable salary and public safety and law enforcement employers contributed at 18.10%. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care was 0.00% for the Traditional and Combined 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 2019 was 4.00%.

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

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 15 - DEFINED BENEFIT OPEB PLANS - (Continued)

The City's contractually required contribution was \$2,877 for 2019. Of this amount, \$479 is reported as due to other governments.

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

Plan Description - The City contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored healthcare program, a cost-sharing, multiple-employer defined post-employment 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.

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 19.50% and 24.00% of covered payroll for police and fire employer units, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.50% of covered payroll for police employer units and 24.00% of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

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 2019, the portion of employer contributions allocated to health care was 0.50% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 15 - DEFINED BENEFIT OPEB PLANS - (Continued)

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 changed 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 \$6,788 for 2019. Of this amount, \$1,315 is reported as due to other governments.

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

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2017, rolled forward to the measurement date of December 31, 2018, 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, 2018, and was determined by rolling forward the total OPEB liability as of January 1, 2018, to December 31, 2018. 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	0.01608000%	0.05293800%	
Proportion of the net OPEB liability			
current measurement date	<u>0.01612800%</u>	<u>0.05718000%</u>	
Change in proportionate share	<u>0.00004800%</u>	<u>0.00424200%</u>	
Proportionate share of the net OPEB liability	\$ 2,102,710	\$ 520,712	\$ 2,623,422
OPEB expense	210,376	(2,778,908)	(2,568,532)

THIS SPACE INTENTIONALLY LEFT BLANK

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 15 - DEFINED BENEFIT OPEB PLANS - (Continued)

At December 31, 2019, 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	\$ 713	\$ -	\$ 713
Net difference between projected and actual earnings on OPEB plan investments	96,397	17,626	114,023
Changes of assumptions	67,795	269,912	337,707
Changes in employer's proportionate percentage/difference between employer contributions	73,073	188,608	261,681
Contributions subsequent to the measurement date	2,877	6,788	9,665
Total deferred outflows of resources	<u>\$ 240,855</u>	<u>\$ 482,934</u>	<u>\$ 723,789</u>
Deferred inflows of resources			
Differences between expected and actual experience	\$ 5,705	\$ 13,951	\$ 19,656
Changes of assumptions	-	144,158	144,158
Changes in employer's proportionate percentage/difference between employer contributions	54,244	252,401	306,645
Total deferred inflows of resources	<u>\$ 59,949</u>	<u>\$ 410,510</u>	<u>\$ 470,459</u>

\$9,665 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, 2020.

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 15 - DEFINED BENEFIT OPEB PLANS - (Continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending December 31:	OPERS	OP&F	Total
2020	\$ 91,419	\$ 11,019	\$ 102,438
2021	22,126	11,019	33,145
2022	15,922	11,019	26,941
2023	48,562	16,348	64,910
2024	-	7,946	7,946
Thereafter	-	8,285	8,285
Total	\$ 178,029	\$ 65,636	\$ 243,665

Actuarial Assumptions - OPERS

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

Projections of health care costs for financial reporting purposes are based on the substantive plan 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, 2017, rolled forward to the measurement date of December 31, 2018. 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%
Projected Salary Increases, including inflation	3.25 to 10.75% including wage inflation
Single Discount Rate:	
Current measurement date	3.96%
Prior Measurement date	3.85%
Investment Rate of Return	
Current measurement date	6.00%
Prior Measurement date	6.50%
Municipal Bond Rate	
Current measurement date	3.71%
Prior Measurement date	3.31%
Health Care Cost Trend Rate	
Current measurement date	10.00% initial, 3.25% ultimate in 2029
Prior Measurement date	7.50%, initial 3.25%, 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, 2019
(SEE ACCOUNTANT'S COMPILATION REPORT)

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 2018, 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 a loss of 5.60% for 2018.

