

**CITY OF WILLARD
HURON COUNTY, OHIO**

BASIC FINANCIAL STATEMENTS
(AUDITED)

FOR THE YEAR ENDED
DECEMBER 31, 2015

SUE JOHNSON, FINANCE DIRECTOR



Dave Yost • Auditor of State

Council Members
City of Willard
PO Box 367
631 S. Myrtle Ave.
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, 2015 through December 31, 2015. 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 25, 2016

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**CITY OF WILLARD
HURON COUNTY, OHIO**

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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, 2015, 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, 2015, 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.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during the year ended December 31, 2015, the City of Willard adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 2, 2016, 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 2, 2016

**CITY OF WILLARD
HURON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015**

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, 2015. 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 2015 are as follows:

- The total net position of the City increased \$1,070,424. Net position of governmental activities increased \$688,855 or 5.50% from 2014 restated net position and net position of business-type activities increased \$381,569 or 2.86% over 2014 restated net position.
- General revenues accounted for \$4,247,089 or 77.84% of total governmental activities revenue. Program specific revenues accounted for \$1,209,182 or 22.16% of total governmental activities revenue.
- The City had \$4,859,424 in expenses related to governmental activities; \$1,209,182 of these expenses were offset by program specific charges for services, grants or contributions. The remaining expenses of the governmental activities of \$3,650,242 were offset by general revenues (primarily income taxes, property taxes and unrestricted grants and entitlements) of \$4,247,089.
- The general fund had revenues and other financing sources of \$3,454,884 in 2015. The expenditures and other financing uses of the general fund totaled \$3,420,472 in 2015. The net increase in fund balance for the general fund was \$34,412 or 0.92%.
- The income tax capital improvement fund had revenues and other financing sources of \$761,107 in 2015. The expenditures and other financing uses of the income tax capital improvement fund totaled \$973,404 in 2015. The net decrease in fund balance for the income tax capital improvement fund was \$212,297 or 36.10%.
- Net position for the business-type activities, which are made up of the sewer, water and storm water enterprise funds, increased in 2015 by \$381,569 from 2014 restated net position. This increase in net position was due to increasing revenue exceeding increasing expenses.
- In the general fund, the actual revenues and other financing sources came in \$61,345 greater than they were in the final budget and actual expenditures and other financing uses were \$417,133 less than the amount in the final budget. The final budgeted revenues and other financing sources and final budgeted expenditures and other financing uses were unchanged from 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, 2015

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 2015?" The statement of net position and the statement of activities answer this question. These statements include all assets, deferred outflows, liabilities, deferred inflows, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

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

Reporting the City's Most Significant Funds

Fund Financial Statements

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

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

Governmental Funds

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

**CITY OF WILLARD
HURON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015**

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 26-30 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 32-37 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 38 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 39-84 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's net pension liability. The required supplementary information can be found on pages 86-92 of this report.

**CITY OF WILLARD
HURON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015

Government-Wide Financial Analysis

The table below provides a summary of the City's assets, deferred inflows of resources, liabilities, deferred outflows of resources and net position at December 31, 2015 and 2014. The net position at December 31, 2014 has been restated as described in Note 3.

| | Governmental Activities | | Business-type Activities | | Total | |
|--|-------------------------|----------------------|--------------------------|----------------------|----------------------|----------------------|
| | 2015 | Restated 2014 | 2015 | Restated 2014 | 2015 | Restated 2014 |
| <u>Assets</u> | | | | | | |
| Current and other assets | \$ 7,060,997 | \$ 7,243,111 | \$ 5,814,823 | \$ 5,854,046 | \$ 12,875,820 | \$ 13,097,157 |
| Capital assets, net | <u>11,137,572</u> | <u>10,470,673</u> | <u>13,065,683</u> | <u>12,472,098</u> | <u>24,203,255</u> | <u>22,942,771</u> |
| Total assets | <u>18,198,569</u> | <u>17,713,784</u> | <u>18,880,506</u> | <u>18,326,144</u> | <u>37,079,075</u> | <u>36,039,928</u> |
| <u>Deferred outflows of resources</u> | | | | | | |
| Pension | <u>691,029</u> | <u>442,306</u> | <u>138,504</u> | <u>97,847</u> | <u>829,533</u> | <u>540,153</u> |
| Total deferred outflows of resources | <u>691,029</u> | <u>442,306</u> | <u>138,504</u> | <u>97,847</u> | <u>829,533</u> | <u>540,153</u> |
| <u>Liabilities</u> | | | | | | |
| Current liabilities | 574,212 | 697,220 | 1,257,091 | 1,327,339 | 1,831,303 | 2,024,559 |
| Long-term liabilities: | | | | | | |
| Due within one year | 277,703 | 258,876 | 266,145 | 275,541 | 543,848 | 534,417 |
| Net pension liability | 3,938,516 | 3,747,045 | 759,480 | 742,326 | 4,697,996 | 4,489,371 |
| Other amounts | <u>568,130</u> | <u>631,384</u> | <u>2,985,421</u> | <u>2,724,115</u> | <u>3,553,551</u> | <u>3,355,499</u> |
| Total liabilities | <u>5,358,561</u> | <u>5,334,525</u> | <u>5,268,137</u> | <u>5,069,321</u> | <u>10,626,698</u> | <u>10,403,846</u> |
| <u>Deferred inflows of resources</u> | | | | | | |
| Property taxes | 278,776 | 281,054 | - | - | 278,776 | 281,054 |
| Pension | <u>22,895</u> | <u>-</u> | <u>14,634</u> | <u>-</u> | <u>37,529</u> | <u>-</u> |
| Total deferred inflows of resources | <u>301,671</u> | <u>281,054</u> | <u>14,634</u> | <u>-</u> | <u>316,305</u> | <u>281,054</u> |
| <u>Net position</u> | | | | | | |
| Net investment in capital assets | 10,374,958 | 9,471,956 | 9,608,265 | 9,662,849 | 19,983,223 | 19,134,805 |
| Restricted | 2,890,466 | 3,094,942 | - | - | 2,890,466 | 3,094,942 |
| Unrestricted (deficit) | <u>(36,058)</u> | <u>(26,387)</u> | <u>4,127,974</u> | <u>3,691,821</u> | <u>4,091,916</u> | <u>3,665,434</u> |
| Total net position | <u>\$ 13,229,366</u> | <u>\$ 12,540,511</u> | <u>\$ 13,736,239</u> | <u>\$ 13,354,670</u> | <u>\$ 26,965,605</u> | <u>\$ 25,895,181</u> |

During 2015, the City adopted Governmental Accounting Standards Board (GASB) Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27" and GASB Statement 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68" which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the City's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

**CITY OF WILLARD
HURON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015

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

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

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

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the City is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

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

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

As a result of implementing GASB 68, the City is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at December 31, 2014, for governmental activities from \$15,843,446 to \$12,540,511 and business-type activities from \$13,997,996 to \$13,354,670.

**CITY OF WILLARD
HURON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015**

Over time, net position can serve as a useful indicator of a government's financial position. At December 31, 2015, the City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$26,965,605. At year-end, net position was \$13,229,366 and \$13,736,239 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 65.28% 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, 2015, was \$10,374,958 and \$9,608,265 in the governmental activities and business-type activities, respectively. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the City's net position, \$2,890,466, represents resources that are subject to external restriction on how they may be used.

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**CITY OF WILLARD
HURON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015**

The following table shows the changes in net position for 2015 and 2014. The net position at December 31, 2014 has been restated as described in Note 3.

| | Change in Net Position | | | | | |
|---|-------------------------------|----------------------|-----------------------------|----------------------|----------------------|----------------------|
| | Governmental Activities | | Business-type Activities | | Total | |
| | 2015 | Restated 2014 | 2015 | Restated 2014 | 2015 | Restated 2014 |
| Revenues | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 695,675 | \$ 922,539 | \$ 3,682,325 | \$ 3,425,573 | \$ 4,378,000 | \$ 4,348,112 |
| Operating grants and contributions | 398,687 | 342,776 | - | - | 398,687 | 342,776 |
| Capital grants and contributions | 114,820 | 82,600 | 20,574 | - | 135,394 | 82,600 |
| Total program revenues | <u>1,209,182</u> | <u>1,347,915</u> | <u>3,702,899</u> | <u>3,425,573</u> | <u>4,912,081</u> | <u>4,773,488</u> |
| General revenues: | | | | | | |
| Property taxes | 303,385 | 324,728 | - | - | 303,385 | 324,728 |
| Income taxes | 3,522,948 | 3,274,757 | - | - | 3,522,948 | 3,274,757 |
| Payments in lieu of taxes | 70,416 | 70,886 | - | - | 70,416 | 70,886 |
| Unrestricted grants and entitlements | 262,388 | 227,141 | - | - | 262,388 | 227,141 |
| Investment earnings | 61,921 | 68,682 | 25,096 | 16,922 | 87,017 | 85,604 |
| Gain on disposal of capital assets | - | - | - | 436,932 | - | 436,932 |
| Miscellaneous | 26,031 | 8,352 | 186,454 | 6,954 | 212,485 | 15,306 |
| Total general revenues | <u>4,247,089</u> | <u>3,974,546</u> | <u>211,550</u> | <u>460,808</u> | <u>4,458,639</u> | <u>4,435,354</u> |
| Total revenues | <u>5,456,271</u> | <u>5,322,461</u> | <u>3,914,449</u> | <u>3,886,381</u> | <u>9,370,720</u> | <u>9,208,842</u> |
| Expenses | | | | | | |
| General government | 574,159 | 602,643 | - | - | 574,159 | 602,643 |
| Security of persons and property | 2,799,113 | 2,584,547 | - | - | 2,799,113 | 2,584,547 |
| Public health and welfare | 28,906 | 44,552 | - | - | 28,906 | 44,552 |
| Transportation | 872,869 | 882,774 | - | - | 872,869 | 882,774 |
| Community environment | 278,825 | 264,790 | - | - | 278,825 | 264,790 |
| Leisure time activity | 284,306 | 247,511 | - | - | 284,306 | 247,511 |
| Interest and fiscal charges | 21,246 | 25,031 | - | - | 21,246 | 25,031 |
| Sewer | - | - | 1,858,662 | 1,844,127 | 1,858,662 | 1,844,127 |
| Water | - | - | 1,582,210 | 1,271,909 | 1,582,210 | 1,271,909 |
| Storm water | - | - | - | 500 | - | 500 |
| Total expenses | <u>4,859,424</u> | <u>4,651,848</u> | <u>3,440,872</u> | <u>3,116,536</u> | <u>8,300,296</u> | <u>7,768,384</u> |
| Transfers | <u>92,008</u> | <u>-</u> | <u>(92,008)</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Change in net position | 688,855 | 670,613 | 381,569 | 769,845 | 1,070,424 | 1,440,458 |
| Net position at beginning of year (restated) | <u>12,540,511</u> | <u>N\A</u> | <u>13,354,670</u> | <u>N\A</u> | <u>25,895,181</u> | <u>N\A</u> |
| Net position at end of year | <u>\$ 13,229,366</u> | <u>\$ 12,540,511</u> | <u>\$ 13,736,239</u> | <u>\$ 13,354,670</u> | <u>\$ 26,965,605</u> | <u>\$ 25,895,181</u> |

**CITY OF WILLARD
HURON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015

Governmental Activities

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$540,153 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of \$500,986. Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

| | <u>Governmental Activities</u> | <u>Business-type Activities</u> |
|--|------------------------------------|-------------------------------------|
| Total 2015 program expenses under GASB 68 | \$ 4,859,424 | \$ 3,440,872 |
| Pension expense under GASB 68 | (415,472) | (85,514) |
| 2015 contractually required contributions | <u>454,645</u> | <u>97,459</u> |
| Adjusted 2015 program expenses | 4,898,597 | 3,452,817 |
| Total 2014 program expenses under GASB 27 | <u>4,651,848</u> | <u>3,116,536</u> |
| Increase in program expenses not related to pension | <u>\$ 246,749</u> | <u>\$ 336,281</u> |

The net position of governmental activities increased \$688,855 in 2015. This increase is primarily the result of increased revenues, particularly income tax revenues. Income tax revenues increased by approximately \$248,000 due to decreasing unemployment. Governmental activities also received \$92,008 in capital contributions from the business-type activities during 2015.

Security of persons and property which primarily supports the operations of the police and fire department accounted for \$2,799,113 or 33.73% of the total expenses of the City. Security of persons and property expenses were partially funded by \$377,508 in direct charges to users of the services. General government expenses totaled \$574,159. General government expenses were partially funded by \$70,924 in direct charges to users of the services.

The State and federal government contributed to the City a total of \$398,687 in operating grants and contributions and \$114,820 in capital grants and contributions. These revenues are restricted to a particular program or purpose.

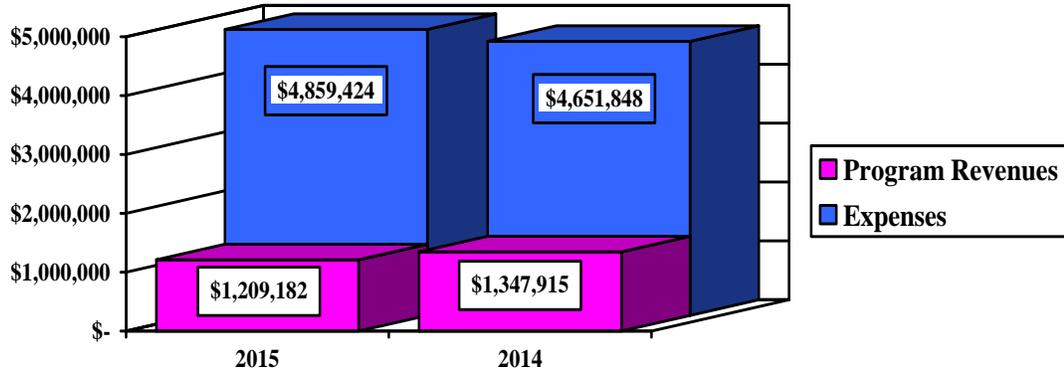
General revenues totaled \$4,247,089 and amounted to 77.84% of total governmental revenues. These revenues primarily consist of property and income tax revenue of \$3,826,333. The other primary source of general revenues is grants and entitlements not restricted to specific programs, including local government revenue and property tax reimbursements received from the State, making up \$262,388.

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. 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 2015.

