

**CITY OF WILLARD  
HURON COUNTY, OHIO**

***BASIC FINANCIAL STATEMENTS***  
**(AUDITED)**

FOR THE YEAR ENDED  
DECEMBER 31, 2017





# Dave Yost • Auditor of State

Members of Council  
City of Willard  
631 South Myrtle Avenue  
P.O. Box 367  
Willard, Ohio 44890

We have reviewed the *Independent Auditor's Report* of the City of Willard, Huron County, prepared by Julian & Grube, Inc., for the audit period January 1, 2017 through December 31, 2017. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The City of Willard is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

June 20, 2018

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**CITY OF WILLARD  
HURON COUNTY, OHIO**

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## **Julian & Grube, Inc.**

*Serving Ohio Local Governments*

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

### Independent Auditor's Report

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

To the Members of Council and City Manager:

#### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Willard, Huron County, Ohio, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City of Willard's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

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

#### ***Auditor's Responsibility***

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

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

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Willard, Huron County, Ohio, as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

***Other Matters***

***Required Supplementary Information***

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

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 7, 2018, on our consideration of the City of Willard's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Willard's internal control over financial reporting and compliance.



Julian & Grube, Inc.  
June 7, 2018



**CITY OF WILLARD  
HURON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

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, 2017. 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 2017 are as follows:

- The total net position of the City decreased \$840,417. Net position of governmental activities decreased \$617,334 or 4.02% from 2016 net position and net position of business-type activities decreased \$223,083 or 1.64% from 2016 net position.
- General revenues accounted for \$4,089,774 or 77.54% of total governmental activities revenue. Program specific revenues accounted for \$1,184,546 or 22.46% of total governmental activities revenue.
- The City had \$5,891,654 in expenses related to governmental activities; \$1,184,546 of these expenses was offset by program specific charges for services, grants or contributions. The remaining expenses of the governmental activities of \$4,707,108 were offset by general revenues (primarily income taxes, property taxes and unrestricted grants and entitlements) of \$4,089,774.
- The general fund had revenues and other financing sources of \$3,245,095 in 2017. The expenditures and other financing uses of the general fund totaled \$3,655,642 in 2017. The net decrease in fund balance for the general fund was \$410,547 or 10.49%.
- The income tax capital improvement fund had revenues and other financing sources of \$694,864 in 2017. The expenditures and other financing uses of the income tax capital improvement fund totaled \$776,121 in 2017. The net decrease in fund balance for the income tax capital improvement fund was \$81,257 or 18.61%.
- Net position for the business-type activities, which are made up of the sewer, water and storm water enterprise funds, decreased in 2017 by \$223,083 from 2016 net position. This decrease in net position was mainly due to increasing expenses outpacing increasing revenues.
- In the general fund, the actual revenues and other financing sources came in \$76,540 greater than they were in the final budget and actual expenditures and other financing uses were \$719,379 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, 2017

**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 2017?" The statement of net position and the statement of activities answer this question. These statements include all assets, deferred outflows, liabilities, deferred inflows, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

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

**Reporting the City's Most Significant Funds**

*Fund Financial Statements*

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

Fund financial reports provide detailed information about the City's major funds. The City uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the City's most significant funds. The analysis of the City's major governmental and proprietary funds begins on page 13.

***Governmental Funds***

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

**CITY OF WILLARD  
HURON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains a multitude of individual governmental funds. The City has segregated these funds into major funds and nonmajor funds. The City's major governmental funds are the general fund and income tax capital improvement fund. Information for major funds is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances. Data from the other governmental funds are combined into a single, aggregated presentation. The basic governmental fund financial statements can be found on pages 24-28 of this report.

***Proprietary Funds***

The City maintains one type of proprietary fund. 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. The City's sewer and water enterprise funds are considered major funds. The basic proprietary fund financial statements can be found on pages 30-35 of this report.

***Fiduciary Funds***

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

***Notes to the Basic Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 37-82 of this report.

***Required Supplementary Information***

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's net pension liability. The required supplementary information can be found on pages 84-90 of this report.

**CITY OF WILLARD  
HURON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2017

**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, 2017 and 2016.

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
<b><u>Assets</u></b>						
Current and other assets	\$ 6,851,073	\$ 7,331,974	\$ 5,288,096	\$ 5,694,555	\$ 12,139,169	\$ 13,026,529
Capital assets, net	<u>14,353,009</u>	<u>14,083,405</u>	<u>13,002,168</u>	<u>12,790,359</u>	<u>27,355,177</u>	<u>26,873,764</u>
Total assets	<u>21,204,082</u>	<u>21,415,379</u>	<u>18,290,264</u>	<u>18,484,914</u>	<u>39,494,346</u>	<u>39,900,293</u>
<b><u>Deferred outflows of resources</u></b>						
Pension	<u>1,989,964</u>	<u>1,657,750</u>	<u>525,431</u>	<u>405,006</u>	<u>2,515,395</u>	<u>2,062,756</u>
Total deferred outflows of resources	<u>1,989,964</u>	<u>1,657,750</u>	<u>525,431</u>	<u>405,006</u>	<u>2,515,395</u>	<u>2,062,756</u>
<b><u>Liabilities</u></b>						
Current liabilities	579,591	575,810	1,136,107	1,122,209	1,715,698	1,698,019
Long-term liabilities:						
Due within one year	392,654	308,384	392,646	341,925	785,300	650,309
Net pension liability	6,065,031	5,157,302	1,327,643	1,033,500	7,392,674	6,190,802
Other amounts	<u>1,071,215</u>	<u>1,297,494</u>	<u>2,476,953</u>	<u>2,684,126</u>	<u>3,548,168</u>	<u>3,981,620</u>
Total liabilities	<u>8,108,491</u>	<u>7,338,990</u>	<u>5,333,349</u>	<u>5,181,760</u>	<u>13,441,840</u>	<u>12,520,750</u>
<b><u>Deferred inflows of resources</u></b>						
Property taxes	290,419	291,398	-	-	290,419	291,398
Pension	<u>37,470</u>	<u>67,741</u>	<u>32,813</u>	<u>35,544</u>	<u>70,283</u>	<u>103,285</u>
Total deferred inflows of resources	<u>327,889</u>	<u>359,139</u>	<u>32,813</u>	<u>35,544</u>	<u>360,702</u>	<u>394,683</u>
<b><u>Net position</u></b>						
Net investment in capital assets	13,035,907	12,602,012	9,659,967	9,335,930	22,695,874	21,937,942
Restricted	2,845,159	2,843,816	-	-	2,845,159	2,843,816
Unrestricted (deficit)	<u>(1,123,400)</u>	<u>(70,828)</u>	<u>3,789,566</u>	<u>4,336,686</u>	<u>2,666,166</u>	<u>4,265,858</u>
Total net position	<u>\$ 14,757,666</u>	<u>\$ 15,375,000</u>	<u>\$ 13,449,533</u>	<u>\$ 13,672,616</u>	<u>\$ 28,207,199</u>	<u>\$ 29,047,616</u>

During 2015, the City adopted Governmental Accounting Standards Board (GASB) Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27" and GASB Statement 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68" which significantly revises accounting for pension costs and liabilities. 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 the net pension liability to the reported net position and subtracting deferred outflows related to pension.

**CITY OF WILLARD  
HURON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2017

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

Under the standards required by GASB 68, the net pension liability equals the City's proportionate share of each plan's collective:

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

GASB notes that pension 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. GASB noted that the unfunded portion of this pension 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 this liability. 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 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 pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *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 pension system is responsible for the administration of the plan.

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. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, 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 pension 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 is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

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

Over time, net position can serve as a useful indicator of a government's financial position. At December 31, 2017, the City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$28,207,199. At year-end, net position was \$14,757,666 and \$13,449,533 for the governmental activities and the business-type activities, respectively.

**CITY OF WILLARD  
HURON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

Capital assets reported on the government-wide statements represent the largest portion of the City's assets. At year-end, capital assets represented 69.27% 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, 2017, was \$13,035,907 and \$9,659,967 in the governmental activities and business-type activities, respectively. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the City's net position, \$2,845,159, represents resources that are subject to external restriction on how they may be used.

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**CITY OF WILLARD  
HURON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

The following table shows the changes in net position for 2017 and 2016.

	<b>Change in Net Position</b>					
	Governmental		Business-type		Total	
	Activities	Activities	Activities	Activities	2017	2016
	2017	2016	2017	2016	2017	2016
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 640,873	\$ 887,140	\$ 3,761,190	\$ 3,697,764	\$ 4,402,063	\$ 4,584,904
Operating grants and contributions	397,127	357,117	-	-	397,127	357,117
Capital grants and contributions	146,546	1,884,253	-	10,130	146,546	1,894,383
<b>Total program revenues</b>	<b>1,184,546</b>	<b>3,128,510</b>	<b>3,761,190</b>	<b>3,707,894</b>	<b>4,945,736</b>	<b>6,836,404</b>
General revenues:						
Property taxes	301,591	289,729	-	-	301,591	289,729
Income taxes	3,491,840	3,577,649	-	-	3,491,840	3,577,649
Payments in lieu of taxes	72,165	72,189	-	-	72,165	72,189
Unrestricted grants and entitlements	214,081	221,670	-	-	214,081	221,670
Investment earnings	72,772	78,414	62,218	38,500	134,990	116,914
Decrease in FMV of investments	(78,564)	-	-	-	(78,564)	-
Miscellaneous	15,889	19,475	4,267	2,875	20,156	22,350
<b>Total general revenues</b>	<b>4,089,774</b>	<b>4,259,126</b>	<b>66,485</b>	<b>41,375</b>	<b>4,156,259</b>	<b>4,300,501</b>
<b>Total revenues</b>	<b>5,274,320</b>	<b>7,387,636</b>	<b>3,827,675</b>	<b>3,749,269</b>	<b>9,101,995</b>	<b>11,136,905</b>
<b>Expenses</b>						
General government	650,055	603,593	-	-	650,055	603,593
Security of persons and property	3,395,876	3,179,641	-	-	3,395,876	3,179,641
Public health and welfare	24,716	16,634	-	-	24,716	16,634
Transportation	1,125,315	842,671	-	-	1,125,315	842,671
Community environment	349,261	285,572	-	-	349,261	285,572
Leisure time activity	335,606	294,339	-	-	335,606	294,339
Interest and fiscal charges	10,825	19,552	-	-	10,825	19,552
Sewer	-	-	2,272,393	2,136,897	2,272,393	2,136,897
Water	-	-	1,761,865	1,675,995	1,761,865	1,675,995
Storm water	-	-	16,500	-	16,500	-
<b>Total expenses</b>	<b>5,891,654</b>	<b>5,242,002</b>	<b>4,050,758</b>	<b>3,812,892</b>	<b>9,942,412</b>	<b>9,054,894</b>
Change in net position	(617,334)	2,145,634	(223,083)	(63,623)	(840,417)	2,082,011
Net position at beginning of year	15,375,000	13,229,366	13,672,616	13,736,239	29,047,616	26,965,605
<b>Net position at end of year</b>	<b>\$ 14,757,666</b>	<b>\$ 15,375,000</b>	<b>\$ 13,449,533</b>	<b>\$ 13,672,616</b>	<b>\$ 28,207,199</b>	<b>\$ 29,047,616</b>

**CITY OF WILLARD  
HURON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

**Governmental Activities**

Governmental activities net position decreased \$617,334 in 2017. This decrease is primarily the result of increasing expenses and decreasing revenue. In 2016, the City received a large capital grant from the Ohio Department of Transportation. This accounts for the large decrease in capital grants and contributions in 2017. Also, charges for services decreased by approximately \$246,000 due to decreasing revenue from EMS services.

Security of persons and property which primarily supports the operations of the police and fire department accounted for \$3,395,876 or 34.16% of the total expenses of the City. Security of persons and property expenses were partially funded by \$382,663 in direct charges to users of the services. General government expenses totaled \$650,055. General government expenses were partially funded by \$44,279 in direct charges to users of the services and \$20,000 in operating grants and contributions.

The State and federal government contributed to the City a total of \$397,127 in operating grants and contributions and \$146,546 in capital grants and contributions. These revenues are restricted to a particular program or purpose.

General revenues totaled \$4,089,774 and amounted to 77.54% of total governmental revenues. These revenues primarily consist of property and income tax revenue of \$3,793,431. The other primary source of general revenues is grants and entitlements not restricted to specific programs, including local government revenue and property tax reimbursements received from the State, making up \$214,081.

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 2017.