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 2018 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 %	2.42 %
Domestic Equities	21.00	6.21
Real Estate Investment Trust	6.00	5.98
International Equities	22.00	7.83
Other investments	17.00	5.57
Total	100.00 %	5.16 %

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 15 - DEFINED BENEFIT OPEB PLANS - (Continued)

Discount Rate - A single discount rate of 3.96% was used to measure the OPEB liability on the measurement date of December 31, 2018. A single discount rate of 3.85% was used to measure the OPEB liability on the measurement date of December 31, 2017. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00% and a municipal bond rate of 3.71%. 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 2031. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2031, 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 3.96%, 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 (2.96%) or one-percentage-point higher (4.96%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
City's proportionate share of the net OPEB liability	\$ 2,690,150	\$ 2,102,710	\$ 1,635,540

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

Retiree health care valuations use a health care cost-trend assumption 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 2019 is 10.00%. 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% in the most recent valuation.

	1% Decrease	Current Health Care Trend Rate Assumption	1% Increase
City's proportionate share of the net OPEB liability	\$ 2,021,161	\$ 2,102,710	\$ 2,196,634

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 15 - DEFINED BENEFIT OPEB PLANS - (Continued)

Actuarial Assumptions - OP&F

OP&F's total OPEB liability as of December 31, 2018, is based on the results of an actuarial valuation date of January 1, 2018, 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, 2018, with actuarial liabilities rolled forward to December 31, 2018
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)
Investment Rate of Return	8.00%
Projected Salary Increases	3.75% to 10.50%
Payroll Growth	Inflation rate of 2.75% plus productivity increase rate of 0.50%
Single discount rate:	
Current measurement date	4.66%
Prior measurement date	3.24%
Cost of Living Adjustments	3.00% simple; 2.20% simple for increases based on the lesser of the increase in CPI and 3.00%

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%.

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

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 15 - DEFINED BENEFIT OPEB PLANS - (Continued)

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 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, 2018, are summarized below:

Asset Class	Target Allocation	10 Year Expected Real Rate of Return **	30 Year Expected Real Rate of Return **
Cash and Cash Equivalents	- %	1.00 %	0.80 %
Domestic Equity	16.00	5.30	5.50
Non-US Equity	16.00	6.10	5.90
Private Markets	8.00	8.40	8.40
Core Fixed Income *	23.00	2.20	2.60
High Yield Fixed Income	7.00	4.20	4.80
Private Credit	5.00	8.30	7.50
U.S. Inflation			
Linked Bonds *	17.00	1.30	2.30
Master Limited Partnerships	8.00	6.70	6.40
Real Assets	8.00	7.00	7.00
Private Real Estate	12.00	5.70	6.10
Total	120.00 %		

Note: assumptions are geometric.

* levered 2x

** numbers include inflation

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(SEE ACCOUNTANT’S COMPILATION REPORT)

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 1.20 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 4.66%. A discount rate of 3.24% was used to measure the total OPEB liability at December 31, 2017. 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 8.00%. 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 4.13% at December 31, 2018 and 3.16% at December 31, 2017, was blended with the long-term rate of 8.00%, which resulted in a blended discount rate of 4.66%.

Sensitivity of the City’s Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate - Net OPEB liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net OPEB liability calculated using the discount rate of 4.66%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.66%), or one percentage point higher (5.66%) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
City's proportionate share of the net OPEB liability	\$ 634,369	\$ 520,712	\$ 425,306

Sensitivity of the City’s Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate - Due to the change from a self-funded plan to the stipend plan, disclosure of the healthcare cost trend rate for OP&F is no longer available.

Changes Between Measurement Date and Report Date - 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 will be a stipend-based health care model. OP&F has contracted with a vendor who will assist eligible retirees in choosing health care plans from their marketplace (both Medicare-eligible and pre-Medicare populations). A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses. As a result of changing from the current healthcare model to the stipend based healthcare model, management expects that it will be able to provide stipends to eligible participants for the next 15 years. Although the exact amount of these changes is not known, the overall decrease to the City’s net OPEB liability is expected to be significant.

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(SEE ACCOUNTANT’S COMPILATION REPORT)

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:

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ (380,558)
Net adjustment for revenue accruals	192,918
Net adjustment for expenditure accruals	85,980
Funds budgeted elsewhere	135,349
Adjustment for encumbrances	23,970
GAAP basis	\$ 57,659

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

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 17 - TAX ABATEMENTS

As of December 31, 2019, 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, 2019. The total value of the City's share of taxes abated for 2019 was \$13,927.

