

CITY OF WILLARD, OHIO
GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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City Council
City of Willard
621 S. Myrtle Avenue
Willard, Ohio 44890

We have reviewed the Independent Auditor's Report of the City of Willard, Huron County, prepared by Weber O'Brien, LTD, for the audit period January 1, 2001 through December 31, 2001. 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.

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JIM PETRO
Auditor of State

July 31, 2002

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CITY OF WILLARD, OHIO
GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

TABLE OF CONTENTS

Independent Auditor's Report	1
Combined Balance Sheet – All Fund Types and Account Groups	2
Combined Statement of Revenue, Expenditures and Changes in Fund Balances – All Governmental Fund Types and Expendable Trust Funds	3
Combined Statement of Revenue, Expenditures and Changes in Fund Balances – Budget and Actual (Budget Basis) – All Governmental Fund Types and Expendable Trust Funds	4
Combined Statement of Revenue, Expense and Changes in Fund Equity – All Proprietary Fund Types and Similar Trust Funds	5
Combined Statement of Cash Flows – All Proprietary Fund Types and Similar Trust Funds	6
Notes to Combined Financial Statements	7 – 22
Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	23 – 24

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INDEPENDENT AUDITORS' REPORT

City Council
City of Willard
631 S. Myrtle Avenue
Willard, OH 44890

We have audited the accompanying general purpose financial statements of the City of Willard, Ohio, as of and for the year ended December 31, 2001, as listed in the table of contents. These general purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Willard, Ohio, as of December 31, 2001, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust funds for the year then ended in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 14, 2002 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

W e b e r · O ' B r i e n , L T D .

June 14, 2002

City of Willard, Ohio
 Combined Balance Sheet - All Fund Types and Account Groups
 December 31, 2001

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Assets and other debits				
Assets:				
Equity in Pooled Cash	\$806,474	\$548,733	\$94,139	\$4,369,820
Cash & Equivalents in Segregated Accts.	800	55,816	0	0
Taxes Receivable	391,621	655,604	0	0
Accounts Receivable	238,781	25,649	0	0
Special Assessment Receivable	0	0	240,738	0
Accrued Interest	11,143	0	0	15,477
Due from Other Governments	0	1,949	0	0
Material & Supplies Inventory	9,856	61,822	0	0
Investments	213,971	236,444	30,346	1,794,911
Equity in Pooled Cash - Restricted	0	0	0	0
Fixed Assets, Net	0	0	0	0
Other debits:				
Amount Available in Debt Service Funds	0	0	0	0
Amount to be Provided from General Gov't	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total assets	<u>\$1,672,646</u>	<u>\$1,586,017</u>	<u>\$365,223</u>	<u>\$6,180,208</u>
Liabilities and Equity				
Liabilities:				
Accounts Payable	\$20,579	\$6,893	\$0	\$0
Accrued Wages & Benefits	139,639	24,700	0	0
Compensated Absences Payable	0	0	0	0
Deferred Revenue	391,621	134,519	240,738	0
Deposits Held and Due to Others	0	0	0	0
Notes Payable	0	0	0	0
Special Assessment Debt w/ Gov't Comm.	0	0	0	0
Current Portion of OWDA/OEPA Loans Payable	0	0	0	0
Current Portion of Issue 2 Loan	0	0	0	0
Current Portion of G.O. Bonds	0	0	0	0
G.O. Bonds Payable, Net of Current	0	0	0	0
Refundable Deposits	0	0	0	0
OWDA Loan Payable, Net of Current	0	0	0	0
OEPA Loan Payable, Net of Current	0	0	0	0
Issue 2 Loan Payable, Net of Current	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total liabilities	<u>551,839</u>	<u>166,112</u>	<u>240,738</u>	<u>0</u>
Equity and other credits:				
Investment in General Fixed Assets	0	0	0	0
Contributed Capital	0	0	0	0
Retained Earnings:				
Unreserved Retained Earnings	0	0	0	0
Fund Balances:				
Reserved for Encumbrances	30,356	30,829	0	0
Reserved for Inventory	9,856	61,822	0	0
Reserved for Debt Service	0	0	124,485	0
Reserved for Endowments	0	0	0	0
Undesignated Fund Balance	<u>1,080,595</u>	<u>1,327,254</u>	<u>0</u>	<u>6,180,208</u>
Total equity and other credits	<u>1,120,807</u>	<u>1,419,905</u>	<u>124,485</u>	<u>6,180,208</u>
Total liabilities, equity and other credits	<u>\$1,672,646</u>	<u>\$1,586,017</u>	<u>\$365,223</u>	<u>\$6,180,208</u>

See accompanying notes to the general purpose financial statements.