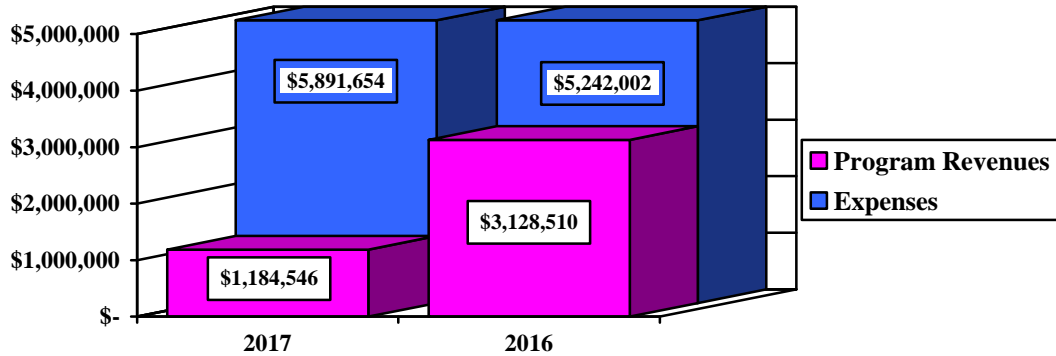
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**CITY OF WILLARD  
HURON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2017

**Governmental Activities – Program Revenues vs. Total Expenses**



**Governmental Activities**

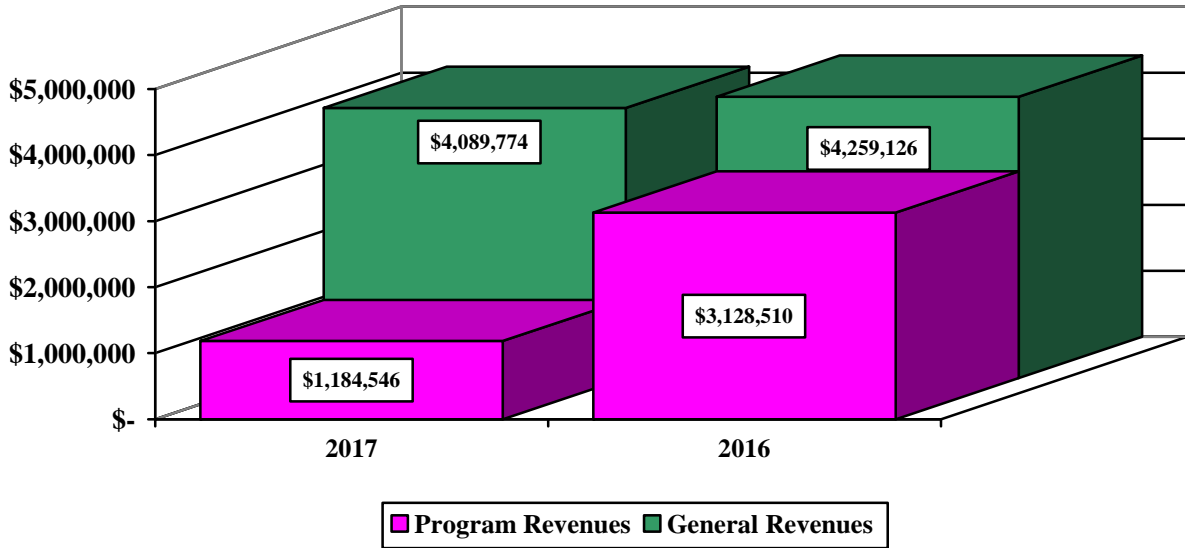
	Total Cost of Services 2017	Total Cost of Services 2016	Net Cost of Services 2017	Net Cost of Services 2016
<b>Program expenses:</b>				
General government	\$ 650,055	\$ 603,593	\$ 585,776	\$ 536,001
Security of persons and property	3,395,876	3,179,641	2,990,797	2,589,277
Public health and welfare	24,716	16,634	2,031	(11,866)
Transportation	1,125,315	842,671	584,635	(1,434,521)
Community environment	349,261	285,572	270,255	197,317
Leisure time activity	335,606	294,339	262,789	217,732
Interest and fiscal charges	10,825	19,552	10,825	19,552
<b>Total</b>	<u>\$ 5,891,654</u>	<u>\$ 5,242,002</u>	<u>\$ 4,707,108</u>	<u>\$ 2,113,492</u>

The dependence upon general revenues for governmental activities is apparent, with 79.90% of expenses supported through taxes and other general revenues. The chart below illustrates the City's program revenues versus general revenues for 2017 and 2016.

**CITY OF WILLARD  
HURON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2017

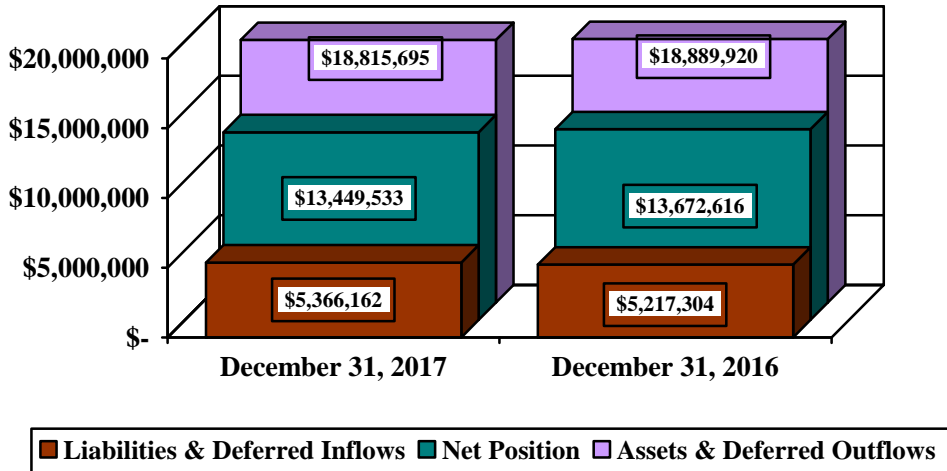
**Governmental Activities – General and Program Revenues**



**Business-type Activities**

Business-type activities include the sewer, water and storm water enterprise funds. These programs had program revenues of \$3,761,190, general revenues of \$66,485 and expenses of \$4,050,758 for 2017. The graph below shows the business-type activities assets, liabilities and net position at year-end 2017 and 2016.

**Net Position in Business - Type Activities**



**CITY OF WILLARD  
HURON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2017

**Financial Analysis of the Government's Funds**

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds**

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the City's net resources available for spending at year-end.

The City's governmental funds (as presented on the balance sheet on page 24) reported a combined fund balance of \$5,459,129, which is \$470,702 less than the previous year's fund balance of \$5,929,831. The following schedule indicates the fund balances and the total change in fund balances as of December 31, 2017 for all major and nonmajor governmental funds.

	<u>Fund Balances</u> <u>12/31/17</u>	<u>Fund Balances</u> <u>12/31/16</u>	<u>Increase</u> <u>(Decrease)</u>
<b>Major funds:</b>			
General	\$ 3,503,838	\$ 3,914,385	\$ (410,547)
Income tax capital improvement	355,445	436,702	(81,257)
Other nonmajor governmental funds	<u>1,599,846</u>	<u>1,578,744</u>	<u>21,102</u>
Total	<u>\$ 5,459,129</u>	<u>\$ 5,929,831</u>	<u>\$ (470,702)</u>

**General Fund**

The City's general fund balance decreased \$410,547. The table that follows assists in illustrating the revenues of the general fund.

	<u>2017</u> <u>Amount</u>	<u>2016</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<b><u>Revenues</u></b>			
Taxes	\$ 2,528,082	\$ 2,440,194	3.60 %
Charges for services	397,514	552,234	(28.02) %
Fines and forfeitures	20,098	15,055	33.50 %
Intergovernmental	236,221	225,534	4.74 %
Licenses and permits	53,134	41,669	27.51 %
Investment income	69,290	82,805	(16.32) %
Decrease in FMV of investments	(78,564)	-	100.00 %
Other	<u>17,087</u>	<u>62,276</u>	<u>(72.56) %</u>
Total	<u>\$ 3,242,862</u>	<u>\$ 3,419,767</u>	(5.17) %

**CITY OF WILLARD  
HURON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2017

Tax revenue represents 77.96% of all general fund revenue. The decrease in charges for services is primarily due to a decrease in emergency rescue calls. Other revenue decreased in 2017 due to the City receiving less in reimbursements and refunds and other miscellaneous revenue. The fair market value of the City's investments decreased in 2017. The fair market value of investments fluctuates based on market conditions. All other amounts remained comparable to 2017.

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

	<u>2017</u> <u>Amount</u>	<u>2016</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<b><u>Expenditures</u></b>			
General government	\$ 550,336	\$ 565,148	(2.62) %
Security of persons and property	2,502,019	2,375,589	5.32 %
Public health and welfare	19,723	22,707	(13.14) %
Transportation	306,883	111,469	175.31 %
Community environment	<u>216,122</u>	<u>202,719</u>	6.61 %
 Total	 <u>\$ 3,595,083</u>	 <u>\$ 3,277,632</u>	 9.69 %

The total general fund expenditures of the City increased 9.69%. The most significant changes occurred in the transportation line item. Transportation expenditures increased due to an increase of expenditures made for the City Garage. Security of persons and property expenditures increased approximately \$126,000 from 2016. These expenditures relate to the City's police, fire and rescue departments.

***Income Tax Capital Improvement Fund***

The income tax capital improvement fund had revenues and other financing sources of \$694,864 in 2017. The expenditures and other financing uses of the income tax capital improvement fund totaled \$776,121 in 2017. The net decrease in fund balance for the income tax capital improvement fund was \$81,257 or 18.61%. The large decrease in intergovernmental revenue in the income tax capital improvement fund was due to capital grants from the Ohio Department of Transportation for improvements to US Route 224 in 2016.

***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 \$76,540 greater than they were in the final budget and actual expenditures were \$719,379 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 \$30,000 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, 2017

**Capital Assets and Debt Administration**

*Capital Assets*

At the end of 2017, the City had \$27,355,177 (net of accumulated depreciation) invested in land, construction in progress, land improvements, buildings, equipment, vehicles, infrastructure and utility plant in service. Of this total, \$14,353,009 was reported in governmental activities and \$13,002,168 was reported in business-type activities. See Note 9 for further description of capital assets. The following table shows 2017 balances compared to 2016:

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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Land	\$ 1,320,002	\$ 1,320,002	\$ 1,020,841	\$ 1,020,841	\$ 2,340,843	\$ 2,340,843
Construction in progress	7,500	7,500	286,108	-	293,608	7,500
Buildings	1,320,002	1,062,028	1,209,217	1,296,333	2,529,219	2,358,361
Land improvements	98,286	122,717	23,551	4,420	121,837	127,137
Equipment	1,102,295	966,241	3,205,260	3,053,175	4,307,555	4,019,416
Vehicles	402,029	537,075	105,998	112,476	508,027	649,551
Utility plant in service	-	-	7,151,193	7,303,114	7,151,193	7,303,114
Infrastructure	<u>10,378,906</u>	<u>10,067,842</u>	<u>-</u>	<u>-</u>	<u>10,378,906</u>	<u>10,067,842</u>
Totals	<u>\$ 14,629,020</u>	<u>\$ 14,083,405</u>	<u>\$ 13,002,168</u>	<u>\$ 12,790,359</u>	<u>\$ 27,631,188</u>	<u>\$ 26,873,764</u>

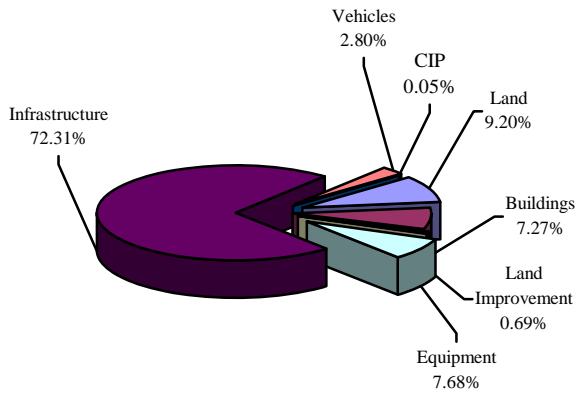
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**CITY OF WILLARD  
HURON COUNTY, OHIO**

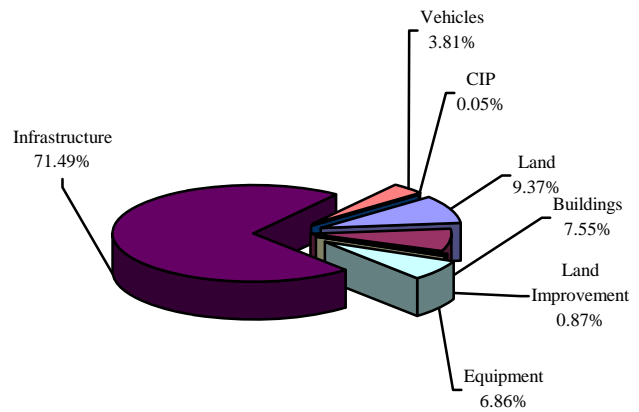
**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

The following graphs show the breakdown of governmental capital assets by category for 2017 and 2016.

**Capital Assets - Governmental Activities 2017**



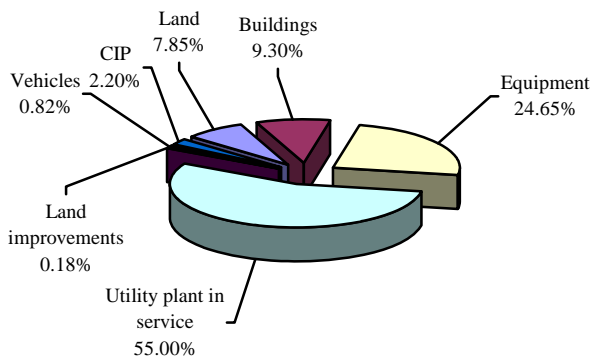
**Capital Assets - Governmental Activities 2016**



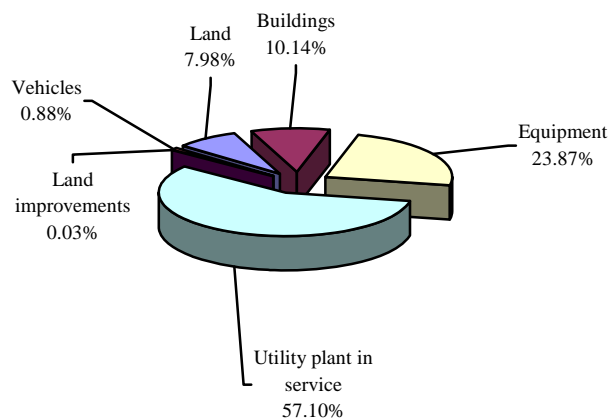
The City's infrastructure is the largest capital asset category. These items are immovable and of value only to the City, however, the annual cost of purchasing these items is quite significant. The net book value of the City's infrastructure (cost less accumulated depreciation) represents approximately 72.31% of the City's total governmental capital assets.

The following graphs show the breakdown of business-type capital assets by category for 2017 and 2016.

**Capital Assets - Business-type Activities 2017**



**Capital Assets - Business-type Activities 2016**



The City's largest business-type capital asset category is utility plant in service, which includes water and sewer lines, water pollution control plant 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 55.00% of the City's total business-type capital assets.