**CITY OF WILLARD
HURON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015

Governmental Activities – Program Revenues vs. Total Expenses



Governmental Activities

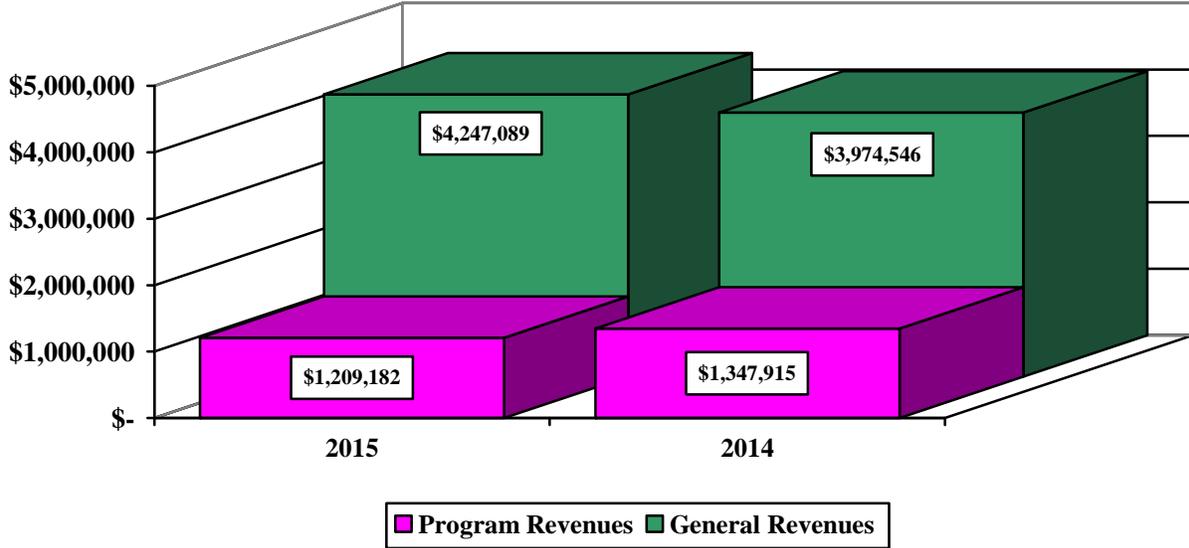
| | Total Cost of Services 2015 | Total Cost of Services 2014 | Net Cost of Services 2015 | Net Cost of Services 2014 |
|----------------------------------|-----------------------------------|-----------------------------------|---------------------------------|---------------------------------|
| Program expenses: | | | | |
| General government | \$ 574,159 | \$ 602,643 | \$ 483,235 | \$ 494,715 |
| Security of persons and property | 2,799,113 | 2,584,547 | 2,384,742 | 1,999,393 |
| Public health and welfare | 28,906 | 44,552 | 4,756 | 22,417 |
| Transportation | 872,869 | 882,774 | 280,709 | 337,678 |
| Community environment | 278,825 | 264,790 | 258,384 | 243,114 |
| Leisure time activity | 284,306 | 247,511 | 217,170 | 181,585 |
| Interest and fiscal charges | 21,246 | 25,031 | 21,246 | 25,031 |
| Total | <u>\$ 4,859,424</u> | <u>\$ 4,651,848</u> | <u>\$ 3,650,242</u> | <u>\$ 3,303,933</u> |

The dependence upon general revenues for governmental activities is apparent, with 75.12% of expenses supported through taxes and other general revenues. The chart below illustrates the City's program revenues versus general revenues for 2015 and 2014.

**CITY OF WILLARD
HURON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015

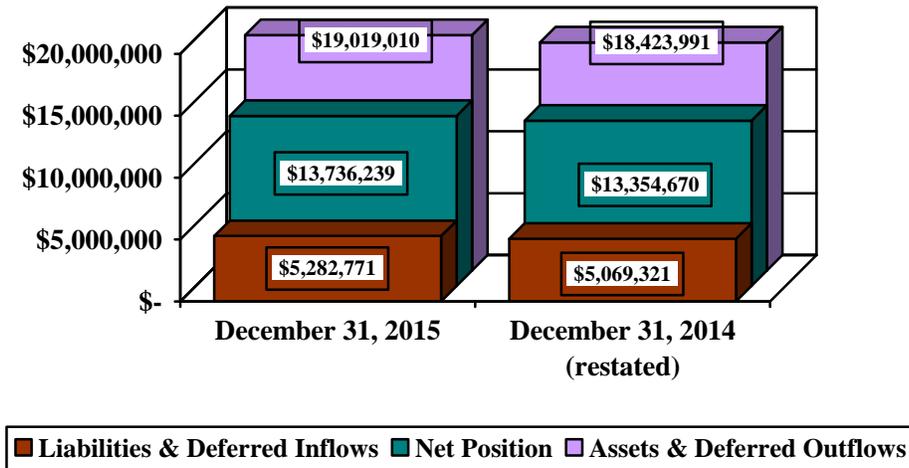
Governmental Activities – General and Program Revenues



Business-type Activities

Business-type activities include the sewer, water and storm water enterprise funds. These programs had program revenues of \$3,702,899, general revenues of \$211,550, expenses of \$3,440,872, and transfers out of \$92,008 for 2015. The graph below shows the business-type activities assets, liabilities and net position at year-end 2015 and 2014.

Net Position in Business - Type Activities



**CITY OF WILLARD
HURON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015

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 26) reported a combined fund balance of \$5,745,069, which is \$95,411 less than the previous year's fund balance of \$5,840,480. The following schedule indicates the fund balances and the total change in fund balances as of December 31, 2015 for all major and nonmajor governmental funds.

| | <u>Fund Balances</u> <u>12/31/15</u> | <u>Fund Balances</u> <u>12/31/14</u> | <u>Increase</u> <u>(Decrease)</u> |
|-----------------------------------|---|---|--------------------------------------|
| Major funds: | | | |
| General | \$ 3,779,584 | \$ 3,745,172 | \$ 34,412 |
| Income tax capital improvement | 375,894 | 588,191 | (212,297) |
| Other nonmajor governmental funds | <u>1,589,591</u> | <u>1,507,117</u> | <u>82,474</u> |
| Total | <u>\$ 5,745,069</u> | <u>\$ 5,840,480</u> | <u>\$ (95,411)</u> |

General Fund

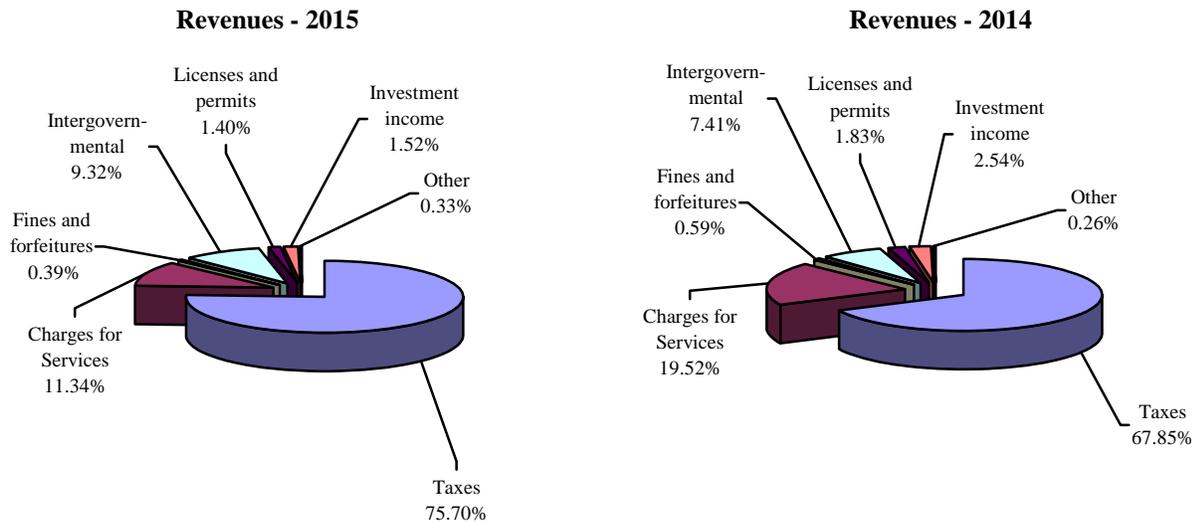
The City's general fund balance increased \$34,412. The table that follows assists in illustrating the revenues of the general fund.

| | <u>2015</u> <u>Amount</u> | <u>2014</u> <u>Amount</u> | <u>Percentage</u> <u>Change</u> |
|-----------------------|------------------------------|------------------------------|------------------------------------|
| Revenues | | | |
| Taxes | \$ 2,607,422 | \$ 2,154,049 | 21.05 % |
| Charges for services | 390,603 | 619,604 | (36.96) % |
| Fines and forfeitures | 13,573 | 18,812 | (27.85) % |
| Intergovernmental | 320,813 | 235,158 | 36.42 % |
| Licenses and permits | 48,065 | 58,290 | (17.54) % |
| Investment income | 52,498 | 80,612 | (34.88) % |
| Other | <u>11,280</u> | <u>8,410</u> | 34.13 % |
| Total | <u>\$ 3,444,254</u> | <u>\$ 3,174,935</u> | 8.48 % |

**CITY OF WILLARD
HURON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015**

Tax revenue represents 75.70% of all general fund revenue. The increase in tax revenue is due to an increase in income tax revenue. This is a result of lower unemployment. The decrease in charges for services is primarily due to a decrease in emergency rescue calls. Intergovernmental revenue increased due to the receipt of estate tax revenue. Ohio eliminated the estate tax on January 1, 2013. The estate tax revenue received in 2015 represents taxes on estates prior to December 31, 2012. The City does not expect to receive any further estate tax revenue going forward. All other amounts remained comparable to 2015.



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

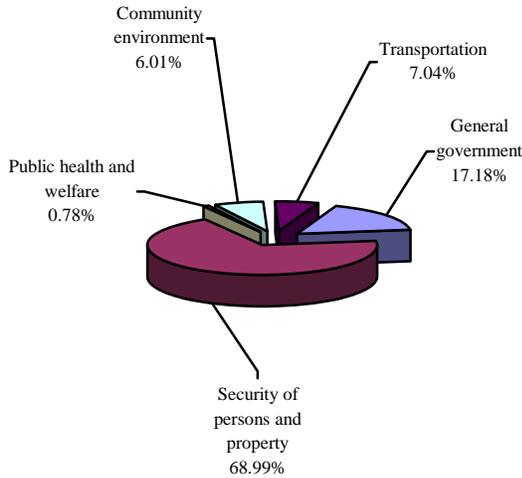
| | <u>2015</u> <u>Amount</u> | <u>2014</u> <u>Amount</u> | <u>Percentage</u> <u>Change</u> |
|----------------------------------|------------------------------|------------------------------|------------------------------------|
| <u>Expenditures</u> | | | |
| General government | \$ 569,702 | \$ 584,910 | (2.60) % |
| Security of persons and property | 2,288,356 | 2,126,504 | 7.61 % |
| Public health and welfare | 25,893 | 40,964 | (36.79) % |
| Transportation | 233,637 | 291,126 | (19.75) % |
| Community environment | <u>199,275</u> | <u>194,359</u> | 2.53 % |
| Total | <u>\$ 3,316,863</u> | <u>\$ 3,237,863</u> | 2.44 % |

The total general fund expenditures of the City increased 2.44%. The most significant changes occurred in the security of persons and property and transportation line items. Transportation expenditures decreased due to a decrease of expenditures made for the City Garage. Security of persons and property expenditures increased due to increased expenditures for the City's police and fire departments.

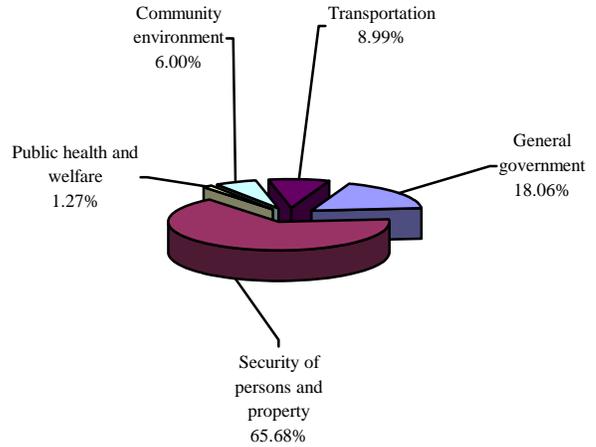
**CITY OF WILLARD
HURON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015**

Expenditures - 2015



Expenditures - 2014



Budgeting Highlights

The City's budgeting process is prescribed by the Ohio Revised Code (ORC). Essentially the budget is the City's appropriations which are restricted by the amounts of anticipated revenues certified by the Budget Commission in accordance with the ORC. Therefore, the City's plans or desires cannot be totally reflected in the original budget. If budgeted revenues are adjusted due to actual activity then the appropriations can be adjusted accordingly.

Budgetary information is presented for the general fund. In the general fund, the actual revenues and other financing sources came in \$61,345 greater than they were in the final budget and actual expenditures and other financing uses were \$417,133 less than the amount in the final budget. The final budgeted revenues and other financing sources and final budgeted expenditures and other financing uses were unchanged from the original budget.

Proprietary Funds

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

Capital Assets and Debt Administration

Capital Assets

At the end of 2015, the City had \$24,203,255 (net of accumulated depreciation) invested in land, land improvements, buildings, equipment, vehicles, infrastructure and utility plant in service. Of this total, \$11,137,572 was reported in governmental activities and \$13,065,683 was reported in business-type activities. See Note 9 for further description of capital assets. The following table shows 2015 balances compared to 2014:

**CITY OF WILLARD
HURON COUNTY, OHIO**

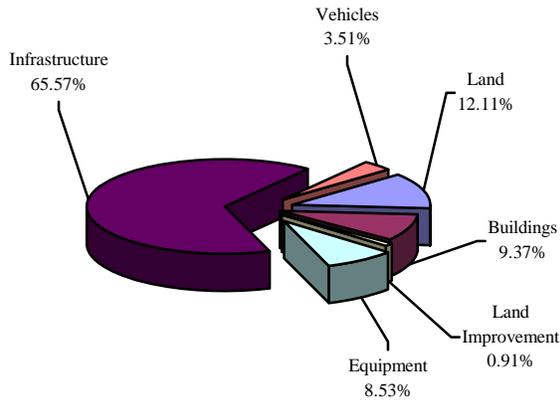
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015

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

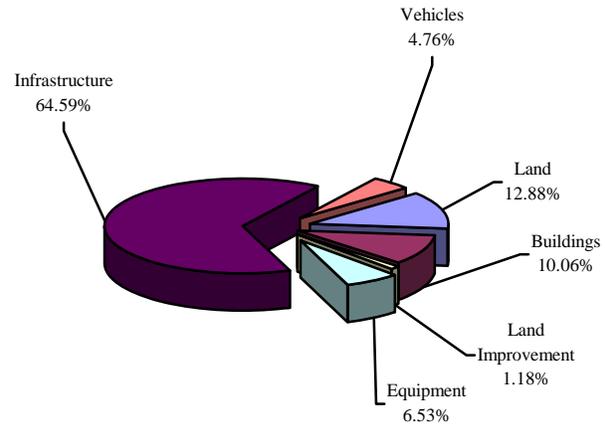
| | <u>Governmental Activities</u> | | <u>Business-type Activities</u> | | <u>Total</u> | |
|--------------------------|--------------------------------|----------------------|---------------------------------|----------------------|----------------------|----------------------|
| | <u>2015</u> | <u>2014</u> | <u>2015</u> | <u>2014</u> | <u>2015</u> | <u>2014</u> |
| Land | \$ 1,349,002 | \$ 1,349,002 | \$ 1,064,191 | \$ 1,064,191 | \$ 2,413,193 | \$ 2,413,193 |
| Buildings | 1,043,909 | 1,053,742 | 1,402,514 | 1,227,960 | 2,446,423 | 2,281,702 |
| Land improvements | 101,555 | 123,363 | 9,592 | 16,685 | 111,147 | 140,048 |
| Equipment | 950,549 | 684,036 | 2,841,952 | 2,157,885 | 3,792,501 | 2,841,921 |
| Vehicles | 389,099 | 497,998 | 151,675 | 163,159 | 540,774 | 661,157 |
| Utility plant in service | - | - | 7,595,759 | 7,842,218 | 7,595,759 | 7,842,218 |
| Infrastructure | <u>7,303,458</u> | <u>6,762,532</u> | <u>-</u> | <u>-</u> | <u>7,303,458</u> | <u>6,762,532</u> |
| Totals | <u>\$ 11,137,572</u> | <u>\$ 10,470,673</u> | <u>\$ 13,065,683</u> | <u>\$ 12,472,098</u> | <u>\$ 24,203,255</u> | <u>\$ 22,942,771</u> |

The following graphs show the breakdown of governmental capital assets by category for 2015 and 2014.