Proprietary Fund Types		Fiduciary Fund Type	Account Groups		Totals Memorandum Only
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-term Debt	
\$1,221,780	\$570	\$1,432,188	\$0	\$0	\$8,473,704
0	0	0	0	0	56,616
0	0	0	0	0	1,047,225
442,281	0	0	0	0	706,711
0	0	0	0	0	240,738
0	0	4,333	0	0	30,953
0	0	0	0	0	1,949
151,161	0	0	0	0	222,839
274,381	186	478,896	0	0	3,029,135
31,825	0	0	0	0	31,825
21,901,608	0	0	3,608,807	0	25,510,415
0	0	0	0	124,485	124,485
0	0	0	0	1,464,720	1,464,720
<u>\$24,023,036</u>	<u>\$756</u>	<u>\$1,915,417</u>	<u>\$3,608,807</u>	<u>\$1,589,205</u>	<u>\$40,941,315</u>
\$34,454	\$0	\$0	\$0	\$0	\$61,926
87,679	0	0	0	0	252,018
116,429	0	0	0	169,753	286,182
0	0	0	0	0	766,878
0	0	25,312	0	0	25,312
0	0	0	0	1,390,317	1,390,317
0	0	0	0	29,135	29,135
1,122,751	0	0	0	0	1,122,751
25,201	0	0	0	0	25,201
10,000	0	0	0	0	10,000
140,000	0	0	0	0	140,000
31,825	0	0	0	0	31,825
4,399,014	0	0	0	0	4,399,014
1,180,774	0	0	0	0	1,180,774
<u>102,521</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>102,521</u>
<u>7,250,648</u>	<u>0</u>	<u>25,312</u>	<u>0</u>	<u>1,589,205</u>	<u>9,823,854</u>
0	0	0	3,608,807	0	3,608,807
6,375,934	0	0	0	0	6,375,934
10,396,454	756	0	0	0	10,397,210
0	0	0	0	0	61,185
0	0	0	0	0	71,678
0	0	0	0	0	124,485
0	0	9,675	0	0	9,675
0	0	1,880,430	0	0	10,468,487
<u>16,772,388</u>	<u>756</u>	<u>1,890,105</u>	<u>3,608,807</u>	<u>0</u>	<u>31,117,461</u>
<u>\$24,023,036</u>	<u>\$756</u>	<u>\$1,915,417</u>	<u>\$3,608,807</u>	<u>\$1,589,205</u>	<u>\$40,941,315</u>

City of Willard, Ohio
 Combined Statement of Revenue, Expenditures and Changes in Fund Balances
 All Governmental Fund Types and Expendable Trust Fund
 For the Year Ended December 31, 2001