**CITY OF WILLARD  
HURON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2017

***Debt Administration***

The City had the following long-term obligations outstanding at December 31, 2017 and 2016.

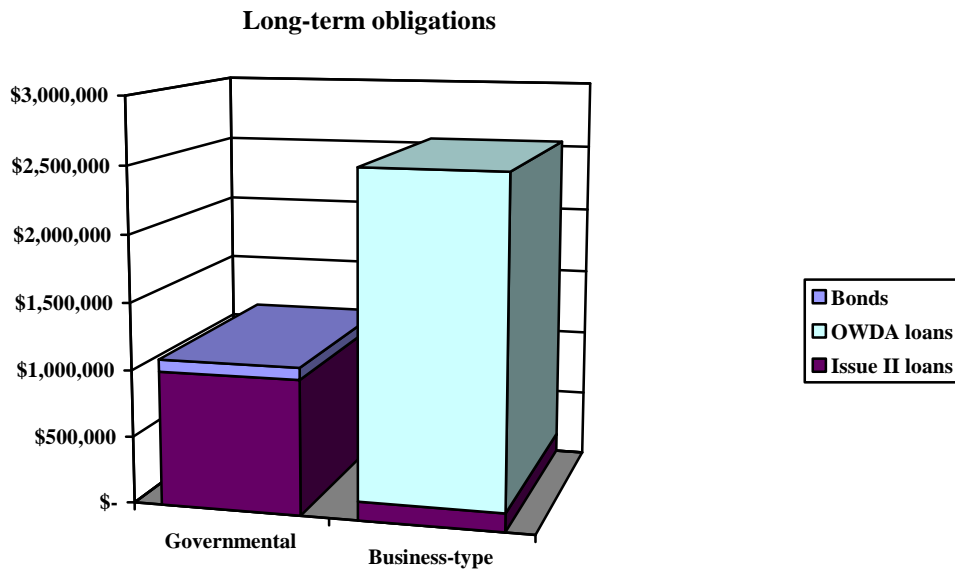
**Governmental Activities**

	2017	2016
General obligation bonds	\$ 90,000	\$ 175,000
Issue II loans	1,003,102	1,049,393
<b>Total long-term obligations</b>	<b>\$ 1,093,102</b>	<b>\$ 1,224,393</b>

**Business-type Activities**

	2017	2016
OWDA loans	\$ 2,397,503	\$ 2,612,158
Issue II loans	139,102	109,288
<b>Total long-term obligations</b>	<b>\$ 2,536,605</b>	<b>\$ 2,721,446</b>

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



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

**CITY OF WILLARD  
HURON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

**Economic Conditions and Outlook**

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

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

Taco Bell built a new restaurant on US 224 across from Arby's restaurant, opening their doors in October 2017. The had previously been located at the Blossom Centre.

The Blossom Centre has faced some financial challenges over the past several years and was sold at Sheriff's sale in November to a capital assets company from Bethesda, MD. The property is currently being managed by a Cincinnati, Ohio property management firm. They face the challenge of upgrading and maintaining a large shopping center built in 1988 that has seen little improvement over the past 30 years. Most of the store fronts are vacant, yet the anchor business, an IGA grocery store, remains.

The City also saw a new home constructed in 2017 on land that once housed Mercy Hospital. The property was purchased by a local contractor, who named the development Hoffman Estates to reflect the historical name of the area. One home was nearly completed by the end of 2017, with plans to break ground for more homes to be built in that development in 2018. Another new home was nearly completed in 2017 on Conwell Ave. across from MTD.

There was an exchange of properties between the City of Willard and Willard City Schools late in 2017. The School was interested in a vacant lot on the northwest corner of SR 99 and SR 103 that the City owns. The School's plan is to build a new bus garage at that location. In exchange, the School transferred to the City, property located at 110 S. Myrtle Ave, where they had been temporarily housing their Superintendent and other administrative staff. There are no definite plans at this time as to what purposes the City will utilize for the building, but several ideas are being considered.

The City had a 1.375% income tax rate in 2017. One eighth of a percent of that rate was approved by the citizens to support our police department, and that portion will be put on the November ballot in 2018, as it expires 12/31/18. 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 2017 were \$3,587,770 (on a cash-basis). That is only \$12,000 less than what we had budgeted to collect, and \$84,300 more than what we collected last year. Local income taxes accounted for about 26.4% of the City of Willard's revenue sources in 2017.



**CITY OF WILLARD  
HURON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

City Manager Jim Ludban had a vision to build a gathering place in our downtown area where the clock tower will eventually be built. The hope is that this will help build excitement for the area, which might, in turn, help generate donations to get the clock tower project fully funded. The area was named the Roy Doster Plaza in memory of a life-long resident who had contributed a great deal to the community as an incredible humanitarian and supporter of diversity in Willard. The plaza was funded by an anonymous donation, and the area began being rebuilt in 2017, with the final touches happening in 2018. The plaza will have a stage, a grassy area for gathering, permanent picnic tables, parking and special lighting. It is our plan to utilize it for small outdoor concerts, movie nights and other special occasions.

The major project for our Parks & Recreation department this year was an electronic sign on Main St. purchased from the Income Tax Capital Improvements Fund for just over \$24,000. Our City Maintenance Crew did all the electrical installation work as well as stone masonry and landscaping to make the sign a beautiful addition to our park. Another major purchase for the park this year was a mower, and capital purchased for the pool included; security cameras, filters and pumps.

This year nearly \$540,000 dollars was spent to improve 18 blocks of streets, 5 downtown alleys, and the parking lot at the fire station. This year the City received a grant for roughly \$56,000 and zero-interest, 10-year loan for \$14,000 from OPWC. Our Street Maintenance Department did quite a bit of concrete work on City streets this year, to help with the overall street improvement project. Overall, they used over 568 cubic yards replacing concrete sections of 9 different streets.

Our Public Works Department began the daunting task of implementing a Geographic Information System (GIS) in 2016 to have an accurate map of all infrastructure within the City of Willard. The City sewer system was the initial mapped GIS in 2016, followed by a plan for storm sewers in 2017. The project was put on hold due to a surprise Ohio EPA mandate that required every community to map it's lead waterlines and service lines. With the help of the Water Treatment Plant and the Maintenance Department, the map was created. The EPA approved the City's map and said it was among the better submittals.

Work continued in 2017 on the Raw Waterline replacement which began in 2015. This project will be completed in early 2018 at a total cost of \$337,000; \$60,000 was paid using a zero-interest, 20-year loan from OPWC.

2017 was a transitional year for the Willard Police Department with the retirement of Police Chief Mark Holden in June. Assistant Chief Shannon Chaffins was promoted to Chief and Sergeant Adam Strong was promoted to Assistant Chief. Other staff changes in 2017 included Andrew Handshoe being hired as a new dispatcher to replace Kim Elmlinger who was moved to the position of City Manager's Secretary. Brandon Malson was hired as a new officer to replace Officer Craig Ritz who resigned in February. Officer Seth Mahon was promoted to Sergeant, filling the open position after the promotion of Sgt. Adam Strong. Christopher Myers was hired as a full-time officer in July and part-time officer Robert McLaughlin resigned at the end of 2017. This brings the police department to its highest staffing levels in recent years.

Higher staffing levels in the Police Department are a move in the right direction when looking at the statistics relating to drugs and crime in the City of Willard. There were 83 reported overdoses in 2017, compared to 31 in 2016. There was also a rise in overdose deaths; 7 in 2017, vs 4 in 2016. Arrest activity related to overdoses in 2017 was 22, vs. 5 overdose related arrests in 2016. Grand Jury indictments increased from 33 to 56 from last year. Overall arrests for 2017 were up from 2016: 334 vs. 235, while citations remained about the same from 2016 to 2017.

**CITY OF WILLARD  
HURON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

The Fire/EMS department services the City of Willard and the majority of the four surrounding townships. They cover 95 square miles for EMS, and 71 square miles for fire. Since the EMS department has continually seen an increase in the number of double and triple calls happening over the years, they added an additional full-time Medic in 2016. When Assistant Chief Doug Coletta announced he was retiring at the end of 2017, it was decided to add two paramedics to the staff rather than fill that position. This brings the department to 6 full-time Paramedics in addition to the Fire Chief. Our EMS department continued to train area Public Safety Dispatchers and certify them in Emergency Medical Dispatching and Public Safety Telecommunicator. The parking lot at the fire station was resurfaced in 2017, and a new HVAC unit was installed to replace what was in place when they moved into the building in 2004. The number of overdose patients treated by our EMS department hit an all-time high of 96, which is nearly a 63% increase over last year. We did see a drastic decline in overdoses in December of 2017, treating only 3 compared to 18 in October. The number of doses of Narcan administered in 2017 increased by nearly 130% from 2016.

The Willard Water Plant has a design capacity of 3.2 Million Gallons per Day (MGD). The average daily flow at the plant in 2017 was 1.206 MGD, so there is room to grow the amount of water we treat and disburse in a day. In 2017 the total amount spent on chemicals for the Water Plant was \$174,760, which was an increase of 116%. Algal blooms continue to be a concern. The Telemetry and SCADA upgrades that began in 2014, were nearly completed in 2017.

When the Wastewater Treatment Plant was designed and built in 1981, it could handle 1.36 MGD. With the upgrades that took place from 2012-2016, the plant can now treat 4.5 MGD and as high as 7.2 MGD during a peak flow condition. With upgrades to the Telemetry System, the plant was able to eliminate third shift and move their operations to first and second shift. Upgrades were made to the laboratory equipment and processes, making the facility more efficient and compliant. Total cost for chemicals in 2017 was \$40,633, which is only slightly less than the amount spent on chemicals in 2016.

**Contacting the City's Financial Management**

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

**CITY OF WILLARD  
HURON COUNTY, OHIO**

STATEMENT OF NET POSITION  
DECEMBER 31, 2017

	Governmental Activities	Business-type Activities	Total
<b>Assets:</b>			
Equity in pooled cash and investments. . . . .	\$ 5,150,149	\$ 4,110,486	\$ 9,260,635
Cash in segregated accounts. . . . .	222,294	-	222,294
Receivables:			
Income taxes. . . . .	564,202	-	564,202
Real and other taxes. . . . .	314,365	-	314,365
Payments in lieu of taxes. . . . .	72,165	-	72,165
Accounts. . . . .	160,373	940,405	1,100,778
Special assessments. . . . .	17,968	-	17,968
Due from other governments. . . . .	218,766	-	218,766
Accrued interest. . . . .	23,777	-	23,777
Materials and supplies inventory. . . . .	30,346	111,527	141,873
Prepayments. . . . .	69,833	45,245	115,078
Net pension asset. . . . .	6,835	4,010	10,845
Restricted assets:			
Equity in pooled cash and cash equivalents. . . . .	-	76,423	76,423
Capital assets:			
Nondepreciable capital assets. . . . .	1,327,502	1,306,949	2,634,451
Depreciable capital assets, net. . . . .	13,025,507	11,695,219	24,720,726
Total capital assets, net. . . . .	<u>14,353,009</u>	<u>13,002,168</u>	<u>27,355,177</u>
Total assets. . . . .	<u>21,204,082</u>	<u>18,290,264</u>	<u>39,494,346</u>
<b>Deferred outflows of resources:</b>			
Pension - OPERS. . . . .	905,451	525,431	1,430,882
Pension - OP&F. . . . .	1,084,513	-	1,084,513
Total deferred outflows of resources. . . . .	<u>1,989,964</u>	<u>525,431</u>	<u>2,515,395</u>
<b>Liabilities:</b>			
Accounts payable. . . . .	94,808	163,591	258,399
Contracts payable. . . . .	-	75,596	75,596
Accrued wages. . . . .	151,966	49,203	201,169
Due to other governments. . . . .	107,459	24,376	131,835
Accrued interest payable. . . . .	1,358	16,918	18,276
Notes payable. . . . .	224,000	730,000	954,000
Payable from restricted assets:			
Refundable deposits payable. . . . .	-	76,423	76,423
Long-term liabilities:			
Due within one year. . . . .	392,654	392,646	785,300
Due in more than one year:			
Net pension liability. . . . .	6,065,031	1,327,643	7,392,674
Other amounts due in more than one year. . . . .	1,071,215	2,476,953	3,548,168
Total liabilities. . . . .	<u>8,108,491</u>	<u>5,333,349</u>	<u>13,441,840</u>
<b>Deferred inflows of resources:</b>			
Property taxes levied for the next fiscal year. . . . .	290,419	-	290,419
Pension - OPERS. . . . .	28,715	32,813	61,528
Pension - OP&F. . . . .	8,755	-	8,755
Total deferred inflows of resources. . . . .	<u>327,889</u>	<u>32,813</u>	<u>360,702</u>
<b>Net position:</b>			
Net investment in capital assets. . . . .	13,035,907	9,659,967	22,695,874
Restricted for:			
Debt service. . . . .	86,611	-	86,611
Capital projects. . . . .	93,321	-	93,321
Transportation projects. . . . .	772,918	-	772,918
Recreation. . . . .	332	-	332
Electric system sale. . . . .	1,575,000	-	1,575,000
Police and fire purposes. . . . .	204,712	-	204,712
Perpetual care. . . . .	27,782	-	27,782
Other purposes. . . . .	84,483	-	84,483
Unrestricted (deficit). . . . .	(1,123,400)	3,789,566	2,666,166
Total net position. . . . .	<u>\$ 14,757,666</u>	<u>\$ 13,449,533</u>	<u>\$ 28,207,199</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF WILLARD  
HURON COUNTY, OHIO**

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2017

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental activities:</b>				
General government. . . . .	\$ 650,055	\$ 44,279	\$ 20,000	\$ -
Security of persons and property . . .	3,395,876	382,663	22,416	-
Public health and welfare . . . . .	24,716	22,685	-	-
Transportation. . . . .	1,125,315	93,844	300,290	146,546
Community environment . . . . .	349,261	31,635	47,371	-
Leisure time activity. . . . .	335,606	65,767	7,050	-
Interest and fiscal charges. . . . .	10,825	-	-	-
Total governmental activities . . . . .	<u>5,891,654</u>	<u>640,873</u>	<u>397,127</u>	<u>146,546</u>
<b>Business-type activities:</b>				
Sewer. . . . .	2,272,393	2,057,823	-	-
Water. . . . .	1,761,865	1,703,367	-	-
Other business-type activities:				
Storm water. . . . .	16,500	-	-	-
Total business-type activities . . . . .	<u>4,050,758</u>	<u>3,761,190</u>	<u>-</u>	<u>-</u>
Total primary government . . . . .	<u>\$ 9,942,412</u>	<u>\$ 4,402,063</u>	<u>\$ 397,127</u>	<u>\$ 146,546</u>

**General revenues:**

Property taxes levied for:
General purposes . . . . .
Recreation. . . . .
Police pension. . . . .
Income taxes levied for:
General purposes . . . . .
Police. . . . .
Capital projects. . . . .
Payments in lieu of taxes . . . . .
Grants and entitlements not restricted to specific programs . . . . .
Investment earnings . . . . .
Decrease in fair value of investments. . . . .
Miscellaneous . . . . .
 Total general revenues . . . . .
 Change in net position . . . . .
 Net position at beginning of year. . . . .
 Net position at end of year. . . . .