Capital Assets - Governmental Activities 2015



Capital Assets - Governmental Activities 2014



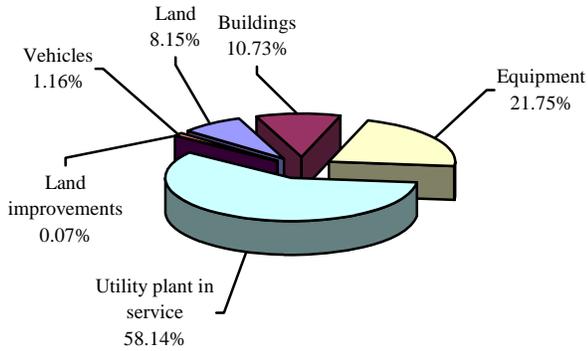
The City's infrastructure is the largest capital asset category. These items are immovable and of value only to the City, however, the annual cost of purchasing these items is quite significant. The net book value of the City's infrastructure (cost less accumulated depreciation) represents approximately 65.57% of the City's total governmental capital assets.

**CITY OF WILLARD
HURON COUNTY, OHIO**

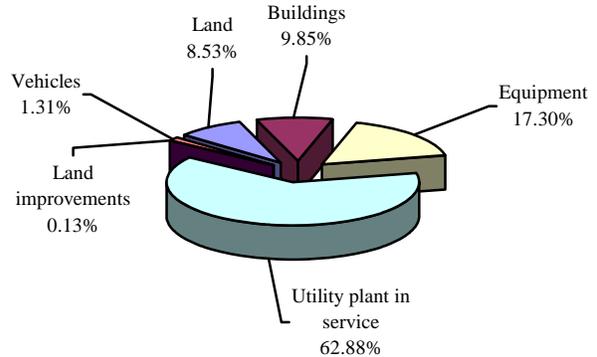
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015**

The following graphs show the breakdown of business-type capital assets by category for 2015 and 2014.

Capital Assets - Business-type Activities 2015



Capital Assets - Business-type Activities 2014



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 58.14% of the City's total business-type capital assets.

Debt Administration

The City had the following long-term obligations outstanding at December 31, 2015 and 2014.

Governmental Activities

| | <u>2015</u> | <u>2014</u> |
|------------------------------------|--------------------------|--------------------------|
| General obligation bonds | \$ 260,000 | \$ 340,000 |
| Issue II loans | <u>223,614</u> | <u>247,717</u> |
| Total long-term obligations | <u>\$ 483,614</u> | <u>\$ 587,717</u> |

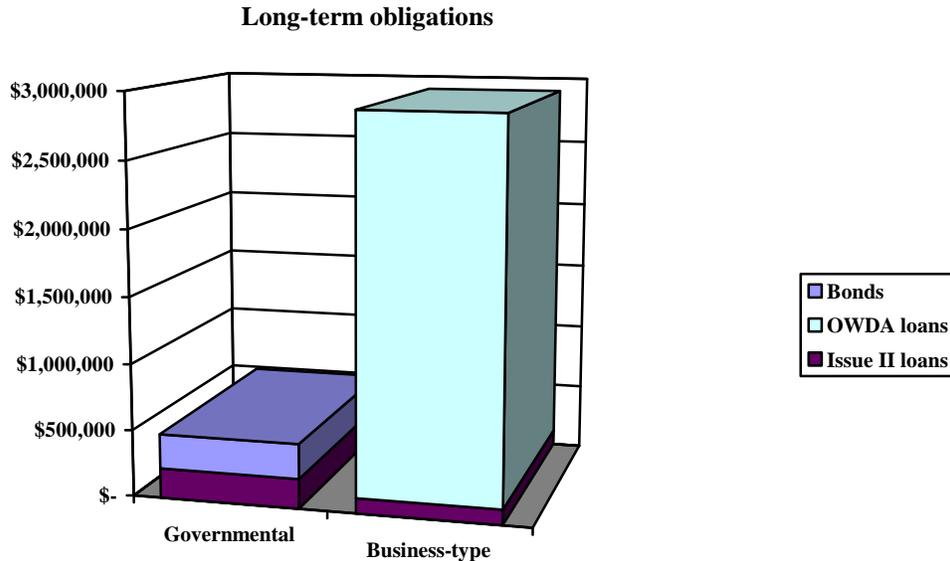
Business-type Activities

| | <u>2015</u> | <u>2014</u> |
|------------------------------------|----------------------------|----------------------------|
| OWDA loans | \$ 2,785,010 | \$ 2,469,806 |
| Issue II loans | <u>114,806</u> | <u>189,443</u> |
| Total long-term obligations | <u>\$ 2,899,816</u> | <u>\$ 2,659,249</u> |

**CITY OF WILLARD
HURON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015**

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.

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. Willard 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 2015, Willard's economic performance provided hopes for stronger growth and more jobs. There is some anticipation that Willard will see even more improvement in economic growth in 2016. As reported in previous years, Mercy Hospital built a brand new facility which opened in 2012. This year, the final portion of US 224 was widened to three lanes on the east end of the City. This improved the intersection at Neal Zick Rd, which is where Mercy Hospital relocated. Along with the improvement of that three-way intersection, a much needed traffic light was added.

In conjunction with the relocation of Mercy Hospital and a Nursing Home facility now known as the Willows at Willard along Neal Zick Rd, a new project will be underway in 2016. A large piece of land along Neal Zick Rd. was donated to Mercy Hospital for the purpose of constructing an assisted living complex for the elderly. That land was annexed into the City of Willard in 2015, with construction for the project expected to begin in 2016.

**CITY OF WILLARD
HURON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015**

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 school was completed in the summer of 2015, and classes began in the new building in the fall. The old Central Elementary located inside the City was demolished and the land was sold to two buyers who will be using a portion of it for a parking lot for the nearby funeral home. They have not decided what they will do with the remaining land. The other two outlying elementary schools in New Haven Township and Richmond Township were demolished and the land sold.

Star of the West Mill, the main provider of flour to the Pepperidge Farm facility, began making plans to move their Ohio operations from Kent, Ohio to Willard in 2014. 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. As of this time, the mill is still being built and the new expected completion is July of 2016.

Family Dollar began construction in the fall of 2014 on their new facility which is now relocated further east on US 224 near Fort Ball Rd. They opened for business in the summer of 2015.

Sharpnack Ford began construction late in 2014 of a new facility further east on US 224. They opened for business at the new location in the summer of 2015. They have maintained 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.

Circle K began building a new gas station along the US 224 corridor between the new Sharpnack Ford and H&R Block at the intersection of US 224 and SR 99.

In 2014, Level's Gym purchased a vacant building that formerly housed a tire store along US 224 at the eastern edge of town. They remodeled the building and opened for business in the spring of 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. Although most of the work was completed in 2014, there was still a small group of workers in town to finish up the project in 2015 at the main pipeline located on US 224 near Neal Zick Rd.

Goodwill began and completed construction of a store on US 224 next to Dollar General. They originally had rented three store fronts at the Blossom Center. The building is a beautiful new addition to the area which had been vacant since the early 1990s when the roller skating rink was torn down.

A new Kidney Dialysis Center that began construction in 2013 was completed in 2014 and is now fully functional for patients opening in the summer of 2015.

The Willard Library began renovations in 2015 to upgrade their building downtown. They will be adding a new entrance on the Myrtle side of the building with a handicap accessible ramp and an awning. They also constructed an annex building across the street from their current location on the northeast corner of Myrtle and Emerald. Construction will continue into 2016.

The City had a 1.375% income tax rate in 2015. One eighth of a percent was approved 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 2015 were approximately \$3.6 million (on a cash-basis). That is \$600,000 more than what we had budgeted to collect, and \$300,000 more than what we collected last year. Local taxes accounted for about 30% of the City of Willard's revenue sources in 2015.

**CITY OF WILLARD
HURON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015**

We saw a decrease of about \$1.7 million in revenues in 2015. That number looks scary, until you consider that more than \$2.9 million in revenue was recorded in 2014 from various loans the City procured to make improvements at our sewer plant. Taking that out of the equation, you could say that our revenues actually increased about \$1.2 million over last year.

With a new City Manager being hired late in 2014, a new vision for street repairs was embraced. More roadwork is being done by our street maintenance department than in recent years. Milling and resurfacing is being utilized rather than waiting until our streets are in such disrepair that they need to be fully reconstructed. Street repairs in 2015 included Woodland Ave (partially paid for with Community Development Block Grant funds), portions of Woodbine, Kennedy Dr., Howard St. and Crestwood Dr. Phase IV of US 224 widening project was also completed in 2015 which included the east entrance into the City and a new traffic light at Neal Zick Rd. The above mentioned projects were completed by outside contractors and covered a total of 14 blocks of streets not including US 224. The City's street maintenance department also made some major repairs to several roadway surfaces including Linden Ln., Cottonwood, Dean St., Conwell Ave., Timber Ln., Kennedy Dr., Laurel St., Fort Ball and Woodland Ave. (which included curb repair). The City has a new plan for 2016 to maintain the roadways. We will be taking out a zero percent, 10 year loan through OPWC for roughly \$1 million. This will take care of roughly 33 blocks of streets that will be milled and paved, rather than reconstructed. 2016 will also see phase V of the US 224 project which will resurface 224 between the western city limits and Leonard St (which were previously reconstructed and known as phases I through III).

2015 saw several personnel changes for the Willard Police Department. Exams were given late in 2014 for a new police officer and dispatcher in order to get the department back to a more normal level of staffing. A new dispatcher was hired in February bringing the total number of dispatchers to four, however, another dispatcher retired in November, taking the number of dispatchers back down to three by the end of the year. A fulltime officer was hired in April, then Detective Jeremy Draper resigned in June to take a position with the Huron County Prosecutor's office. With the detective gone, our part-time detective began running that office and started mentoring a hopeful candidate for the position. In August, Sgt. Shannon Chaffins, the Juvenile Officer, was promoted to Assistant Chief. That position had been vacant since Chief Holden was promoted in 2011. With Chaffins' promotion, the Juvenile Officer position needed to be filled; Sgt Ryan Gillmor was then named to that position. Another new officer was hired in October which brought the department to its highest number of fulltime officers in quite a while. 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 for support. The net result of all of the personnel changes throughout the year, means the department was down one dispatcher by the end of 2015.

The Fire/EMS department services the City of Willard and the majority of the four surrounding townships. They cover 95 square miles for EMS and 71 square miles for fire. The department has 5 full-time personnel and 46 part-time employees, 27 of whom live inside the Willard Fire District. The department has an average experience of about 12 years (18.5 years average experience for those who live in the district). Recruitment of volunteers living in the City of Willard continues to be problem for this department. They continue to have multiple runs happening at the same time, making the need for more personnel available on station a must. For this reason, we have found a way to fit another firefighter/paramedic into the 2016 budget.

The Water Plant had a taste and odor problem to deal with in 2014 and part of 2015 due to algal blooms coming into our source water. To alleviate this problem, the plant purchased and began operation of a Powder Activated Carbon Feed System. This system kept taste and odor problems to a minimum and removed Cynotoxins from the water. Capital projects included the replacement of three of four high service pumps that had been purchased in 1970 (the fourth was rebuilt in 2014). The installation was done in-house to save money and afford more pumps and motors. Telemetry was also upgraded at the water plant with the project expected to be completed in 2016.

**CITY OF WILLARD
HURON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015**

Our Water Pollution Control Plant began its equipment replacement and plant upgrade in 2014. The project was just about completed by the end of 2015, and was finally completed in January 2016. Debt was issued in 2012 for this project in the amount of \$1 million with an additional \$2 million in loans utilized in 2014. The total cost of this project ended up being about \$2.6 million, most of which will be paid for by an Ohio Water Development Authority (OWDA) loan.

Our recreation department finally recovered from a windstorm that demolished the storage building in June of 2014. A slightly larger building was erected that allowed for more storage. It was completed in time for the 2015 summer season. In addition to that building being improved, the park was able to see other improvements as well. With the demolition of the old school buildings, the Willard City Schools were gracious enough to donate used items to help improve the park. Along with slightly used office furniture for the park office, donations included playground equipment that was installed at the Soccer Complex and the North side Park on Keefer St. The recreation department also purchased and installed a climbing wall and wiggle bridge for the pool in 2015. Other items purchased at the end of 2015 to be installed in 2016 include a playground zipline, an expression swing which allows child and parent to swing at the same time, facing each other, as well as an outdoor ping pong table. By growing and improving our parks department, we hope to better serve our community now and in the years to come.

The City of Willard, as a whole, saw a major change in technology in 2015. Although we had opened a Twitter account several years ago in order to communicate important information to the general public, we knew we were not reaching as many people as we would like. So in 2015, we also created a Facebook page in order to better engage with our residents and followers. We also installed a new phone system throughout all City buildings, replacing a system that had been in place since we moved to our current location in 1992. We also changed internet providers, our web address and email accounts to better unify and identify ourselves as the City of Willard.

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.

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**CITY OF WILLARD
HURON COUNTY, OHIO**

STATEMENT OF NET POSITION
DECEMBER 31, 2015

| | Governmental Activities | Business-type Activities | Total |
|---|------------------------------------|-------------------------------------|----------------------|
| Assets: | | | |
| Equity in pooled cash and investments. | \$ 5,093,767 | \$ 4,550,030 | \$ 9,643,797 |
| Cash in segregated accounts. | 168,304 | - | 168,304 |
| Receivables: | | | |
| Income taxes. | 585,950 | - | 585,950 |
| Real and other taxes. | 306,930 | - | 306,930 |
| Payments in lieu of taxes. | 72,305 | - | 72,305 |
| Accounts. | 242,501 | 865,485 | 1,107,986 |
| Special assessments. | 30,818 | - | 30,818 |
| Due from other governments. | 227,953 | - | 227,953 |
| Accrued interest. | 21,812 | - | 21,812 |
| Materials and supplies inventory. | 38,267 | 287,985 | 326,252 |
| Prepayments. | 265,770 | 35,494 | 301,264 |
| Net pension asset. | 6,620 | 4,231 | 10,851 |
| Restricted assets: | | | |
| Equity in pooled cash and cash equivalents. | - | 71,598 | 71,598 |
| Capital assets: | | | |
| Land. | 1,349,002 | 1,064,191 | 2,413,193 |
| Depreciable capital assets, net. | 9,788,570 | 12,001,492 | 21,790,062 |
| Total capital assets, net. | <u>11,137,572</u> | <u>13,065,683</u> | <u>24,203,255</u> |
| Total assets. | <u>18,198,569</u> | <u>18,880,506</u> | <u>37,079,075</u> |
| Deferred outflows of resources: | | | |
| Pension - OPERS. | 216,699 | 138,504 | 355,203 |
| Pension - OP&F. | 474,330 | - | 474,330 |
| Total deferred outflows of resources. | <u>691,029</u> | <u>138,504</u> | <u>829,533</u> |
| Liabilities: | | | |
| Accounts payable. | 75,905 | 101,309 | 177,214 |
| Contracts payable. | - | 90,507 | 90,507 |
| Accrued wages. | 123,253 | 47,734 | 170,987 |
| Due to other governments. | 94,079 | 25,692 | 119,771 |
| Accrued interest payable. | 1,975 | 10,251 | 12,226 |
| Notes payable. | 279,000 | 910,000 | 1,189,000 |
| Payable from restricted assets: | | | |
| Refundable deposits payable. | - | 71,598 | 71,598 |
| Long-term liabilities: | | | |
| Due within one year. | 277,703 | 266,145 | 543,848 |
| Due in more than one year: | | | |
| Net pension liability. | 3,938,516 | 759,480 | 4,697,996 |
| Other amounts due in more than one year. | 568,130 | 2,985,421 | 3,553,551 |
| Total liabilities. | <u>5,358,561</u> | <u>5,268,137</u> | <u>10,626,698</u> |
| Deferred inflows of resources: | | | |
| Property taxes levied for the next fiscal year. | 278,776 | - | 278,776 |
| Pension - OPERS. | 22,895 | 14,634 | 37,529 |
| Total deferred inflows of resources. | <u>301,671</u> | <u>14,634</u> | <u>316,305</u> |
| Net position: | | | |
| Net investment in capital assets. | 10,374,958 | 9,608,265 | 19,983,223 |
| Restricted for: | | | |
| Debt service. | 129,426 | - | 129,426 |
| Capital projects. | 108,893 | - | 108,893 |
| Transportation projects. | 774,084 | - | 774,084 |
| Recreation. | 572 | - | 572 |
| Electric system sale. | 1,575,000 | - | 1,575,000 |
| Police and fire purposes. | 200,020 | - | 200,020 |
| Perpetual care. | 21,882 | - | 21,882 |
| Other purposes. | 80,589 | - | 80,589 |
| Unrestricted. | <u>(36,058)</u> | <u>4,127,974</u> | <u>4,091,916</u> |
| Total net position. | <u>\$ 13,229,366</u> | <u>\$ 13,736,239</u> | <u>\$ 26,965,605</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF WILLARD
HURON COUNTY, OHIO**