	Governmental Fund Types				Fiduciary Fund Type	Total
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	Memorandum Only
Revenues:						
Local taxes	\$311,364	\$2,359,830	\$0	\$18,968	\$0	\$2,690,162
Intergovernmental Revenues	476,276	241,386	0	0	0	717,662
Charges for Service	372,017	91,026	0	0	0	463,043
Permits and Licenses	23,514	2,355	0	0	0	25,869
Fines	66,615	0	0	0	0	66,615
Special Assessments	0	0	10,703	8,170	0	18,873
Investment Income	495,385	3,433	0	109,443	22,690	630,951
Other	<u>317,586</u>	<u>6,605</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>324,191</u>
Total Revenues	<u>2,062,757</u>	<u>2,704,635</u>	<u>10,703</u>	<u>136,581</u>	<u>22,690</u>	<u>4,937,366</u>
Expenditures:						
Current:						
Security of Persons and Property	2,090,729	705	0	0	0	2,091,434
Public Health Services	49,690	0	0	0	0	49,690
Community Environment	161,895	20,139	0	0	0	182,034
Transportation	26,572	497,503	0	0	0	524,075
General Government	724,588	206,407	0	2,310	359	933,664
Leisure Time Activities	0	348,111	0	0	0	348,111
Capital Outlay	0	31,300	0	638,886	0	670,186
Debt Service:						
Principal Retirement	0	0	170,275	2,013,843	0	2,184,118
Interest Charges	<u>0</u>	<u>0</u>	<u>18,975</u>	<u>493,005</u>	<u>0</u>	<u>511,980</u>
Total Expenditures	<u>3,053,474</u>	<u>1,104,165</u>	<u>189,250</u>	<u>3,148,044</u>	<u>359</u>	<u>7,495,292</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-990,717</u>	<u>1,600,470</u>	<u>-178,547</u>	<u>-3,011,463</u>	<u>22,331</u>	<u>-2,557,926</u>
Other Financing Sources (Uses):						
Proceeds from Notes	0	0	0	1,631,062	0	1,631,062
Operating Transfers - In	1,128,000	529,800	180,000	415,500	5,000	2,258,300
Operating Transfers - Out	<u>0</u>	<u>-2,216,500</u>	<u>0</u>	<u>-211,300</u>	<u>-75,000</u>	<u>-2,502,800</u>
Total Other Financing Sources (Uses)	<u>1,128,000</u>	<u>-1,686,700</u>	<u>180,000</u>	<u>1,835,262</u>	<u>-70,000</u>	<u>1,386,562</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	137,283	-86,230	1,453	-1,176,201	-47,669	-1,171,364
Fund Balances at						
Beginning of Year	979,497	1,511,245	123,032	7,356,409	1,928,099	11,898,282
Increase (Decrease) in Reserve for Inventory	<u>4,027</u>	<u>-5,110</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>-1,083</u>
Fund Balances at End of Year	<u>\$1,120,807</u>	<u>\$1,419,905</u>	<u>\$124,485</u>	<u>\$6,180,208</u>	<u>\$1,880,430</u>	<u>\$10,725,835</u>

See accompanying notes to the general purpose financial statements.

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City of Willard, Ohio
 Combined Schedule of Revenue, Expenditures and Changes in Fund Balances
 Budget and Actual - (Budget Basis)
 All Governmental Fund Types and Expendable Trust Funds
 For the Year Ended December 31, 2001

	Governmental Fund Types								
	General Fund			Special Revenue Funds			Debt Service Funds		
	Budget	Actual	Variance Favorable/ (Unfavorable)	Budget	Actual	Variance Favorable/ (Unfavorable)	Budget	Actual	Variance Favorable/ (Unfavorable)
Revenues:									
Local Taxes	\$293,025	\$311,364	\$18,339	\$2,404,620	\$2,342,325	-\$62,295	\$0	\$0	\$0
Intergovernmental Revenues	470,910	498,889	27,979	362,600	245,716	-116,884	0	0	0
Charge for Services	221,500	291,772	70,272	87,100	90,961	3,861	0	0	0
Permits and Licenses	7,300	10,138	2,838	0	0	0	0	0	0
Fines	78,100	65,366	-12,734	1,600	2,482	882	0	0	0
Special Assessments	0	0	0	0	0	0	6,500	10,703	4,203
Investment Income	334,270	546,324	212,054	6,000	3,433	-2,567	0	0	0
Other	251,000	317,586	66,586	7,100	6,605	-495	0	0	0
Total Revenues	1,656,105	2,041,439	385,334	2,869,020	2,691,522	-177,498	6,500	10,703	4,203
Expenditures:									
Current:									
Security of Persons and Property	2,357,979	2,038,318	319,661	4,800	705	4,095	0	0	0
Public Health Services	57,949	53,594	4,355	0	0	0	0	0	0
Community Environment	253,371	167,457	85,914	20,900	20,139	761	0	0	0
Transportation	40,931	29,290	11,641	664,461	523,405	141,056	0	0	0
General Government	964,942	769,161	195,781	225,938	212,103	13,835	0	0	0
Leisure Time Activities	0	0	0	423,106	349,753	73,353	0	0	0
Capital Outlay	0	0	0	289,000	31,300	257,700	0	0	0
Principal Retirement	0	0	0	0	0	0	170,275	170,275	0
Interest Expense	0	0	0	0	0	0	19,585	18,582	1,003
Fiscal Charges	0	0	0	0	0	0	500	393	107
Total Expenditures	3,675,172	3,057,820	617,352	1,628,205	1,137,405	490,800	190,360	189,250	1,110
Excess (Deficiency) of Revenues Over (Under) Expenditures	-2,019,067	-1,016,381	1,002,686	1,240,815	1,554,117	313,302	-183,860	-178,547	5,313
Other Financing Sources (Uses):									
Proceeds from Notes	0	0	0	56,000	0	-56,000	0	0	0
Operating Transfers - In	1,263,000	1,128,000	-135,000	629,800	529,800	-100,000	180,000	180,000	0
Operating Transfers - Out	0	0	0	-2,351,500	-2,216,500	135,000	0	0	0
Total Other Financing Sources (Uses)	1,263,000	1,128,000	-135,000	-1,665,700	-1,686,700	-21,000	180,000	180,000	0
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	-756,067	111,619	867,686	-424,885	-132,583	292,302	-3,860	1,453	5,313
Fund Balance (Deficit) at									
Beginning of Year	738,142	738,142	0	916,798	916,798	0	123,032	123,032	0
Prior Year Encumbrances Appropriated	76,801	76,801	0	102,772	102,772	0	0	0	0
Fund Balances (Deficits) at End of Year	\$88,876	\$926,562	\$867,686	\$594,685	\$886,987	\$292,302	\$119,172	\$124,485	\$5,313

