

**CITY OF WILLARD
HURON COUNTY, OHIO**

BASIC FINANCIAL STATEMENTS
(AUDITED)

FOR THE YEAR ENDED
DECEMBER 31, 2014

SUE JOHNSON, FINANCE DIRECTOR



Dave Yost • Auditor of State

Members of Council and City Manager
City of Willard
P.O. Box 367
631 S. Myrtle Avenue
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, 2014 through December 31, 2014. 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

July 21, 2015

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**CITY OF WILLARD
HURON COUNTY, OHIO**

TABLE OF CONTENTS

Independent Auditor’s Report	1 - 2
Management’s Discussion and Analysis	3 - 18
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	19
Statement of Activities.....	20 - 21
Fund Financial Statements:	
Balance Sheet - Governmental Funds	22
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities.....	23
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	24
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	25
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) - General Fund.....	26
Statement of Net Position - Proprietary Funds	27
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds.....	28
Statement of Cash Flows - Proprietary Funds.....	29 - 30
Statement of Fiduciary Assets and Liabilities - Fiduciary Funds	31
Notes to the Basic Financial Statements	32 - 68
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	69 - 70

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Julian & Grube, Inc.

Serving Ohio Local Governments

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Independent Auditor's Report

City of Willard
Huron County
631 S. 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, 2014 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, 2014, 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*, 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 5, 2015, 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 5, 2015

**CITY OF WILLARD
HURON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014**

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, 2014. 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 2014 are as follows:

- The total net position of the City increased \$1,440,458. Net position of governmental activities increased \$670,613 or 4.42% from 2013 net position and net position of business-type activities increased \$769,845 or 5.82% from 2013 net position.
- General revenues accounted for \$3,974,546 or 74.67% of total governmental activities revenue. Program specific revenues accounted for \$1,347,915 or 25.33% of total governmental activities revenue.
- The City had \$4,651,848 in expenses related to governmental activities; \$1,347,915 of these expenses was offset by program specific charges for services, grants or contributions. The remaining expenses of the governmental activities of \$3,303,933 were offset by general revenues (primarily income taxes, property taxes and unrestricted grants and entitlements) of \$3,974,546.
- The general fund had revenues of \$3,174,935 in 2014. The expenditures and other financing uses of the general fund totaled \$3,243,863 in 2014. The net decrease in fund balance for the general fund was \$68,928 or 1.81%.
- The income tax capital improvement fund had revenues of \$873,115 in 2014. The expenditures and other financing uses of the income tax capital improvement fund totaled \$979,966 in 2014. The net decrease in fund balance for the income tax capital improvement fund was \$106,851 or 15.38%.
- Net position for the business-type activities, which are made up of the sewer, water and storm water enterprise funds, increased in 2014 by \$769,845 from 2013 net position. This increase in net position was due to increasing revenue exceeding decreasing expenses and a gain on the sale of a capital asset in the water fund of \$455,015.
- In the general fund, the actual revenues and other financing sources came in \$50,192 less than they were in the final budget and actual expenditures and other financing uses were \$469,669 less than the amount in the final budget. The final budgeted revenues were unchanged from the original budget, and final budgeted expenditures and other financing uses were \$45,586 less than the original 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, 2014

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 2014?" The statement of net position and the statement of activities answer this question. These statements include all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

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

Reporting the City's Most Significant Funds

Fund Financial Statements

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

Fund financial reports provide detailed information about the City's major funds. The City uses many funds to account for a multitude of financial transactions. However, these fund financial statements focuses on the City's most significant funds. The analysis of the City's major governmental and proprietary funds begins on page 10.

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, 2014**

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 22-26 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 27-30 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 31 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 32-68 of this report.

Government-Wide Financial Analysis

The statement of net position serves as a useful indicator of a government's financial position.

**CITY OF WILLARD
HURON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014**

The table below provides a summary of the City's net position for 2014 and 2013:

	Net Position					
	Governmental Activities		Business-type Activities		2014 Total	2013 Total
	2014	2013	2014	2013		
<u>Assets:</u>						
Current and other assets	\$ 7,241,307	\$ 7,685,309	\$ 5,852,893	\$ 5,150,942	\$ 13,094,200	\$ 12,836,251
Capital assets, net	<u>10,470,673</u>	<u>9,593,402</u>	<u>12,472,098</u>	<u>10,959,417</u>	<u>22,942,771</u>	<u>20,552,819</u>
Total assets	<u>17,711,980</u>	<u>17,278,711</u>	<u>18,324,991</u>	<u>16,110,359</u>	<u>36,036,971</u>	<u>33,389,070</u>
<u>Liabilities:</u>						
Long-term liabilities	890,260	953,987	2,999,656	1,525,801	3,889,916	2,479,788
Other liabilities	<u>697,220</u>	<u>860,484</u>	<u>1,327,339</u>	<u>1,356,407</u>	<u>2,024,559</u>	<u>2,216,891</u>
Total liabilities	<u>1,587,480</u>	<u>1,814,471</u>	<u>4,326,995</u>	<u>2,882,208</u>	<u>5,914,475</u>	<u>4,696,679</u>
Deferred inflows	<u>281,054</u>	<u>291,407</u>	-	-	<u>281,054</u>	<u>291,407</u>
<u>Net position:</u>						
Net investment in capital assets	9,471,956	8,631,780	9,662,849	9,615,515	19,134,805	18,247,295
Restricted	3,094,942	2,941,571	-	-	3,094,942	2,941,571
Unrestricted	<u>3,276,548</u>	<u>3,599,482</u>	<u>4,335,147</u>	<u>3,612,636</u>	<u>7,611,695</u>	<u>7,212,118</u>
Total net position	<u>\$ 15,843,446</u>	<u>\$ 15,172,833</u>	<u>\$ 13,997,996</u>	<u>\$ 13,228,151</u>	<u>\$ 29,841,442</u>	<u>\$ 28,400,984</u>

Over time, net position can serve as a useful indicator of a government's financial position. At December 31, 2014, the City's assets exceeded liabilities and deferred inflows of resources by \$29,841,442. At year-end, net position was \$15,843,446 and \$13,997,996 for the governmental activities and the business-type activities, respectively.

Capital assets reported on the government-wide statements represent the largest portion of the City's assets. At year-end, capital assets represented 63.67% of total assets. Capital assets include land, land improvements, buildings, equipment, vehicles, infrastructure and utility plant in service. The City's net investment in capital assets at December 31, 2014, was \$9,471,956 and \$9,662,849 in the governmental activities and business-type activities, respectively. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the City's net position, \$3,094,942, represents resources that are subject to external restriction on how they may be used. In the governmental activities, the remaining balance of unrestricted net position of \$3,276,548 may be used to meet the government's ongoing obligations to citizens and creditors.

**CITY OF WILLARD
HURON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014**

The table below shows the changes in net position for 2014 and 2013.

	Change in Net Position					
	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues						
Program revenues:						
Charges for services	\$ 922,539	\$ 824,099	\$ 3,425,573	\$ 3,116,412	\$ 4,348,112	\$ 3,940,511
Operating grants and contributions	342,776	314,010	-	-	342,776	314,010
Capital grants and contributions	82,600	197,101	-	-	82,600	197,101
Total program revenues	<u>1,347,915</u>	<u>1,335,210</u>	<u>3,425,573</u>	<u>3,116,412</u>	<u>4,773,488</u>	<u>4,451,622</u>
General revenues:						
Property taxes	324,728	295,392	-	-	324,728	295,392
Income taxes	3,274,757	2,734,980	-	-	3,274,757	2,734,980
Payments in lieu of taxes	70,886	72,504	-	-	70,886	72,504
Unrestricted grants and entitlements	227,141	360,897	-	-	227,141	360,897
Investment earnings	68,682	26,352	16,922	17,804	85,604	44,156
Gain on disposal of capital assets	-	-	436,932	-	436,932	-
Miscellaneous	8,352	21,569	6,954	11,557	15,306	33,126
Total general revenues	<u>3,974,546</u>	<u>3,511,694</u>	<u>460,808</u>	<u>29,361</u>	<u>4,435,354</u>	<u>3,541,055</u>
Total revenues	<u>5,322,461</u>	<u>4,846,904</u>	<u>3,886,381</u>	<u>3,145,773</u>	<u>9,208,842</u>	<u>7,992,677</u>
Expenses						
General government	602,643	706,926	-	-	602,643	706,926
Security of persons and property	2,584,547	2,642,383	-	-	2,584,547	2,642,383
Public health and welfare	44,552	39,418	-	-	44,552	39,418
Transportation	882,774	701,874	-	-	882,774	701,874
Community environment	264,790	364,456	-	-	264,790	364,456
Leisure time activity	247,511	272,847	-	-	247,511	272,847
Interest and fiscal charges	25,031	28,037	-	-	25,031	28,037
Sewer	-	-	1,844,127	2,012,638	1,844,127	2,012,638
Water	-	-	1,271,909	1,373,484	1,271,909	1,373,484
Storm water	-	-	500	-	500	-
Total expenses	<u>4,651,848</u>	<u>4,755,941</u>	<u>3,116,536</u>	<u>3,386,122</u>	<u>7,768,384</u>	<u>8,142,063</u>
Change in net position	670,613	90,963	769,845	(240,349)	1,440,458	(149,386)
Net position at beginning of year	<u>15,172,833</u>	<u>15,081,870</u>	<u>13,228,151</u>	<u>13,468,500</u>	<u>28,400,984</u>	<u>28,550,370</u>
Net position at end of year	<u>\$ 15,843,446</u>	<u>\$ 15,172,833</u>	<u>\$ 13,997,996</u>	<u>\$ 13,228,151</u>	<u>\$ 29,841,442</u>	<u>\$ 28,400,984</u>

**CITY OF WILLARD
HURON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014**

Governmental Activities

Governmental activities net position increased \$670,613 in 2014. This increase is primarily the result of decreased expenses, particularly in the general government function. Income tax revenues increased by approximately \$540,000 due to the change in the income tax rate from 1.25% to 1.375% on January 1, 2014. Income tax revenue also increased due to decreasing unemployment.

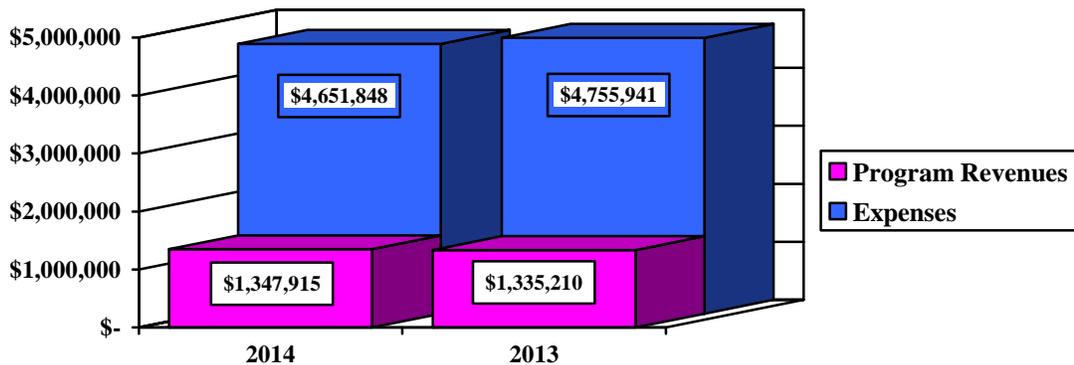
Security of persons and property which primarily supports the operations of the police and fire department accounted for \$2,584,547 or 33.27% of the total expenses of the City. Security of persons and property expenses were partially funded by \$566,063 in direct charges to users of the services. General government expenses totaled \$602,643. General government expenses were partially funded by \$90,428 in direct charges to users of the services.