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015

| | <u>Expenses</u> | <u>Program Revenues</u> | | |
|--|---------------------|---|---|---|
| | | <u>Charges for Services and Sales</u> | <u>Operating Grants and Contributions</u> | <u>Capital Grants and Contributions</u> |
| Governmental activities: | | | | |
| General government. | \$ 574,159 | \$ 70,924 | \$ 20,000 | \$ - |
| Security of persons and property . . . | 2,799,113 | 377,508 | 36,863 | - |
| Public health and welfare | 28,906 | 24,150 | - | - |
| Transportation. | 872,869 | 146,771 | 330,569 | 114,820 |
| Community environment | 278,825 | 16,691 | 3,750 | - |
| Leisure time activity. | 284,306 | 59,631 | 7,505 | - |
| Interest and fiscal charges. | 21,246 | - | - | - |
| Total governmental activities | <u>4,859,424</u> | <u>695,675</u> | <u>398,687</u> | <u>114,820</u> |
| Business-type activities: | | | | |
| Sewer. | 1,858,662 | 2,150,303 | - | 20,574 |
| Water. | <u>1,582,210</u> | <u>1,532,022</u> | <u>-</u> | <u>-</u> |
| Total business-type activities | <u>3,440,872</u> | <u>3,682,325</u> | <u>-</u> | <u>20,574</u> |
| Total primary government | <u>\$ 8,300,296</u> | <u>\$ 4,378,000</u> | <u>\$ 398,687</u> | <u>\$ 135,394</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
- Miscellaneous

Total general revenues

Transfers

Change in net position

Net position at beginning of year (restated).

Net position at end of year.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

| Governmental Activities | Business-type Activities | Total |
|------------------------------------|-------------------------------------|----------------------|
| \$ (483,235) | \$ - | \$ (483,235) |
| (2,384,742) | - | (2,384,742) |
| (4,756) | - | (4,756) |
| (280,709) | - | (280,709) |
| (258,384) | - | (258,384) |
| (217,170) | - | (217,170) |
| (21,246) | - | (21,246) |
| <u>(3,650,242)</u> | <u>-</u> | <u>(3,650,242)</u> |
| - | 312,215 | 312,215 |
| - | (50,188) | (50,188) |
| - | <u>262,027</u> | <u>262,027</u> |
| <u>(3,650,242)</u> | <u>262,027</u> | <u>(3,388,215)</u> |
| 235,924 | - | 235,924 |
| 43,567 | - | 43,567 |
| 23,894 | - | 23,894 |
| 2,545,182 | - | 2,545,182 |
| 320,268 | - | 320,268 |
| 657,498 | - | 657,498 |
| 70,416 | - | 70,416 |
| 262,388 | - | 262,388 |
| 61,921 | 25,096 | 87,017 |
| 26,031 | 186,454 | 212,485 |
| <u>4,247,089</u> | <u>211,550</u> | <u>4,458,639</u> |
| <u>92,008</u> | <u>(92,008)</u> | <u>-</u> |
| 688,855 | 381,569 | 1,070,424 |
| <u>12,540,511</u> | <u>13,354,670</u> | <u>25,895,181</u> |
| <u>\$ 13,229,366</u> | <u>\$ 13,736,239</u> | <u>\$ 26,965,605</u> |

**CITY OF WILLARD
HURON COUNTY, OHIO**

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2015

| | <u>General</u> | <u>Income Tax Capital Improvement</u> | <u>Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|---------------------|---|--|---|
| Assets: | | | | |
| Equity in pooled cash and investments. | \$ 3,255,148 | \$ 417,246 | \$ 1,421,373 | \$ 5,093,767 |
| Cash in segregated accounts. | - | - | 168,304 | 168,304 |
| Receivables: | | | | |
| Income taxes. | 532,682 | - | 53,268 | 585,950 |
| Real and other taxes. | 240,025 | - | 66,905 | 306,930 |
| Payments in lieu of taxes. | - | - | 72,305 | 72,305 |
| Accounts. | 229,498 | - | 13,003 | 242,501 |
| Special assessments. | 30,818 | - | - | 30,818 |
| Interfund loans. | 46,000 | - | - | 46,000 |
| Due from other governments. | 101,994 | - | 125,959 | 227,953 |
| Accrued interest. | 21,812 | - | - | 21,812 |
| Materials and supplies inventory. | 8,788 | - | 29,479 | 38,267 |
| Prepayments. | 44,725 | 155,000 | 66,045 | 265,770 |
| Total assets. | <u>4,511,490</u> | <u>572,246</u> | <u>2,016,641</u> | <u>7,100,377</u> |
| Liabilities: | | | | |
| Accounts payable. | 35,647 | 19,730 | 20,528 | 75,905 |
| Accrued wages. | 112,096 | - | 11,157 | 123,253 |
| Due to other governments. | 85,666 | - | 8,413 | 94,079 |
| Interfund loans payable. | - | - | 46,000 | 46,000 |
| Accrued interest payable. | - | 622 | 364 | 986 |
| Notes payable. | - | 176,000 | 103,000 | 279,000 |
| Total liabilities. | <u>233,409</u> | <u>196,352</u> | <u>189,462</u> | <u>619,223</u> |
| Deferred inflows of resources: | | | | |
| Property taxes levied for the next fiscal year. | 217,797 | - | 60,979 | 278,776 |
| Delinquent property tax revenue not available. | 22,228 | - | 5,926 | 28,154 |
| Accrued interest not available. | 14,654 | - | - | 14,654 |
| Special assessments revenue not available. | 30,818 | - | - | 30,818 |
| Intergovernmental revenue not available. | 60,222 | - | 83,100 | 143,322 |
| Income tax revenue not available. | 152,778 | - | 15,278 | 168,056 |
| Payments in lieu of taxes revenue not available. | - | - | 72,305 | 72,305 |
| Total deferred inflows of resources. | <u>498,497</u> | <u>-</u> | <u>237,588</u> | <u>736,085</u> |
| Total liabilities and deferred inflows of resources. | <u>731,906</u> | <u>196,352</u> | <u>427,050</u> | <u>1,355,308</u> |
| Fund balances: | | | | |
| Nonspendable. | 1,635,575 | 155,000 | 117,406 | 1,907,981 |
| Restricted. | - | - | 1,435,075 | 1,435,075 |
| Committed. | - | 220,894 | 154,916 | 375,810 |
| Assigned. | 585,220 | - | 4 | 585,224 |
| Unassigned (deficit). | 1,558,789 | - | (117,810) | 1,440,979 |
| Total fund balances. | <u>3,779,584</u> | <u>375,894</u> | <u>1,589,591</u> | <u>5,745,069</u> |
| Total liabilities, deferred inflows of resources and fund balances. | <u>\$ 4,511,490</u> | <u>\$ 572,246</u> | <u>\$ 2,016,641</u> | <u>\$ 7,100,377</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, 2015

| | | | |
|---|----|-------------|-------------|
| Total governmental fund balances | | \$ | 5,745,069 |
| <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. | | | 11,137,572 |
| Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds. | | | |
| Income taxes receivable | \$ | 168,056 | |
| Real and other taxes receivable | | 28,154 | |
| Payments in lieu of taxes receivable | | 72,305 | |
| Intergovernmental receivable | | 143,322 | |
| Special assessments receivable | | 30,818 | |
| Accrued interest receivable | | 14,654 | |
| Total | | 457,309 | 457,309 |
| Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds. | | | (989) |
| The net pension asset and net pension liability are not available to pay for current period expenditures and are not due and payable in the current period, respectively; therefore, the asset, liability and related deferred inflows/outflows are not reported in governmental funds. | | | |
| Net pension asset | | 6,620 | |
| Deferred outflows of resources | | 691,029 | |
| Deferred inflows of resources | | (22,895) | |
| Net pension liability | | (3,938,516) | |
| Total | | (3,263,762) | (3,263,762) |
| 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 | | 362,219 | |
| Bonds payable | | 260,000 | |
| Issue II loans payable | | 223,614 | |
| Total | | (845,833) | (845,833) |
| Net position of governmental activities | | \$ | 13,229,366 |

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, 2015

| | <u>General</u> | <u>Income Tax Capital Improvement</u> | <u>Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---|---------------------|---|--|---|
| Revenues: | | | | |
| Income taxes | \$ 2,362,399 | \$ 657,498 | \$ 486,789 | \$ 3,506,686 |
| Real and other taxes. | 245,023 | - | 69,885 | 314,908 |
| Charges for services. | 390,603 | - | 178,714 | 569,317 |
| Licenses and permits | 48,065 | - | - | 48,065 |
| Fines and forfeitures | 13,573 | - | 2,133 | 15,706 |
| Intergovernmental. | 320,813 | - | 426,688 | 747,501 |
| Investment income. | 52,498 | - | 8,809 | 61,307 |
| Rental income | - | - | 35,527 | 35,527 |
| Contributions and donations. | 445 | - | 16,064 | 16,509 |
| Payments in lieu of taxes. | - | - | 68,111 | 68,111 |
| Other | 10,835 | - | 10,778 | 21,613 |
| Total revenues | <u>3,444,254</u> | <u>657,498</u> | <u>1,303,498</u> | <u>5,405,250</u> |
| Expenditures: | | | | |
| Current: | | | | |
| General government | 569,702 | - | - | 569,702 |
| Security of persons and property | 2,288,356 | - | 320,636 | 2,608,992 |
| Public health and welfare. | 25,893 | - | - | 25,893 |
| Transportation | 233,637 | - | 424,562 | 658,199 |
| Community environment | 199,275 | - | 22,401 | 221,676 |
| Leisure time activity | - | - | 250,396 | 250,396 |
| Capital outlay | - | 859,188 | 192,582 | 1,051,770 |
| Debt service: | | | | |
| Principal retirement. | - | - | 104,103 | 104,103 |
| Interest and fiscal charges | - | 1,433 | 20,087 | 21,520 |
| Total expenditures | <u>3,316,863</u> | <u>860,621</u> | <u>1,334,767</u> | <u>5,512,251</u> |
| Excess (deficiency) of revenues over (under) expenditures. | <u>127,391</u> | <u>(203,123)</u> | <u>(31,269)</u> | <u>(107,001)</u> |
| Other financing sources (uses): | | | | |
| Sale of capital assets. | 10,630 | - | 960 | 11,590 |
| Transfers in | - | 103,609 | 112,783 | 216,392 |
| Transfers (out). | (103,609) | (112,783) | - | (216,392) |
| Total other financing sources (uses). | <u>(92,979)</u> | <u>(9,174)</u> | <u>113,743</u> | <u>11,590</u> |
| Net change in fund balances | 34,412 | (212,297) | 82,474 | (95,411) |
| Fund balances at beginning of year. | <u>3,745,172</u> | <u>588,191</u> | <u>1,507,117</u> | <u>5,840,480</u> |
| Fund balances at end of year | <u>\$ 3,779,584</u> | <u>\$ 375,894</u> | <u>\$ 1,589,591</u> | <u>\$ 5,745,069</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, 2015

Net change in fund balances - total governmental funds \$ (95,411)

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

Governmental funds report capital outlays as expenditures.

However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeds capital outlays in the current period.

| | | | |
|---------------------------|----|-----------|---------|
| Capital asset additions | \$ | 1,136,355 | |
| Current year depreciation | | (559,670) | |
| Total | | | 576,685 |

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, transfers-in, and donations) is to increase net position. 90,214

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

| | | | |
|----------------------------|--|----------|--------|
| Income taxes | | 16,262 | |
| Real and other taxes | | (11,523) | |
| Intergovernmental revenues | | 5,392 | |
| Special assessments | | 19,443 | |
| Investment income | | 7,552 | |
| Payments in lieu of taxes | | 2,305 | |
| Total | | | 39,431 |

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. 104,103

In the statement of activities, interest is accrued on outstanding bonds and loans, whereas in governmental funds, an interest expenditure is reported when due. 274

Except for amounts reported as deferred inflows/outflows, changes in the net pension asset/liability are reported as pension expense in the statement of activities. (415,472)

Contractually required pension contributions are reported as an expenditure in governmental funds; however, the statement of net position reports these amounts as deferred outflows. 454,645

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. (65,614)

Change in net position of governmental activities \$ 688,855

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, 2015

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|---|-------------------------|-------------------|---------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| Income taxes | \$ 1,820,000 | \$ 1,820,000 | \$ 1,820,000 | \$ - |
| Real and other taxes. | 261,400 | 261,400 | 245,578 | (15,822) |
| Charges for services. | 453,600 | 453,600 | 444,217 | (9,383) |
| Licenses and permits | 51,400 | 51,400 | 48,080 | (3,320) |
| Fines and forfeitures | 22,800 | 22,800 | 13,391 | (9,409) |
| Intergovernmental. | 246,350 | 246,350 | 320,770 | 74,420 |
| Investment income. | 60,000 | 60,000 | 75,967 | 15,967 |
| Contributions and donations. | - | - | 445 | 445 |
| Other | 8,000 | 8,000 | 6,817 | (1,183) |
| Total revenues | <u>2,923,550</u> | <u>2,923,550</u> | <u>2,975,265</u> | <u>51,715</u> |
| Expenditures: | | | | |
| Current: | | | | |
| General government | 540,850 | 540,850 | 450,022 | 90,828 |
| Security of persons and property | 2,616,883 | 2,616,883 | 2,353,413 | 263,470 |
| Public health and welfare. | 37,866 | 37,866 | 26,192 | 11,674 |
| Transportation | 317,905 | 317,905 | 296,851 | 21,054 |
| Community environment | 233,600 | 233,600 | 203,493 | 30,107 |
| Total expenditures | <u>3,747,104</u> | <u>3,747,104</u> | <u>3,329,971</u> | <u>417,133</u> |
| Excess (deficiency) of revenues over (under) expenditures. | <u>(823,554)</u> | <u>(823,554)</u> | <u>(354,706)</u> | <u>468,848</u> |
| Other financing sources (uses): | | | | |
| Sale of capital assets. | 1,000 | 1,000 | 10,630 | 9,630 |
| Total other financing sources (uses) | <u>1,000</u> | <u>1,000</u> | <u>10,630</u> | <u>9,630</u> |
| Net change in fund balances | (822,554) | (822,554) | (344,076) | 478,478 |
| Fund balances at beginning of year | 1,250,701 | 1,250,701 | 1,250,701 | - |
| Prior year encumbrances appropriated | 115,039 | 115,039 | 115,039 | - |
| Fund balance at end of year | <u>\$ 543,186</u> | <u>\$ 543,186</u> | <u>\$ 1,021,664</u> | <u>\$ 478,478</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**CITY OF WILLARD
HURON COUNTY, OHIO**