See accompanying notes to the general purpose financial statements.

Governmental Fund Type Capital Projects Funds			Expendable Trust Funds			Totals Memorandum Only		
Budget	Actual	Variance Favorable/ (Unfavorable)	Budget	Actual	Variance Favorable/ (Unfavorable)	Budget	Actual	Variance Favorable/ (Unfavorable)
\$18,968	\$18,968	\$0	\$0	\$0	\$0	\$2,716,613	\$2,672,657	-\$43,956
0	0	0	0	0	0	833,510	744,605	-88,905
0	0	0	0	0	0	308,600	382,733	74,133
0	0	0	0	0	0	7,300	10,138	2,838
0	0	0	0	0	0	79,700	67,848	-11,852
3,800	8,170	4,370	0	0	0	10,300	18,873	8,573
360,000	180,191	-179,809	0	42,500	42,500	700,270	772,448	72,178
0	0	0	500	0	-500	258,600	324,191	65,591
382,768	207,329	-175,439	500	42,500	42,000	4,914,893	4,993,493	78,600
0	0	0	5,500	0	5,500	2,368,279	2,039,023	329,256
0	0	0	0	0	0	57,949	53,594	4,355
0	0	0	0	0	0	274,271	187,596	86,675
0	0	0	0	0	0	705,392	552,695	152,697
2,310	2,310	0	0	0	0	1,193,190	983,574	209,616
0	0	0	0	0	0	423,106	349,753	73,353
1,140,528	645,619	494,909	5,000	359	4,641	1,434,528	677,278	757,250
2,074,750	1,962,334	112,416	0	0	0	2,245,025	2,132,609	112,416
506,385	469,761	36,624	0	0	0	525,970	488,343	37,627
0	0	0	0	0	0	500	393	107
3,723,973	3,080,024	643,949	10,500	359	10,141	9,228,210	7,464,858	1,763,352
-3,341,205	-2,872,695	468,510	-10,000	42,141	52,141	-4,313,317	-2,471,365	1,841,952
2,050,000	1,631,062	-418,938	0	0	0	2,106,000	1,631,062	-474,938
410,000	415,500	5,500	5,000	5,000	0	2,487,800	2,258,300	-229,500
-280,000	-211,300	68,700	-75,000	-75,000	0	-2,706,500	-2,502,800	203,700
2,180,000	1,835,262	-344,738	-70,000	-70,000	0	1,887,300	1,386,562	-500,738
-1,161,205	-1,037,433	123,772	-80,000	-27,859	52,141	-2,426,017	-1,084,803	1,341,214
7,107,735	7,107,735	0	1,903,956	1,903,956	0	10,789,663	10,789,663	0
108,813	108,813	0	0	0	0	288,386	288,386	0
\$6,055,343	\$6,179,115	\$123,772	\$1,823,956	\$1,876,097	\$52,141	\$8,652,032	\$9,993,246	\$1,341,214

City of Willard, Ohio
 Combined Statement of Revenue,
 Expense and Changes in Fund Equity
 All Proprietary Fund Types and Similar Trust Funds