The State and federal government contributed to the City a total of \$342,776 in operating grants and contributions and \$82,600 in capital grants and contributions. These revenues are restricted to a particular program or purpose.

General revenues totaled \$3,974,546 and amounted to 74.67% of total governmental revenues. These revenues primarily consist of property and income tax revenue of \$3,599,485. 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 \$227,141.

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 2014.

Governmental Activities – Program Revenues vs. Total Expenses



**CITY OF WILLARD
HURON COUNTY, OHIO**

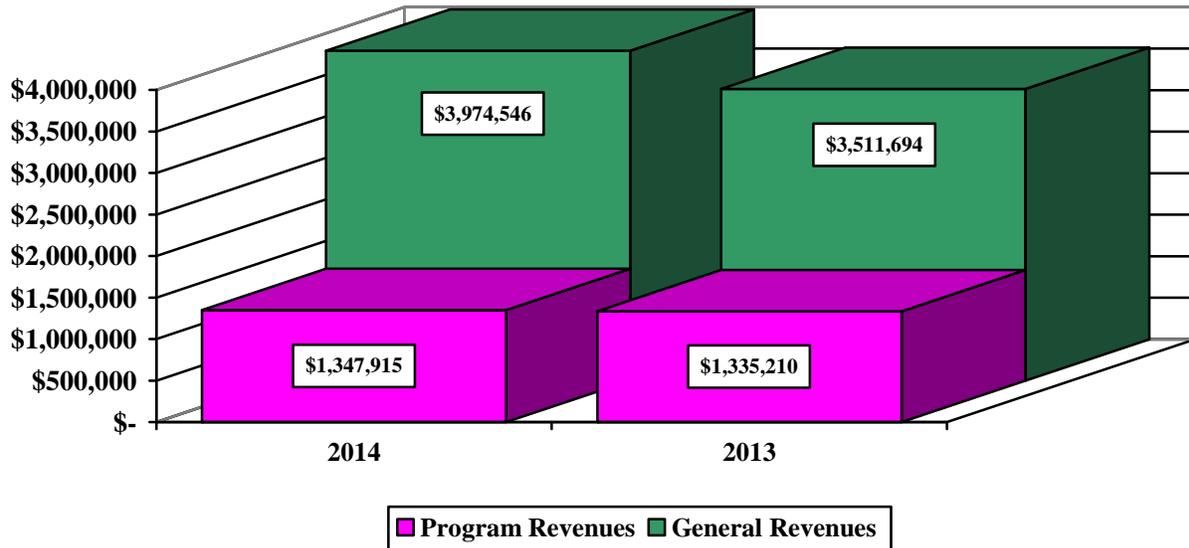
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014

Governmental Activities

	Total Cost of Services 2014	Total Cost of Services 2013	Net Cost of Services 2014	Net Cost of Services 2013
Program expenses:				
General government	\$ 602,643	\$ 706,926	\$ 494,715	\$ 615,320
Security of persons and property	2,584,547	2,642,383	1,999,393	2,063,717
Public health and welfare	44,552	39,418	22,417	18,468
Transportation	882,774	701,874	337,678	146,995
Community environment	264,790	364,456	243,114	337,843
Leisure time activity	247,511	272,847	181,585	210,351
Interest and fiscal charges	25,031	28,037	25,031	28,037
Total	<u>\$ 4,651,848</u>	<u>\$ 4,755,941</u>	<u>\$ 3,303,933</u>	<u>\$ 3,420,731</u>

The dependence upon general revenues for governmental activities is apparent, with 71.03% of expenses supported through taxes and other general revenues. The chart below illustrates the City's program revenues versus general revenues for 2014 and 2013.

Governmental Activities – General and Program Revenues

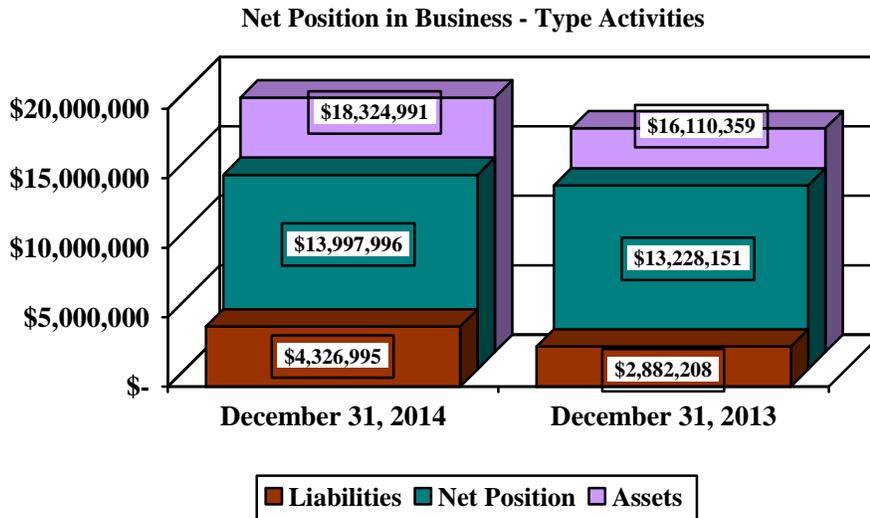


**CITY OF WILLARD
HURON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014

Business-type Activities

Business-type activities include the sewer, water and storm water enterprise funds. These programs had program revenues of \$3,425,573, general revenues of \$460,808, and expenses of \$3,116,536 for 2014. The graph below shows the business-type activities assets, liabilities and net position at year-end 2014 and 2013.



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 22) reported a combined fund balance of \$5,840,480, which is \$212,566 less than the previous year's fund balance of \$6,053,046. The following schedule indicates the fund balances and the total change in fund balances as of December 31, 2014 for all major and nonmajor governmental funds.

	Fund Balances 12/31/14	Fund Balances 12/31/13	(Decrease)
Major funds:			
General	\$ 3,745,172	\$ 3,814,100	\$ (68,928)
Income tax capital improvement	588,191	695,042	(106,851)
Other nonmajor governmental funds	<u>1,507,117</u>	<u>1,543,904</u>	<u>(36,787)</u>
Total	<u>\$ 5,840,480</u>	<u>\$ 6,053,046</u>	<u>\$ (212,566)</u>

**CITY OF WILLARD
HURON COUNTY, OHIO**

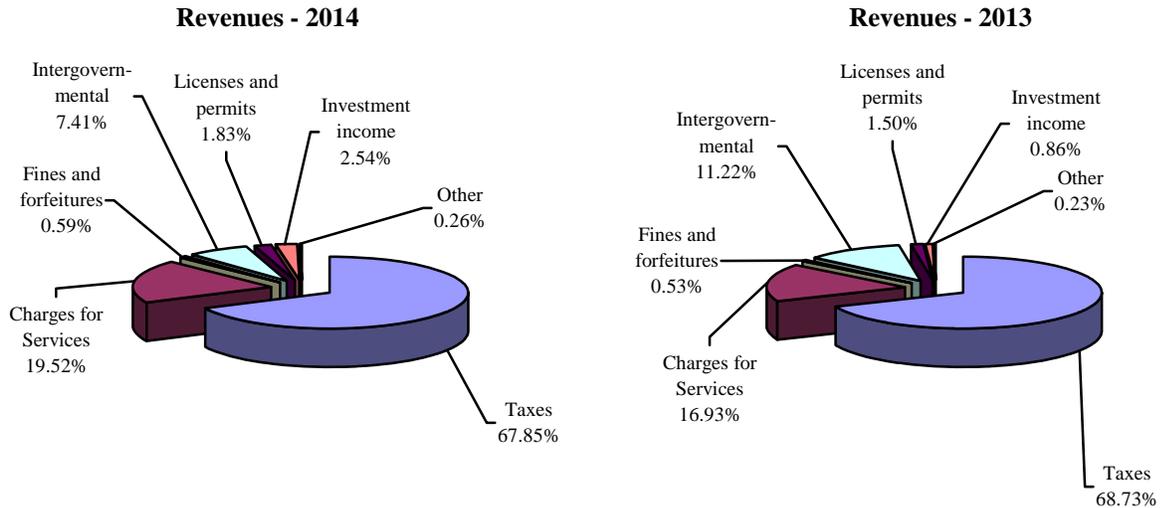
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014

General Fund

The City's general fund balance decreased \$68,928. The table that follows assists in illustrating the revenues of the general fund.

	<u>2014</u> <u>Amount</u>	<u>2013</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
Revenues			
Taxes	\$ 2,154,049	\$ 2,166,681	(0.58) %
Charges for services	619,604	533,812	16.07 %
Fines and forfeitures	18,812	16,823	11.82 %
Intergovernmental	235,158	353,568	(33.49) %
Licenses and permits	58,290	47,168	23.58 %
Investment income	80,612	27,000	198.56 %
Other	<u>8,410</u>	<u>7,389</u>	13.82 %
Total	<u>\$ 3,174,935</u>	<u>\$ 3,152,441</u>	0.71 %

Tax revenue represents 67.85% of all general fund revenue. The decrease in intergovernmental revenue is due to a decrease in the amount of estate tax revenue received from the State. The increase in charges for services is primarily due to an increase in emergency rescue calls. The increase in investment income is due to the change in the fair market value of the City's investments during 2014. All other amounts remained comparable to 2013.



**CITY OF WILLARD
HURON COUNTY, OHIO**

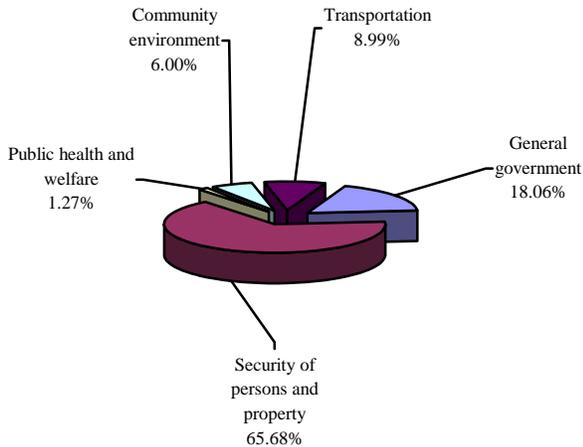
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014**

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

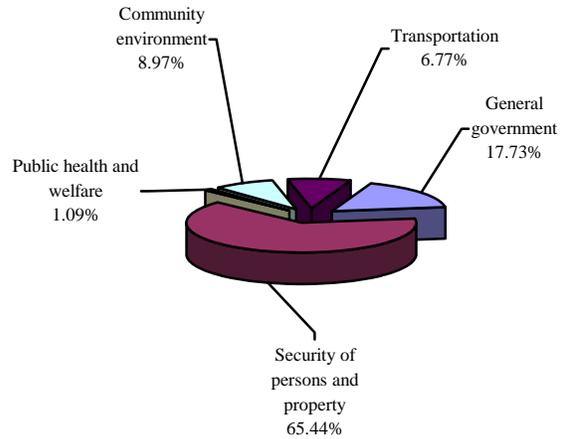
	<u>2014 Amount</u>	<u>2013 Amount</u>	<u>Percentage Change</u>
<u>Expenditures</u>			
General government	\$ 584,910	\$ 576,076	1.53 %
Security of persons and property	2,126,504	2,126,164	0.02 %
Public health and welfare	40,964	35,237	16.25 %
Transportation	291,126	220,035	32.31 %
Community environment	<u>194,359</u>	<u>291,462</u>	(33.32) %
Total	<u>\$ 3,237,863</u>	<u>\$ 3,248,974</u>	(0.34) %

The total general fund expenditures of the City decreased 0.34%. The most significant changes occurred in the transportation and community environment line items. Transportation expenditures increased due to an increase of expenditures made for the City Garage and community environment expenditures decreased due to less expenditures related to the City Engineering Department.