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2015

| | Business-type Activities - Enterprise Funds | | | |
|--|--|------------------|---|-------------------|
| | Sewer | Water | Nonmajor Enterprise Fund | Total |
| Assets: | | | | |
| Current assets: | | | | |
| Equity in pooled cash and investments. | \$ 1,990,707 | \$ 2,503,481 | \$ 55,842 | \$ 4,550,030 |
| Receivables: | | | | |
| Accounts. | 497,327 | 368,158 | - | 865,485 |
| Materials and supplies inventory. | 159,574 | 128,411 | - | 287,985 |
| Prepayments | 13,232 | 22,262 | - | 35,494 |
| Restricted assets: | | | | |
| Equity in pooled cash investments. | - | 71,598 | - | 71,598 |
| Total current assets | <u>2,660,840</u> | <u>3,093,910</u> | <u>55,842</u> | <u>5,810,592</u> |
| Noncurrent assets: | | | | |
| Net pension asset | 2,720 | 1,511 | - | 4,231 |
| Capital assets: | | | | |
| Land. | 505,410 | 558,781 | - | 1,064,191 |
| Depreciable capital assets, net. | 6,525,385 | 5,476,107 | - | 12,001,492 |
| Total capital assets, net. | <u>7,030,795</u> | <u>6,034,888</u> | <u>-</u> | <u>13,065,683</u> |
| Total noncurrent assets | <u>7,033,515</u> | <u>6,036,399</u> | <u>-</u> | <u>13,069,914</u> |
| Total assets | <u>9,694,355</u> | <u>9,130,309</u> | <u>55,842</u> | <u>18,880,506</u> |
| Deferred outflows of resources: | | | | |
| Pension - OPERS. | 89,025 | 49,479 | - | 138,504 |
| Total deferred outflows of resources | <u>89,025</u> | <u>49,479</u> | <u>-</u> | <u>138,504</u> |

- - Continued

**CITY OF WILLARD
HURON COUNTY, OHIO**

STATEMENT OF NET POSITION
PROPRIETARY FUNDS (CONTINUED)
DECEMBER 31, 2015

| | Business-type Activities - Enterprise Funds | | | |
|---|--|---------------------|---|----------------------|
| | Sewer | Water | Nonmajor Enterprise Fund | Total |
| Liabilities: | | | | |
| Current liabilities: | | | | |
| Accounts payable | \$ 22,181 | \$ 79,128 | \$ - | \$ 101,309 |
| Contracts payable | 65,157 | 25,350 | - | 90,507 |
| Accrued wages | 30,340 | 17,394 | - | 47,734 |
| Compensated absences | 73,269 | 63,768 | - | 137,037 |
| Due to other governments | 16,353 | 9,339 | - | 25,692 |
| Accrued interest payable | 8,887 | 1,364 | - | 10,251 |
| Payable from restricted assets: | | | | |
| Refundable deposits payable | - | 71,598 | - | 71,598 |
| OWDA loans payable | 97,984 | 26,207 | - | 124,191 |
| OPWC loans payable | 4,917 | - | - | 4,917 |
| Notes payable | 910,000 | - | - | 910,000 |
| Total current liabilities | <u>1,229,088</u> | <u>294,148</u> | <u>-</u> | <u>1,523,236</u> |
| Long-term liabilities: | | | | |
| Compensated absences payable | 125,096 | 89,617 | - | 214,713 |
| OWDA loans payable | 2,550,619 | 110,200 | - | 2,660,819 |
| OPWC loans payable | 109,889 | - | - | 109,889 |
| Net pension liability | 488,168 | 271,312 | - | 759,480 |
| Total long-term liabilities | <u>3,273,772</u> | <u>471,129</u> | <u>-</u> | <u>3,744,901</u> |
| Total liabilities | <u>4,502,860</u> | <u>765,277</u> | <u>-</u> | <u>5,268,137</u> |
| Deferred inflows of resources: | | | | |
| Pension - OPERS | 9,406 | 5,228 | - | 14,634 |
| Total deferred inflows of resources | <u>9,406</u> | <u>5,228</u> | <u>-</u> | <u>14,634</u> |
| Net position: | | | | |
| Net investment in capital assets | 3,763,624 | 5,844,641 | - | 9,608,265 |
| Unrestricted | 1,507,490 | 2,564,642 | 55,842 | 4,127,974 |
| Total net position | <u>\$ 5,271,114</u> | <u>\$ 8,409,283</u> | <u>\$ 55,842</u> | <u>\$ 13,736,239</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, 2015

| | Business-type Activities - Enterprise Funds | | | Total |
|--|--|---------------------|---|----------------------|
| | Sewer | Water | Nonmajor Enterprise Fund | |
| Operating revenues: | | | | |
| Charges for services | \$ 2,146,903 | \$ 1,519,972 | \$ - | \$ 3,666,875 |
| Tap-in fees. | 3,400 | 12,050 | - | 15,450 |
| Other operating revenues | 186,454 | - | - | 186,454 |
| Total operating revenues. | 2,336,757 | 1,532,022 | - | 3,868,779 |
| Operating expenses: | | | | |
| Personal services | 964,482 | 819,097 | - | 1,783,579 |
| Contract services. | 85,405 | 58,408 | - | 143,813 |
| Materials and supplies. | 145,058 | 147,976 | - | 293,034 |
| Utilities | 256,781 | 109,777 | - | 366,558 |
| Depreciation. | 385,344 | 254,249 | - | 639,593 |
| Other | 3,011 | 189,273 | - | 192,284 |
| Total operating expenses. | 1,840,081 | 1,578,780 | - | 3,418,861 |
| Operating income (loss) | 496,676 | (46,758) | - | 449,918 |
| Nonoperating revenues (expenses): | | | | |
| Interest and fiscal charges | (17,963) | (3,430) | - | (21,393) |
| Loss on disposal of capital assets | (618) | - | - | (618) |
| Interest income | 9,400 | 15,696 | - | 25,096 |
| Total nonoperating revenues (expenses). | (9,181) | 12,266 | - | 3,085 |
| Income (loss) before transfers and capital contributions. | 487,495 | (34,492) | - | 453,003 |
| Transfer out | (78,622) | (13,386) | - | (92,008) |
| Capital contributions. | 20,574 | - | - | 20,574 |
| Change in net position | 429,447 | (47,878) | - | 381,569 |
| Net position at beginning of year (restated) | 4,841,667 | 8,457,161 | 55,842 | 13,354,670 |
| Net position at end of year | \$ 5,271,114 | \$ 8,409,283 | \$ 55,842 | \$ 13,736,239 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**CITY OF WILLARD
HURON COUNTY, OHIO**

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015

| | Business-type Activities - Enterprise Funds | | | |
|---|--|---------------------|---|---------------------|
| | Sewer | Water | Nonmajor Enterprise Fund | Total |
| Cash flows from operating activities: | | | | |
| Cash received from customers. | \$ 2,064,203 | \$ 1,486,587 | \$ - | \$ 3,550,790 |
| Cash received from other operations | 186,454 | 12,390 | - | 198,844 |
| Cash payments for personal services. | (978,509) | (814,164) | - | (1,792,673) |
| Cash payments for contract services | (84,782) | (60,495) | - | (145,277) |
| Cash payments for materials and supplies | (159,904) | (170,384) | - | (330,288) |
| Cash payments for utilities | (278,201) | (104,945) | - | (383,146) |
| Cash payments for other expenses | (2,931) | (199,136) | - | (202,067) |
| Net cash provided by operating activities | <u>746,330</u> | <u>149,853</u> | <u>-</u> | <u>896,183</u> |
| Cash flows from capital and related financing activities: | | | | |
| Acquisition of capital assets | (924,495) | (282,312) | - | (1,206,807) |
| Sale of notes | 910,000 | - | - | 910,000 |
| OWDA grant proceeds. | 20,574 | - | - | 20,574 |
| OWDA loan proceeds. | 437,314 | - | - | 437,314 |
| OPWC loan proceeds. | 16,165 | - | - | 16,165 |
| Principal retirement. | (1,051,337) | (261,575) | - | (1,312,912) |
| Interest and fiscal charges | (16,722) | (3,974) | - | (20,696) |
| Net cash used in capital and related financing activities. | <u>(608,501)</u> | <u>(547,861)</u> | <u>-</u> | <u>(1,156,362)</u> |
| Cash flows from investing activities: | | | | |
| Interest received | 9,400 | 15,696 | - | 25,096 |
| Net cash provided by investing activities | <u>9,400</u> | <u>15,696</u> | <u>-</u> | <u>25,096</u> |
| Net increase (decrease) in cash and investments | 147,229 | (382,312) | - | (235,083) |
| Cash and investments at beginning of year | <u>1,843,478</u> | <u>2,957,391</u> | <u>55,842</u> | <u>4,856,711</u> |
| Cash and investments at end of year | <u>\$ 1,990,707</u> | <u>\$ 2,575,079</u> | <u>\$ 55,842</u> | <u>\$ 4,621,628</u> |

- - Continued

**CITY OF WILLARD
HURON COUNTY, OHIO**

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2015

| | Business-type Activities - Enterprise Funds | | | |
|--|--|-------------------|---|-------------------|
| | Sewer | Water | Nonmajor Enterprise Fund | Total |
| Reconciliation of operating income (loss) to net cash provided by operating activities: | | | | |
| Operating income (loss) | \$ 496,676 | \$ (46,758) | \$ - | \$ 449,918 |
| Adjustments: | | | | |
| Depreciation. | 385,344 | 254,249 | - | 639,593 |
| Changes in assets and liabilities: | | | | |
| Increase in materials and supplies inventory | (3,393) | (52,565) | - | (55,958) |
| Increase in accounts receivable | (86,100) | (45,435) | - | (131,535) |
| Increase in prepayments | (2,871) | (2,418) | - | (5,289) |
| Increase in net pension asset. | (1,979) | (1,099) | - | (3,078) |
| Increase in deferred outflows - pension- OPERS. | (26,132) | (14,525) | - | (40,657) |
| Increase (decrease) in accounts payable. | (29,438) | 34,526 | - | 5,088 |
| Increase (decrease) in accrued wages | (243) | 2,552 | - | 2,309 |
| Decrease in intergovernmental payable. | (6,291) | (4,383) | - | (10,674) |
| Increase in compensated absences payable. | 325 | 11,018 | - | 11,343 |
| Increase in net pension liability. | 11,026 | 6,128 | - | 17,154 |
| Increase in deferred inflows - pension - OPERS. | 9,406 | 5,228 | - | 14,634 |
| Increase in payable from restricted assets. | - | 3,335 | - | 3,335 |
| Net cash provided by operating activities | <u>\$ 746,330</u> | <u>\$ 149,853</u> | <u>\$ -</u> | <u>\$ 896,183</u> |

Non-cash transactions:

During 2015, the water fund provided \$13,386 in capital contributions to the governmental activities.
 During 2015, the sewer fund provided \$78,622 in capital contributions to the governmental activities.
 At December 31, 2015, the water fund purchased \$53,840 in capital assets on account.
 At December 31, 2015, the sewer fund purchased \$65,157 in capital assets on account.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF WILLARD
HURON COUNTY, OHIO**

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
DECEMBER 31, 2015

| | <u>Agency</u> |
|---|---------------|
| Assets: | |
| Equity in pooled cash and investments. | \$ 15,017 |
| | <u>15,017</u> |
| Liabilities: | |
| Deposits held and due to others | \$ 15,017 |
| | <u>15,017</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, 2015**

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, 2015

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, 2015

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

Governmental Funds - Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities and deferred inflows is reported as fund balance. The following are the City's major governmental funds:

General - The general fund accounts and reports for all financial resources except those not accounted for in another fund. This includes, but is not limited to, police and fire protection, public health activities, cemetery, and the general administration of City functions. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

Income tax capital improvement - This fund accounts for income tax receipts that are used for the acquisition and construction of capital assets.

Other governmental funds of the City are used to account for (a) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets, (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects and (c) financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Proprietary Funds - Proprietary fund reporting focuses on changes in net position, financial position and cash flows. Proprietary funds are classified as either enterprise funds or internal service funds. The City has no internal service funds.

Enterprise funds - The enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following are the City's major enterprise funds:

Sewer - This fund accounts for the provision of sanitary sewer service to the residents and commercial users located within the City.

Water - This fund accounts for the provision of water treatment and distribution to its residential and commercial users located within the City.

The City's nonmajor enterprise fund accounts for the provision of storm drainage runoff services to the residents and commercial users located within the City.

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

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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

D. Measurement Focus and Basis of Accounting

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

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

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

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

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

E. Basis of Accounting

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

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

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned (See Note 7). Revenue from property taxes is recognized in the year for which the taxes are levied (See Note 6). Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year end: income tax, State-levied locally shared taxes (including gasoline tax, local government funds and permissive tax), fines and forfeitures, fees and special assessments.

Deferred Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, deferred outflows of resources have been reported for the following items related to the City's net pension liability: (1) the net difference between projected and actual investment earnings on pension plan assets, (2) the City's contributions to the pension systems subsequent to the measurement date and (3) differences between employer's contributions and the employer's proportional share of contributions.

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes, payments in lieu of taxes and unavailable revenue. Property taxes and payments in lieu of taxes represent amounts for which there is an enforceable legal claim as of December 31, 2015, but which were levied to finance 2016 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City unavailable revenue includes, but is not limited to, delinquent property taxes, income taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

The City also reports deferred inflow of resources for the following items related to the City's net pension liability: (1) differences between expected and actual experience and (2) differences between employer's contributions and the employer's proportional share of contributions. These deferred inflows of resources are only reported on the government-wide statement of net position.

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

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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

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

F. Budgetary Data

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

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

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

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.

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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

H. Inventories of Materials and Supplies

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

On the fund financial statements, inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when consumed. Inventories of the proprietary funds are expensed when used.

On the fund financial statements, reported material and supplies inventory is equally offset by a nonspendable fund balance which indicates that it does not constitute available spendable resources even though it is a component of fund balance.

I. Prepayments

Payments made to vendors for services that will benefit periods beyond December 31, 2015, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount at the time of the purchase and reflecting the expenditures/expense in the year in which it was consumed.

J. Cash and Cash Equivalents

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

During 2015, investments were limited to investments in the State Treasury Asset Reserve of Ohio (STAR Ohio), 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 2015. 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, 2015.

Interest income is distributed to the funds according to charter and statutory requirements. Interest revenue earned and credited to the general fund during 2015 amounted to \$52,498, which included \$27,955 assigned from other funds of the City.

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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

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

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

K. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their 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.

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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

Sick leave benefits are accrued as a liability using the vesting method. The liability is based on the sick leave accumulated at December 31 by those employees who are currently eligible to receive termination (severance) payments and by those employees for whom it is probable they will become eligible to receive termination (severance) benefits in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees age 50 or greater with at least 10 years of service; or 20 years of service at any age were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

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

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

M. Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, net pension liability and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year.

N. Interfund Balances

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

O. Interfund Activity

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

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

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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

P. Fund Balance

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

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

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

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

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

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

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

Q. Restricted Assets

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

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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

R. Estimates

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

S. Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets, tap-in fees to the extent they exceed the cost of the connection to the system, or from grants or outside contributions of resources restricted to capital acquisition and construction. Capital contributions are reported as revenue in the proprietary fund financial statements. The City's sewer fund received \$20,574 in capital contributions during 2015.

T. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. The net position component "net investment in capital assets," consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes primarily includes amounts restricted for emergency management, 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 2015.

V. Pensions

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

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles/Restatement of Net Position

For 2015, the City implemented GASB Statement No. 68, "Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68".

GASB Statement No. 68 improves the accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The implementation of GASB Statement No. 68 affected the City's pension plan disclosures and added required supplementary information, which is presented after the notes to the basic financial statements.

GASB Statement No. 71 improves the accounting and financial reporting by addressing an issue in GASB Statement No. 68, concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that Statement by employers and nonemployer contributing entities.

A net position restatement is required in order to implement GASB Statement No 68 and 71. The governmental activities and business-type activities at January 1, 2015 have been restated as follows:

| | <u>Governmental Activities</u> | | |
|--|-------------------------------------|-----------------------|-----------------------|
| Net position as previously reported | \$ 15,843,446 | | |
| Net pension asset | 1,804 | | |
| Deferred outflows - payments subsequent to measurement date | 442,306 | | |
| Net pension liability | <u>(3,747,045)</u> | | |
| Restated net position at January 1, 2015 | <u>\$ 12,540,511</u> | | |
| | <u>Business-type Activities</u> | <u>Sewer Fund</u> | <u>Water Fund</u> |
| Net position as previously reported | \$ 13,997,996 | \$ 5,255,175 | \$ 8,686,979 |
| Net pension asset | 1,153 | 741 | 412 |
| Deferred outflows - payments subsequent to measurement date | 97,847 | 62,893 | 34,954 |
| Net pension liability | <u>(742,326)</u> | <u>(477,142)</u> | <u>(265,184)</u> |
| Restated net position at January 1, 2015 | <u>\$ 13,354,670</u> | <u>\$ 4,841,667</u> | <u>\$ 8,457,161</u> |

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

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

B. Deficit Fund Balances

Fund balances at December 31, 2015 included the following individual fund deficits:

| <u>Nonmajor governmental funds:</u> | <u>Deficit</u> |
|-------------------------------------|----------------|
| Note and bond retirement | \$ 72,737 |
| CDBG | 45,073 |

The deficit fund balance in the note and 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, 2015

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 investments", but is not considered part of the City's carrying amount of deposits at year end.

B. Cash in Segregated Accounts

At year end, the City had \$168,304 deposited with a financial institution for monies related to the municipal road fund permissive tax.

C. Deposits with Financial Institutions

At December 31, 2015, the carrying amount of all City deposits, including cash in segregated accounts, was \$2,157,436. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2015, \$1,368,381 of the City's bank balance of \$2,119,737 was exposed to custodial risk as discussed below, while \$751,356 was covered by the FDIC.

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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, 2015, 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 |
| Negotiable CDs | \$ 7,545,658 | \$ 1,241,482 | \$ 498,663 | \$ 1,639,621 | \$ 498,635 | \$ 3,667,257 |
| STAR Ohio | 26,368 | 26,368 | - | - | - | - |
| Total | \$ 7,572,026 | \$ 1,267,850 | \$ 498,663 | \$ 1,639,621 | \$ 498,635 | \$ 3,667,257 |

The weighted average maturity of investments is 2.32 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 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 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, 2015

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, 2015:

| <u>Investment type</u> | <u>Fair Value</u> | <u>% of Total</u> |
|------------------------|---------------------|-------------------|
| Negotiable CDs | \$ 7,545,658 | 99.65 |
| STAR Ohio | <u>26,368</u> | <u>0.35</u> |
| Total | <u>\$ 7,572,026</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, 2015:

Cash and investments per note disclosure:

| | |
|-----------------------------|---------------------|
| Carrying amount of deposits | \$ 2,157,436 |
| Investments | 7,572,026 |
| Cash in segregated accounts | 168,304 |
| Cash on hand | <u>950</u> |
| Total | <u>\$ 9,898,716</u> |

Cash and investments per statement of net position:

| | |
|--------------------------|---------------------|
| Governmental activities | \$ 5,262,071 |
| Business-type activities | 4,621,628 |
| Agency funds | <u>15,017</u> |
| Total | <u>\$ 9,898,716</u> |

NOTE 5 - INTERFUND ACTIVITY

- A. Interfund transfers for the year ended December 31, 2015, consisted of the following, as reported on the fund financial statements:

| <u>Transfer From</u> | <u>Transfer To</u> | |
|--------------------------------|---|--|
| | <u>Income Tax Capital Improvement</u> | <u>Nonmajor Governmental Funds</u> |
| General | \$ 103,609 | \$ - |
| Income tax capital improvement | <u>-</u> | <u>112,783</u> |
| Total | <u>\$ 103,609</u> | <u>\$ 112,783</u> |

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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 transferred \$54,450 to the note and bond retirement fund, \$28,161 to the TIF improvement fund, and \$30,172 to the Issue II fund (all nonmajor governmental funds) 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 sewer and water enterprise funds made capital contributions to the governmental activities in the amounts of \$78,622 and \$13,386, respectively. These amounts are reported as transfers on the proprietary fund statement of revenues, expenses and changes in net position and the government-wide statement of activities.

- B.** Interfund loans consisted of the following at December 31, 2015, 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, 2015 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. 2015 public utility property taxes became a lien December 31, 2014, are levied after October 1, 2015, and are collected in 2016 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, 2015

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, 2015 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 2015 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, 2015 was \$3.80 per \$1,000 of assessed value. The assessed values of real and public utility property upon which 2015 property tax receipts were based are as follows:

| | |
|-------------------------------|-----------------------------|
| <u>Real property</u> | |
| Residential/agricultural | \$ 50,630,140 |
| Commercial/industrial/mineral | 25,136,410 |
| | |
| <u>Public utility</u> | |
| Real | 2,752,700 |
| Personal | <u>4,577,240</u> |
| | |
| Total assessed value | <u><u>\$ 83,096,490</u></u> |

NOTE 7 - LOCAL INCOME TAX

For 2015, the City levies an income tax of 1.375%. The income tax is levied on the gross salaries, wages and other personnel service compensation earned by residents of the City and to the earnings of nonresidents working within the City. This tax also applies to the net income of businesses operating within the City. Residents of the City are granted a full credit for taxes paid to other Ohio municipalities, up to the percentage which would be due to the City.

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

NOTE 8 - RECEIVABLES

Receivables at December 31, 2015, 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, 2015.

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 8 - RECEIVABLES - (Continued)

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

Governmental activities:

| | | |
|----------------------------|----|---------|
| Income taxes | \$ | 585,950 |
| Real and other taxes | | 306,930 |
| Payments in lieu of taxes | | 72,305 |
| Accounts | | 242,501 |
| Special assessments | | 30,818 |
| Due from other governments | | 227,953 |
| Accrued interest | | 21,812 |

Business-type activities:

| | | |
|----------|--|---------|
| Accounts | | 865,485 |
|----------|--|---------|

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, 2015

NOTE 9 - CAPITAL ASSETS

A. Governmental capital asset activity for the year ended December 31, 2015, was as follows:

| Governmental activities: | Balance 1/1/2015 | Additions | Disposals | Balance 12/31/2015 |
|--|----------------------|-------------------|-------------------|-----------------------|
| <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 | 284,190 | - | - | 284,190 |
| Buildings | 4,083,415 | 37,343 | - | 4,120,758 |
| Equipment | 2,710,552 | 374,316 | (30,596) | 3,054,272 |
| Vehicles | 3,035,797 | 30,697 | (234,383) | 2,832,111 |
| Infrastructure | <u>9,004,542</u> | <u>786,007</u> | <u>-</u> | <u>9,790,549</u> |
| <i>Total capital assets, being depreciated</i> | <u>19,118,496</u> | <u>1,228,363</u> | <u>(264,979)</u> | <u>20,081,880</u> |
| <i>Less: accumulated depreciation:</i> | | | | |
| Land improvements | (160,827) | (21,808) | - | (182,635) |
| Buildings | (3,029,673) | (47,176) | - | (3,076,849) |
| Equipment | (2,026,516) | (106,009) | 28,802 | (2,103,723) |
| Vehicles | (2,537,799) | (139,596) | 234,383 | (2,443,012) |
| Infrastructure | <u>(2,242,010)</u> | <u>(245,081)</u> | <u>-</u> | <u>(2,487,091)</u> |
| <i>Total accumulated depreciation</i> | <u>(9,996,825)</u> | <u>(559,670)</u> | <u>263,185</u> | <u>(10,293,310)</u> |
| Total capital assets, being depreciated, net | <u>9,121,671</u> | <u>668,693</u> | <u>(1,794)</u> | <u>9,788,570</u> |
| Total governmental activities capital assets | <u>\$ 10,470,673</u> | <u>\$ 668,693</u> | <u>\$ (1,794)</u> | <u>\$ 11,137,572</u> |

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 9 - CAPITAL ASSETS - (Continued)

B. Business-type activities capital asset activity for the year ended December 31, 2015, was as follows:

| Business-type activities: | Balance <u>1/1/2015</u> | <u>Additions</u> | <u>Disposals</u> | Balance <u>12/31/2015</u> |
|---|----------------------------|-------------------|------------------|------------------------------|
| <i>Capital assets, not being depreciated:</i> | | | | |
| Land | \$ 1,064,191 | \$ - | \$ - | \$ 1,064,191 |
| <i>Total capital assets, not being depreciated:</i> | <u>1,064,191</u> | <u>-</u> | <u>-</u> | <u>1,064,191</u> |
| <i>Capital assets, being depreciated:</i> | | | | |
| Land improvements | 78,249 | - | - | 78,249 |
| Buildings | 6,398,472 | 275,972 | - | 6,674,444 |
| Equipment | 6,926,844 | 866,710 | (128,355) | 7,665,199 |
| Vehicles | 601,721 | 30,750 | - | 632,471 |
| Utility plant in service | <u>12,629,351</u> | <u>60,364</u> | <u>-</u> | <u>12,689,715</u> |
| <i>Total capital assets, being depreciated:</i> | <u>26,634,637</u> | <u>1,233,796</u> | <u>(128,355)</u> | <u>27,740,078</u> |
| <i>Less: accumulated depreciation:</i> | | | | |
| Land improvements | (61,564) | (7,093) | - | (68,657) |
| Buildings | (5,170,512) | (101,418) | - | (5,271,930) |
| Equipment | (4,768,959) | (182,025) | 127,737 | (4,823,247) |
| Vehicles | (438,562) | (42,234) | - | (480,796) |
| Utility plant in service | <u>(4,787,133)</u> | <u>(306,823)</u> | <u>-</u> | <u>(5,093,956)</u> |
| <i>Total accumulated depreciation</i> | <u>(15,226,730)</u> | <u>(639,593)</u> | <u>127,737</u> | <u>(15,738,586)</u> |
| Total capital assets, being depreciated, net | <u>11,407,907</u> | <u>594,203</u> | <u>(618)</u> | <u>12,001,492</u> |
| Total business-type activities capital assets | <u>\$ 12,472,098</u> | <u>\$ 594,203</u> | <u>\$ (618)</u> | <u>\$ 13,065,683</u> |

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 9 - CAPITAL ASSETS - (Continued)

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

Governmental activities:

| | |
|----------------------------------|-------------------|
| General government | \$ 8,857 |
| Security of persons and property | 208,813 |
| Public health and welfare | 3,225 |
| Transportation | 224,967 |
| Community environment | 61,074 |
| Leisure time activities | <u>52,734</u> |
| Total governmental activities | <u>\$ 559,670</u> |

Business-type activities:

| | |
|--------------------------------|-------------------|
| Sewer | \$ 385,344 |
| Water | <u>254,249</u> |
| Total business-type activities | <u>\$ 639,593</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 \$305,637 at December 31, 2015. 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, 2015 was \$408,332.

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, 2015

**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, 2015

NOTE 11 - NOTES PAYABLE

The City had the following bond anticipation notes outstanding at December 31, 2015:

| | <u>Issue Date</u> | <u>Interest Rate</u> | <u>Balance 12/31/2014</u> | <u>Issued</u> | <u>Reductions</u> | <u>Balance 12/31/2015</u> |
|--|-----------------------|--------------------------|-------------------------------|---------------------|-----------------------|-------------------------------|
| Governmental activities: | | | | | | |
| <i><u>Bond retirement fund:</u></i> | | | | | | |
| Fire truck | 2014 | 0.57% | \$ 124,000 | \$ - | \$ (124,000) | \$ - |
| Fire truck | 2015 | 1.06% | - | 103,000 | - | 103,000 |
| Street improvement | 2014 | 0.57% | 17,000 | - | (17,000) | - |
| <i><u>TIF improvement fund:</u></i> | | | | | | |
| Street improvement | 2014 | 0.57% | 28,000 | - | (28,000) | - |
| <i><u>Issue II fund:</u></i> | | | | | | |
| Street improvement | 2014 | 0.57% | 30,000 | - | (30,000) | - |
| <i><u>Income tax capital improvement fund:</u></i> | | | | | | |
| Fire engine | 2014 | 0.57% | 212,000 | - | (212,000) | - |
| Fire engine | 2015 | 1.06% | - | 176,000 | - | 176,000 |
| Total governmental activities | | | <u>411,000</u> | <u>279,000</u> | <u>(411,000)</u> | <u>279,000</u> |
| Business-type activities: | | | | | | |
| <i><u>Water fund:</u></i> | | | | | | |
| Dale Street waterline | 2014 | 0.57% | 150,000 | - | (150,000) | - |
| <i><u>Sewer fund:</u></i> | | | | | | |
| WWTP upgrade | 2014 | 0.57% | 950,000 | - | (950,000) | - |
| WWTP upgrade | 2015 | 1.06% | - | 910,000 | - | 910,000 |
| Total business-type activities | | | <u>1,100,000</u> | <u>910,000</u> | <u>(1,100,000)</u> | <u>910,000</u> |
| Total notes payable | | | <u>\$ 1,511,000</u> | <u>\$ 1,189,000</u> | <u>\$ (1,511,000)</u> | <u>\$ 1,189,000</u> |

Bond anticipation notes - fire truck: On August 27, 2015, the City issued \$103,000 in fire truck bond anticipation notes. The proceeds were used to retire the 2014 notes. These notes bear an interest rate of 1.06% and mature on August 26, 2016. These notes are recorded as a liability in the note and bond retirement fund, which is the fund that received the proceeds. The note and bond retirement fund is a nonmajor governmental fund.

Bond anticipation notes - 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 bore an interest rate of 0.57% and matured on August 28, 2015. These notes were recorded as liabilities in the note and bond retirement fund, TIF improvement fund and Issue II fund, which were 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, 2015

NOTE 11 - NOTES PAYABLE - (Continued)

Bond anticipation notes - fire engine: On August 27, 2015, the City issued \$176,000 in fire engine bond anticipation notes. The proceeds were used to retire the 2014 notes. These notes bear an interest rate of 1.06% and mature on August 26, 2016. 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 bore an interest rate of 0.57% and matured on August 28, 2015. These notes were recorded as a liability in the water fund, which was the fund that received the proceeds.

Bond anticipation notes - WWTP upgrade: On August 27, 2015, the City issued \$910,000 in bond anticipation notes. The proceeds were used to retire the 2014 notes. These notes bear an interest rate of 1.06% and mature on August 26, 2016. These notes are recorded as a liability in the sewer fund, which is the fund that received the proceeds. These notes had \$471,395 in unspent proceeds as of December 31, 2015.