For the Year Ended December 31, 2001

	Proprietary Fund Types		Fiduciary Fund Types	Totals (Memo Only)
	Enterprise	Internal Service	Non- Expendable Trust	
Operating Revenues:				
Charges for Services	<u>\$2,802,202</u>	<u>\$0</u>	<u>\$0</u>	<u>\$2,802,202</u>
Total Operating Revenues	<u>2,802,202</u>	<u>0</u>	<u>0</u>	<u>2,802,202</u>
Operating Expenses:				
Personal Services	1,565,014	0	0	1,565,014
Contractual Services	541,133	0	0	541,133
Materials and Supplies	150,820	0	0	150,820
Travel Transportation	8,408	0	0	8,408
Depreciation	<u>922,853</u>	<u>0</u>	<u>0</u>	<u>922,853</u>
Total Operating Expenses	<u>3,188,228</u>	<u>0</u>	<u>0</u>	<u>3,188,228</u>
Operating Income (Loss)	<u>-386,026</u>	<u>0</u>	<u>0</u>	<u>-386,026</u>
Non-Operating Revenues (Expenses):				
Interest and Fiscal charges	-52,423	0	0	-52,423
Gain (Loss) on Disposal of Fixed Assets	<u>-92,714</u>	<u>0</u>	<u>0</u>	<u>-92,714</u>
Total Non-Operating Revenues (Expenses)	<u>-145,137</u>	<u>0</u>	<u>0</u>	<u>-145,137</u>
Income (Loss) Before Operating Transfers	-531,163	0	0	-531,163
Operating Transfers - In	<u>244,500</u>	<u>0</u>	<u>0</u>	<u>244,500</u>
Net Income (Loss)	-286,663	0	0	-286,663
Depreciation on Fixed Assets Acquired by Contributed Capital	524,199	0	0	524,199
Fund Balance, Beginning of Year	0	0	9,675	9,675
Fund Balance, End of Year	0	0	9,675	9,675
Retained Earnings, Beginning of of Year	<u>10,158,918</u>	<u>756</u>	<u>0</u>	<u>10,159,674</u>
Retained Earnings, End of Year	<u>10,396,454</u>	<u>756</u>	<u>0</u>	<u>10,397,210</u>
Contributed Capital at Beginning of Year	5,943,233	0	0	5,943,233
Contributions from Other Funds, net	956,900	0	0	956,900
Depreciation on Fixed Assets Acquired by Contributed Capital	<u>-524,199</u>	<u>0</u>	<u>0</u>	<u>-524,199</u>
Contributed Capital at End of Year	<u>6,375,934</u>	<u>0</u>	<u>0</u>	<u>6,375,934</u>
Total Fund Equity at End of Year	<u>\$16,772,388</u>	<u>\$756</u>	<u>\$9,675</u>	<u>\$16,782,819</u>

See accompanying notes to the general purpose financial statements.

City of Willard, Ohio
 Combined Statement of Cash Flow
 All Proprietary Fund Types and Similar Trust Funds