Expenditures - 2014



Expenditures - 2013



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.

**CITY OF WILLARD
HURON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014

Budgetary information is presented for the general fund. In the general fund, the actual revenues and other financing sources came in \$50,192 less than they were in the final budget and actual expenditures and other financing uses were \$469,669 less than the amount in the final budget. The final budgeted revenues were unchanged from the original budget, and final budgeted expenditures and other financing uses were \$45,586 less than the original budget.

Proprietary Funds

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

Capital Assets and Debt Administration

Capital Assets

At the end of 2014, the City had \$22,942,771 (net of accumulated depreciation) invested in land, land improvements, buildings, equipment, vehicles, infrastructure and utility plant in service. Of this total, \$10,470,673 was reported in governmental activities and \$12,472,098 was reported in business-type activities. See Note 9 for further description of capital assets. The following table shows 2014 balances compared to 2013:

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

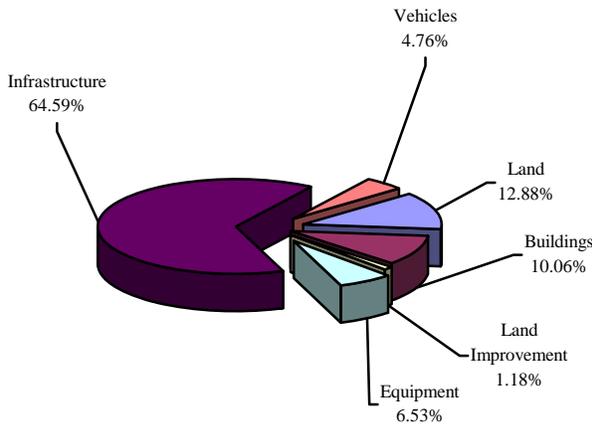
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Land	\$ 1,349,002	\$ 1,349,002	\$ 1,064,191	\$ 1,068,291	\$ 2,413,193	\$ 2,417,293
Buildings	1,053,742	1,096,245	1,227,960	1,339,975	2,281,702	2,436,220
Land improvements	123,363	137,517	16,685	24,510	140,048	162,027
Equipment	684,036	714,299	2,157,885	461,347	2,841,921	1,175,646
Vehicles	497,998	138,090	163,159	157,830	661,157	295,920
Utility plant in service	-	-	7,842,218	7,907,464	7,842,218	7,907,464
Infrastructure	<u>6,762,532</u>	<u>6,158,249</u>	<u>-</u>	<u>-</u>	<u>6,762,532</u>	<u>6,158,249</u>
Totals	<u>\$ 10,470,673</u>	<u>\$ 9,593,402</u>	<u>\$ 12,472,098</u>	<u>\$ 10,959,417</u>	<u>\$ 22,942,771</u>	<u>\$ 20,552,819</u>

**CITY OF WILLARD
HURON COUNTY, OHIO**

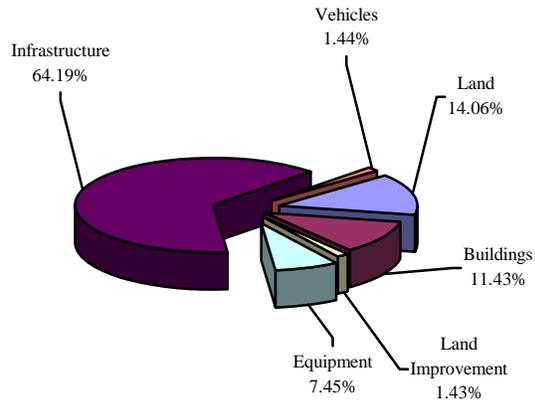
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014**

The following graphs show the breakdown of governmental capital assets by category for 2014 and 2013.

Capital Assets - Governmental Activities 2014



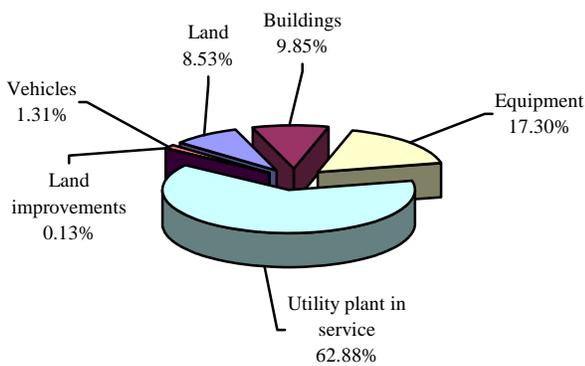
Capital Assets - Governmental Activities 2013



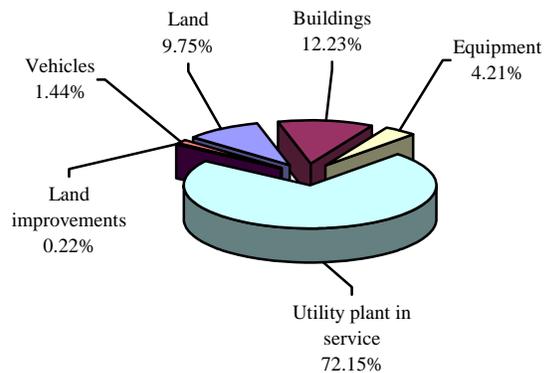
The City's infrastructure is the largest capital asset category. These items are immovable and of value only to the City, however, the annual cost of purchasing these items is quite significant. The net book value of the City's infrastructure (cost less accumulated depreciation) represents approximately 64.59% of the City's total governmental capital assets.

The following graphs show the breakdown of business-type capital assets by category for 2014 and 2013.

Capital Assets - Business-type Activities 2014



Capital Assets - Business-type Activities 2013



The City's largest business-type capital asset category is utility plant in service, which includes water and sewer lines and the water plant. These items play a vital role in the income producing ability of the business-type activities. The net book value of the City's utility plant in service (cost less accumulated depreciation) represents approximately 62.88% 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, 2014

Debt Administration

The City had the following long-term obligations outstanding at December 31, 2014 and 2013.

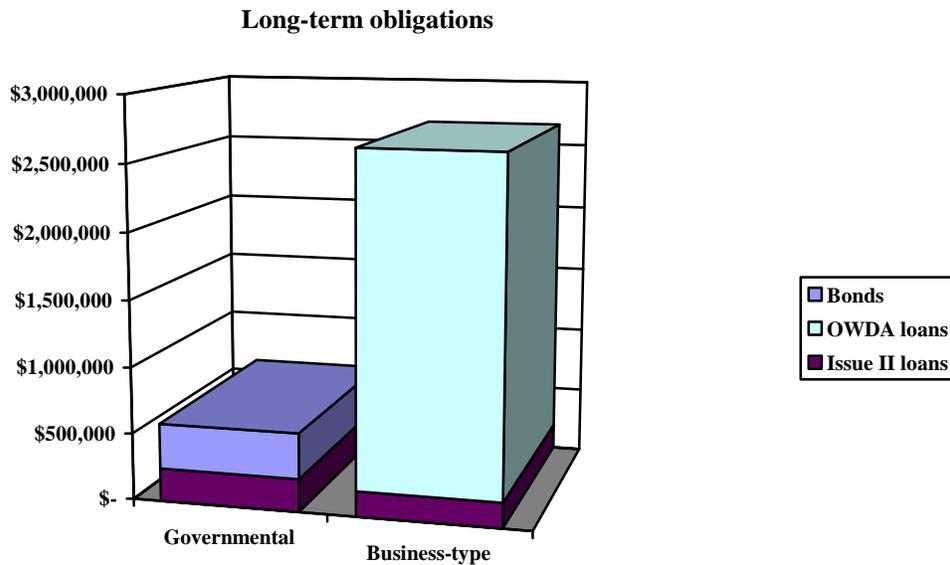
Governmental Activities

	2014	2013
General obligation bonds	\$ 340,000	\$ 415,000
Issue II loans	247,717	267,622
Total long-term obligations	\$ 587,717	\$ 682,622

Business-type Activities

	2014	2013
OWDA loans	\$ 2,469,806	\$ 1,020,555
Issue II loans	189,443	173,347
Total long-term obligations	\$ 2,659,249	\$ 1,193,902

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, 2014**

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 RR Donnelley, MTD Midwest, Pepperidge Farm 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.

In 2014, Willard's economic performance provided hopes for stronger growth and more jobs. There is some anticipation that Willard will see improvement in economic growth in 2015. After Mercy Hospital's new state of the art facility was completed in 2012, every attempt was made to sell the old building. When that didn't happen, demolition began. Their old facility was completely demolished in early 2014. The plan for the old site is to sell it off in buildable, residential lots. Willard City School District had passed a levy in 2012 to construct a new K-12 facility, which broke ground in the spring of 2013. The timeframe for them to finish the new school campus is the summer of 2015. The school district has informed us that their plan is to demolish the old Central Elementary school and sell it off as buildable, residential lots. At this time, their plan for the other two outlying elementary schools is to put them up for sale. The school is still on track to begin the 2015-2016 school year in the new facility.

A new Kidney Dialysis Center that began construction in 2013 was completed in 2014 and will be fully functional for patients sometime in 2015. Pepperidge Farm began building an addition for an extra Goldfish line which was completed during 2014 with more equipment still yet to be installed by the end of the year to make it fully operational. That addition meant 12 extra jobs in 2014 with more to be added in the coming years with the goal being 50 new employees total. Star of the West Mill, main provider of flour to the Pepperidge facility, began making plans to move their Ohio operations from Kent, Ohio to Willard. They were granted a 10 year tax abatement which enabled them to make the move. Construction for the mill began late in 2014, with the completion expected in the fall of 2015. Family Dollar began construction in the fall of 2014 on their new facility which will be relocated further east on US 224 near Fort Ball Rd. Sharpnack Ford began construction late in 2014 of a new facility further east on US 224. Their plan is to maintain possession of the old facility for their used cars, and have new car sales at the brand new facility which is located just east of the new Family Dollar Store.

Level's Gym purchased a vacant building that formerly housed a tire store along US 224 at the eastern edge of town with plans to remodel and open in 2015. Inland Corporation spent a lot of time in the City of Willard in 2014 replacing an old pipeline that stretches roughly 2.5 miles through the City. The total replacement took nearly a year to complete, stretching roughly 100 miles through northern Ohio from west of Fostoria to east of Akron. That increase in employment within the City of Willard meant a few more tax dollars were collected: not only in the form of income tax, but by way of our occupancy tax for hotels as well.

The City had a 1.375% income tax rate in 2014, which is an 1/8th of a percent increase over the prior year. That new tax was voted on by the citizens to support our police department. 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 2014 were approximately \$3.3 million (on a cash-basis). Local taxes account for about 22% of the City of Willard's revenue sources.

We saw an increase of more \$3.5 million in revenues in 2014. That number looks incredible, until you consider that over \$2.9 million of that was from various loans the City procured to make improvements at our Sewer Plant. With that in mind, you could say that our revenues actually increased about \$600,000 over last year.