NOTE 12 - LONG-TERM OBLIGATIONS

A. During 2015, the following changes occurred in governmental activities long-term obligations. The governmental long-term obligations have been restated as described in Note 3.

| Governmental activities: | Date of Issue | Interest Rate | Restated Balance 12/31/2014 | Additions | Retirements | Balance 12/31/2015 | Amounts Due in One Year |
|--|------------------|------------------|-----------------------------------|-------------------|---------------------|-----------------------|-------------------------------|
| <u>Issue II loans:</u> | | | | | | | |
| Pearl Street repavement | 1999 | 0.00% | \$ 35,156 | \$ - | \$ (7,031) | \$ 28,125 | \$ 7,031 |
| East Howard repavement I | 2002 | 0.00% | 1,439 | - | (191) | 1,248 | 192 |
| East Howard repavement II | 2003 | 0.00% | 24,563 | - | (2,457) | 22,106 | 2,457 |
| Ash Street reconstruction I | 2005 | 0.00% | 21,791 | - | (1,981) | 19,810 | 1,981 |
| North Main reconstruction | 2005 | 0.00% | 21,253 | - | (2,025) | 19,228 | 2,024 |
| Ash Street reconstruction II | 2006 | 0.00% | 73,418 | - | (6,118) | 67,300 | 6,118 |
| Myrtle Avenue curbs and ramps | 2009 | 0.00% | 22,500 | - | (1,500) | 21,000 | 1,500 |
| US 224 widening | 2010 | 0.00% | 15,500 | - | (1,000) | 14,500 | 1,000 |
| Myrtle Avenue Phase VII | 2011 | 0.00% | 17,000 | - | (1,000) | 16,000 | 1,000 |
| Neal Zick Road improvements | 2013 | 0.00% | 11,100 | - | (600) | 10,500 | 600 |
| Crestwood Dr. reconstruction | 2014 | 0.00% | 3,997 | - | (200) | 3,797 | 200 |
| Total Issue II loans | | | <u>247,717</u> | <u>-</u> | <u>(24,103)</u> | <u>223,614</u> | <u>24,103</u> |
| <u>Bonds payable:</u> | | | | | | | |
| Industrial park | 2009 | 3.0-4.5% | 340,000 | - | (80,000) | 260,000 | 85,000 |
| <u>Other long-term obligations:</u> | | | | | | | |
| Net pension liability | | | 3,747,045 | 191,471 | - | 3,938,516 | - |
| Compensated absences | | | 302,543 | 203,237 | (143,561) | 362,219 | 168,600 |
| Total other long-term obligations | | | <u>4,049,588</u> | <u>394,708</u> | <u>(143,561)</u> | <u>4,300,735</u> | <u>168,600</u> |
| Total governmental activities long-term obligations | | | <u>\$ 4,637,305</u> | <u>\$ 394,708</u> | <u>\$ (247,664)</u> | <u>\$ 4,784,349</u> | <u>\$ 277,703</u> |

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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 note and 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.

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

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

| Year Ending December 31, | Issue II Loans | | | Bonds Payable | | |
|-----------------------------|-------------------|-------------|-------------------|-------------------|------------------|-------------------|
| | Principal | Interest | Total | Principal | Interest | Total |
| 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 | 17,070 | - | 17,070 | - | - | - |
| 2021 - 2025 | 81,215 | - | 81,215 | - | - | - |
| 2026 - 2030 | 25,617 | - | 25,617 | - | - | - |
| 2031 - 2034 | 3,300 | - | 3,300 | - | - | - |
| Total | <u>\$ 223,614</u> | <u>\$ -</u> | <u>\$ 223,614</u> | <u>\$ 260,000</u> | <u>\$ 23,412</u> | <u>\$ 283,412</u> |

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

B. During 2015, the following changes occurred in the City's business-type long-term obligations. The business-type long-term obligations have been restated as described in Note 3.

| Business-type activities: | Date of Issue | Interest Rate | Restated | Additions | Retirements | Balance | Amounts Due in One Year |
|--|---------------|---------------|---------------------|-------------------|---------------------|---------------------|-------------------------|
| | | | Balance 12/31/2014 | | | Balance 12/31/2015 | |
| <u>OWDA loans:</u> | | | | | | | |
| Drinking water loan | 2000 | 2.00% | \$ 162,097 | \$ - | \$ (25,690) | \$ 136,407 | \$ 26,207 |
| Water pollution loan | 2000 | 1.20% | 106,650 | - | (17,248) | 89,402 | 17,455 |
| Sewer loan | 2001 | 2.20% | 210,676 | - | (28,157) | 182,519 | 28,780 |
| Storm water loan | 1998 | 1.20% | 136,029 | - | (26,559) | 109,470 | 26,879 |
| Storm water loan | 2001 | 2.20% | 104,900 | - | (14,020) | 90,880 | 14,330 |
| US 224 lift station | 2010 | 1.00% | 180,137 | - | (10,436) | 169,701 | 10,540 |
| WWTP improvements | 2014 | 1.00% | <u>1,569,317</u> | <u>437,314</u> | <u>-</u> | <u>2,006,631</u> | <u>-</u> |
| Total OWDA loans | | | <u>2,469,806</u> | <u>437,314</u> | <u>(122,110)</u> | <u>2,785,010</u> | <u>124,191</u> |
| <u>Issue II loans:</u> | | | | | | | |
| Tiffin Street waterline | 1996 | 0.00% | 5,960 | - | (5,960) | - | - |
| Myrtle Avenue | 2006 | 0.00% | 79,925 | - | (79,925) | - | - |
| Woodbine Street | 2005 | 0.00% | 25,328 | - | (2,340) | 22,988 | 2,419 |
| US 224 pump station | 2010 | 0.00% | 46,294 | - | (2,577) | 43,717 | 2,498 |
| WWTP improvements | 2014 | 0.00% | <u>31,936</u> | <u>16,165</u> | <u>-</u> | <u>48,101</u> | <u>-</u> |
| Total Issue II loans | | | <u>189,443</u> | <u>16,165</u> | <u>(90,802)</u> | <u>114,806</u> | <u>4,917</u> |
| <u>Other long-term obligations:</u> | | | | | | | |
| Net pension liability | | | 742,326 | 17,154 | - | 759,480 | - |
| Compensated absences | | | <u>340,407</u> | <u>98,534</u> | <u>(87,191)</u> | <u>351,750</u> | <u>137,037</u> |
| Total other long-term obligations | | | <u>1,082,733</u> | <u>115,688</u> | <u>(87,191)</u> | <u>1,111,230</u> | <u>137,037</u> |
| Total business-type activities long-term obligations | | | <u>\$ 3,741,982</u> | <u>\$ 569,167</u> | <u>\$ (300,103)</u> | <u>\$ 4,011,046</u> | <u>\$ 266,145</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 (WWTP). 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 were 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 as of December 31, 2015 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, 2015

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

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

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

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

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

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

WWTP improvement 2014: The debt was incurred beginning in 2014 to pay the cost of improvements to the wastewater treatment plant. The loan is payable from the sewer fund. This loan bears an interest rate of 1.00% and matures on January 1, 2036. This loan has not been finalized as of December 31, 2015 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 2020. Annual principal and interest payments on the loan are expected to require 12.91 percent of net revenues and 1.86 percent of total revenues. Principal and interest paid for the current year were \$28,804, total net revenues were \$223,187 and total revenues were \$1,547,718.

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 12.08 percent of net revenues and 4.55 percent of total revenues. Principal and interest paid for the current year were \$107,688, total net revenues were \$891,420 and total revenues were \$2,366,731.

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, 2015

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

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

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

| Year Ending December 31, | Issue II Loans | | | OWDA Loans | | |
|-----------------------------|------------------|-------------|------------------|-------------------|------------------|-------------------|
| | Principal | Interest | Total | Principal | Interest | Total |
| 2016 | \$ 4,917 | \$ - | \$ 4,917 | \$ 124,191 | \$ 12,301 | \$ 136,492 |
| 2017 | 4,917 | - | 4,917 | 126,311 | 10,182 | 136,493 |
| 2018 | 4,918 | - | 4,918 | 128,470 | 8,023 | 136,493 |
| 2019 | 4,918 | - | 4,918 | 130,669 | 5,824 | 136,493 |
| 2020 | 4,918 | - | 4,918 | 104,712 | 3,669 | 108,381 |
| 2021 - 2025 | 23,381 | - | 23,381 | 104,615 | 5,331 | 109,946 |
| 2026 - 2030 | 12,491 | - | 12,491 | 59,411 | 1,646 | 61,057 |
| 2031 - 2033 | 6,245 | - | 6,245 | - | - | - |
| Total | <u>\$ 66,705</u> | <u>\$ -</u> | <u>\$ 66,705</u> | <u>\$ 778,379</u> | <u>\$ 46,976</u> | <u>\$ 825,355</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, 2015, the City’s total debt margin was \$8,465,131 and the unvoted debt margin was \$4,570,307.

NOTE 13 - RISK MANAGEMENT

A. Property and Casualty Insurance

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

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

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 13 - RISK MANAGEMENT - (Continued)

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

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insurance risks up to an amount specified in the contracts. At December 31, 2015, 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 net position at December 31, 2014 and 2015:

| <u>Casualty & Property Coverage</u> | <u>2014</u> | <u>2015</u> |
|---|---------------------|---------------------|
| Assets | \$35,402,177 | \$38,307,677 |
| Liabilities | <u>(12,363,257)</u> | <u>(12,759,127)</u> |
| Net Position | <u>\$23,038,920</u> | <u>\$25,548,550</u> |

At December 31, 2014 and 2015, respectively, the liabilities above include approximately \$11.1 million and \$11.5 million of estimated incurred claims payable. The assets above also include approximately \$10.8 million and \$11.0 million of unpaid claims to be billed. The Pool's membership increased from 488 members in 2014 to 499 members in 2015. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2015, the City's share of these unpaid claims collectible in future years is approximately \$50,000.

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

| <u>Contributions to PEP</u> | |
|-----------------------------|-----------|
| 2015 | \$75,500 |
| 2014 | \$100,767 |

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 13 - RISK MANAGEMENT - (Continued)

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

B. Employee Health Insurance

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

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, 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, 2015, the pool had cash reserves of \$2,589,592.

Premiums are paid to the employee benefits pool for the traditional plan at a monthly cost of \$1,807.27 for family coverage and \$623.19 for single party coverage. During 2015, the City paid \$872,847 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 coverage in any of the past three years.

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 14 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability/Asset

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

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

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

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

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

Plan Description – Ohio Public Employees Retirement System (OPERS)

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

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

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

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

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

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

Benefits in the Combined Plan consist of both an age-and-service formula benefit (defined benefit) and a defined contribution element. The defined benefit element is calculated on the basis of age, FAS, and years of service. Eligibility regarding age and years of service in the Combined Plan is the same as the Traditional Pension Plan. The benefit formula for the defined benefit component of the plan for State and Local members in transition Groups A and B applies a factor of 1.0% to the member's FAS for the first 30 years of service. A factor of 1.25% is applied to years of service in excess of 30. The benefit formula for transition Group C applies a factor of 1.0% to the member's FAS and the first 35 years of service and a factor of 1.25% is applied to years in excess of 35. Persons retiring before age 65 with less than 30 years of service credit receive a percentage reduction in benefit. The defined contribution portion of the benefit is based on accumulated member contributions plus or minus any investment gains or losses on those contributions. Members retiring under the Combined Plan receive a 3% COLA adjustment on the defined benefit portion of their benefit.

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

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

| | State and Local |
|--|--------------------|
| 2015 Statutory Maximum Contribution Rates | |
| Employer | 14.0 % |
| Employee | 10.0 % |
| 2015 Actual Contribution Rates | |
| Employer: | |
| Pension | 12.0 % |
| Post-employment Health Care Benefits | 2.0 % |
| Total Employer | 14.0 % |
| Employee | 10.0 % |

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

The City's contractually required contribution for both the Traditional Pension Plan and the Combined Plan was \$249,941 for 2015. Of this amount, \$38,620 is reported as due to other governments.

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

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

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

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit.

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

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

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

| | <u>Police</u> | <u>Firefighters</u> |
|--|----------------|---------------------|
| 2015 Statutory Maximum Contribution Rates | | |
| Employer | 19.50 % | 24.00 % |
| Employee: | | |
| January 1, 2015 through July 1, 2015 | 11.50 % | 11.50 % |
| July 2, 2015 through December 31, 2015 | 12.25 % | 12.25 % |
| 2015 Actual Contribution Rates | | |
| Employer: | | |
| Pension | 19.00 % | 23.50 % |
| Post-employment Health Care Benefits | <u>0.50 %</u> | <u>0.50 %</u> |
| Total Employer | <u>19.50 %</u> | <u>24.00 %</u> |
| Employee: | | |
| January 1, 2015 through July 1, 2015 | 11.50 % | 11.50 % |
| July 2, 2015 through December 31, 2015 | 12.25 % | 12.25 % |

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was \$302,163 for 2015. Of this amount \$37,454 is reported as due to other governments.

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

The net pension liability and net pension asset for the OPERS Traditional Pension Plan and Combined Plan, respectively, were measured as of December 31, 2014, and the total pension liability or asset used to calculate the net pension liability or asset was determined by an actuarial valuation as of that date. OP&F's total pension liability was measured as of December 31, 2014, and was determined by rolling forward the total pension liability as of January 1, 2014, to December 31, 2014. The City's proportion of the net pension liability or asset was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

| | <u>OPERS</u> | <u>OP&F</u> | <u>Total</u> |
|--|--------------|-----------------|--------------|
| Proportionate share of the net pension liability | \$ 1,947,749 | \$ 2,750,247 | \$ 4,697,996 |
| Proportionate share of the net pension asset | 10,851 | - | 10,851 |
| Proportion of the net pension liability | 0.01614900% | 0.05308930% | |
| Proportion of the net pension asset | 0.02818300% | 0.00000000% | |
| Pension expense | \$ 219,305 | \$ 281,681 | \$ 500,986 |

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

At December 31, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>OPERS</u> | <u>OP&F</u> | <u>Total</u> |
|--|-------------------|-------------------|-------------------|
| Deferred outflows of resources | | | |
| Net difference between projected and actual earnings on pension plan investments | \$ 104,588 | \$ 118,534 | \$ 223,122 |
| Difference between employer contributions and proportionate share of contributions | 674 | 53,633 | 54,307 |
| City contributions subsequent to the measurement date | <u>249,941</u> | <u>302,163</u> | <u>552,104</u> |
| Total deferred outflows of resources | <u>\$ 355,203</u> | <u>\$ 474,330</u> | <u>\$ 829,533</u> |
| Deferred inflows of resources | | | |
| Differences between expected and actual experience | \$ 37,529 | \$ - | \$ 37,529 |
| Total deferred inflows of resources | <u>\$ 37,529</u> | <u>\$ -</u> | <u>\$ 37,529</u> |

\$552,104 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability/asset in the year ending December 31, 2016.

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

| | <u>OPERS</u> | <u>OP&F</u> | <u>Total</u> |
|--------------------------|------------------|-------------------|-------------------|
| Year Ending December 31: | | | |
| 2016 | \$ 10,276 | \$ 43,042 | \$ 53,318 |
| 2017 | 10,276 | 43,042 | 53,318 |
| 2018 | 23,164 | 43,042 | 66,206 |
| 2019 | 25,752 | 43,041 | 68,793 |
| 2020 | (394) | - | (394) |
| Thereafter | <u>(1,341)</u> | <u>-</u> | <u>(1,341)</u> |
| Total | <u>\$ 67,733</u> | <u>\$ 172,167</u> | <u>\$ 239,900</u> |

Actuarial Assumptions - OPERS

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

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability/asset in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|--|--|
| Wage inflation | 3.75 percent |
| Future salary increases, including inflation | 4.25 to 10.05 percent including wage inflation |
| COLA or ad hoc COLA | 3 percent, simple |
| Investment rate of return | 8 percent |
| Actuarial cost method | Individual entry age |

Mortality rates were based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

The most recent experience study was completed for the five year period ended December 31, 2010.