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
\$ (585,776)	\$ -	\$ (585,776)
(2,990,797)	-	(2,990,797)
(2,031)	-	(2,031)
(584,635)	-	(584,635)
(270,255)	-	(270,255)
(262,789)	-	(262,789)
(10,825)	-	(10,825)
<u>(4,707,108)</u>	<u>-</u>	<u>(4,707,108)</u>
-	(214,570)	(214,570)
-	(58,498)	(58,498)
-	(16,500)	(16,500)
-	(289,568)	(289,568)
<u>(4,707,108)</u>	<u>(289,568)</u>	<u>(4,996,676)</u>
236,409	-	236,409
40,667	-	40,667
24,515	-	24,515
2,524,107	-	2,524,107
316,764	-	316,764
650,969	-	650,969
72,165	-	72,165
214,081	-	214,081
72,772	62,218	134,990
(78,564)	-	(78,564)
15,889	4,267	20,156
<u>4,089,774</u>	<u>66,485</u>	<u>4,156,259</u>
(617,334)	(223,083)	(840,417)
<u>15,375,000</u>	<u>13,672,616</u>	<u>29,047,616</u>
<u>\$ 14,757,666</u>	<u>\$ 13,449,533</u>	<u>\$ 28,207,199</u>

**CITY OF WILLARD  
HURON COUNTY, OHIO**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2017

	<u>General</u>	<u>Income Tax Capital Improvement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Equity in pooled cash and investments. . . . .	\$ 3,204,522	\$ 538,970	\$ 1,406,657	\$ 5,150,149
Cash in segregated accounts. . . . .	-	-	222,294	222,294
Receivables:				
Income taxes. . . . .	512,911	-	51,291	564,202
Real and other taxes . . . . .	248,371	-	65,994	314,365
Payments in lieu of taxes. . . . .	-	-	72,165	72,165
Accounts. . . . .	153,055	-	7,318	160,373
Special assessments . . . . .	17,968	-	-	17,968
Interfund loans. . . . .	46,000	-	-	46,000
Due from other governments. . . . .	90,854	-	127,912	218,766
Accrued interest . . . . .	23,777	-	-	23,777
Materials and supplies inventory. . . . .	8,511	-	21,835	30,346
Prepayments . . . . .	50,877	-	18,956	69,833
Total assets . . . . .	<u>4,356,846</u>	<u>538,970</u>	<u>1,994,422</u>	<u>6,890,238</u>
<b>Liabilities:</b>				
Accounts payable. . . . .	52,997	31,845	9,966	94,808
Accrued wages. . . . .	138,142	-	13,824	151,966
Due to other governments . . . . .	94,854	-	12,605	107,459
Interfund loans payable. . . . .	-	-	46,000	46,000
Accrued interest payable . . . . .	-	680	329	1,009
Notes payable . . . . .	-	151,000	73,000	224,000
Total liabilities . . . . .	<u>285,993</u>	<u>183,525</u>	<u>155,724</u>	<u>625,242</u>
<b>Deferred inflows of resources:</b>				
Property taxes levied for the next fiscal year. . . . .	230,012	-	60,407	290,419
Delinquent property tax revenue not available. . . . .	18,359	-	4,891	23,250
Accrued interest not available . . . . .	10,097	-	-	10,097
Special assessments revenue not available. . . . .	17,968	-	-	17,968
Intergovernmental revenue not available. . . . .	61,872	-	78,518	140,390
Income tax revenue not available . . . . .	228,707	-	22,871	251,578
Payments in lieu of taxes revenue not available . . . . .	-	-	72,165	72,165
Total deferred inflows of resources . . . . .	<u>567,015</u>	<u>-</u>	<u>238,852</u>	<u>805,867</u>
Total liabilities and deferred inflows of resources.	<u>853,008</u>	<u>183,525</u>	<u>394,576</u>	<u>1,431,109</u>
<b>Fund balances:</b>				
Nonspendable . . . . .	1,642,896	-	68,573	1,711,469
Restricted. . . . .	-	-	1,404,546	1,404,546
Committed . . . . .	-	355,445	213,089	568,534
Assigned . . . . .	892,598	-	4	892,602
Unassigned (deficit) . . . . .	968,344	-	(86,366)	881,978
Total fund balances . . . . .	<u>3,503,838</u>	<u>355,445</u>	<u>1,599,846</u>	<u>5,459,129</u>
Total liabilities, deferred inflows of resources and fund balances . . . . .	<u>\$ 4,356,846</u>	<u>\$ 538,970</u>	<u>\$ 1,994,422</u>	<u>\$ 6,890,238</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, 2017

<b>Total governmental fund balances</b>		\$	5,459,129
<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.			14,353,009
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Income taxes receivable	\$	251,578	
Real and other taxes receivable		23,250	
Payments in lieu of taxes receivable		72,165	
Intergovernmental receivable		140,390	
Special assessments receivable		17,968	
Accrued interest receivable		10,097	
Total		515,448	515,448
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(349)
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		6,835	
Deferred outflows of resources		1,989,964	
Deferred inflows of resources		(37,470)	
Net pension liability		(6,065,031)	
Total		(4,105,702)	(4,105,702)
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		370,767	
Bonds payable		90,000	
Issue II loans payable		1,003,102	
Total		(1,463,869)	(1,463,869)
<b>Net position of governmental activities</b>		\$	14,757,666

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, 2017

	<u>General</u>	<u>Income Tax Capital Improvement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
Income taxes . . . . .	\$ 2,292,712	\$ 650,969	\$ 526,164	\$ 3,469,845
Real and other taxes. . . . .	235,370	-	64,906	300,276
Charges for services. . . . .	397,514	-	136,952	534,466
Licenses and permits . . . . .	53,134	-	-	53,134
Fines and forfeitures . . . . .	20,098	-	1,568	21,666
Intergovernmental. . . . .	236,221	8,000	454,639	698,860
Investment income. . . . .	69,290	-	8,641	77,931
Rental income . . . . .	-	-	36,695	36,695
Contributions and donations. . . . .	181	-	59,384	59,565
Payments in lieu of taxes. . . . .	-	-	72,189	72,189
Decrease in fair market value of investments.	(78,564)	-	-	(78,564)
Other . . . . .	16,906	5,336	412	22,654
Total revenues . . . . .	<u>3,242,862</u>	<u>664,305</u>	<u>1,361,550</u>	<u>5,268,717</u>
<b>Expenditures:</b>				
Current:				
General government . . . . .	550,336	-	-	550,336
Security of persons and property . . . . .	2,502,019	-	364,957	2,866,976
Public health and welfare. . . . .	19,723	-	-	19,723
Transportation . . . . .	306,883	-	368,741	675,624
Community environment . . . . .	216,122	-	56,029	272,151
Leisure time activity . . . . .	-	-	250,641	250,641
Capital outlay . . . . .	-	691,188	275,168	966,356
Debt service:				
Principal retirement. . . . .	-	-	198,101	198,101
Interest and fiscal charges . . . . .	-	2,147	9,007	11,154
Total expenditures. . . . .	<u>3,595,083</u>	<u>693,335</u>	<u>1,522,644</u>	<u>5,811,062</u>
Excess of expenditures over revenues. . . . .	<u>(352,221)</u>	<u>(29,030)</u>	<u>(161,094)</u>	<u>(542,345)</u>
<b>Other financing sources (uses):</b>				
Sale of capital assets. . . . .	2,233	-	2,600	4,833
Transfers in . . . . .	-	30,559	112,786	143,345
Transfers (out). . . . .	(60,559)	(82,786)	-	(143,345)
OPWC loan issuance . . . . .	-	-	66,810	66,810
Total other financing sources (uses) . . . . .	<u>(58,326)</u>	<u>(52,227)</u>	<u>182,196</u>	<u>71,643</u>
Net change in fund balances . . . . .	(410,547)	(81,257)	21,102	(470,702)
<b>Fund balances at beginning of year. . . . .</b>	<b>3,914,385</b>	<b>436,702</b>	<b>1,578,744</b>	<b>5,929,831</b>
<b>Fund balances at end of year . . . . .</b>	<b><u>\$ 3,503,838</u></b>	<b><u>\$ 355,445</u></b>	<b><u>\$ 1,599,846</u></b>	<b><u>\$ 5,459,129</u></b>

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, 2017

**Net change in fund balances - total governmental funds** \$ (470,702)

*Amounts reported for governmental activities in the statement of activities are different because:*

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 depreciation expense exceeds capital outlays in the current period.

Capital asset additions	\$	983,565	
Current year depreciation		(713,961)	
Total			269,604

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

Income taxes		21,995	
Real and other taxes		1,315	
Intergovernmental revenues		(6,937)	
Special assessments		(12,034)	
Investment income		1,288	
Payments in lieu of taxes		(24)	
Total			5,603

Proceeds of loans are reported as an other financing source in the governmental funds, however, in the statement of activities, they are not reported as revenues as they increase the liabilities on the statement of net position. (66,810)

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. 198,101

In the statement of activities, interest is accrued on outstanding bonds and loans, whereas in governmental funds, an interest expenditure is reported when due. 329

Except for amounts reported as deferred inflows/outflows, changes in the net pension asset/liability are reported as pension expense in the statement of activities. (1,046,221)

Contractually required pension contributions are reported as an expenditure in governmental funds; however, the statement of net position reports these amounts as deferred outflows. 500,337

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. (7,575)

**Change in net position of governmental activities** \$ (617,334)

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, 2017

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
Income taxes . . . . .	\$ 2,706,800	\$ 2,706,800	\$ 2,706,800	\$ -
Real and other taxes. . . . .	251,300	251,300	235,353	(15,947)
Charges for services. . . . .	459,400	459,400	521,544	62,144
Licenses and permits . . . . .	50,050	50,050	53,284	3,234
Fines and forfeitures . . . . .	15,750	15,750	20,291	4,541
Intergovernmental. . . . .	223,350	223,350	237,351	14,001
Investment income. . . . .	23,100	23,100	39,400	16,300
Contributions and donations. . . . .	1,000	1,000	181	(819)
Other . . . . .	18,502	18,502	16,355	(2,147)
Total revenues . . . . .	<u>3,749,252</u>	<u>3,749,252</u>	<u>3,830,559</u>	<u>81,307</u>
<b>Expenditures:</b>				
Current:				
General government . . . . .	705,825	705,825	536,174	169,651
Security of persons and property . . . . .	2,997,728	2,997,728	2,524,433	473,295
Public health and welfare. . . . .	28,687	28,687	20,204	8,483
Transportation . . . . .	349,474	349,474	308,756	40,718
Community environment . . . . .	264,897	264,897	237,665	27,232
Total expenditures. . . . .	<u>4,346,611</u>	<u>4,346,611</u>	<u>3,627,232</u>	<u>719,379</u>
Excess (deficiency) of revenues over (under) expenditures. . . . .	<u>(597,359)</u>	<u>(597,359)</u>	<u>203,327</u>	<u>800,686</u>
<b>Other financing sources (uses):</b>				
Sale of capital assets. . . . .	7,000	7,000	2,233	(4,767)
Transfers (out). . . . .	-	(30,000)	(30,000)	-
Total other financing sources (uses) . . . . .	<u>7,000</u>	<u>(23,000)</u>	<u>(27,767)</u>	<u>(4,767)</u>
Net change in fund balances . . . . .	(590,359)	(620,359)	175,560	795,919
<b>Fund balances at beginning of year . . . . .</b>	1,149,475	1,149,475	1,149,475	-
<b>Prior year encumbrances appropriated . . . . .</b>	108,631	108,631	108,631	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 667,747</u>	<u>\$ 637,747</u>	<u>\$ 1,433,666</u>	<u>\$ 795,919</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**CITY OF WILLARD  
HURON COUNTY, OHIO**

STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
DECEMBER 31, 2017

	<b>Business-type Activities - Enterprise Funds</b>			
	<b>Sewer</b>	<b>Water</b>	<b>Nonmajor Enterprise Fund</b>	<b>Total</b>
<b>Assets:</b>				
Current assets:				
Equity in pooled cash and investments. . . . .	\$ 1,797,467	\$ 2,273,677	\$ 39,342	\$ 4,110,486
Receivables:				
Accounts. . . . .	470,108	470,297	-	940,405
Materials and supplies inventory. . . . .	21,223	90,304	-	111,527
Prepayments . . . . .	20,732	24,513	-	45,245
Restricted assets:				
Equity in pooled cash investments. . . . .	-	76,423	-	76,423
Total current assets . . . . .	<u>2,309,530</u>	<u>2,935,214</u>	<u>39,342</u>	<u>5,284,086</u>
Noncurrent assets:				
Net pension asset . . . . .	2,399	1,611	-	4,010
Capital assets:				
Nondepreciable capital assets . . . . .	505,410	801,539	-	1,306,949
Depreciable capital assets, net. . . . .	<u>6,250,912</u>	<u>5,444,307</u>	<u>-</u>	<u>11,695,219</u>
Total capital assets, net. . . . .	<u>6,756,322</u>	<u>6,245,846</u>	<u>-</u>	<u>13,002,168</u>
Total noncurrent assets . . . . .	<u>6,758,721</u>	<u>6,247,457</u>	<u>-</u>	<u>13,006,178</u>
Total assets . . . . .	<u>9,068,251</u>	<u>9,182,671</u>	<u>39,342</u>	<u>18,290,264</u>
<b>Deferred outflows of resources:</b>				
Pension - OPERS. . . . .	<u>311,248</u>	<u>214,183</u>	<u>-</u>	<u>525,431</u>
Total deferred outflows of resources . . . . .	<u>311,248</u>	<u>214,183</u>	<u>-</u>	<u>525,431</u>

-- Continued

**CITY OF WILLARD  
HURON COUNTY, OHIO**

STATEMENT OF NET POSITION  
PROPRIETARY FUNDS (CONTINUED)  
DECEMBER 31, 2017

	<b>Business-type Activities - Enterprise Funds</b>			
	<b>Sewer</b>	<b>Water</b>	<b>Nonmajor Enterprise Fund</b>	<b>Total</b>
<b>Liabilities:</b>				
Current liabilities:				
Accounts payable . . . . .	\$ 103,827	\$ 59,764	\$ -	\$ 163,591
Contracts payable . . . . .	-	75,596	-	75,596
Accrued wages . . . . .	28,721	20,482	-	49,203
Compensated absences . . . . .	90,432	71,343	-	161,775
Due to other governments . . . . .	14,055	10,321	-	24,376
Accrued interest payable . . . . .	16,083	835	-	16,918
Payable from restricted assets:				
Refundable deposits payable . . . . .	-	76,423	-	76,423
OWDA loans payable . . . . .	193,682	27,271	-	220,953
OPWC loans payable . . . . .	9,918	-	-	9,918
Notes payable . . . . .	730,000	-	-	730,000
Total current liabilities . . . . .	<u>1,186,718</u>	<u>342,035</u>	<u>-</u>	<u>1,528,753</u>
Long-term liabilities:				
Compensated absences payable . . . . .	118,385	52,834	-	171,219
OWDA loans payable . . . . .	2,120,354	56,196	-	2,176,550
OPWC loans payable . . . . .	89,453	39,731	-	129,184
Net pension liability . . . . .	794,142	533,501	-	1,327,643
Total long-term liabilities . . . . .	<u>3,122,334</u>	<u>682,262</u>	<u>-</u>	<u>3,804,596</u>
Total liabilities . . . . .	<u>4,309,052</u>	<u>1,024,297</u>	<u>-</u>	<u>5,333,349</u>
<b>Deferred inflows of resources:</b>				
Pension - OPERS . . . . .	26,054	6,759	-	32,813
Total deferred inflows of resources . . . . .	<u>26,054</u>	<u>6,759</u>	<u>-</u>	<u>32,813</u>
<b>Net position:</b>				
Net investment in capital assets . . . . .	3,612,915	6,047,052	-	9,659,967
Unrestricted . . . . .	1,431,478	2,318,746	39,342	3,789,566
Total net position . . . . .	<u>\$ 5,044,393</u>	<u>\$ 8,365,798</u>	<u>\$ 39,342</u>	<u>\$ 13,449,533</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, 2017

	<b>Business-type Activities - Enterprise Funds</b>			
	<b>Sewer</b>	<b>Water</b>	<b>Nonmajor Enterprise Fund</b>	<b>Total</b>
<b>Operating revenues:</b>				
Charges for services . . . . .	\$ 2,055,123	\$ 1,694,017	\$ -	\$ 3,749,140
Tap-in fees. . . . .	2,700	9,350	-	12,050
Other operating revenues . . . . .	-	4,267	-	4,267
Total operating revenues. . . . .	<u>2,057,823</u>	<u>1,707,634</u>	<u>-</u>	<u>3,765,457</u>
<b>Operating expenses:</b>				
Personal services . . . . .	1,201,659	911,824	-	2,113,483
Contract services. . . . .	192,251	131,425	16,500	340,176
Materials and supplies. . . . .	169,962	307,224	-	477,186
Utilities . . . . .	246,745	112,532	-	359,277
Depreciation. . . . .	420,259	287,558	-	707,817
Other . . . . .	4,260	8,378	-	12,638
Total operating expenses. . . . .	<u>2,235,136</u>	<u>1,758,941</u>	<u>16,500</u>	<u>4,010,577</u>
Operating loss . . . . .	<u>(177,313)</u>	<u>(51,307)</u>	<u>(16,500)</u>	<u>(245,120)</u>
<b>Nonoperating revenues (expenses):</b>				
Interest and fiscal charges . . . . .	(37,257)	(1,804)	-	(39,061)
Loss on disposal of capital assets . . . . .	-	(1,120)	-	(1,120)
Interest income . . . . .	30,218	32,000	-	62,218
Total nonoperating revenues (expenses). . . . .	<u>(7,039)</u>	<u>29,076</u>	<u>-</u>	<u>22,037</u>
Change in net position . . . . .	(184,352)	(22,231)	(16,500)	(223,083)
<b>Net position at beginning of year . . . . .</b>	<u>5,228,745</u>	<u>8,388,029</u>	<u>55,842</u>	<u>13,672,616</u>
<b>Net position at end of year . . . . .</b>	<u>\$ 5,044,393</u>	<u>\$ 8,365,798</u>	<u>\$ 39,342</u>	<u>\$ 13,449,533</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**CITY OF WILLARD  
HURON COUNTY, OHIO**

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2017

	<b>Business-type Activities - Enterprise Funds</b>			
	<b>Sewer</b>	<b>Water</b>	<b>Nonmajor Enterprise Fund</b>	<b>Total</b>
<b>Cash flows from operating activities:</b>				
Cash received from customers . . . . .	\$ 2,112,886	\$ 1,639,623	\$ -	\$ 3,752,509
Cash received from other operations . . . . .	-	11,780	-	11,780
Cash payments for personal services . . . . .	(1,057,905)	(825,618)	-	(1,883,523)
Cash payments for contract services . . . . .	(138,747)	(103,504)	(16,500)	(258,751)
Cash payments for materials and supplies . . . . .	(142,566)	(254,931)	-	(397,497)
Cash payments for utilities . . . . .	(254,065)	(118,237)	-	(372,302)
Cash payments for other expenses . . . . .	(4,260)	(13,172)	-	(17,432)
Net cash provided by (used in) operating activities . . . . .	<u>515,343</u>	<u>335,941</u>	<u>(16,500)</u>	<u>834,784</u>
<b>Cash flows from capital and related financing activities:</b>				
Acquisition of capital assets . . . . .	(291,952)	(599,137)	-	(891,089)
OPWC loan proceeds . . . . .	-	39,731	-	39,731
Principal retirement . . . . .	(327,839)	(26,733)	-	(354,572)
Interest and fiscal charges . . . . .	(39,106)	(2,071)	-	(41,177)
Net cash used in capital and related financing activities . . . . .	<u>(658,897)</u>	<u>(588,210)</u>	<u>-</u>	<u>(1,247,107)</u>
<b>Cash flows from investing activities:</b>				
Interest received . . . . .	30,218	32,000	-	62,218
Net cash provided by investing activities . . . . .	<u>30,218</u>	<u>32,000</u>	<u>-</u>	<u>62,218</u>
Net decrease in cash and investments . . . . .	(113,336)	(220,269)	(16,500)	(350,105)
<b>Cash and investments at beginning of year . . . . .</b>	<u>1,910,803</u>	<u>2,570,369</u>	<u>55,842</u>	<u>4,537,014</u>
<b>Cash and investments at end of year . . . . .</b>	<u>\$ 1,797,467</u>	<u>\$ 2,350,100</u>	<u>\$ 39,342</u>	<u>\$ 4,186,909</u>

- - Continued



**CITY OF WILLARD  
HURON COUNTY, OHIO**

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2017

	<b>Business-type Activities - Enterprise Funds</b>			
	<b>Sewer</b>	<b>Water</b>	<b>Nonmajor Enterprise Fund</b>	<b>Total</b>
<b>Reconciliation of operating loss to net cash provided by (used in) operating activities:</b>				
Operating loss . . . . .	\$ (177,313)	\$ (51,307)	\$ (16,500)	\$ (245,120)
Adjustments:				
Depreciation. . . . .	420,259	287,558	-	707,817
Changes in assets and liabilities:				
Decrease in materials and supplies inventory . . . . .	7,399	43,390	-	50,789
Decrease (increase) in accounts receivable . . . . .	55,063	(63,744)	-	(8,681)
Decrease in prepayments . . . . .	6,621	7,053	-	13,674
Decrease in net pension asset. . . . .	427	145	-	572
(Increase) in deferred outflows - pension- OPERS. . . . .	(61,466)	(58,959)	-	(120,425)
Increase in accounts payable. . . . .	75,959	33,690	-	109,649
Increase in accrued wages . . . . .	782	2,882	-	3,664
Increase (decrease) in intergovernmental payable. . . . .	(868)	1,106	-	238
Increase in compensated absences payable. . . . .	27,602	787	-	28,389
Increase in net pension liability. . . . .	156,745	137,398	-	294,143
Increase (decrease) in deferred inflows - pension - OPERS. . . . .	4,133	(6,864)	-	(2,731)
Increase in payable from restricted assets. . . . .	-	2,806	-	2,806
Net cash provided by (used in) operating activities . . . . .	<u>\$ 515,343</u>	<u>\$ 335,941</u>	<u>\$ (16,500)</u>	<u>\$ 834,784</u>

**Non-cash transactions:**

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

At December 31, 2016, the water fund purchased \$45,939 in capital assets on account.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF WILLARD  
HURON COUNTY, OHIO**

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
FIDUCIARY FUNDS  
DECEMBER 31, 2017

	<u>Agency</u>
<b>Assets:</b>	
Equity in pooled cash and investments. . . . .	\$ 30,241
	<u>30,241</u>
<b>Liabilities:</b>	
Deposits held and due to others . . . . .	\$ 30,241
	<u>30,241</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF WILLARD  
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

**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; however, minor repairs, services, and operations at the airport are provided by a private business and its related financial statements are not included in the financial statements of the City.

**CITY OF WILLARD  
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

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

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.

**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 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. Fiduciary funds are reported by type.

**C. Fund Accounting**

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

**CITY OF WILLARD  
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

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

***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. The City has no 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.

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

**CITY OF WILLARD  
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

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

**D. Measurement Focus and Basis of Accounting**

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

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

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

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

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

**E. Basis of Accounting**

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

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

**CITY OF WILLARD  
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

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

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. For the City, see Note 14 for deferred outflows of resources related the City's net pension liability.

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, payments in lieu of taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2017, but which were levied to finance 2018 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.

For the City, see Note 14 for deferred inflows of resources related to the City's net pension liability. This deferred inflow of resources is only reported on the government-wide statement of net position.

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

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

**CITY OF WILLARD  
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

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

**F. Budgetary Data**

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

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

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

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

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

**G. Encumbrances**

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

**H. Inventories of Materials and Supplies**

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



**CITY OF WILLARD  
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

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

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, 2017, 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 2017, 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 2017 amounted to \$69,290, which included \$26,735 assigned from other funds of the City.

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

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

**K. Capital Assets**

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

**CITY OF WILLARD  
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

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

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.

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.

**CITY OF WILLARD  
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

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

**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, net pension liability 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.

**N. Interfund Balances**

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

**O. Interfund Activity**

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

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the BFS.

**P. Fund Balance**

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

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

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

**CITY OF WILLARD  
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

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

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.

**R. Estimates**

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

**S. Contributions of Capital**

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets, tap-in fees to the extent they exceed the cost of the connection to the system, or from grants or outside contributions of resources restricted to capital acquisition and construction. Capital contributions are reported as revenue in the proprietary fund financial statements. The City's proprietary funds did not receive any capital contributions during 2017.

**CITY OF WILLARD  
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

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

**T. Net Position**

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. The net position component “net investment in capital assets,” consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes primarily includes amounts restricted for emergency management, an urban development block grant and clock tower donations.

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

**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 2017.

**V. Pensions**

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

**W. Fair Value Measurements**

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

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For 2017, the City has implemented GASB Statement No. 80, “*Blending Requirements for Certain Component Units - An Amendment of GASB Statement No. 14*”, GASB Statement No. 81 “*Irrevocable Split-Interest Agreements*”, and GASB Statement No. 82, “*Pension Issues - An Amendment of GASB Statements No. 67, No. 68, and No. 73*”.

**CITY OF WILLARD  
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

GASB Statement No. 80 amends the blending requirements for the financial statement presentation of component units. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The implementation of GASB Statement No. 80 did not have an effect on the financial statements of the City.

GASB Statement No. 81 improves the accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The implementation of GASB Statement No. 81 did not have an effect on the financial statements of the City.

GASB Statement No. 82 addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The implementation of GASB Statement No. 82 did not have an effect on the financial statements of the City.

**B. Deficit Fund Balances**

Fund balances at December 31, 2017 included the following individual fund deficits:

<u>Nonmajor governmental funds</u>	<u>Deficit</u>
Note and bond retirement	\$ 44,443
CDBG	41,923

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

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

Inactive deposits are public deposits that Council has identified as not required for use within the current two year period of designation of depositories. Inactive deposits must be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits in interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories.

Interim monies may be deposited or invested in the following:

**CITY OF WILLARD  
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and,
6. The State Treasurer's investment pool (STAR Ohio).

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

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

Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public moneys deposited with the institution.