**CITY OF WILLARD
HURON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014**

Our recreation department had its share of headaches in 2014. They started the year having to deal with frozen waterlines in the Depot building which is used as a rental hall for the public. Then in June, high winds blew through the City demolishing the park's storage pole barn, damaging the roof to the depot building, uprooting trees, downed power lines and scattering debris throughout the park. With the help of park maintenance workers, lifeguards concession workers and the community, the park was quickly cleaned up and restored. At the end of 2014, the pole building has still yet to be rebuilt, but it should be completed in time for the 2015 summer season. The recreation department held its annual festival in the park, fireworks display and summer concert series. The City's swimming pool and parks were able to remain open to area residents.

The City is pursuing every opportunity to secure grants and funding from State and Federal programs to repair streets throughout the City. Due to the deteriorating condition of the City's roadways and lack of funding, the City continues to struggle to properly maintain the roadways. Street repairs in 2014 included curb ramps and repavement of SR 99 and SR 103 (also known as Conwell Ave., Main St., and Tiffin St.), base repair and resurfacing a portion of Crestwood Dr. and preliminary expenses regarding phase IV of US 224 which includes the east entrance into the City. The above mentioned projects were completed by outside contractors. The City's street maintenance department also made some major repairs to several roadway surfaces including Howard St., US 224 and Fort Ball Rd. We have plans in 2015 to do more roadwork in-house. New City leadership believes resurfacing can be utilized to better maintain our roadways rather than waiting until the streets are so far in disrepair that complete reconstruction needs to take place.

2014 saw a few changes for the Willard Police Department. The Norwalk Municipal Court resumed hearing cases in Willard. Under the previous judge, court was held weekly, where now it is held twice a month. If the case load stays the same or increases, the new judge will consider hearing cases more frequently in Willard. A parking enforcement bureau was implemented in 2014 with a former Ohio State Highway Patrol commander agreeing to hear cases. One of the new police officers hired in 2013 left to take another position, so another officer was hired to take his place, along with a new reserve officer added to the roster. Willard Police Department continues to be proactive in the fight against drugs and crime, making 11 indictments in November and December alone. We utilized a part-time detective to help in our war on drugs. This position has been funded by a drug task force based out of a neighboring county. The Citizens of Willard passed a four year, 1/8% income tax levy in May of 2013 (tax effective January 1, 2014) to help pay for the costs of the continued employment of the additional personnel that were added based on the original tax that was passed in May of 2007. This tax ensures that the Willard Police Department can continue operating at, or near full capacity without relying so much on the general fund. Exams were given late in the year for a new police officer and dispatcher in order to get the department back to a more normal level of staffing.

Our Water Pollution Control Plant began its equipment replacement and plant upgrade in 2014. The project is expected to be completed before the end of 2015. Debt was issued in 2012 for this project in the amount of \$1 million with an additional \$1.9 million in loans utilized in 2014. The total cost of this project is expected to be \$2.9 million, most of which will be paid for by an Ohio Water Development Authority (OWDA) loan.

The Fire/EMS department services the City of Willard and the majority of the four surrounding townships. They cover 95 square miles for E.M.S. and 71 square miles for fire. The department has 5 full-time personnel and 42 part-time employees, 26 of whom live inside the Willard Fire District. The department has an average experience of about 13 years (19 years average experience for those who live in the district). Recruitment and retention continues to be problem for this department. A new pumper was placed into service in 2014 and is expected to be in service for decades to come. The department received several grants and donations in 2014, including a \$15,000 EMS grant from the State of Ohio, a \$40,000 grant from Ohio Bureau of Workers' Compensation for lift assist equipment, and a \$5,000 donation from CSX for radio equipment.

**CITY OF WILLARD
HURON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014**

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, 2014

	Governmental Activities	Business-type Activities	Total
Assets:			
Equity in pooled cash and investments.	\$ 5,219,428	\$ 4,788,448	\$ 10,007,876
Cash in segregated accounts.	303,016	-	303,016
Receivables:			
Income taxes.	679,241	-	679,241
Real and other taxes.	320,731	-	320,731
Payments in lieu of taxes.	70,000	-	70,000
Accounts.	306,652	733,950	1,040,602
Special assessments.	11,375	-	11,375
Due from other governments.	202,087	-	202,087
Accrued interest.	33,176	-	33,176
Materials and supplies inventory.	39,623	232,027	271,650
Prepayments.	55,978	30,205	86,183
Restricted assets:			
Equity in pooled cash and cash equivalents.	-	68,263	68,263
Capital assets:			
Land.	1,349,002	1,064,191	2,413,193
Depreciable capital assets, net.	9,121,671	11,407,907	20,529,578
Total capital assets, net.	<u>10,470,673</u>	<u>12,472,098</u>	<u>22,942,771</u>
Total assets.	<u>17,711,980</u>	<u>18,324,991</u>	<u>36,036,971</u>
Liabilities:			
Accounts payable.	51,885	67,731	119,616
Accrued wages.	114,810	45,425	160,235
Due to other governments.	117,475	36,366	153,841
Accrued interest payable.	2,050	9,554	11,604
Notes payable.	411,000	1,100,000	1,511,000
Payable from restricted assets:			
Refundable deposits payable.	-	68,263	68,263
Long-term liabilities:			
Due within one year.	258,876	275,541	534,417
Due in more than one year.	631,384	2,724,115	3,355,499
Total liabilities.	<u>1,587,480</u>	<u>4,326,995</u>	<u>5,914,475</u>
Deferred inflows of resources:			
Property taxes levied for the next fiscal year.	<u>281,054</u>	<u>-</u>	<u>281,054</u>
Net position:			
Net investment in capital assets.	9,471,956	9,662,849	19,134,805
Restricted for:			
Debt service.	124,169	-	124,169
Capital projects.	84,863	-	84,863
Transportation projects.	728,938	-	728,938
Recreation.	2,467	-	2,467
Electric system sale.	1,575,000	-	1,575,000
Police and fire purposes.	502,499	-	502,499
Perpetual care.	20,482	-	20,482
Other purposes.	56,524	-	56,524
Unrestricted.	<u>3,276,548</u>	<u>4,335,147</u>	<u>7,611,695</u>
Total net position.	<u>\$ 15,843,446</u>	<u>\$ 13,997,996</u>	<u>\$ 29,841,442</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF WILLARD
HURON COUNTY, OHIO**

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government.	\$ 602,643	\$ 90,428	\$ 17,500	\$ -
Security of persons and property.	2,584,547	566,063	14,091	5,000
Public health and welfare.	44,552	22,135	-	-
Transportation.	882,774	173,865	293,631	77,600
Community environment.	264,790	15,771	5,905	-
Leisure time activity.	247,511	54,277	11,649	-
Interest and fiscal charges.	25,031	-	-	-
Total governmental activities.	<u>4,651,848</u>	<u>922,539</u>	<u>342,776</u>	<u>82,600</u>
Business-type activities:				
Sewer.	1,844,127	1,904,268	-	-
Water.	1,271,909	1,521,305	-	-
Other business-type activities:				
Storm water.	500	-	-	-
Total business-type activities.	<u>3,116,536</u>	<u>3,425,573</u>	<u>-</u>	<u>-</u>
Total primary government.	<u>\$ 7,768,384</u>	<u>\$ 4,348,112</u>	<u>\$ 342,776</u>	<u>\$ 82,600</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
Gain on disposal of capital assets.
Miscellaneous
 Total general revenues
 Change in net position
 Net position at beginning of year
 Net position at end of year.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

Governmental Activities	Business-type Activities	Total
\$ (494,715)	\$ -	\$ (494,715)
(1,999,393)	-	(1,999,393)
(22,417)	-	(22,417)
(337,678)	-	(337,678)
(243,114)	-	(243,114)
(181,585)	-	(181,585)
(25,031)	-	(25,031)
(3,303,933)	-	(3,303,933)
-	60,141	60,141
-	249,396	249,396
-	(500)	(500)
-	309,037	309,037
(3,303,933)	309,037	(2,994,896)
249,336	-	249,336
46,535	-	46,535
28,857	-	28,857
2,039,323	-	2,039,323
362,319	-	362,319
873,115	-	873,115
70,886	-	70,886
227,141	-	227,141
68,682	16,922	85,604
-	436,932	436,932
8,352	6,954	15,306
3,974,546	460,808	4,435,354
670,613	769,845	1,440,458
15,172,833	13,228,151	28,400,984
\$ 15,843,446	\$ 13,997,996	\$ 29,841,442

**CITY OF WILLARD
HURON COUNTY, OHIO**

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2014

	General	Income Tax Capital Improvement	Nonmajor Governmental Funds	Total Governmental Funds
Assets:				
Equity in pooled cash and investments.	\$ 3,083,793	\$ 800,597	\$ 1,335,038	\$ 5,219,428
Cash in segregated accounts.	-	-	303,016	303,016
Receivables:				
Income taxes.	617,492	-	61,749	679,241
Real and other taxes.	250,398	-	70,333	320,731
Payments in lieu of taxes.	-	-	70,000	70,000
Accounts.	290,643	-	16,009	306,652
Special assessments.	11,375	-	-	11,375
Interfund loans.	46,000	-	-	46,000
Due from other governments.	109,863	-	92,224	202,087
Accrued interest.	33,176	-	-	33,176
Materials and supplies inventory.	9,178	-	30,445	39,623
Prepayments.	35,730	-	20,248	55,978
Total assets.	<u>4,487,648</u>	<u>800,597</u>	<u>1,999,062</u>	<u>7,287,307</u>
Liabilities:				
Accounts payable.	40,778	-	11,107	51,885
Accrued wages.	107,284	-	7,526	114,810
Compensated absences payable.	5,938	-	-	5,938
Due to other governments.	106,329	-	11,146	117,475
Interfund loans payable.	-	-	46,000	46,000
Accrued interest payable.	-	406	381	787
Notes payable.	-	212,000	199,000	411,000
Total liabilities.	<u>260,329</u>	<u>212,406</u>	<u>275,160</u>	<u>747,895</u>
Deferred inflows of resources:				
Property taxes levied for the next fiscal year.	219,071	-	61,983	281,054
Delinquent property tax revenue not available.	31,327	-	8,350	39,677
Accrued interest not available.	7,102	-	-	7,102
Special assessments revenue not available.	11,375	-	-	11,375
Intergovernmental revenue not available.	75,277	-	62,653	137,930
Income tax revenue not available.	137,995	-	13,799	151,794
Payments in lieu of taxes revenue not available.	-	-	70,000	70,000
Total deferred inflows of resources.	<u>482,147</u>	<u>-</u>	<u>216,785</u>	<u>698,932</u>
Total liabilities and deferred inflows of resources.	<u>742,476</u>	<u>212,406</u>	<u>491,945</u>	<u>1,446,827</u>
Fund balances:				
Nonspendable.	1,623,815	-	71,175	1,694,990
Restricted.	-	-	1,347,516	1,347,516
Committed.	-	588,191	193,222	781,413
Assigned.	805,186	-	38,854	844,040
Unassigned (deficit).	1,316,171	-	(143,650)	1,172,521
Total fund balances.	<u>3,745,172</u>	<u>588,191</u>	<u>1,507,117</u>	<u>5,840,480</u>
Total liabilities, deferred inflows of resources and fund balances.	<u>\$ 4,487,648</u>	<u>\$ 800,597</u>	<u>\$ 1,999,062</u>	<u>\$ 7,287,307</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, 2014