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, 2019.

B. Litigation

At December 31, 2019, the City was not involved in any lawsuits that would have a material adverse effect on the City's financial position.

NOTE 19 - 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, 2019 are comprised of the following:

	<u>Cash and Investments</u>
Water fund:	
Customer deposits	<u>\$ 95,575</u>

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 20 - 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	\$ 8,654	\$ -	\$ 19,261	\$ 27,915
Prepays	143,394	-	1,696	145,090
Electric system sale	1,575,000	-	-	1,575,000
Unclaimed monies	8,354	-	-	8,354
Perpetual care	-	-	26,142	26,142
Total nonspendable	<u>1,735,402</u>	<u>-</u>	<u>47,099</u>	<u>1,782,501</u>
Restricted:				
Capital improvements	-	-	93,321	93,321
Debt service	-	-	2,067	2,067
Transportation projects	-	-	581,455	581,455
Police and fire purposes	-	-	434,353	434,353
Other purposes	-	-	299,354	299,354
Total restricted	<u>-</u>	<u>-</u>	<u>1,410,550</u>	<u>1,410,550</u>
Committed:				
Capital improvements	-	356,153	-	356,153
Recreation programs	-	-	84,306	84,306
Transportation projects	-	-	14,220	14,220
Other purposes	-	-	71,923	71,923
Total committed	<u>-</u>	<u>356,153</u>	<u>170,449</u>	<u>526,602</u>
Assigned:				
Debt service	-	-	49,711	49,711
Capital improvements	-	-	4	4
Subsequent year appropriations	1,058,535	-	-	1,058,535
Other purposes	19,353	-	-	19,353
Total assigned	<u>1,077,888</u>	<u>-</u>	<u>49,715</u>	<u>1,127,603</u>
Unassigned (deficit)	<u>762,835</u>	<u>-</u>	<u>(41,923)</u>	<u>720,912</u>
Total fund balances	<u>\$ 3,576,125</u>	<u>\$ 356,153</u>	<u>\$ 1,635,890</u>	<u>\$ 5,568,168</u>

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 21 - 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	\$ 17,106
Other governmental	<u>74,272</u>
 Total	 <u>\$ 91,378</u>

NOTE 22 - SUBSEQUENT EVENT

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the City. The City's investment portfolio and the investments of the pension and other employee benefit plan in which the City participates have incurred a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the City's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

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 SIX YEARS
(SEE ACCOUNTANT'S COMPILATION REPORT)

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
<i>Traditional Plan:</i>				
City's proportion of the net pension liability	0.016105%	0.016095%	0.015811%	0.015702%
City's proportionate share of the net pension liability	\$ 4,410,833	\$ 2,524,993	\$ 3,590,409	\$ 2,719,784
City's covered payroll	\$ 2,230,507	\$ 2,111,692	\$ 2,061,800	\$ 1,984,567
City's proportionate share of the net pension liability as a percentage of its covered payroll	197.75%	119.57%	174.14%	137.05%
Plan fiduciary net position as a percentage of the total pension liability	74.70%	84.66%	77.25%	81.08%
<i>Combined Plan:</i>				
City's proportion of the net pension asset	0.022178%	0.023018%	0.019417%	0.024720%
City's proportionate share of the net pension asset	\$ 24,800	\$ 31,336	\$ 10,807	\$ 12,029
City's covered payroll	\$ 94,850	\$ 94,262	\$ 75,575	\$ 98,275
City's proportionate share of the net pension asset as a percentage of its covered payroll	26.15%	33.24%	14.30%	12.24%
Plan fiduciary net position as a percentage of the total pension asset	126.64%	137.28%	116.55%	116.90%
<i>Member Directed Plan:</i>				
City's proportion of the net pension asset	0.012121%	0.010278%	0.009051%	0.007258%
City's proportionate share of the net pension asset	\$ 276	\$ 359	\$ 38	\$ 28
City's covered payroll	\$ 69,290	\$ 56,340	\$ 37,200	\$ 40,425
City's proportionate share of the net pension asset as a percentage of its covered payroll	0.40%	0.64%	0.10%	0.07%
Plan fiduciary net position as a percentage of the total pension asset	113.42%	124.45%	103.40%	103.91%