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

**CITY OF WILLARD  
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

**A. Cash on Hand**

At year end, the City had \$950 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 \$222,294 deposited with a financial institution for monies related to the municipal road fund permissive tax.

**C. Deposits with Financial Institutions**

At December 31, 2017, the carrying amount of all City deposits, including cash in segregated accounts, was \$530,394. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of December 31, 2017, \$409,766 of the City’s bank balance of \$659,766 was exposed to custodial risk as discussed below, while \$250,000 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. The City has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the City 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 Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. For 2017, 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, 2017, 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	\$ 543,566	\$ -	\$ 297,948	\$ -	\$ -	\$ 245,618
FHLB	245,790	-	-	-	-	245,790
FFCB	238,567	-	238,567	-	-	-
FHLMC	345,576	-	-	-	-	345,576
Negotiable CDs	7,454,572	-	-	124,631	977,044	6,352,897
U.S. government money market fund	7,884	7,884	-	-	-	-
<b>Total</b>	<b>\$ 8,835,955</b>	<b>\$ 7,884</b>	<b>\$ 536,515</b>	<b>\$ 124,631</b>	<b>\$ 977,044</b>	<b>\$ 7,189,881</b>



**CITY OF WILLARD  
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

The weighted average maturity of investments is 3.35 years.

The City's investments in U.S. government money market funds are valued using quoted market prices in active markets (Level 1 inputs). The City's investments in federal agency securities (FFCB, 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.

*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, 2017:

Investment type	Measurement Value	% of Total
FNMA	\$ 543,566	6.15
FHLB	245,790	2.78
FFCB	238,567	2.70
FHLMC	345,576	3.91
Negotiable CDs	7,454,572	84.37
U.S. government money market	7,884	0.09
Total	<u>\$ 8,835,955</u>	<u>100.00</u>

**CITY OF WILLARD  
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

**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, 2017:

Cash and investments per note disclosure:

Carrying amount of deposits	\$ 530,394
Investments	8,835,955
Cash in segregated accounts	222,294
Cash on hand	950
Total	<u>\$ 9,589,593</u>

Cash and investments per statement of net position:

Governmental activities	\$ 5,372,443
Business-type activities	4,186,909
Agency funds	30,241
Total	<u>\$ 9,589,593</u>

**NOTE 5 - INTERFUND ACTIVITY**

- A. Interfund transfers for the year ended December 31, 2017, consisted of the following, as reported on the fund financial statements:

<u>Transfer From</u>	<u>Transfer To</u>	
	<u>Income Tax Capital Improvement</u>	<u>Nonmajor Governmental Funds</u>
General	\$ 30,559	\$ 30,000
Income tax capital improvement	-	82,786
Total	<u>\$ 30,559</u>	<u>\$ 112,786</u>

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

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.

**CITY OF WILLARD  
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

**NOTE 5 - INTERFUND ACTIVITY - (Continued)**

- B.** Interfund loans consisted of the following at December 31, 2017, 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; therefore, no internal balances at December 31, 2017 are reported on the statement of net position.

**NOTE 6 - PROPERTY TAXES**

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

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2017 public utility property taxes became a lien December 31, 2016, are levied after October 1, 2017, and are collected in 2018 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of Willard. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real property taxes, public utility taxes, delinquent tangible personal property taxes and other outstanding delinquencies which are measurable as of December 31, 2017 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 2017 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, 2017 was \$3.80 per \$1,000 of assessed value. The assessed values of real and public utility property upon which 2017 property tax receipts were based are as follows:

**CITY OF WILLARD  
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

**NOTE 6 - PROPERTY TAXES - (Continued)**

<u>Real property</u>	
Residential/agricultural	\$ 50,786,000
Commercial/industrial/mineral	26,144,030
<u>Public utility</u>	
Real	2,641,050
Personal	<u>7,301,620</u>
Total assessed value	<u>\$ 86,872,700</u>

**NOTE 7 - LOCAL INCOME TAX**

For 2017, the City levies an income tax of 1.375%. The income tax is levied on the gross salaries, wages and other personnel service compensation earned by residents of the City and to the earnings of nonresidents working within the City. This tax also applies to the net income of businesses operating within the City. Residents of the City are granted a full credit for taxes paid to other Ohio municipalities, up to the percentage which would be due to the City.

The revenue received from income tax is recorded directly into the City income tax fund, capital improvement fund, or police levy fund, a nonmajor governmental fund. The costs of operating the income tax department and income tax refunds are expended from the income tax fund. Pursuant to §197.14 of the City Charter, at least 40% of the remaining funds shall be allocated to capital improvements, maintenance and repair. The remaining balance shall be used in accordance with ordinances adopted and approved by Council.

**NOTE 8 - RECEIVABLES**

Receivables at December 31, 2017, consisted of taxes, payments in lieu 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, 2017.

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

**Governmental activities:**

Income taxes	\$ 564,202
Real and other taxes	314,365
Payments in lieu of taxes	72,165
Accounts	160,373
Special assessments	17,968
Due from other governments	218,766
Accrued interest	23,777

**Business-type activities:**

Accounts	940,405
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**CITY OF WILLARD  
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

**NOTE 8 - RECEIVABLES - (Continued)**

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

**NOTE 9 - CAPITAL ASSETS**

A. Governmental capital asset activity for the year ended December 31, 2017, was as follows:

<b>Governmental activities:</b>	Balance 1/1/2017	Additions	Disposals	Balance 12/31/2017
<i>Capital assets, not being depreciated:</i>				
Land	\$ 1,320,002	\$ -	\$ -	\$ 1,320,002
Construction in progress	7,500	-	-	7,500
<i>Total capital assets, not being depreciated</i>	<u>1,327,502</u>	<u>-</u>	<u>-</u>	<u>1,327,502</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	328,144	-	-	328,144
Buildings	4,185,129	30,662	-	4,215,791
Equipment	3,162,818	259,717	(1,050)	3,421,485
Vehicles	3,125,493	42,311	(117,938)	3,049,866
Infrastructure	12,836,501	650,875	-	13,487,376
<i>Total capital assets, being depreciated</i>	<u>23,638,085</u>	<u>983,565</u>	<u>(118,988)</u>	<u>24,502,662</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(205,427)	(24,431)	-	(229,858)
Buildings	(3,123,101)	(48,699)	-	(3,171,800)
Equipment	(2,196,577)	(123,663)	1,050	(2,319,190)
Vehicles	(2,588,418)	(177,357)	117,938	(2,647,837)
Infrastructure	(2,768,659)	(339,811)	-	(3,108,470)
<i>Total accumulated depreciation</i>	<u>(10,882,182)</u>	<u>(713,961)</u>	<u>118,988</u>	<u>(11,477,155)</u>
Total capital assets, being depreciated, net	12,755,903	269,604	-	13,025,507
Total governmental activities capital assets	<u>\$ 14,083,405</u>	<u>\$ 269,604</u>	<u>\$ -</u>	<u>\$ 14,353,009</u>

**CITY OF WILLARD  
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

**NOTE 9 - CAPITAL ASSETS - (Continued)**

**B.** Business-type activities capital asset activity for the year ended December 31, 2017, was as follows:

<b>Business-type activities:</b>	Balance <u>1/1/2017</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>12/31/2017</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 1,020,841	\$ -	\$ -	\$ 1,020,841
Construction in progress	<u>-</u>	<u>286,108</u>	<u>-</u>	<u>286,108</u>
<i>Total capital assets, not being depreciated:</i>	<u>1,020,841</u>	<u>286,108</u>	<u>-</u>	<u>1,306,949</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	78,249	23,915	-	102,164
Buildings	6,674,444	18,526	-	6,692,970
Equipment	7,969,926	393,415	(33,470)	8,329,871
Vehicles	632,471	37,754	-	670,225
Utility plant in service	<u>12,704,730</u>	<u>161,028</u>	<u>-</u>	<u>12,865,758</u>
<i>Total capital assets, being depreciated:</i>	<u>28,059,820</u>	<u>634,638</u>	<u>(33,470)</u>	<u>28,660,988</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(73,829)	(4,784)	-	(78,613)
Buildings	(5,378,111)	(105,642)	-	(5,483,753)
Equipment	(4,916,751)	(240,210)	32,350	(5,124,611)
Vehicles	(519,995)	(44,232)	-	(564,227)
Utility plant in service	<u>(5,401,616)</u>	<u>(312,949)</u>	<u>-</u>	<u>(5,714,565)</u>
<i>Total accumulated depreciation</i>	<u>(16,290,302)</u>	<u>(707,817)</u>	<u>32,350</u>	<u>(16,965,769)</u>
Total capital assets, being depreciated, net	<u>11,769,518</u>	<u>(73,179)</u>	<u>(1,120)</u>	<u>11,695,219</u>
Total business-type activities capital assets	<u>\$ 12,790,359</u>	<u>\$ 212,929</u>	<u>\$ (1,120)</u>	<u>\$ 13,002,168</u>

**CITY OF WILLARD  
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

**NOTE 9 - CAPITAL ASSETS - (Continued)**

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

**Governmental activities:**

General government	\$ 9,245
Security of persons and property	251,638
Public health and welfare	2,256
Transportation	328,609
Community environment	65,600
Leisure time activities	<u>56,613</u>
Total governmental activities	<u>\$ 713,961</u>

**Business-type activities:**

Sewer	\$ 420,259
Water	<u>287,558</u>
Total business-type activities	<u>\$ 707,817</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 \$332,071 at December 31, 2017. 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, 2017 was \$371,690.

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.

**CITY OF WILLARD  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

**NOTE 10 - VACATION, SICK LEAVE AND ACCUMULATED UNPAID EMPLOYEE BENEFITS -  
(Continued)**

The agreement states that 35% of accrued unpaid sick leave will be paid to an employee when the employee retires from active service with the City and qualifies and begins to receive pension payments under the Ohio Public Employees Retirement System (OPERS) or other State operated pension and retirement programs. Sick leave may be accumulated to a total of 180 working days or 1,440 hours. A full-time employee shall be entitled to a cash payment, equal to 35% of his daily wage, of any unused sick leave accumulated in the current year above the 180 day limit. This payment is made during the last pay period each year. After an employee has worked for the City for one year, the employee is entitled to vacation leave following his anniversary date. An employee may accumulate two years of unused vacation. No employee shall be compensated for any vacation not taken unless the employee is leaving the service of the City.

**NOTE 11 - NOTES PAYABLE**

The City had the following bond anticipation notes outstanding at December 31, 2017:

	<u>Issue Date</u>	<u>Interest Rate</u>	<u>Balance 12/31/2016</u>	<u>Issued</u>	<u>Reductions</u>	<u>Balance 12/31/2017</u>
<b>Governmental activities:</b>						
<i><u>Bond retirement fund:</u></i>						
Fire truck	2016	1.35%	\$ 91,000	\$ -	\$ (18,000)	\$ 73,000
<i><u>Income tax capital improvement fund:</u></i>						
Fire engine	2016	1.35%	166,000	-	(15,000)	151,000
Total governmental activities			<u>257,000</u>	<u>-</u>	<u>(33,000)</u>	<u>224,000</u>
<b>Business-type activities:</b>						
<i><u>Sewer fund:</u></i>						
WWTP upgrade	2016	1.35%	860,000	-	(130,000)	730,000
Total business-type activities			<u>860,000</u>	<u>-</u>	<u>(130,000)</u>	<u>730,000</u>
Total notes payable			<u>\$ 1,117,000</u>	<u>\$ -</u>	<u>\$ (163,000)</u>	<u>\$ 954,000</u>

*Bond anticipation notes - fire truck:* On August 25, 2016, the City issued \$91,000 in fire truck bond anticipation notes. The proceeds were used to retire the 2015 notes. On August 24, 2017, the City made a \$18,000 principal payment on these notes. These notes bear an interest rate of 1.35% and mature on August 23, 2018. 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 25, 2016, the City issued \$166,000 in fire engine bond anticipation notes. The proceeds were used to retire the 2015 notes. On August 24, 2017, the City made a \$15,000 principal payment on these notes. These notes bear an interest rate of 1.35% and mature on August 23, 2018. These notes are recorded as a liability in the income tax capital improvement 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, 2017

**NOTE 11 - NOTES PAYABLE - (Continued)**

Bond anticipation notes - WWTP upgrade: On August 25, 2016, the City issued \$860,000 in bond anticipation notes. The proceeds were used to retire the 2015 notes. On August 24, 2017, the City made a \$130,000 principal payment on these notes. These notes bear an interest rate of 1.35% and mature on August 23, 2018. These notes are recorded as a liability in the sewer fund, which is the fund that received the proceeds.

**NOTE 12 - LONG-TERM OBLIGATIONS**

A. During 2017, the following changes occurred in governmental activities long-term obligations.

<b>Governmental activities:</b>	Date of Issue	Interest Rate	Balance 12/31/2016	Additions	Retirements	Balance 12/31/2017	Amounts Due in One Year
<u>Issue II loans:</u>							
Pearl Street repavement	1999	0.00%	\$ 21,094	\$ -	\$ (7,031)	\$ 14,063	\$ 7,031
East Howard repavement I	2002	0.00%	1,056	-	(192)	864	192
East Howard repavement II	2003	0.00%	19,649	-	(2,457)	17,192	2,456
Ash Street reconstruction I	2005	0.00%	17,829	-	(1,981)	15,848	1,981
North Main reconstruction	2005	0.00%	17,204	-	(2,024)	15,180	2,024
Ash Street reconstruction II	2006	0.00%	61,182	-	(6,119)	55,063	6,118
Myrtle Avenue curbs and ramps	2009	0.00%	19,500	-	(1,500)	18,000	1,500
US 224 widening	2010	0.00%	13,500	-	(1,000)	12,500	1,000
Myrtle Avenue phase VII	2011	0.00%	15,000	-	(1,000)	14,000	1,000
Neal Zick Road improvements	2013	0.00%	9,900	-	(600)	9,300	600
Crestwood Dr. reconstruction	2014	0.00%	3,597	-	(200)	3,397	200
Street improvements	2016	0.00%	849,882	40,085	(88,997)	800,970	88,997
Pearl Street improvements	2017	0.00%	-	11,725	-	11,725	-
US 224 improvements phase IV	2017	0.00%	-	15,000	-	15,000	750
Total Issue II loans			<u>1,049,393</u>	<u>66,810</u>	<u>(113,101)</u>	<u>1,003,102</u>	<u>113,849</u>
<u>Bonds payable:</u>							
Industrial park	2009	3.0-4.5%	<u>175,000</u>	-	<u>(85,000)</u>	<u>90,000</u>	<u>90,000</u>
<u>Other long-term obligations:</u>							
Net pension liability			5,157,302	907,729	-	6,065,031	-
Compensated absences			<u>381,485</u>	<u>193,489</u>	<u>(204,207)</u>	<u>370,767</u>	<u>188,805</u>
Total other long-term obligations			<u>5,538,787</u>	<u>1,101,218</u>	<u>(204,207)</u>	<u>6,435,798</u>	<u>188,805</u>
Total governmental activities long-term obligations			<u>\$ 6,763,180</u>	<u>\$ 1,168,028</u>	<u>\$ (402,308)</u>	<u>\$ 7,528,900</u>	<u>\$ 392,654</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 loan 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. The 2017 Pearl Street improvements Issue II loan has not been finalized and is therefore not presented in the amortization schedule on the next page.