Total governmental fund balances		\$	5,840,480
<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.			10,470,673
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Income taxes receivable	\$	151,794	
Real and other taxes receivable		39,677	
Payments in lieu of taxes receivable		70,000	
Intergovernmental receivable		137,930	
Special assessments receivable		11,375	
Accrued interest receivable		7,102	
Total		417,878	417,878
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(1,263)
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		296,605	
Bonds payable		340,000	
Issue II loans payable		247,717	
Total		(884,322)	(884,322)
Net position of governmental activities		\$	15,843,446

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, 2014

	<u>General</u>	<u>Income Tax Capital Improvement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Income taxes	\$ 1,898,405	\$ 873,115	\$ 535,520	\$ 3,307,040
Real and other taxes.	255,644	-	77,078	332,722
Charges for services.	619,604	-	197,943	817,547
Licenses and permits	58,290	-	-	58,290
Fines and forfeitures	18,812	-	1,068	19,880
Intergovernmental.	235,158	-	384,404	619,562
Investment income.	80,612	-	6,326	86,938
Rental income	-	-	34,823	34,823
Contributions and donations.	500	-	25,130	25,630
Payments in lieu of taxes.	-	-	70,886	70,886
Other	7,910	-	4,010	11,920
Total revenues	<u>3,174,935</u>	<u>873,115</u>	<u>1,337,188</u>	<u>5,385,238</u>
Expenditures:				
Current:				
General government	584,910	-	-	584,910
Security of persons and property	2,126,504	-	236,901	2,363,405
Public health and welfare.	40,964	-	-	40,964
Transportation	291,126	-	398,111	689,237
Community environment	194,359	-	8,156	202,515
Leisure time activity	-	-	212,280	212,280
Capital outlay	-	799,833	585,704	1,385,537
Debt service:				
Principal retirement.	-	-	98,902	98,902
Interest and fiscal charges	-	33	25,242	25,275
Total expenditures	<u>3,237,863</u>	<u>799,866</u>	<u>1,565,296</u>	<u>5,603,025</u>
Excess (deficiency) of revenues over (under) expenditures.	<u>(62,928)</u>	<u>73,249</u>	<u>(228,108)</u>	<u>(217,787)</u>
Other financing sources (uses):				
Sale of capital assets.	-	-	1,224	1,224
Transfers in	-	-	186,100	186,100
Transfers (out).	(6,000)	(180,100)	-	(186,100)
OPWC loan issuance	-	-	3,997	3,997
Total other financing sources (uses)	<u>(6,000)</u>	<u>(180,100)</u>	<u>191,321</u>	<u>5,221</u>
Net change in fund balances	(68,928)	(106,851)	(36,787)	(212,566)
Fund balances at beginning of year.	<u>3,814,100</u>	<u>695,042</u>	<u>1,543,904</u>	<u>6,053,046</u>
Fund balances at end of year	<u>\$ 3,745,172</u>	<u>\$ 588,191</u>	<u>\$ 1,507,117</u>	<u>\$ 5,840,480</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF WILLARD
HURON COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014

Net change in fund balances - total governmental funds	\$	(212,566)
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures.		
However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeds capital outlays in the current period.		
Capital asset additions	\$ 1,396,098	
Current year depreciation	<u>(518,827)</u>	
Total		877,271
 Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Income taxes	(32,283)	
Real and other taxes	(7,994)	
Intergovernmental revenues	2,531	
Special assessments	(13,292)	
Investment income	<u>(12,963)</u>	
Total		(64,001)
 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.		
		(3,997)
 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.		
		98,902
 In the statement of activities, interest is accrued on outstanding bonds and loans, whereas in governmental funds, an interest expenditure is reported when due.		
		244
 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.		
		<u>(25,240)</u>
Change in net position of governmental activities	\$	<u>670,613</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF WILLARD
HURON COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Income taxes	\$ 1,787,200	\$ 1,787,200	\$ 1,787,200	\$ -
Real and other taxes.	265,700	265,700	254,190	(11,510)
Charges for services.	515,700	515,700	479,389	(36,311)
Licenses and permits	47,300	47,300	49,038	1,738
Fines and forfeitures	27,900	27,900	17,861	(10,039)
Intergovernmental.	244,100	244,100	233,981	(10,119)
Investment income.	34,300	34,300	51,965	17,665
Contributions and donations.	-	-	500	500
Other	7,500	7,500	5,384	(2,116)
Total revenues	<u>2,929,700</u>	<u>2,929,700</u>	<u>2,879,508</u>	<u>(50,192)</u>
Expenditures:				
Current:				
General government	586,523	586,537	475,190	111,347
Security of persons and property	2,540,097	2,494,497	2,206,557	287,940
Public health and welfare.	50,843	50,843	42,700	8,143
Transportation	307,514	307,514	261,333	46,181
Community environment	229,957	229,957	213,899	16,058
Total expenditures	<u>3,714,934</u>	<u>3,669,348</u>	<u>3,199,679</u>	<u>469,669</u>
Excess (deficiency) of revenues over (under) expenditures.	<u>(785,234)</u>	<u>(739,648)</u>	<u>(320,171)</u>	<u>419,477</u>
Other financing sources (uses):				
Transfers (out).	<u>(6,000)</u>	<u>(6,000)</u>	<u>(6,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(6,000)</u>	<u>(6,000)</u>	<u>(6,000)</u>	<u>-</u>
Net change in fund balances	(791,234)	(745,648)	(326,171)	419,477
Fund balances at beginning of year	1,481,163	1,481,163	1,481,163	-
Prior year encumbrances appropriated	95,709	95,709	95,709	-
Fund balance at end of year	<u>\$ 785,638</u>	<u>\$ 831,224</u>	<u>\$ 1,250,701</u>	<u>\$ 419,477</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF WILLARD
HURON COUNTY, OHIO**

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2014

	Business-type Activities - Enterprise Funds			
	Sewer	Water	Nonmajor Enterprise Fund	Total
Assets:				
Current assets:				
Equity in pooled cash and investments.	\$ 1,843,478	\$ 2,889,128	\$ 55,842	\$ 4,788,448
Receivables:				
Accounts.	411,227	322,723	-	733,950
Materials and supplies inventory.	156,181	75,846	-	232,027
Prepayments	10,361	19,844	-	30,205
Restricted assets:				
Equity in pooled cash investments.	-	68,263	-	68,263
Total current assets	<u>2,421,247</u>	<u>3,375,804</u>	<u>55,842</u>	<u>5,852,893</u>
Noncurrent assets:				
Capital assets:				
Land.	505,410	558,781	-	1,064,191
Depreciable capital assets, net.	6,000,317	5,407,590	-	11,407,907
Total capital assets, net.	<u>6,505,727</u>	<u>5,966,371</u>	<u>-</u>	<u>12,472,098</u>
Total noncurrent assets	<u>6,505,727</u>	<u>5,966,371</u>	<u>-</u>	<u>12,472,098</u>
Total assets	<u>8,926,974</u>	<u>9,342,175</u>	<u>55,842</u>	<u>18,324,991</u>
Liabilities:				
Current liabilities:				
Accounts payable.	51,619	16,112	-	67,731
Accrued wages	30,583	14,842	-	45,425
Compensated absences.	81,478	56,113	-	137,591
Due to other governments	22,644	13,722	-	36,366
Accrued interest payable	7,646	1,908	-	9,554
Payable from restricted assets:				
Refundable deposits payable.	-	68,263	-	68,263
OWDA loans payable	96,420	25,690	-	122,110
OPWC loans payable	4,917	10,923	-	15,840
Notes payable	950,000	150,000	-	1,100,000
Total current liabilities	<u>1,245,307</u>	<u>357,573</u>	<u>-</u>	<u>1,602,880</u>
Long-term liabilities:				
Compensated absences payable	116,562	86,254	-	202,816
OWDA loans payable	2,211,289	136,407	-	2,347,696
OPWC loans payable	98,641	74,962	-	173,603
Total long-term liabilities	<u>2,426,492</u>	<u>297,623</u>	<u>-</u>	<u>2,724,115</u>
Total liabilities	<u>3,671,799</u>	<u>655,196</u>	<u>-</u>	<u>4,326,995</u>
Net position:				
Net investment in capital assets.	4,094,460	5,568,389	-	9,662,849
Unrestricted	1,160,715	3,118,590	55,842	4,335,147
Total net position.	<u>\$ 5,255,175</u>	<u>\$ 8,686,979</u>	<u>\$ 55,842</u>	<u>\$ 13,997,996</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, 2014

	Business-type Activities - Enterprise Funds			
	Sewer	Water	Nonmajor Enterprise Fund	Total
Operating revenues:				
Charges for services	\$ 1,903,418	\$ 1,510,255	\$ -	\$ 3,413,673
Tap-in fees.	850	11,050	-	11,900
Other operating revenues	4,989	1,965	-	6,954
Total operating revenues.	<u>1,909,257</u>	<u>1,523,270</u>	<u>-</u>	<u>3,432,527</u>
Operating expenses:				
Personal services	1,039,789	716,314	-	1,756,103
Contract services.	113,428	44,232	500	158,160
Materials and supplies.	93,887	150,123	-	244,010
Administrative costs.	19,416	19,416	-	38,832
Utilities	259,722	93,315	-	353,037
Depreciation.	290,507	241,462	-	531,969
Other	2,949	3,657	-	6,606
Total operating expenses.	<u>1,819,698</u>	<u>1,268,519</u>	<u>500</u>	<u>3,088,717</u>
Operating income (loss)	<u>89,559</u>	<u>254,751</u>	<u>(500)</u>	<u>343,810</u>
Nonoperating revenues (expenses):				
Interest and fiscal charges	(24,429)	(3,390)	-	(27,819)
Gain (loss) on disposal of capital assets	(18,083)	455,015	-	436,932
Interest income	6,622	10,300	-	16,922
Total nonoperating revenues (expenses).	<u>(35,890)</u>	<u>461,925</u>	<u>-</u>	<u>426,035</u>
Income (loss) before transfers.	53,669	716,676	(500)	769,845
Transfer in	38,632	-	-	38,632
Transfer out	<u>-</u>	<u>-</u>	<u>(38,632)</u>	<u>(38,632)</u>
Change in net position	92,301	716,676	(39,132)	769,845
Net position at beginning of year	<u>5,162,874</u>	<u>7,970,303</u>	<u>94,974</u>	<u>13,228,151</u>
Net position at end of year	<u>\$ 5,255,175</u>	<u>\$ 8,686,979</u>	<u>\$ 55,842</u>	<u>\$ 13,997,996</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF WILLARD
HURON COUNTY, OHIO**

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

	Business-type Activities - Enterprise Funds			
	Sewer	Water	Nonmajor Enterprise Fund	Total
Cash flows from operating activities:				
Cash received from customers	\$ 1,904,628	\$ 1,502,286	\$ -	\$ 3,406,914
Cash received from other operations	4,989	13,098	-	18,087
Cash payments for personal services	(1,048,483)	(721,769)	-	(1,770,252)
Cash payments for contract services	(117,668)	(54,629)	(500)	(172,797)
Cash payments for materials and supplies	(78,689)	(204,583)	-	(283,272)
Cash payments for administrative costs	(19,416)	(19,416)	-	(38,832)
Cash payments for utilities	(268,793)	(100,344)	-	(369,137)
Cash payments for other expenses	(2,949)	(11,113)	-	(14,062)
Net cash provided by (used in) operating activities	<u>373,619</u>	<u>403,530</u>	<u>(500)</u>	<u>776,649</u>
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(1,683,203)	(344,998)	(38,632)	(2,066,833)
Cash received from sale of capital assets	-	459,115	-	459,115
Sale of notes	950,000	150,000	-	1,100,000
OWDA loan proceeds	1,569,317	-	-	1,569,317
OPWC loan proceeds	31,936	-	-	31,936
Principal retirement	(1,049,799)	(186,107)	-	(1,235,906)
Interest and fiscal charges	(25,045)	(3,619)	-	(28,664)
Net cash provided by (used in) capital and related financing activities	<u>(206,794)</u>	<u>74,391</u>	<u>(38,632)</u>	<u>(171,035)</u>
Cash flows from investing activities:				
Interest received	<u>6,622</u>	<u>10,300</u>	<u>-</u>	<u>16,922</u>
Net cash provided by investing activities	<u>6,622</u>	<u>10,300</u>	<u>-</u>	<u>16,922</u>
Net increase (decrease) in cash and investments	173,447	488,221	(39,132)	622,536
Cash and investments at beginning of year	<u>1,670,031</u>	<u>2,469,170</u>	<u>94,974</u>	<u>4,234,175</u>
Cash and investments at end of year	<u>\$ 1,843,478</u>	<u>\$ 2,957,391</u>	<u>\$ 55,842</u>	<u>\$ 4,856,711</u>