For the Year Ended December 31, 2001

	Proprietary Fund Types		Fiduciary Fund Type	Totals (Memo Only)
	Enterprise Fund	Internal Service Fund	Non- Expendable Trust	
Cash Flows from Operating Activities:				
Cash Received for Services	\$2,799,635	\$0	\$0	\$2,799,635
Cash Paid to Employees	-\$1,506,094	0	0	-1,506,094
Cash Paid to Suppliers and Services	-\$735,053	0	0	-735,053
Cash Received for Refundable Deposits	\$15,600	0	0	15,600
Cash Paid for Refund of Deposits	<u>-\$14,935</u>	<u>0</u>	<u>0</u>	<u>-14,935</u>
Net Cash Provided by Operating Activities	<u>559,153</u>	<u>0</u>	<u>0</u>	<u>559,153</u>
Cash Flows from Capital and Related Financing Activities:				
Acquisition of Fixed Assets	-147,400	0	0	-147,400
Debt proceeds	0	0	0	0
Principal Payments - Bonds	-10,000	0	0	-10,000
Principal Payments - Loans	-177,933	0	0	-177,933
Interest Paid	<u>-52,423</u>	<u>0</u>	<u>0</u>	<u>-52,423</u>
Net Cash Used by Financing Activities	<u>-387,756</u>	<u>0</u>	<u>0</u>	<u>-387,756</u>
Cash Flows from Noncapital Financing Activities:				
Operating Transfers from Other Funds	244,500	0	0	244,500
Operating Transfers to Other Funds	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Cash Flows provided by Noncapital Financing Activities	<u>244,500</u>	<u>0</u>	<u>0</u>	<u>244,500</u>
Net Cash Flows from Investing Activities:				
Sales of Investments	1,635,603	1,113	14,451	1,651,167
Purchases of Investments	<u>-1,090,402</u>	<u>-742</u>	<u>-9,634</u>	<u>-1,100,778</u>
Net Cash Flows Provided (Used) by Investing Activities	<u>545,201</u>	<u>371</u>	<u>4,817</u>	<u>550,389</u>
Net Increase (Decrease) in Cash	\$961,098	\$371	\$4,817	\$966,286
Cash and Equivalents, Beginning of Year	<u>292,507</u>	<u>199</u>	<u>2,547</u>	<u>295,253</u>
Cash and Equivalents, End of Year	<u>\$1,253,605</u>	<u>\$570</u>	<u>\$7,364</u>	<u>\$1,261,539</u>
Reconciliation of Cash and Cash Equivalents:				
Equity in Pooled Cash	1,221,780	\$570	\$7,364	\$1,229,714
Equity in Pooled Cash - Restricted	<u>31,825</u>	<u>0</u>	<u>0</u>	<u>31,825</u>
Total Cash and Equivalents	<u>\$1,253,605</u>	<u>\$570</u>	<u>\$7,364</u>	<u>\$1,261,539</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:				
Operating Income (Loss)	<u>-386,026</u>	<u>\$0</u>	<u>\$0</u>	<u>-\$386,026</u>
Adjustments to Reconcile Operating Income to Net Cash from Operating Activities:				
Depreciation Expense	\$922,853	\$0	\$0	\$922,853
Net (Increase) Decrease in Accounts Receivable	-2,567	0	0	-2,567
(Increase) Decrease in Inventories	-2,864	0	0	-2,864
Increase (Decrease) in Accounts Payable	-23,565	0	0	-23,565
Increase (Decrease) in Accrued Wages and Benefits	44,956	0	0	44,956
Increase (Decrease) in Compensated Absences Payable	13,964	0	0	13,964
Increase (Decrease) in Customer Deposits Payable	665	0	0	665
Increase (Decrease) in Accounts Payable from Fixed Asset Purchase:	<u>-8,263</u>	<u>0</u>	<u>0</u>	<u>-8,263</u>
Total Adjustments	<u>\$945,179</u>	<u>\$0</u>	<u>\$0</u>	<u>\$945,179</u>
Net Cash Provided by Operating Activities	<u>\$559,153</u>	<u>\$0</u>	<u>\$0</u>	<u>\$559,153</u>
Reconciliation of Equity in Pooled Cash to the Combined Balance Sheet:				
Equity in Pooled Cash:				
Expendable Trust Funds				\$1,407,469
Non-Expendable Trust Funds				7,364
Agency Trust Fund Funds				<u>17,355</u>
Total Equity in Pooled Cash - Fiduciary Fund Types				1,432,188

See accompanying notes to the general purpose financial statements.

CITY OF WILLARD, OHIO
NOTES TO COMBINED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE A -- DESCRIPTION OF REPORTING ENTITY

REPORTING ENTITY

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

The City of Willard 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.

Educational services are provided by the City of Willard School District. Library facilities are maintained by the Willard Memorial Library. Senior citizens activities, including a meal program and transportation, are the responsibility of Services for the Aging, Inc., a private, non-profit agency. None of these entities' financial statements are included in this report.

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 of Willard.

Mercy Hospital is a non-profit corporation privately owned by Willard Area Hospital, Inc. The Board is appointed by the Willard Area Hospital, Inc., whose board members are appointed from private citizens within the community. Although the City originally purchased the land, built the building and had issued debt relating to capital improvements, the administration of the hospital is controlled by the Mercy staff. A lease agreement was entered into in 1968 and on December 31, 2013, the property and operation of the hospital will be returned to and be managed by the City unless Willard Area Hospital, Inc. exercises its purchase option. The financial statements of the hospital are not included with the financial statements of the City of Willard.