**CITY OF WILLARD  
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

**NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)**

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

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

Net pension liability: For a discussion of the City's net pension liability, see Note 14.

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

Year Ending December 31,	Issue II Loans			Bonds Payable		
	Principal	Interest	Total	Principal	Interest	Total
2018	\$ 113,849	\$ -	\$ 113,849	\$ 90,000	\$ 4,050	\$ 94,050
2019	113,849	-	113,849	-	-	-
2020	106,817	-	106,817	-	-	-
2021	106,818	-	106,818	-	-	-
2022	106,721	-	106,721	-	-	-
2023 - 2027	421,624	-	421,624	-	-	-
2028 - 2032	17,249	-	17,249	-	-	-
2033 - 2037	4,450	-	4,450	-	-	-
Total	<u>\$ 991,377</u>	<u>\$ -</u>	<u>\$ 991,377</u>	<u>\$ 90,000</u>	<u>\$ 4,050</u>	<u>\$ 94,050</u>

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**CITY OF WILLARD  
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

**NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)**

**B.** During 2017, the following changes occurred in the City's business-type long-term obligations.

<b>Business-type activities:</b>	Date of Issue	Interest Rate	Balance 12/31/2016	Additions	Retirements	Balance 12/31/2017	Amounts Due in One Year
<u>OWDA loans:</u>							
Drinking water loan	2000	2.00%	\$ 110,200	\$ -	\$ (26,733)	\$ 83,467	\$ 27,271
Water pollution loan	2000	1.20%	71,947	-	(17,665)	54,282	17,878
Sewer loan	2001	2.20%	153,739	-	(29,417)	124,322	10,753
Storm water loan	1998	1.20%	82,592	-	(27,202)	55,390	27,529
Storm water loan	2001	2.20%	76,550	-	(14,647)	61,903	14,971
US 224 lift station	2010	1.00%	159,160	-	(10,646)	148,514	30,068
WWTP improvements	2014	1.00%	1,957,970	-	(88,345)	1,869,625	92,483
Total OWDA loans			<u>2,612,158</u>	<u>-</u>	<u>(214,655)</u>	<u>2,397,503</u>	<u>220,953</u>
<u>Issue II loans:</u>							
Woodbine Avenue	2005	0.00%	20,569	-	(2,419)	18,150	2,420
US 224 pump station	2010	0.00%	41,219	-	(2,498)	38,721	2,498
WWTP improvements	2014	0.00%	47,500	-	(5,000)	42,500	5,000
Raw waterline replacement	2017	0.00%	-	39,731	-	39,731	-
Total Issue II loans			<u>109,288</u>	<u>39,731</u>	<u>(9,917)</u>	<u>139,102</u>	<u>9,918</u>
<u>Other long-term obligations:</u>							
Net pension liability			1,033,500	294,143	-	1,327,643	-
Compensated absences			304,605	67,799	(39,410)	332,994	161,775
Total other long-term obligations			<u>1,338,105</u>	<u>361,942</u>	<u>(39,410)</u>	<u>1,660,637</u>	<u>161,775</u>
Total business-type activities long-term obligations			<u>\$ 4,059,551</u>	<u>\$ 401,673</u>	<u>\$ (263,982)</u>	<u>\$ 4,197,242</u>	<u>\$ 392,646</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. The 2017 raw waterline replacement Issue II loan has not been finalized and is therefore not presented in the amortization schedule below.

OWDA (Ohio Water Development Authority) loans:

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

**CITY OF WILLARD  
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

**NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)**

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

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

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

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

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

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

The City has pledged future water revenues to repay the drinking water OWDA loan. The loan is payable solely from water fund revenues and is payable through 2020. Annual principal and interest payments on the loan are expected to require 10.74 percent of net revenues and 1.66 percent of total revenues. Principal and interest paid for the current year were \$28,804, total net revenues were \$268,251 and total revenues were \$1,739,634.

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 78.86 percent of net revenues and 10.32 percent of total revenues. Principal and interest paid for the current year were \$215,417, total net revenues were \$273,164 and total revenues were \$2,088,041.

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

**CITY OF WILLARD  
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

**NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)**

*Net pension liability:* For a discussion of the City’s net pension liability, see Note 14.

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,	Issue II Loans			OWDA Loans		
	Principal	Interest	Total	Principal	Interest	Total
2018	\$ 9,918	\$ -	\$ 9,918	\$ 220,953	\$ 26,488	\$ 247,441
2019	9,918	-	9,918	224,079	23,362	247,441
2020	9,918	-	9,918	199,059	20,271	219,330
2021	9,918	-	9,918	154,467	17,583	172,050
2022	9,918	-	9,918	107,439	15,722	123,161
2023 - 2027	36,041	-	36,041	553,566	62,234	615,800
2028 - 2032	12,491	-	12,491	557,270	34,108	591,378
2033 - 2036	1,249	-	1,249	380,670	7,652	388,322
Total	<u>\$ 99,371</u>	<u>\$ -</u>	<u>\$ 99,371</u>	<u>\$ 2,397,503</u>	<u>\$ 207,420</u>	<u>\$ 2,604,923</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, 2017, the City’s total debt margin was \$9,031,634 and the unvoted debt margin was \$4,777,999.

**NOTE 13 - RISK MANAGEMENT**

**A. Property and Casualty Insurance**

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

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

**CITY OF WILLARD  
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

**NOTE 13 - RISK MANAGEMENT - (Continued)**

The City belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. 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 York. 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, 2016 (the latest information available), PEP retained \$350,000 for casualty claims and \$100,000 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.

Financial Position

PEP's financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2015 and 2016 (the latest information available):

<u>Casualty &amp; Property Coverage</u>	<u>2015</u>	<u>2016</u>
Assets	\$38,307,677	\$42,182,281
Liabilities	<u>(12,759,127)</u>	<u>(13,396,700)</u>
Net Position	<u>\$25,548,550</u>	<u>\$28,785,581</u>

At December 31, 2015 and 2016 (the latest information available), respectively, the liabilities above include approximately \$11.5 million and \$12.0 million of estimated incurred claims payable. The assets above also include approximately \$11.0 million and \$11.5 million of unpaid claims to be billed. The Pool's membership increased from 499 members in 2015 to 520 members in 2016. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017, the City's share of these unpaid claims collectible in future years is approximately \$59,000.

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

<u>Contributions to PEP</u>	
2017	\$94,160
2016	\$90,794

**CITY OF WILLARD  
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

**NOTE 13 - RISK MANAGEMENT - (Continued)**

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 health insurance consortium comprised of other public entities beginning on January 1, 2016. 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 \$500,000 and claims over \$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.

In 2017, family coverage had a monthly cost of \$2,019.63 and single coverage had a monthly cost of \$674.35. 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.

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

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

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

***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):



**CITY OF WILLARD  
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

**NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

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

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

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

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

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

Defined contribution plan benefits are established in the plan documents, which may be amended by the OPERS's Board of Trustees. Member-Directed Plan and Combined Plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the Combined Plan consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. The amount available for defined contribution benefits in the Member-Directed Plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20% each year. For additional information, see the Plan Statement in the OPERS CAFR.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**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
<b>2017 Statutory Maximum Contribution Rates</b>	
Employer	14.0 %
Employee	10.0 %
 <b>2017 Actual Contribution Rates</b>	
Employer:	
Pension	13.0 %
Post-employment Health Care Benefits	1.0 %
 Total Employer	 14.0 %
 Employee	 10.0 %

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

The City’s contractually required contribution for the Traditional Pension Plan, the Combined Plan and Member-Directed Plan was \$292,408 for 2017. Of this amount, \$55,497 is reported as due to other governments.

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

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

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

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

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

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

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

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

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

	Police	Firefighters
<b>2017 Statutory Maximum Contribution Rates</b>		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
 <b>2017 Actual Contribution Rates</b>		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	0.50 %	0.50 %
Total Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was \$316,054 for 2017. Of this amount \$46,074 is reported as due to other governments.

***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, 2016, 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, 2016 and was determined by rolling forward the total pension liability as of January 1, 2016, to December 31, 2016. The City's proportion of the net pension liability or asset was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

**NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)**

	OPERS - Traditional	OPERS - Combined	OPERS - Member- Directed	OP&F	Total
Proportion of the net pension liability/asset prior measurement date	0.01570200%	0.02472000%	0.00725800%	0.05395600%	
Proportion of the net pension liability/asset current measurement date	<u>0.01581100%</u>	<u>0.01941700%</u>	<u>0.00905100%</u>	<u>0.06003100%</u>	
Change in proportionate share	<u>0.00010900%</u>	<u>-0.00530300%</u>	<u>0.00179300%</u>	<u>0.00607500%</u>	
Proportionate share of the net pension liability	\$ 3,590,409	\$ -	\$ -	\$ 3,802,265	\$ 7,392,674
Proportionate share of the net pension asset	-	10,807	38	-	10,845
Pension expense	759,324	7,808	46	558,727	1,325,905

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

**NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)**

At December 31, 2017, 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
<b>Deferred outflows of resources</b>					
Differences between expected and actual experience	\$ 4,867	\$ -	\$ 386	\$ 1,076	\$ 6,329
Net difference between projected and actual earnings on pension plan investments	534,693	2,638	33	369,756	907,120
Changes of assumptions	569,483	2,634	42	-	572,159
Changes in employer's proportionate percentage/ difference between employer contributions	23,698	-	-	397,627	421,325
City contributions subsequent to the measurement date	274,520	12,254	5,634	316,054	608,462
Total deferred outflows of resources	<u>\$ 1,407,261</u>	<u>\$ 17,526</u>	<u>\$ 6,095</u>	<u>\$ 1,084,513</u>	<u>\$ 2,515,395</u>
<b>Deferred inflows of resources</b>					
Differences between expected and actual experience	\$ 21,368	\$ 5,527	\$ -	\$ 8,755	\$ 35,650
Changes in employer's proportionate percentage/ difference between employer contributions	34,633	-	-	-	34,633
Total deferred inflows of resources	<u>\$ 56,001</u>	<u>\$ 5,527</u>	<u>\$ -</u>	<u>\$ 8,755</u>	<u>\$ 70,283</u>

\$608,462 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, 2018.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

**NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

Year Ending December 31:	OPERS - Traditional	OPERS - Combined	OPERS - Member- Directed	OP&F	Total
2018	\$ 436,239	\$ 511	\$ 66	\$ 229,742	\$ 666,558
2019	465,772	511	66	229,742	696,091
2020	190,403	397	65	182,826	373,691
2021	(15,673)	(533)	53	50,817	34,664
2022	(1)	(438)	53	60,811	60,425
Thereafter	-	(703)	158	5,766	5,221
<b>Total</b>	<b>\$ 1,076,740</b>	<b>\$ (255)</b>	<b>\$ 461</b>	<b>\$ 759,704</b>	<b>\$ 1,836,650</b>

***Actuarial Assumptions - OPERS***

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2016, using the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 67. In 2016, the Board's actuarial consultants conducted an experience study for the period 2011 through 2015, comparing assumptions to actual results. The experience study incorporates both a historical review and forward-looking projections to determine the appropriate set of assumptions to keep the plan on a path toward full funding. Information from this study led to changes in both demographic and economic assumptions, with the most notable being a reduction in the actuarially assumed rate of return from 8.00% down to 7.50%, for the defined benefit investments, decreasing the wage inflation from 3.75% to 3.25% and changing the future salary increases from a range of 4.25%-10.05% to 3.25%-10.75%. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, are presented below.

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

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

Mortality rates are based on the RP-2014 Healthy Annuitant mortality table. For males, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

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

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

During 2016, OPERS managed investments in four investment portfolios: the Defined Benefit portfolio, the 401(h) Health Care Trust portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The 401(h) Health Care Trust portfolio was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. The Defined Benefit portfolio contains the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. The Defined Benefit portfolio historically included the assets of the Member-Directed retiree medical accounts funded through the VEBA Trust. However, the VEBA Trust was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. 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 is 8.3% for 2016.