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**CITY OF WILLARD
HURON COUNTY, OHIO**

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2014

	Business-type Activities - Enterprise Funds			
	Sewer	Water	Nonmajor Enterprise Fund	Total
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ 89,559	\$ 254,751	\$ (500)	\$ 343,810
Adjustments:				
Depreciation.	290,507	241,462	-	531,969
Changes in assets and liabilities:				
Decrease (increase) in materials and supplies inventory	3,636	(55,193)	-	(51,557)
Decrease (increase) in accounts receivable	360	(19,019)	-	(18,659)
Decrease in prepayments	(4,005)	(5,194)	-	(9,199)
Increase (decrease) in accounts payable.	2,156	(10,807)	-	(8,651)
Decrease in accrued wages	(4,684)	(7,481)	-	(12,165)
Decrease in intergovernmental payable.	(5,862)	(4,451)	-	(10,313)
Increase in compensated absences payable.	1,952	6,556	-	8,508
Increase in payable from restricted assets.	-	2,906	-	2,906
Net cash provided by (used in) operating activities	<u>\$ 373,619</u>	<u>\$ 403,530</u>	<u>\$ (500)</u>	<u>\$ 776,649</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF WILLARD
HURON COUNTY, OHIO**

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
DECEMBER 31, 2014

	<u>Agency</u>
Assets:	
Equity in pooled cash and investments.	\$ 23,402
	<u>23,402</u>
Liabilities:	
Deposits held and due to others	\$ 23,402
	<u>23,402</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, 2014

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, 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, 2014

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, 2014

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 has three agency funds used to account for cash deposits in lieu of bonds for contracts formally bid, deposits for patrons of the City's recreational facilities and refundable deposits for use of City owned duck blinds.

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

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 outflow 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 changes in fund 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, 2014

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 Inflows of Resources and Deferred Outflows of Resources - A deferred inflow of resources is an acquisition of net position by the City that is applicable to a future reporting period. A deferred outflow of resources is a consumption of net position by the City that is applicable to a future reporting period.

Property taxes for which there is an enforceable legal claim as of December 31, 2014, but which were levied to finance year 2015 operations, and other revenues received in advance of the year for which they were intended to finance, have been recorded as deferred inflows of resources. Income taxes, special assessments and payments in lieu of taxes not received within the available period, grants and entitlements received before the eligibility requirements are met, and delinquent property taxes due at December 31, 2014, are recorded as deferred inflows of resources on the governmental fund financial statements.

On the governmental fund financial statements, receivables that will not be collected within the available period have been reported as deferred inflows of resources.

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

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

F. Budgetary Data

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

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

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

Tax Budget - A budget of estimated cash receipts and disbursements is submitted to the County Auditor, as Secretary of the County Budget Commission, 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 reappropriated 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 government-wide financial statements, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value. Inventories are recorded on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method.

On 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 purchased. Inventories of the proprietary funds are expensed when used.

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

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

I. Prepayments

Payments made to vendors for services that will benefit periods beyond December 31, 2014, 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 cash equivalents" on the financial statements.

During 2014, investments were limited to investments in the State Treasury Asset Reserve of Ohio (STAR Ohio), federal agency securities, a U.S. Government money market fund, nonnegotiable certificates of deposit and negotiable certificates of deposit. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts, such as nonnegotiable certificates of deposit, are reported at cost.

The City has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during 2014. STAR Ohio is an investment pool managed by the State Treasurer's Office that allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on December 31, 2014.

Interest income is distributed to the funds according to charter and statutory requirements. Interest revenue earned and credited to the general fund during 2014 amounted to \$80,612, which included \$49,330 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, 2014

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 fair market 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. 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 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, 2014

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 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, 2014

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 received no capital contributions during 2014.

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

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

T. Net Position

Net position represents the difference between assets 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, a justice assistance grant, and an urban development block grant.

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 2014.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For 2014, the City has implemented GASB Statement No. 69, “Government Combinations and Disposals of Government Operations” and GASB Statement No. 70, “Accounting and Financial Reporting for Nonexchange Financial Guarantees”.

GASB Statement No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The Statement improves the decision usefulness of financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations. The implementation of GASB Statement No. 69 did not have an effect on the financial statements of the City.

GASB Statement No. 70 improves the recognition, measurement, and disclosures for state and local governments that have extended or received financial guarantees that are nonexchange transactions. The implementation of GASB Statement No. 70 did not have an effect on the financial statements of the City.

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

B. Deficit Fund Balances

Fund balances at December 31, 2014 included the following individual fund deficits:

<u>Nonmajor governmental funds:</u>	<u>Deficit</u>
Bond retirement	\$ 98,577
CDBG	45,073

The deficit fund balance in the bond retirement fund resulted from notes payable being recorded as liabilities within the fund. The CDBG fund deficit resulted from an interfund loan payable. The general fund is liable for any deficit and provides operating transfers when cash is required, not when accruals occur.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

Interim monies may be deposited or invested in the following:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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.

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 cash equivalents", 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 \$303,016 deposited with a financial institution for monies related to the municipal road fund permissive tax. These amounts are included in the City's depository balance below.

C. Deposits with Financial Institutions

At December 31, 2014, the carrying amount of all City deposits, including cash in segregated accounts, was \$2,310,744. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2014, \$1,130,254 of the City's bank balance of \$2,120,600 was exposed to custodial risk as discussed below, while \$990,346 was covered by the FDIC.

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Custodial credit risk is the risk that, in the event of bank failure, the City's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the City. The City has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and 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, 2014, the City had the following investments and maturities:

Investment type	Fair Value	Investment Maturities				
		6 months or less	7 to 12 months	13 to 18 months	19 to 24 months	Greater than 24 months
FFCB	\$ 249,253	\$ -	\$ -	\$ -	\$ -	\$ 249,253
Negotiable CDs	7,802,940	497,047	1,227,625	1,241,647	500,632	4,335,989
STAR Ohio	26,340	26,340	-	-	-	-
U.S. Government money market	12,330	12,330	-	-	-	-
Total	\$ 8,090,863	\$ 535,717	\$ 1,227,625	\$ 1,241,647	\$ 500,632	\$ 4,585,242

The weighted average maturity of investments is 2.20 years.

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 STAR Ohio an AAAM money market rating. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The U.S. Government money market fund carries a rating of AAAM by Standard & Poor's. The City's investment in a federal agency security was 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 City's investment in a federal agency security is exposed to custodial credit risk in that it is uninsured and unregistered. 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.

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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, 2014:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
FFCB	\$ 249,253	3.08
Negotiable CDs	7,802,940	96.44
STAR Ohio	26,340	0.33
U.S. Government money market	12,330	0.15
Total	<u>\$ 8,090,863</u>	<u>100.00</u>

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of December 31, 2014:

Cash and investments per note disclosure:

Carrying amount of deposits	\$ 2,007,728
Investments	8,090,863
Cash in segregated accounts	303,016
Cash on hand	950
Total	<u>\$ 10,402,557</u>

Cash and investments per statement of net position:

Governmental activities	\$ 5,522,444
Business-type activities	4,856,711
Agency funds	23,402
Total	<u>\$ 10,402,557</u>

NOTE 5 - INTERFUND ACTIVITY

- A. Interfund transfers for the year ended December 31, 2014, consisted of the following, as reported on the fund financial statements:

<u>Transfer From</u>	<u>Transfer To</u> <u>Nonmajor</u> <u>Governmental</u>
General	\$ 6,000
Income tax capital improvement	180,100
Total	<u>\$ 186,100</u>

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 5 - INTERFUND ACTIVITY - (Continued)

Transfers are used to (1) move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. The income tax capital improvement fund (a nonmajor governmental fund) transferred \$180,100 to the note and bond retirement fund (a nonmajor governmental fund) to fund debt payments.

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.

The storm water nonmajor enterprise fund transferred a capital asset with a book value of \$38,632 to the sewer fund during 2014.

- B.** Interfund loans consisted of the following at December 31, 2014, 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, 2014 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. 2014 public utility property taxes became a lien December 31, 2013, are levied after October 1, 2014, and are collected in 2015 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 6 - PROPERTY TAXES - (Continued)

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of Willard. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real property taxes, public utility taxes, delinquent tangible personal property taxes and other outstanding delinquencies which are measurable as of December 31, 2014 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 2014 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, 2014 was \$3.80 per \$1,000 of assessed value. The assessed values of real and public utility property upon which 2014 property tax receipts were based are as follows:

<u>Real property</u>	
Residential/agricultural	\$ 55,717,080
Commercial/industrial/mineral	25,243,870
<u>Public utility</u>	
Real	2,499,260
Personal	<u>3,769,170</u>
Total assessed value	<u>\$ 87,229,380</u>

NOTE 7 - LOCAL INCOME TAX

For 2014, 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. 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, 2014, 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, 2014.

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 8 - RECEIVABLES - (Continued)

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

Governmental activities:

Income taxes	\$	679,241
Real and other taxes		320,731
Payments in lieu of taxes		70,000
Accounts		306,652
Special assessments		11,375
Due from other governments		202,087
Accrued interest		33,176

Business-type activities:

Accounts		733,950
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Receivables have been disaggregated on the face of the BFS. The only receivable not expected to be collected within the subsequent year is the special assessments receivable which is collected over the life of the assessments.