The Buckeye Ohio Risk Management Agency, Inc. (BORMA) organized on October 1, 1987, is a joint self insurance pool established pursuant to Chapter 2744.081 of the Ohio Revised Code. The purpose of BORMA is to enable the subscribing political subdivisions to obtain insurance and to administer the pool. Membership in BORMA consists of the following twelve municipalities: Archbold, Bowling Green, Carey,

Clyde, Defiance, Fayette, Hicksville, Napoleon, Oberlin, Sandusky, Upper Sandusky and Willard. The entities must remain members for at least three years after joining the pool.

None of the financial statements of The Buckeye Ohio Risk Management Agency, Inc. are included with the financial statements of the City of Willard.

This report includes all activities considered by management to be part of the City by virtue of Section 2100 of the Codification of Governmental Accounting and Financial Reporting Standards.

Section 2100 indicates that the reporting entity consists of (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is 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 financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, or activities of, or the level of services provided by, the organization. A financial benefit or burden relationship exists if the primary government (1) is entitled to the organization's resources; (2) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or is obligated in some manner for the debt of the organization.

The financial statements of the reporting entity allow the users to distinguish between the primary government and its component units. Most component units are included in the financial reporting entity by discrete presentation (one or more columns separate from the financial data of the primary government). Some component units are so intertwined with the primary government that they are reported in a manner similar to the balances and transactions of the primary government itself (this method is known as blending).

Management believes the financial statements included in this report represent all of the funds of the City over which the City has the ability to exercise direct operating control.

**CITY OF WILLARD, OHIO
NOTES TO COMBINED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001**

**NOTE B -- SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES**

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

BASIS OF PRESENTATION

Fund Accounting: The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The various funds and account groups are reported by type columns in the financial statements.

Amounts in the "total-memorandum only" columns in the financial statements represent a summation of the combined financial statement line items of the fund types and account groups and are presented only for analytical purposes. The summation includes fund types and account groups that use different bases of accounting, both restricted and unrestricted amounts, interfund transactions that have not been eliminated, and the caption "amounts to be provided", which is not an asset in the usual sense. Consequently, amounts shown in the "total-memorandum only" columns are not comparable to a consolidation and do not represent the total resources available or the total revenues and expenditures/expenses of the City.

The City uses the following fund categories, fund types and account groups:

GOVERNMENTAL FUNDS:

General Fund - to account for all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the City for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds - limited by state and/or federal law for the financing of certain governmental functions (other than expendable trusts, or for major capital projects) that are legally restricted to expenditure for specified purposes.

Debt Service Funds - to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

Capital Projects Funds - to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

PROPRIETARY FUNDS:

Enterprise Funds - to account for operations (1) that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis (water, sewer, and refuse) be financed or recovered primarily through user charges; or (2) where it has been decided that periodic determination of revenues earned, expenses incurred, and/or income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Internal Service Funds - to account for activities that produce goods or services to be provided, on a cost-reimbursement basis, to other departments within the reporting entity.

FIDUCIARY FUNDS:

Trust and Agency Funds - to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. These include Expendable and Non-Expendable Trust Funds and Agency Funds.

ACCOUNT GROUPS:

General Fixed Assets Account Group - to account for fixed assets other than those accounted for in the proprietary funds.

General Long-Term Debt Account Group - to account for all long-term obligations of the City that are not a specific liability of any proprietary fund.

BASIS OF ACCOUNTING

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

CITY OF WILLARD, OHIO
NOTES TO COMBINED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

The modified accrual basis of accounting is followed in the governmental fund types, expendable trust funds and the agency funds. Revenues are recognized when they become both measurable and available, while expenditures are generally recognized when the related fund liability is incurred, with the exception of unmatured interest on general long-term debt and special assessment debt secured by interest bearing special assessment levies, which is recognized when due.

In applying the susceptible to accrual concept under the modified accrual basis of accounting, the following major revenue sources are deemed both measurable and available: City income tax estimated by individuals and withheld by employers, utility billings unpaid and unbilled and interest earnings. Nonexchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On the modified accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied and the resources are available. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been met and the resources are available.

The City reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of December 31, 2001 and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2002 operations, have been recorded as deferred revenue. Delinquent property taxes measurable and available (received within 60 days) are recognized as revenue.

The accrual basis of accounting is followed in the Proprietary Funds and Non-Expendable Trust Funds. Accordingly, revenues are recognized when they are earned and expenses, including depreciation, are recognized when they are incurred. Revenue from nonexchange transactions, such as grants, entitlements and donations, is recognized in the fiscal year in which all eligibility requirements are met.