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

	<u>2015</u>	<u>2014</u>
	0.016149%	0.016149%
\$	1,947,749	\$ 1,903,756
\$	1,988,125	\$ 2,039,885
	97.97%	93.33%
	86.45%	86.36%
	0.028183%	0.028183%
\$	10,851	\$ 2,957
\$	103,017	\$ 96,362
	10.53%	3.07%
	114.83%	104.56%
	n/a	n/a
	n/a	n/a
	n/a	n/a
	n/a	n/a
	n/a	n/a

**CITY OF WILLARD
HURON COUNTY, OHIO**

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

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

LAST SIX YEARS
(SEE ACCOUNTANT'S COMPILATION REPORT)

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
City's proportion of the net pension liability	0.05718000%	0.05293800%	0.06003100%	0.05395600%
City's proportionate share of the net pension liability	\$ 4,667,399	\$ 3,249,013	\$ 3,802,265	\$ 3,471,018
City's covered payroll	\$ 1,299,698	\$ 1,570,297	\$ 1,455,742	\$ 1,509,985
City's proportionate share of the net pension liability as a percentage of its covered payroll	359.11%	206.90%	261.19%	229.87%
Plan fiduciary net position as a percentage of the total pension liability	63.07%	70.91%	68.36%	66.77%

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

<u>2015</u>	<u>2014</u>
0.05308930%	0.05308930%
\$ 2,750,247	\$ 2,585,615
\$ 1,444,386	\$ 1,467,735
190.41%	176.16%
72.20%	73.00%

**CITY OF WILLARD
HURON COUNTY, OHIO**

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN YEARS
(SEE ACCOUNTANT'S COMPILATION REPORT)

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
<i>Traditional Plan:</i>				
Contractually required contribution	\$ 285,651	\$ 312,271	\$ 274,520	\$ 247,416
Contributions in relation to the contractually required contribution	<u>(285,651)</u>	<u>(312,271)</u>	<u>(274,520)</u>	<u>(247,416)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 2,040,364	\$ 2,230,507	\$ 2,111,692	\$ 2,061,800
Contributions as a percentage of covered payroll	14.00%	14.00%	13.00%	12.00%
<i>Combined Plan:</i>				
Contractually required contribution	\$ 13,948	\$ 13,279	\$ 12,254	\$ 9,069
Contributions in relation to the contractually required contribution	<u>(13,948)</u>	<u>(13,279)</u>	<u>(12,254)</u>	<u>(9,069)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 99,629	\$ 94,850	\$ 94,262	\$ 75,575
Contributions as a percentage of covered payroll	14.00%	14.00%	13.00%	12.00%
<i>Member Directed Plan:</i>				
Contractually required contribution	\$ 7,193	\$ 6,929	\$ 5,634	\$ 4,464
Contributions in relation to the contractually required contribution	<u>(7,193)</u>	<u>(6,929)</u>	<u>(5,634)</u>	<u>(4,464)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 71,930	\$ 69,290	\$ 56,340	\$ 37,200
Contributions as a percentage of covered payroll	10.00%	10.00%	10.00%	12.00%

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$ 238,148	\$ 238,575	\$ 265,185	\$ 216,003	\$ 222,402	\$ 199,024
<u>(238,148)</u>	<u>(238,575)</u>	<u>(265,185)</u>	<u>(216,003)</u>	<u>(222,402)</u>	<u>(199,024)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,984,567	\$ 1,988,125	\$ 2,039,885	\$ 2,160,030	\$ 2,224,020	\$ 2,231,211
12.00%	12.00%	13.00%	10.00%	10.00%	8.92%
\$ 11,793	\$ 12,362	\$ 12,527	\$ 7,375	\$ 6,949	\$ 8,324
<u>(11,793)</u>	<u>(12,362)</u>	<u>(12,527)</u>	<u>(7,375)</u>	<u>(6,949)</u>	<u>(8,324)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 98,275	\$ 103,017	\$ 96,362	\$ 92,767	\$ 87,409	\$ 85,903
12.00%	12.00%	13.00%	7.95%	7.95%	9.69%
\$ 4,851					
<u>(4,851)</u>					
<u>\$ -</u>					
\$ 40,425					
12.00%					