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 2016 and the long-term expected real rates of return:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u>
Fixed income	23.00 %	2.75 %
Domestic equities	20.70	6.34
Real estate	10.00	4.75
Private equity	10.00	8.97
International equities	18.30	7.95
Other investments	18.00	4.92
Total	<u>100.00 %</u>	<u>5.66 %</u>

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

**Discount Rate** - The discount rate used to measure the total pension liability/asset was 7.50%, post-experience study results, for the Traditional Pension Plan, the Combined Plan and Member-Directed Plan. A discount rate of 8.00% was used in the previous measurement period. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Traditional Pension Plan, Combined Plan and Member-Directed Plan was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the net pension liability (asset):			
Traditional Pension Plan	\$ 5,485,152	\$ 3,590,409	\$ 2,011,475
Combined Plan	777	(10,807)	(19,805)
Member-Directed Plan	91	(38)	(91)

**Actuarial Assumptions – OP&F**

OP&F's total pension liability as of December 31, 2016 is based on the results of an actuarial valuation date of January 1, 2016 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, 2016, are presented below:

Valuation date	January 1, 2016
Actuarial cost method	Entry age normal
Investment rate of return	8.25%
Projected salary increases	4.25% - 11.00%
Payroll increases	3.75%
Inflation assumptions	3.25%
Cost of living adjustments	2.60% and 3.00% simple



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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

**NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. 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 OPF's target asset allocation as of December 31, 2016 are summarized below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>10 Year Expected Real Rate of Return **</u>	<u>30 Year Expected Real Rate of Return **</u>
Cash and Cash Equivalents	- %		
Domestic Equity	16.00	4.46 %	5.21 %
Non-US Equity	16.00	4.66	5.40
Core Fixed Income *	20.00	1.67	2.37
Global Inflation			
Protected Securities *	20.00	0.49	2.33
High Yield	15.00	3.33	4.48
Real Estate	12.00	4.71	5.65
Private Markets	8.00	7.31	7.99
Timber	5.00	6.87	6.87
Master Limited Partnerships	8.00	6.92	7.36
<b>Total</b>	<b>120.00 %</b>		

Note: assumptions are geometric.

\* levered 2x

\*\* numbers include inflation

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

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

**Discount Rate** - The total pension liability was calculated using the discount rate of 8.25%. 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 8.25%. Based on those assumptions, the plan’s fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

**Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** - Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 8.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.25%), or one percentage point higher (9.25%) than the current rate.

	1% Decrease (7.25%)	Current Discount Rate (8.25%)	1% Increase (9.25%)
City's proportionate share of the net pension liability	\$ 5,064,217	\$ 3,802,265	\$ 2,732,814

**Changes Between Measurement Date and Report Date** - In October 2017, the OP&F Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of January 1, 2017. The most significant change is a reduction in the discount rate from 8.25% to 8.00%. Although the exact amount of these changes is not known, it has the potential to impact to the City’s net pension liability.

**NOTE 15 - POSTRETIREMENT BENEFIT PLANS**

**A. Ohio Public Employees Retirement System**

Plan Description - 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 health care coverage, age-and-service retirees under the Traditional Pension and Combined plans must have 20 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 45. Please see the Plan Statement in the OPERS 2016 CAFR for details.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 15 - POSTRETIREMENT BENEFIT PLANS - (Continued)**

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 OPERS Board of Trustees (OPERS Board) in Chapter 145 of the Ohio Revised Code.

Disclosures for the healthcare plan are presented separately in the OPERS financial report which may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (800) 222-7377.

Funding Policy - The post-employment healthcare plan was established under, and is administered in accordance with, Internal Revenue Code Section 401(h). State statute requires that public employers fund post-employment healthcare through contributions to OPERS. A portion of each employer's contribution to the Traditional or Combined Plans is set aside for the funding of post-employment health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2017, local government employers contributed 14.00% of covered payroll. Each year the OPERS' Retirement Board determines the portion of the employer contribution rate that will be set aside for the funding of the postemployment health care benefits. The portion of employer contributions allocated to fund post-employment healthcare for members in the Traditional Plan and Combined Plan for 2017 was 1.00%.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment healthcare plan.

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2017, 2016, and 2015 were \$24,313, \$44,862, and \$41,657, respectively; 82.48% has been contributed for 2017 and 100% has been contributed for 2016 and 2015. The remaining 2017 post-employment health care benefits liability has been reported as due to other governments on the basic financial statements.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under State Bill 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4.00% of the employer contributions toward the health care fund after the end of the transition period.

**B. Ohio Police and Fire Pension Fund**

Plan Description - The City contributes to the OP&F Pension Fund sponsored health care program, a cost-sharing multiple-employer defined postemployment health care plan administered by OP&F. OP&F provides healthcare benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium and long term care to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to post-employment health care coverage to any person who receives or is eligible to receive a monthly service, disability or survivor benefit check 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 GASB Statement 45.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 15 - POSTRETIREMENT BENEFIT PLANS - (Continued)**

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 statements and required supplementary information for the plan. That report may be obtained by writing to the OP&F, 140 East Town Street, Columbus, Ohio 43215-5164 or by visiting the website at [www.op-f.org](http://www.op-f.org).

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 employers, 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, one account is for health care benefits under an Internal Revenue Code Section 115 trust and the other account is for Medicare Part B reimbursements administered as an Internal Revenue Code Section 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan into the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. The portion of employer contributions allocated to health care was .5% of covered payroll from January 1, 2017 thru December 31, 2017. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that the pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

The City's contributions to OP&F which were allocated to fund post-employment healthcare benefits for police officers and firefighters were \$5,885 and \$1,966 for the year ended December 31, 2017, \$5,176 and \$2,103 for the year ended December 31, 2016, and \$6,012 and \$1,696, for the year ended December 31, 2015. 100% has been contributed for 2016 and 2015. 87.03% has been contributed for police and 82.73% has been contributed for firefighters for 2017. The remaining 2017 post-employment health care benefits liability has been reported as due to other governments on the basic financial statements.

**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.

**CITY OF WILLARD  
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

**NOTE 16 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

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	\$ 175,560
Net adjustment for revenue accruals	(204,719)
Net adjustment for expenditure accruals	(40,432)
Funds budgeted elsewhere	(519,585)
Adjustment for encumbrances	178,629
GAAP basis	\$ (410,547)

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

**CITY OF WILLARD  
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

**NOTE 17 - TAX ABATEMENTS**

As of December 31, 2017, 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, 2017. The total value of the City's share of taxes abated for 2017 was \$14,944.

**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, 2017.

**B. Litigation**

At December 31, 2017, the City was not involved in any lawsuits that would have a material adverse effect on the City's financial position.

**CITY OF WILLARD  
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

**NOTE 19 - FUND BALANCE**

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the City is bound to observe constraints imposed upon the use of resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund balance	General	Income Tax Capital Improvement	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:				
Materials and supplies inventory	\$ 8,511	\$ -	\$ 21,835	\$ 30,346
Prepays	50,877	-	18,956	69,833
Electric system sale	1,575,000	-	-	1,575,000
Unclaimed monies	8,508	-	-	8,508
Perpetual care	-	-	27,782	27,782
Total nonspendable	<u>1,642,896</u>	<u>-</u>	<u>68,573</u>	<u>1,711,469</u>
Restricted:				
Capital improvements	-	-	93,321	93,321
Debt service	-	-	14,795	14,795
Recreation programs	-	-	332	332
Transportation projects	-	-	690,884	690,884
Police and fire purposes	-	-	508,026	508,026
Other purposes	-	-	97,188	97,188
Total restricted	<u>-</u>	<u>-</u>	<u>1,404,546</u>	<u>1,404,546</u>
Committed:				
Capital improvements	-	355,445	-	355,445
Recreation programs	-	-	83,084	83,084
Transportation projects	-	-	55,792	55,792
Other purposes	-	-	74,213	74,213
Total committed	<u>-</u>	<u>355,445</u>	<u>213,089</u>	<u>568,534</u>
Assigned:				
Capital improvements	-	-	4	4
Subsequent year appropriations	760,109	-	-	760,109
Other purposes	132,489	-	-	132,489
Total assigned	<u>892,598</u>	<u>-</u>	<u>4</u>	<u>892,602</u>
Unassigned (deficit)	<u>968,344</u>	<u>-</u>	<u>(86,366)</u>	<u>881,978</u>
Total fund balances	<u>\$ 3,503,838</u>	<u>\$ 355,445</u>	<u>\$ 1,599,846</u>	<u>\$ 5,459,129</u>

**CITY OF WILLARD  
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

**NOTE 20 - OTHER COMMITMENTS**

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

<u>Fund</u>	<u>Year-End Encumbrances</u>
General fund	\$ 133,723
Income tax capital improvement	120,777
Other governmental	<u>56,710</u>
 Total	 <u>\$ 311,210</u>

**NOTE 21 - RESTRICTED ASSETS**

Restricted assets are specifically restricted for repayment to water customers who were required to make deposits for the guarantee of payment of water and sewer bills. Restricted cash and cash equivalents designated by the City or provided by operations are equally offset by a net position restriction. Restricted assets at December 31, 2017 are comprised of the following:

	<u>Cash and cash Equivalents</u>
Water fund:	
Customer deposits	<u>\$ 76,423</u>



**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF WILLARD  
HURON COUNTY, OHIO**

SCHEDULES OF 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 FOUR YEARS

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

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each 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 REQUIRED SUPPLEMENTARY INFORMATION

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

LAST FOUR YEARS

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

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each 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 REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN YEARS

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<i>Traditional Plan:</i>				
Contractually required contribution	\$ 274,520	\$ 247,416	\$ 238,148	\$ 238,575
Contributions in relation to the contractually required contribution	<u>(274,520)</u>	<u>(247,416)</u>	<u>(238,148)</u>	<u>(238,575)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 2,111,692	\$ 2,061,800	\$ 1,984,567	\$ 1,988,125
Contributions as a percentage of covered payroll	13.00%	12.00%	12.00%	12.00%
<i>Combined Plan:</i>				
Contractually required contribution	\$ 12,254	\$ 9,069	\$ 11,793	\$ 12,362
Contributions in relation to the contractually required contribution	<u>(12,254)</u>	<u>(9,069)</u>	<u>(11,793)</u>	<u>(12,362)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 94,262	\$ 75,575	\$ 98,275	\$ 103,017
Contributions as a percentage of covered payroll	13.00%	12.00%	12.00%	12.00%
<i>Member Directed Plan:</i>				
Contractually required contribution	\$ 5,634	\$ 4,464	\$ 4,851	
Contributions in relation to the contractually required contribution	<u>(5,634)</u>	<u>(4,464)</u>	<u>(4,851)</u>	
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
City's covered payroll	\$ 56,340	\$ 37,200	\$ 40,425	
Contributions as a percentage of covered payroll	10.00%	12.00%	12.00%	

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 265,185	\$ 216,003	\$ 222,402	\$ 199,024	\$ 192,731	\$ 166,613
<u>(265,185)</u>	<u>(216,003)</u>	<u>(222,402)</u>	<u>(199,024)</u>	<u>(192,731)</u>	<u>(166,613)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 2,039,885	\$ 2,160,030	\$ 2,224,020	\$ 2,231,211	\$ 2,370,615	\$ 2,380,186
13.00%	10.00%	10.00%	8.92%	8.13%	7.00%
\$ 12,527	\$ 7,375	\$ 6,949	\$ 8,324		
<u>(12,527)</u>	<u>(7,375)</u>	<u>(6,949)</u>	<u>(8,324)</u>		
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		
\$ 96,362	\$ 92,767	\$ 87,409	\$ 85,903		
13.00%	7.95%	7.95%	9.69%		

**CITY OF WILLARD  
HURON COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN YEARS

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<i>Police:</i>				
Contractually required contribution	\$ 223,633	\$ 196,673	\$ 222,441	\$ 212,018
Contributions in relation to the contractually required contribution	<u>(223,633)</u>	<u>(196,673)</u>	<u>(222,441)</u>	<u>(212,018)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 1,177,016	\$ 1,035,121	\$ 1,170,742	\$ 1,115,884
Contributions as a percentage of covered payroll	19.00%	19.00%	19.00%	19.00%
<i>Fire:</i>				
Contractually required contribution	\$ 92,421	\$ 98,846	\$ 79,722	\$ 77,198
Contributions in relation to the contractually required contribution	<u>(92,421)</u>	<u>(98,846)</u>	<u>(79,722)</u>	<u>(77,198)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 393,281	\$ 420,621	\$ 339,243	\$ 328,502
Contributions as a percentage of covered payroll	23.50%	23.50%	23.50%	23.50%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 189,672	\$ 136,777	\$ 146,003	\$ 148,723	\$ 151,853	\$ 128,366
<u>(189,672)</u>	<u>(136,777)</u>	<u>(146,003)</u>	<u>(148,723)</u>	<u>(151,853)</u>	<u>(128,366)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,194,408	\$ 1,072,761	\$ 1,145,122	\$ 1,166,455	\$ 1,191,004	\$ 1,006,792
15.88%	12.75%	12.75%	12.75%	12.75%	12.75%
\$ 55,704	\$ 59,795	\$ 54,771	\$ 50,728	\$ 49,316	\$ 76,361
<u>(55,704)</u>	<u>(59,795)</u>	<u>(54,771)</u>	<u>(50,728)</u>	<u>(49,316)</u>	<u>(76,361)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 273,327	\$ 346,638	\$ 317,513	\$ 294,075	\$ 285,890	\$ 442,672
20.38%	17.25%	17.25%	17.25%	17.25%	17.25%

**CITY OF WILLARD  
HURON COUNTY, OHIO**

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2017

*OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)*

*Changes in benefit terms* : There were no changes in benefit terms from the amounts reported for 2014-2017.

*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%.

*OHIO POLICE AND FIRE (OP&F) PENSION FUND*

*Changes in benefit terms* : There were no changes in benefit terms from the amounts reported for 2014-2017.

*Changes in assumptions* : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2017. See the notes to the basic financial statements for the methods and assumptions in this calculation.





**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

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

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

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

To the Members of Council and City Manager:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Willard, Huron County, Ohio, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City of Willard's basic financial statements and have issued our report thereon dated June 7, 2018.

***Internal Control Over Financial Reporting***

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Members of Council and City Manager  
City of Willard

***Compliance and Other Matters***

As part of reasonably assuring whether the City of Willard's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***Purpose of this Report***

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



Julian & Grube, Inc.  
June 7, 2018



# Dave Yost • Auditor of State

CITY OF WILLARD

HURON COUNTY

## CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
JULY 3, 2018