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**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 9 - CAPITAL ASSETS

A. Governmental capital asset activity for the year ended December 31, 2014, was as follows:

Governmental activities:	Balance 1/1/2014	Additions	Disposals	Balance 12/31/2014
<i>Capital assets, not being depreciated:</i>				
Land	\$ 1,349,002	\$ -	\$ -	\$ 1,349,002
<i>Total capital assets, not being depreciated</i>	<u>1,349,002</u>	<u>-</u>	<u>-</u>	<u>1,349,002</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	276,990	7,200	-	284,190
Buildings	4,079,697	3,718	-	4,083,415
Equipment	2,639,164	72,582	(1,194)	2,710,552
Vehicles	2,549,747	486,050	-	3,035,797
Infrastructure	8,177,994	826,548	-	9,004,542
<i>Total capital assets, being depreciated</i>	<u>17,723,592</u>	<u>1,396,098</u>	<u>(1,194)</u>	<u>19,118,496</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(139,473)	(21,354)	-	(160,827)
Buildings	(2,983,452)	(46,221)	-	(3,029,673)
Equipment	(1,924,865)	(102,845)	1,194	(2,026,516)
Vehicles	(2,411,657)	(126,142)	-	(2,537,799)
Infrastructure	(2,019,745)	(222,265)	-	(2,242,010)
<i>Total accumulated depreciation</i>	<u>(9,479,192)</u>	<u>(518,827)</u>	<u>1,194</u>	<u>(9,996,825)</u>
Total capital assets, being depreciated, net	<u>8,244,400</u>	<u>877,271</u>	<u>-</u>	<u>9,121,671</u>
Total governmental activities capital assets	<u>\$ 9,593,402</u>	<u>\$ 877,271</u>	<u>\$ -</u>	<u>\$ 10,470,673</u>

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 9 - CAPITAL ASSETS - (Continued)

B. Business-type activities capital asset activity for the year ended December 31, 2014, was as follows:

Business-type activities:	Balance <u>1/1/2014</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>12/31/2014</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 1,068,291	\$ -	\$ (4,100)	\$ 1,064,191
<i>Total capital assets, not being depreciated:</i>	<u>1,068,291</u>	<u>-</u>	<u>(4,100)</u>	<u>1,064,191</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	78,249	-	-	78,249
Buildings	6,437,747	-	(39,275)	6,398,472
Equipment	5,258,687	1,774,457	(106,300)	6,926,844
Vehicles	548,939	52,782	-	601,721
Utility plant in service	<u>12,389,757</u>	<u>239,594</u>	<u>-</u>	<u>12,629,351</u>
<i>Total capital assets, being depreciated:</i>	<u>24,713,379</u>	<u>2,066,833</u>	<u>(145,575)</u>	<u>26,634,637</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(53,739)	(7,825)	-	(61,564)
Buildings	(5,097,772)	(93,932)	21,192	(5,170,512)
Equipment	(4,797,340)	(77,919)	106,300	(4,768,959)
Vehicles	(391,109)	(47,453)	-	(438,562)
Utility plant in service	<u>(4,482,293)</u>	<u>(304,840)</u>	<u>-</u>	<u>(4,787,133)</u>
<i>Total accumulated depreciation</i>	<u>(14,822,253)</u>	<u>(531,969)</u>	<u>127,492</u>	<u>(15,226,730)</u>
<i>Total capital assets, being depreciated, net</i>	<u>9,891,126</u>	<u>1,534,864</u>	<u>(18,083)</u>	<u>11,407,907</u>
<i>Total business-type activities capital assets</i>	<u>\$ 10,959,417</u>	<u>\$ 1,534,864</u>	<u>\$ (22,183)</u>	<u>\$ 12,472,098</u>

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 9 - CAPITAL ASSETS - (Continued)

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

Governmental activities:

General government	\$ 8,813
Security of persons and property	197,295
Public health and welfare	3,415
Transportation	195,172
Community environment	60,813
Leisure time activities	<u>53,319</u>
Total governmental activities	<u>\$ 518,827</u>

Business-type activities:

Sewer	\$ 290,507
Water	<u>241,462</u>
Total business-type activities	<u>\$ 531,969</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 \$292,364 at December 31, 2014. 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, 2014 was \$350,586.

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 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
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

**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.

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**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 11 - NOTES PAYABLE

The City had the following bond anticipation notes outstanding at December 31, 2014:

	<u>Issue Date</u>	<u>Interest Rate</u>	<u>Balance 12/31/2013</u>	<u>Issued</u>	<u>Reductions</u>	<u>Balance 12/31/2014</u>
Governmental activities:						
<u>Bond retirement fund:</u>						
Fire truck	2013	0.53%	\$ 204,000	\$ -	\$ (204,000)	\$ -
Fire truck	2014	0.57%	-	124,000	-	124,000
Street improvement	2013	0.53%	75,000	-	(75,000)	-
Street improvement	2014	0.57%	-	17,000	-	17,000
<u>TIF improvement fund:</u>						
Street improvement	2014	0.57%	-	28,000	-	28,000
<u>Issue II fund:</u>						
Street improvement	2014	0.57%	-	30,000	-	30,000
<u>Income tax capital improvement fund:</u>						
Fire engine	2013	0.53%	212,000	-	(212,000)	-
Fire engine	2014	0.57%	-	212,000	-	212,000
Total governmental activities			<u>491,000</u>	<u>411,000</u>	<u>(491,000)</u>	<u>411,000</u>
Business-type activities:						
<u>Water fund:</u>						
Dale Street waterline	2013	0.53%	150,000	-	(150,000)	-
Dale Street waterline	2014	0.57%	-	150,000	-	150,000
<u>Sewer fund:</u>						
WWTP upgrade	2013	0.53%	950,000	-	(950,000)	-
WWTP upgrade	2014	0.57%	-	950,000	-	950,000
Total business-type activities			<u>1,100,000</u>	<u>1,100,000</u>	<u>(1,100,000)</u>	<u>1,100,000</u>
Total notes payable			<u>\$ 1,591,000</u>	<u>\$ 1,511,000</u>	<u>\$ (1,591,000)</u>	<u>\$ 1,511,000</u>

Bond anticipation notes - fire truck: On August 28, 2014, the City issued \$124,000 in fire truck bond anticipation notes. The proceeds were used to retire the 2013 notes. These notes bear an interest rate of 0.57% and mature on August 28, 2015. These notes are recorded as a liability in the bond retirement fund, which is the fund that received the proceeds. The bond retirement fund is a nonmajor governmental fund.

Bond anticipation notes - street improvement: On August 28, 2014, the City issued \$75,000 in street improvement bond anticipation notes. The proceeds were used to retire the 2013 notes. These notes bear an interest rate of 0.57% and mature on August 28, 2015. These notes are recorded as liabilities in the bond retirement fund, TIF improvement fund and Issue II fund, which are the funds that received the proceeds. These funds are nonmajor governmental funds.

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 11 - NOTES PAYABLE - (Continued)

Bond anticipation notes - fire engine: On August 28, 2014, the City issued \$212,000 in fire engine bond anticipation notes. The proceeds were used to retire the 2013 notes. These notes bear an interest rate of 0.57% and matured on August 28, 2015. These notes are recorded as a liability in the income tax capital improvement fund, which is the fund that received the proceeds.

Bond anticipation notes - Dale Street waterline: On August 28, 2014, the City issued \$150,000 in bond anticipation notes. The proceeds were used to retire the 2013 notes. These notes bear an interest rate of 0.57% and mature on August 28, 2015. These notes are recorded as a liability in the water fund, which is the fund that received the proceeds.

Bond anticipation notes - WWTP upgrade: On August 28, 2014, the City issued \$950,000 in bond anticipation notes. The proceeds were used to retire the 2013 notes. These notes bear an interest rate of 0.57% and mature on August 28, 2015. These notes are recorded as a liability in the sewer fund, which is the fund that received the proceeds. These notes are not included in the calculation of the sewer fund's net investment in capital assets as no proceeds had been spent as of December 31, 2014.

NOTE 12 - LONG-TERM OBLIGATIONS

A. During 2014, the following changes occurred in governmental activities long-term obligations:

Governmental activities:	<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Balance 12/31/2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 12/31/2014</u>	<u>Amounts Due in One Year</u>
<u>Issue II loans:</u>							
Pearl Street repavement	1999	0.00%	\$ 42,187	\$ -	\$ (7,031)	\$ 35,156	\$ 7,031
East Howard repavement I	2002	0.00%	1,630	-	(191)	1,439	191
East Howard repavement II	2003	0.00%	27,020	-	(2,457)	24,563	2,457
Ash Street reconstruction I	2005	0.00%	23,772	-	(1,981)	21,791	1,981
North Main reconstruction	2005	0.00%	23,277	-	(2,024)	21,253	2,025
Ash Street reconstruction II	2006	0.00%	79,536	-	(6,118)	73,418	6,118
Myrtle Avenue curbs and ramps	2009	0.00%	24,000	-	(1,500)	22,500	1,500
US 224 widening	2010	0.00%	16,500	-	(1,000)	15,500	1,000
Myrtle Avenue Phase VII	2011	0.00%	18,000	-	(1,000)	17,000	1,000
Neal Zick Road improvements	2013	0.00%	11,700	-	(600)	11,100	600
Crestwood Dr. reconstruction	2014	0.00%	-	3,997	-	3,997	200
Total Issue II loans			<u>267,622</u>	<u>3,997</u>	<u>(23,902)</u>	<u>247,717</u>	<u>24,103</u>
<u>Bonds payable:</u>							
Industrial park	2009	3.0-4.5%	<u>415,000</u>	-	(75,000)	<u>340,000</u>	<u>80,000</u>
<u>Other long-term obligations:</u>							
Compensated absences			<u>271,365</u>	<u>134,443</u>	<u>(103,265)</u>	<u>302,543</u>	<u>154,773</u>
Total governmental activities long-term obligations			<u>\$ 953,987</u>	<u>\$ 138,440</u>	<u>\$ (202,167)</u>	<u>\$ 890,260</u>	<u>\$ 258,876</u>

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

Issue II loans: These loans were issued for the purpose of repaving Pearl Street, East Howard Street, Ash Street, North Main Street and Myrtle Avenue, widening US 224, improving Neal Zick Road and reconstructing Crestwood Drive. Funding came from Issue II monies in the form of a note payable that is to be repaid from local funds over a period of 20 years from the bond retirement fund, a nonmajor governmental fund. These loans are interest free.

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 and the recreation fund.

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
2015	\$ 24,103	\$ -	\$ 24,103	\$ 80,000	\$ 14,687	\$ 94,687
2016	24,103	-	24,103	85,000	11,487	96,487
2017	24,104	-	24,104	85,000	7,875	92,875
2018	24,102	-	24,102	90,000	4,050	94,050
2019	24,103	-	24,103	-	-	-
2020 - 2024	84,874	-	84,874	-	-	-
2025 - 2029	36,729	-	36,729	-	-	-
2030 - 2034	5,599	-	5,599	-	-	-
Total	\$ 247,717	\$ -	\$ 247,717	\$ 340,000	\$ 38,099	\$ 378,099

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**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

B. During 2014, the following changes occurred in the City's business-type long-term obligations:

Business-type activities:	<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Balance 12/31/2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 12/31/2014</u>	<u>Amounts Due in One Year</u>
<u>OWDA loans:</u>							
Drinking water loan	2000	2.00%	\$ 187,281	\$ -	\$ (25,184)	\$ 162,097	\$ 25,690
Water pollution loan	2000	1.20%	123,692	-	(17,042)	106,650	17,248
Sewer loan	2001	2.20%	238,224	-	(27,548)	210,676	28,157
Storm water loan	1998	1.20%	162,272	-	(26,243)	136,029	26,559
Storm water loan	2001	2.20%	118,617	-	(13,717)	104,900	14,020
US 224 lift station	2010	1.00%	190,469	-	(10,332)	180,137	10,436
WWTP improvements	2014	1.00%	-	1,569,317	-	1,569,317	-
Total OWDA loans			<u>1,020,555</u>	<u>1,569,317</u>	<u>(120,066)</u>	<u>2,469,806</u>	<u>122,110</u>
<u>Issue II loans:</u>							
Tiffin Street waterline	1996	0.00%	9,933	-	(3,973)	5,960	3,973
Myrtle Avenue	2006	0.00%	86,875	-	(6,950)	79,925	6,950
Woodbine Street	2005	0.00%	27,826	-	(2,498)	25,328	2,498
US 224 pump station	2010	0.00%	48,713	-	(2,419)	46,294	2,419
WWTP improvements	2014	0.00%	-	31,936	-	31,936	-
Total Issue II loans			<u>173,347</u>	<u>31,936</u>	<u>(15,840)</u>	<u>189,443</u>	<u>15,840</u>
<u>Other long-term obligations:</u>							
Compensated absences			<u>331,899</u>	<u>101,647</u>	<u>(93,139)</u>	<u>340,407</u>	<u>137,591</u>
Total business-type activities long-term obligations			<u>\$ 1,525,801</u>	<u>\$ 1,702,900</u>	<u>\$ (229,045)</u>	<u>\$ 2,999,656</u>	<u>\$ 275,541</u>

Issue II loans: These loans were issued for the purpose of advancing funds so as to improve the Tiffin Street waterline, the Myrtle Avenue waterline system, the Woodbine Street sewer system, US 224 pump station and the wastewater treatment plant. Funding for the projects came from the local funds and the above-mentioned note for a period of 20 years. The loans are interest free. The Tiffin Street waterline and Myrtle Avenue loans are to be repaid from the water fund. The Woodbine Avenue, US 224 pump station and WWTP improvement loans are to be repaid from the sewer fund. The WWTP improvement loan is not finalized at December 31, 2014 and is not included 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, 2014

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 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. This loan has not been finalized so it is not included in the amortization schedule below.