**CITY OF WILLARD
HURON COUNTY, OHIO**

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN YEARS
(SEE ACCOUNTANT'S COMPILATION REPORT)

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
<i>Police:</i>				
Contractually required contribution	\$ 173,507	\$ 169,341	\$ 223,633	\$ 196,673
Contributions in relation to the contractually required contribution	<u>(173,507)</u>	<u>(169,341)</u>	<u>(223,633)</u>	<u>(196,673)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 913,195	\$ 891,268	\$ 1,177,016	\$ 1,035,121
Contributions as a percentage of covered payroll	19.00%	19.00%	19.00%	19.00%
<i>Fire:</i>				
Contractually required contribution	\$ 104,452	\$ 95,981	\$ 92,421	\$ 98,846
Contributions in relation to the contractually required contribution	<u>(104,452)</u>	<u>(95,981)</u>	<u>(92,421)</u>	<u>(98,846)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 444,477	\$ 408,430	\$ 393,281	\$ 420,621
Contributions as a percentage of covered payroll	23.50%	23.50%	23.50%	23.50%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$ 222,441	\$ 212,018	\$ 189,672	\$ 136,777	\$ 146,003	\$ 148,723
<u>(222,441)</u>	<u>(212,018)</u>	<u>(189,672)</u>	<u>(136,777)</u>	<u>(146,003)</u>	<u>(148,723)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,170,742	\$ 1,115,884	\$ 1,194,157	\$ 1,072,761	\$ 1,145,122	\$ 1,166,455
19.00%	19.00%	15.88%	12.75%	12.75%	12.75%
\$ 79,722	\$ 77,198	\$ 55,704	\$ 59,795	\$ 54,771	\$ 50,728
<u>(79,722)</u>	<u>(77,198)</u>	<u>(55,704)</u>	<u>(59,795)</u>	<u>(54,771)</u>	<u>(50,728)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 339,243	\$ 328,502	\$ 273,282	\$ 346,638	\$ 317,513	\$ 294,075
23.50%	23.50%	20.38%	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 THREE YEARS
(SEE ACCOUNTANT'S COMPILATION REPORT)

	<u>2019</u>	<u>2018</u>	<u>2017</u>
City's proportion of the net OPEB liability	0.016128%	0.016080%	0.015621%
City's proportionate share of the net OPEB liability	\$ 2,102,710	\$ 1,746,170	\$ 1,577,798
City's covered payroll	\$ 2,394,647	\$ 2,262,294	\$ 2,174,575
City's proportionate share of the net OPEB liability as a percentage of its covered payroll	87.81%	77.19%	72.56%
Plan fiduciary net position as a percentage of the total OPEB liability	46.33%	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 THREE YEARS
(SEE ACCOUNTANT'S COMPILATION REPORT)

	<u>2019</u>	<u>2018</u>	<u>2017</u>
City's proportion of the net OPEB liability	0.05718000%	0.05293800%	0.06003100%
City's proportionate share of the net OPEB liability	\$ 520,712	\$ 2,999,364	\$ 2,849,537
City's covered payroll	\$ 1,299,698	\$ 1,570,297	\$ 1,455,742
City's proportionate share of the net OPEB liability as a percentage of its covered payroll	40.06%	191.01%	195.74%
Plan fiduciary net position as a percentage of the total OPEB liability	46.57%	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
(SEE ACCOUNTANT'S COMPILATION REPORT)

	2019	2018	2017	2016
Contractually required contribution	\$ 2,877	\$ 2,771	\$ 24,313	\$ 44,862
Contributions in relation to the contractually required contribution	(2,877)	(2,771)	(24,313)	(44,862)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
City's covered payroll	\$ 2,211,923	\$ 2,394,647	\$ 2,262,294	\$ 2,174,575
Contributions as a percentage of covered payroll	0.13%	0.12%	1.07%	2.06%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$ 41,657	\$ 41,564	\$ 21,353	\$ 92,014	\$ 94,249	\$ 117,169
<u>(41,657)</u>	<u>(41,564)</u>	<u>(21,353)</u>	<u>(92,014)</u>	<u>(94,249)</u>	<u>(117,169)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 2,123,267	\$ 2,091,142	\$ 2,136,247	\$ 2,252,797	\$ 2,311,429	\$ 2,317,114
1.96%	1.99%	1.00%	4.08%	4.08%	5.06%