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

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 6.95 percent for 2014.

The allocation of investment assets with the Defined Benefit portfolio is approved by the OPERS Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2014 and the long-term expected real rates of return:

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

| Asset Class | Target Allocation | Weighted Average Long-Term Expected Real Rate of Return (Arithmetic) |
|------------------------|----------------------|---|
| Fixed income | 23.00 % | 2.31 % |
| Domestic equities | 19.90 | 5.84 |
| Real estate | 10.00 | 4.25 |
| Private equity | 10.00 | 9.25 |
| International equities | 19.10 | 7.40 |
| Other investments | 18.00 | 4.59 |
| Total | 100.00 % | 5.28 % |

Discount Rate - The discount rate used to measure the total pension liability/asset was 8 percent for both the Traditional Pension Plan and the Combined Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents the City's proportionate share of the net pension liability/asset calculated using the current period discount rate assumption of 8 percent, as well as what the City's proportionate share of the net pension liability/asset would be if it were calculated using a discount rate that is one-percentage-point lower (7 percent) or one-percentage-point higher (9 percent) than the current rate:

| | 1% Decrease (7.00%) | Current Discount Rate (8.00%) | 1% Increase (9.00%) |
|---|------------------------|-------------------------------------|------------------------|
| City's proportionate share of the net pension liability (asset): | | | |
| Traditional Pension Plan | \$ 3,583,302 | \$ 1,947,749 | \$ 570,221 |
| Combined Plan | \$ 1,409 | \$ (10,851) | \$ (20,574) |

Actuarial Assumptions - OP&F

OP&F's total pension liability as of December 31, 2014 is based on the results of an actuarial valuation date of January 1, 2014, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OP&F's actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2014, are presented below:

| | |
|----------------------------|-------------------------------|
| Valuation date | January 1, 2014 |
| Actuarial cost method | Entry age normal |
| Investment rate of return | 8.25 percent |
| Projected salary increases | 4.25 percent to 11 percent |
| Payroll increases | 3.75 percent |
| Inflation assumptions | 3.25 percent |
| Cost of living adjustments | 2.60 percent and 3.00 percent |

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

The most recent experience study was completed January 1, 2012.

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

Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2014 are summarized below:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long Term Expected Real Rate of Return</u> |
|------------------------------|------------------------------|---|
| Cash and Cash Equivalents | - % | (0.25) % |
| Domestic Equity | 16.00 | 4.47 |
| Non-US Equity | 16.00 | 4.47 |
| Core Fixed Income * | 20.00 | 1.62 |
| Global Inflation Protected * | 20.00 | 1.33 |
| High Yield | 15.00 | 3.39 |
| Real Estate | 12.00 | 3.93 |
| Private Markets | 8.00 | 6.98 |
| Timber | 5.00 | 4.92 |
| Master Limited Partnerships | 8.00 | 7.03 |
| | | |
| Total | <u>120.00 %</u> | |

* levered 2x

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

Discount Rate - The total pension liability was calculated using the discount rate of 8.25 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the longer-term assumed investment rate of return 8.25 percent. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

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

| | 1% Decrease (7.25%) | Current Discount Rate (8.25%) | 1% Increase (9.25%) |
|--|------------------------|-------------------------------------|------------------------|
| City's proportionate share of the net pension liability | \$ 3,804,008 | \$ 2,750,247 | \$ 1,858,032 |

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 Plan and the Combined Plan. 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/financial/reports.shtml>, writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (800) 222-7377.

**CITY OF WILLARD
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 15 - POSTRETIREMENT BENEFIT PLANS - (Continued)

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 2015, 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 2015 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, 2015, 2014, and 2013 were \$41,657, \$41,564, and \$21,353, respectively; 86.76% has been contributed for 2015 and 100% has been contributed for 2014 and 2013. The remaining 2015 post-employment health care benefits liability has been reported as due to other governments on the basic financial statements.

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

B. Ohio Police and Fire Pension Fund

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

OP&F provides access to post-employment health care coverage to any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person.

The 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.

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 15 - POSTRETIREMENT BENEFIT PLANS - (Continued)

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 2015, 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.

The City's contributions to OP&F which were allocated to fund post-employment healthcare benefits for police officers and firefighters were \$6,012 and \$1,696 for the year ended December 31, 2015, \$5,680 and \$1,564 for the year ended December 31, 2014, and \$42,776 and \$9,389, for the year ended December 31, 2013. 100% has been contributed for 2014 and 2013. 87.46% has been contributed for police and 89.20% has been contributed for firefighters for 2015. The remaining 2015 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:

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Investments are reported at fair value (GAAP basis) rather than cost (budget basis); and,
- (e) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

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

Net Change in Fund Balance

| | <u>General fund</u> |
|---|---------------------|
| Budget basis | \$ (344,076) |
| Net adjustment for revenue accruals | (96,740) |
| Net adjustment for expenditure accruals | 33,733 |
| Funds budgeted elsewhere | 294,089 |
| Adjustment for encumbrances | 147,406 |
| GAAP basis | \$ 34,412 |

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

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 17 - FUND BALANCE

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

| Fund balance | General | Income Tax Capital Improvement | Nonmajor Governmental Funds | Total Governmental Funds |
|----------------------------------|---------------------|--------------------------------------|-----------------------------------|--------------------------------|
| Nonspendable: | | | | |
| Materials and supplies inventory | \$ 8,788 | \$ - | \$ 29,479 | \$ 38,267 |
| Prepays | 44,725 | 155,000 | 66,045 | 265,770 |
| Electric system sale | 1,575,000 | - | - | 1,575,000 |
| Unclaimed monies | 7,062 | - | - | 7,062 |
| Perpetual care | - | - | 21,882 | 21,882 |
| Total nonspendable | <u>1,635,575</u> | <u>155,000</u> | <u>117,406</u> | <u>1,907,981</u> |
| Restricted: | | | | |
| Capital improvements | - | - | 93,320 | 93,320 |
| Debt service | - | - | 58,110 | 58,110 |
| Recreation programs | - | - | 572 | 572 |
| Transportation projects | - | - | 693,030 | 693,030 |
| Police and fire purposes | - | - | 516,954 | 516,954 |
| Other purposes | - | - | 73,089 | 73,089 |
| Total restricted | <u>-</u> | <u>-</u> | <u>1,435,075</u> | <u>1,435,075</u> |
| Committed: | | | | |
| Capital improvements | - | 220,894 | 19,311 | 240,205 |
| Recreation programs | - | - | 20,089 | 20,089 |
| Transportation projects | - | - | 90,074 | 90,074 |
| Other purposes | - | - | 25,442 | 25,442 |
| Total committed | <u>-</u> | <u>220,894</u> | <u>154,916</u> | <u>375,810</u> |
| Assigned: | | | | |
| Capital improvements | - | - | 4 | 4 |
| Subsequent year appropriations | 452,418 | - | - | 452,418 |
| Other purposes | 132,802 | - | - | 132,802 |
| Total assigned | <u>585,220</u> | <u>-</u> | <u>4</u> | <u>585,224</u> |
| Unassigned (deficit) | <u>1,558,789</u> | <u>-</u> | <u>(117,810)</u> | <u>1,440,979</u> |
| Total fund balances | <u>\$ 3,779,584</u> | <u>\$ 375,894</u> | <u>\$ 1,589,591</u> | <u>\$ 5,745,069</u> |

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 18 - CONTINGENCIES

A. Grants

The City receives significant financial assistance from numerous federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the City at December 31, 2015.

B. Litigation

At December 31, 2015, the City was not involved in any lawsuits that would have a material adverse effect on the City's financial position.

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 | \$ 135,513 |
| Income tax capital improvement | 61,620 |
| Other governmental | <u>35,063</u> |
| Total | \$ <u><u>232,196</u></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, 2015 are comprised of the following:

| | <u>Cash and cash Equivalents</u> |
|-------------------|--------------------------------------|
| Water fund: | |
| Customer deposits | \$ <u><u>71,598</u></u> |

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF WILLARD
HURON COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY/NET PENSION ASSET
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

LAST TWO YEARS

| | 2014 | 2013 |
|--|--------------|--------------|
| <i>Traditional Plan:</i> | | |
| City/County's proportion of the net pension liability | 0.016149% | 0.016149% |
| City/County's proportionate share of the net pension liability | \$ 1,947,749 | \$ 1,903,756 |
| City/County's covered-employee payroll | \$ 1,988,125 | \$ 2,039,885 |
| City/County's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 97.97% | 93.33% |
| Plan fiduciary net position as a percentage of the total pension liability | 86.45% | 86.36% |
| <i>Combined Plan:</i> | | |
| City/County's proportion of the net pension asset | 0.028183% | 0.028183% |
| City/County's proportionate share of the net pension asset | \$ 10,851 | \$ 2,957 |
| City/County's covered-employee payroll | \$ 103,017 | \$ 96,362 |
| City/County's proportionate share of the net pension asset as a percentage of its covered-employee payroll | 10.53% | 3.07% |
| Plan fiduciary net position as a percentage of the total pension asset | 114.83% | 104.56% |

Note: Information prior to 2013 was unavailable.

Amounts presented as of the City/County's measurement date which is the prior year.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF WILLARD
HURON COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TWO YEARS

| | 2014 | 2013 |
|---|--------------|--------------|
| City's proportion of the net pension liability | 0.05308930% | 0.05308930% |
| City's proportionate share of the net pension liability | \$ 2,750,247 | \$ 2,585,615 |
| City's covered-employee payroll | \$ 1,444,386 | \$ 1,467,735 |
| City's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 190.41% | 176.16% |
| Plan fiduciary net position as a percentage of the total pension liability | 72.20% | 73.00% |

Note: Information prior to 2013 was unavailable.

Amounts presented as of the City's measurement date which is the prior year.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF WILLARD
HURON COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN YEARS

| | 2015 | 2014 | 2013 | 2012 |
|--|--------------|--------------|--------------|--------------|
| <i>Traditional Plan:</i> | | | | |
| Contractually required contribution | \$ 238,148 | \$ 238,575 | \$ 265,185 | \$ 216,003 |
| Contributions in relation to the contractually required contribution | (238,148) | (238,575) | (265,185) | (216,003) |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - |
| City/County's covered-employee payroll | \$ 1,984,567 | \$ 1,988,125 | \$ 2,039,885 | \$ 2,160,030 |
| Contributions as a percentage of covered-employee payroll | 12.00% | 12.00% | 13.00% | 10.00% |
| <i>Combined Plan:</i> | | | | |
| Contractually required contribution | \$ 11,793 | \$ 12,362 | \$ 12,527 | \$ 7,375 |
| Contributions in relation to the contractually required contribution | (11,793) | (12,362) | (12,527) | (7,375) |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - |
| City/County's covered-employee payroll | \$ 98,275 | \$ 103,017 | \$ 96,362 | \$ 92,767 |
| Contributions as a percentage of covered-employee payroll | 12.00% | 12.00% | 13.00% | 7.95% |

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

| <u>2011</u> | <u>2010</u> | <u>2009</u> | <u>2008</u> | <u>2007</u> | <u>2006</u> |
|------------------|------------------|------------------|------------------|------------------|------------------|
| \$ 222,402 | \$ 199,024 | \$ 192,731 | \$ 166,613 | \$ 182,430 | \$ 184,103 |
| <u>(222,402)</u> | <u>(199,024)</u> | <u>(192,731)</u> | <u>(166,613)</u> | <u>(182,430)</u> | <u>(184,103)</u> |
| <u>\$ -</u> |
| \$ 2,224,020 | \$ 2,232,045 | \$ 2,372,074 | \$ 2,380,186 | \$ 2,184,790 | \$ 2,001,120 |
| 10.00% | 8.92% | 8.13% | 7.00% | 8.35% | 9.20% |
| \$ 6,949 | \$ 8,324 | \$ - | \$ - | \$ - | \$ - |
| <u>(6,949)</u> | <u>(8,324)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <u>\$ -</u> |
| \$ 87,409 | \$ 85,933 | \$ - | \$ - | \$ - | \$ - |
| 7.95% | 9.69% | 8.13% | 7.00% | 8.35% | 9.20% |

**CITY OF WILLARD
HURON COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN YEARS

| | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> |
|--|------------------|------------------|------------------|------------------|
| <i>Police:</i> | | | | |
| Contractually required contribution | \$ 222,441 | \$ 212,018 | \$ 189,672 | \$ 136,777 |
| Contributions in relation to the contractually required contribution | <u>(222,441)</u> | <u>(212,018)</u> | <u>(189,672)</u> | <u>(136,777)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| City's covered-employee payroll | \$ 1,170,742 | \$ 1,115,884 | \$ 1,194,157 | \$ 1,072,761 |
| Contributions as a percentage of covered-employee payroll | 19.00% | 19.00% | 15.88% | 12.75% |
| <i>Fire:</i> | | | | |
| Contractually required contribution | \$ 79,722 | \$ 77,198 | \$ 55,704 | \$ 59,795 |
| Contributions in relation to the contractually required contribution | <u>(79,722)</u> | <u>(77,198)</u> | <u>(55,704)</u> | <u>(59,795)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| City's covered-employee payroll | \$ 339,243 | \$ 328,502 | \$ 273,282 | \$ 346,638 |
| Contributions as a percentage of covered-employee payroll | 23.50% | 23.50% | 20.38% | 17.25% |

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

| <u>2011</u> | <u>2010</u> | <u>2009</u> | <u>2008</u> | <u>2007</u> | <u>2006</u> |
|------------------|------------------|------------------|------------------|------------------|------------------|
| \$ 146,003 | \$ 148,723 | \$ 151,853 | \$ 128,366 | \$ 118,753 | \$ 131,847 |
| <u>(146,003)</u> | <u>(148,723)</u> | <u>(151,853)</u> | <u>(128,366)</u> | <u>(118,753)</u> | <u>(131,847)</u> |
| <u>\$ -</u> |
| \$ 1,145,122 | \$ 1,166,455 | \$ 1,191,004 | \$ 1,006,792 | \$ 931,396 | \$ 1,122,102 |
| 12.75% | 12.75% | 12.75% | 12.75% | 12.75% | 11.75% |
| \$ 54,771 | \$ 50,728 | \$ 49,316 | \$ 76,361 | \$ 49,095 | \$ 44,905 |
| <u>(54,771)</u> | <u>(50,728)</u> | <u>(49,316)</u> | <u>(76,361)</u> | <u>(49,095)</u> | <u>(44,905)</u> |
| <u>\$ -</u> |
| \$ 317,513 | \$ 294,075 | \$ 285,890 | \$ 442,672 | \$ 284,609 | \$ 268,090 |
| 17.25% | 17.25% | 17.25% | 17.25% | 17.25% | 16.75% |

**CITY OF WILLARD
HURON COUNTY, OHIO**

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2015

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for 2014 and 2015.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014 and 2015. See the notes to the basic financial statements for the methods and assumptions in this calculation.

OHIO POLICE AND FIRE (OP&F) PENSION FUND

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for 2014 and 2015.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014 and 2015. See the notes to the basic financial statements for the methods and assumptions in this calculation.



Julian & Grube, Inc.
Serving Ohio Local Governments

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

City of Willard
Huron County
631 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, 2015, 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 2, 2016, wherein we noted as discussed in Note 3, the City of Willard adopted Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27* and No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68*.

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 2, 2016



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, 2016