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 2019. Annual principal and interest payments on the loan are expected to require 5.67 percent of net revenues and 1.45 percent of total revenues. Principal and interest paid for the current year were \$28,804, total net revenues were \$506,513 and total revenues were \$1,988,585.

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 27.85 of net revenues and 5.62 percent of total revenues. Principal and interest paid for the current year were \$107,688, total net revenues were \$386,688 and total revenues were \$1,915,879.

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, 2014

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

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

Year Ending December 31,	Issue II Loans			OWDA Loans		
	Principal	Interest	Total	Principal	Interest	Total
2015	\$ 15,840	\$ -	\$ 15,840	\$ 122,110	\$ 14,383	\$ 136,493
2016	13,854	-	13,854	124,191	12,301	136,492
2017	11,867	-	11,867	126,311	10,182	136,493
2018	11,868	-	11,868	128,470	8,023	136,493
2019	11,868	-	11,868	130,669	5,824	136,493
2020 - 2024	59,340	-	59,340	197,796	8,319	206,115
2025 - 2029	24,126	-	24,126	58,821	2,235	61,056
2030 - 2033	8,744	-	8,744	12,121	91	12,212
Total	<u>\$ 157,507</u>	<u>\$ -</u>	<u>\$ 157,507</u>	<u>\$ 900,489</u>	<u>\$ 61,358</u>	<u>\$ 961,847</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, 2014, the City's total debt margin was \$8,819,085 and the unvoted debt margin was \$4,797,616.

NOTE 13 - RISK MANAGEMENT

A. Property and Casualty Insurance

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

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

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

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 13 - RISK MANAGEMENT - (Continued)

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, 2013 (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 accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2013 and 2012 (the latest information available):

<u>Casualty & Property Coverage</u>	<u>2013</u>	<u>2012</u>
Assets	\$34,411,883	\$34,389,569
Liabilities	<u>(12,760,194)</u>	<u>(14,208,353)</u>
Retained earnings	<u>\$21,651,689</u>	<u>\$20,181,216</u>

At December 31, 2013 and 2012 (the latest information available), respectively, the liabilities above include approximately \$11.6 million and \$13.1 million of estimated incurred claims payable. The assets above also include approximately \$11.1 million and \$12.6 million of unpaid claims to be billed to approximately 475 member governments in the future, as of December 31, 2013 and 2012, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2014, the City's share of these unpaid claims collectible in future years is approximately \$70,537.

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>	
2014	\$100,767
2013	\$51,188

After completing one year of membership, members may withdraw on each anniversary of the date they joined PEP. They must provide written notice to PEP 60 days in advance of 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.

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 13 - RISK MANAGEMENT - (Continued)

B. Employee Health Insurance

The City participates with other cities in the Buckeye Ohio Risk Management Association (BORMA), in a jointly funded risk financing program administered by Core Source, Inc.

The pool is for employee benefits and includes life insurance, accidental death and dismemberment insurance, health insurance and prescription drug insurance. Each member has an option on the coverage it has elected to provide for its employees. Willard provides to its employees all available options offered by the pool. The employee benefits pool includes the following municipalities: Archbold, Bowling Green, Bucyrus, Carey, Clyde, Defiance, Fayette, Fremont, Hicksville, Hunting Valley, Napoleon, Oberlin, Oregon, Pepper Pike, Sandusky, Upper Sandusky and Willard. The pool also includes the following entities: Correction Center of Northwest Ohio, Henry County, Sandusky County Board of Health and Sandusky County Engineers. As of December 31, 2014, the pool had cash reserves of \$987,850.

Premiums are paid to the employee benefits pool for the traditional plan at a monthly cost of \$1,504.63 for family coverage and \$533.13 for single party coverage. Premiums are paid to the employee benefits pool for the HSA plan at a monthly cost of \$1,359.02 for family coverage and \$431.13 for single party coverage. Life insurance monthly premiums are \$3.60. During 2014, the City paid \$801,033 into the pool for coverage. The cost of coverage is paid by the fund that pays the salary of the individual employees. The amount of the risk retained within the employee is \$125,000 per individual with excess claims coverage provided by HCC.

BORMA, Inc. has the ability to require the member cities to make supplemental payments in the event reserves are not adequate to cover claims. The probability of this occurring is considered remote due to the adequacy of the pool reserves and premium levels, therefore, no amount has been reserved in the financial statements. Audited financial statements are maintained separately by BORMA, Inc.

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 - PENSION PLANS

A. Ohio Public Employees Retirement System

Plan Description - The City participates 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 in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the Combined Plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the Traditional Pension Plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the Member-Directed Plan.

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 14 - PENSION PLANS - (Continued)

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy - The Ohio Revised Code provides statutory authority for member and employer contributions. For 2014, member and employer contribution rates were consistent across all three plans. The 2014 member contribution rates were 10.00% for members. The City's contribution rate for 2014 was 14.00% of covered payroll.

The City's contribution rate for pension benefits for members in the Traditional Plan and Combined Plan for 2014 was 12.00%. The City's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2014, 2013, and 2012 were \$249,387, \$277,712 and \$223,378, respectively; 87.98% has been contributed for 2014 and 100% has been contributed for 2013 and 2012. The remaining 2014 pension liability has been reported as due to other governments on the basic financial statements. Contributions to the Member-Directed Plan for 2014 were \$280 made by the City and \$200 made by the plan members.

B. Ohio Police and Fire Pension Fund

Plan Description - The City contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability 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 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.

Funding Policy - From January 1, 2014 through July 1, 2014, plan members were required to contribute 10.75% of their annual covered salary. From July 2, 2014 through December 31, 2014, plan members were required to contribute 11.50% of their annual covered salary. Throughout 2014, the City was required to contribute 19.50% and 24.00% for police officers and firefighters, respectively. Contribution rates are established by State statute.

For 2014, the portion of the City's contributions to fund pension obligations was 19.00% for police officers and 23.50% for firefighters. The City's required contributions for pension obligations to OP&F for police officers and firefighters were \$186,212 and \$67,573 for the year ended December 31, 2014, \$189,672 and \$55,704 for the year ended December 31, 2013, and \$136,777 and \$59,795, for the year ended December 31, 2012. 100% has been contributed for 2013 and 2012. 86.63% has been contributed for police and 92.09% has been contributed for firefighters for 2014. The remaining 2014 pension liability has been reported as due to other governments on the basic financial statements.

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 15 - POSTRETIREMENT BENEFIT PLANS

A. Ohio Public Employees Retirement System

Plan Description - OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

To qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have ten years or more of qualifying Ohio service credit. The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided 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/investments/cafr.shtml>, writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-5601 or (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 2014, 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 2014 was 2.00%.

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, 2014, 2013, and 2012 were \$41,564, \$21,353, and \$92,014, respectively; 87.98% has been contributed for 2014 and 100% has been contributed for 2013 and 2012. The remaining 2014 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.

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 15 - POSTRETIREMENT BENEFIT PLANS - (Continued)

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 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.

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. For 2014, the portion of employer contributions allocated to health care was 0.50% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that 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.

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 15 - POSTRETIREMENT BENEFIT PLANS - (Continued)

The City's contributions to OP&F which were allocated to fund post-employment healthcare benefits for police officers and firefighters were \$5,680 and \$1,564 for the year ended December 31, 2014, \$42,776 and \$9,389 for the year ended December 31, 2013, and \$72,412 and \$23,398, for the year ended December 31, 2012. 100% has been contributed for 2013 and 2012. 86.63% has been contributed for police and 92.09% has been contributed for firefighters for 2014. The remaining 2014 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.

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).

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ (326,171)
Net adjustment for revenue accruals	168,410
Net adjustment for expenditure accruals	(23,641)
Funds budgeted elsewhere	(2,565)
Adjustment for encumbrances	115,039
GAAP basis	\$ (68,928)

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

NOTE 17 - 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, 2014.

B. Litigation

The City is party to legal proceedings. The City management is of the opinion that the ultimate disposition of various claims and legal proceeds will not have a material effect, if any, on the financial condition of the City.

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 18 - FUND BALANCE

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

Fund balance	General	Income Tax Capital Improvement	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:				
Materials and supplies inventory	\$ 9,178	\$ -	\$ 30,445	\$ 39,623
Prepays	35,730	-	20,248	55,978
Electric system sale	1,575,000	-	-	1,575,000
Unclaimed monies	3,907	-	-	3,907
Perpetual care	-	-	20,482	20,482
Total nonspendable	<u>1,623,815</u>	<u>-</u>	<u>71,175</u>	<u>1,694,990</u>
Restricted:				
Capital improvements	-	-	84,863	84,863
Debt service	-	-	55,432	55,432
Recreation programs	-	-	2,467	2,467
Transportation projects	-	-	637,027	637,027
Police and fire purposes	-	-	481,383	481,383
Other purposes	-	-	86,344	86,344
Total restricted	<u>-</u>	<u>-</u>	<u>1,347,516</u>	<u>1,347,516</u>
Committed:				
Capital improvements	-	588,191	30,518	618,709
Recreation programs	-	-	59,937	59,937
Transportation projects	-	-	70,434	70,434
Other purposes	-	-	32,333	32,333
Total committed	<u>-</u>	<u>588,191</u>	<u>193,222</u>	<u>781,413</u>
Assigned:				
Capital improvements	-	-	38,854	38,854
Subsequent year appropriations	707,515	-	-	707,515
Other purposes	97,671	-	-	97,671
Total assigned	<u>805,186</u>	<u>-</u>	<u>38,854</u>	<u>844,040</u>
Unassigned (deficit)	<u>1,316,171</u>	<u>-</u>	<u>(143,650)</u>	<u>1,172,521</u>
Total fund balances (deficit)	<u>\$ 3,745,172</u>	<u>\$ 588,191</u>	<u>\$ 1,507,117</u>	<u>\$ 5,840,480</u>

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 19 - 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	\$ 101,520
Income tax capital improvement	78,073
Other governmental	<u>85,478</u>
 Total	 <u>\$ 265,071</u>

NOTE 20 - 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, 2014 are comprised of the following:

	<u>Cash and cash Equivalents</u>
Water fund:	
Customer deposits	<u>\$ 68,263</u>



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 S. 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, 2014, 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 5, 2015.

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 communication is not suitable for any other purpose.



Julian & Grube, Inc.
June 5, 2015



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
AUGUST 4, 2015**