**CITY OF WILLARD
HURON COUNTY, OHIO**

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN YEARS
(SEE ACCOUNTANT'S COMPILATION REPORT)

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
<i>Police:</i>				
Contractually required contribution	\$ 4,566	\$ 4,456	\$ 5,885	\$ 5,176
Contributions in relation to the contractually required contribution	<u>(4,566)</u>	<u>(4,456)</u>	<u>(5,885)</u>	<u>(5,176)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 913,195	\$ 891,268	\$ 1,177,016	\$ 1,035,121
Contributions as a percentage of covered payroll	0.50%	0.50%	0.50%	0.50%
<i>Fire:</i>				
Contractually required contribution	\$ 2,222	\$ 2,042	\$ 1,966	\$ 2,106
Contributions in relation to the contractually required contribution	<u>(2,222)</u>	<u>(2,042)</u>	<u>(1,966)</u>	<u>(2,106)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 444,477	\$ 408,430	\$ 393,281	\$ 420,621
Contributions as a percentage of covered payroll	0.50%	0.50%	0.50%	0.50%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$ 6,012	\$ 5,680	\$ 42,776	\$ 72,412	\$ 77,296	\$ 78,735
<u>(6,012)</u>	<u>(5,680)</u>	<u>(42,776)</u>	<u>(72,412)</u>	<u>(77,296)</u>	<u>(78,735)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,170,742	\$ 1,115,884	\$ 1,194,157	\$ 1,072,761	\$ 1,145,122	\$ 1,166,455
0.50%	0.50%	3.62%	6.75%	6.75%	6.75%
\$ 1,696	\$ 1,564	\$ 9,389	\$ 23,398	\$ 21,432	\$ 19,850
<u>(1,696)</u>	<u>(1,564)</u>	<u>(9,389)</u>	<u>(23,398)</u>	<u>(21,432)</u>	<u>(19,850)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 339,243	\$ 328,502	\$ 273,282	\$ 346,638	\$ 317,513	\$ 294,075
0.50%	0.50%	3.62%	6.75%	6.75%	6.75%

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2019
(SEE ACCOUNTANT'S COMPILATION REPORT)

PENSION

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for 2014-2019.

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. For 2019 the following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date: (a) the assumed rate of return and discount rate were reduced from 7.50% down to 7.20%.

OHIO POLICE AND FIRE (OP&F) PENSION FUND

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for 2014-2019.

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. There were no changes in assumptions for 2019.

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 2017-2019.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2017. For 2018, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date: (a) reduction in the actuarially assumed rate of return from 4.23% down to 3.85%. For 2019, the following were the most significant changes of assumptions that affect the total OPEB liability since the prior measurement date: (a) the discount rate was increased from 3.85% up to 3.96%, (b) The investment rate of return was decreased from 6.50% percent down to 6.00%, (c) the municipal bond rate was increased from 3.31% up to 3.71% and (d) the health care cost trend rate was increased from 7.50%, initial/3.25%, ultimate in 2028 up to 10.00%, initial/3.25%, ultimate in 2029.

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. For 2019, OP&F changed its retiree health care model from a self-insured health care plan to a stipend-based health care model.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2017. For 2018, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date: (a) DROP interest rate was reduced from 4.50% to 4.00%, (b) CPI-based COLA was reduced from 2.60% to 2.20%, (c) investment rate of return was reduced from 8.25% to 8.00%, (d) salary increases were reduced from 3.75% to 3.25% and (e) payroll growth was reduced from 3.75% to 3.25%. For 2019, the following were the most significant changes of assumptions that affect the total OPEB liability since the prior measurement date: (a) the discount rate was increased from 3.24% up to 4.66%.