MEASUREMENT FOCUS

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All Governmental Funds and Expendable Trust Funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other

financing uses) in net current assets.

All Proprietary Funds and Non-Expendable Trust Funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with this activity are included on their balance sheets. Their reported fund equity (net total assets) is segregated into contributed capital and retained earnings components. Proprietary Fund and Non-Expendable Trust Fund operating statements present increases (revenues) and decreases (expenses) in net total assets.

The City has adopted GASB 20 for Proprietary Funds and Non-Expendable Trust Funds in which all government proprietary activities apply all applicable GASB pronouncements, and all relevant FASB, APB, and ARB pronouncements issued on or before November 30, 1989 unless they conflict with or contradict GASB pronouncements.

BUDGETARY PROCESS

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 appropriation ordinances. The tax budget, certificate of estimated resources and appropriation ordinances are prepared on the cash basis as required by the County Budget Commission. The certificate of estimated resources and the appropriation ordinances are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources as certified. All changes in appropriated amounts require action by the City Council.

Tax Budget - A budget of estimated cash receipts and disbursements is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 15 of each year, for the period 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 - An annual appropriation ordinance must be passed by December 26 of each preceding year for the period January 1 to December 31. The appropriation ordinance may be amended during the year as new information becomes available provided that the total

CITY OF WILLARD, OHIO
NOTES TO COMBINED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

appropriations do not exceed estimated resources, as certified.

At the end of the fiscal year, all unexpended and unencumbered balances of operating appropriations revert to the fund from which the appropriation was initially made, where they become subject to future appropriation. The Governmental Fund Types for which annual appropriation ordinances are adopted are the General Fund, Special Revenue Funds, Debt Service Funds, and Capital Project Funds. Although not required by generally accepted accounting principles (GAAP), the City is required by law to budget the proprietary and expendable and non-expendable trust funds.

The City's budgetary process is based upon accounting for transactions on the non-GAAP basis.

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 employed as an extension of formal budgetary integration in the governmental fund types. Encumbrances outstanding at year end are reported as reservations of fund balances since they do not constitute expenditures or liabilities.

CASH AND INVESTMENTS

Cash and cash equivalents include amounts on hand, in demand deposits, as well as short-term investments with a maturity date within three months of the date acquired by the government, including mutual funds invested in short-term securities, as defined.

State statutes authorize the government to invest in obligations of the U.S. Treasury, repurchase agreements, and bonds of sub-divisions of the State of Ohio.

Investments are stated at fair value. Cost-based measures of fair value were applied to nonnegotiable certificates of deposit and money market investments.

SHORT-TERM INTERFUND RECEIVABLES/PAYABLES

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivables/payables".

ADVANCES TO OTHER FUNDS

Noncurrent portions of long-term interfund loan receivables are reported as advances and are offset equally by a fund balance reserve account which indicates that they do not constitute expendable available financial resources and therefore are not available for appropriation.

As of December 31, 2001 there were no interfund balances.

INVENTORIES

Inventories are valued at cost, which approximates market, using the first-in/first-out (FIFO) method. The City uses the purchase method to record costs. The costs of governmental fund-type inventories are recorded as expenditures when purchased rather than when consumed.

PREPAID ITEMS

Payments made to vendors for services that will benefit periods beyond December 31, 2001 are recorded as prepaid items.

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.

FIXED ASSETS AND DEPRECIATION

The fixed asset values were initially determined at December 31, 1989, assigning historical cost for the majority of purchased assets, and fair market value at the date of acquisition for donated assets. For certain assets where the historical costs were not practicably determinable, other methods were used to establish estimated historical costs. During the initial development of the fixed asset records, it was not practical to determine the source of the fixed asset financing, other than for certain capital contributions in the Enterprise Funds.

Public domain (infrastructure) general fixed assets consisting of streets, sidewalks and storm sewers are not capitalized by the City since they are immovable and of value only to the City.

The City records depreciation in the Proprietary Fund Types and has elected to record depreciation in the General Fixed Assets Account Group in accordance with generally accepted accounting principles for governmental entities. Depreciation is recorded using the straight-line basis over the estimated useful lives of the related assets.

CITY OF WILLARD, OHIO
NOTES TO COMBINED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

COMPENSATED ABSENCES

GASB Statement No. 16 specifies that a liability should be accrued for leave benefits that meet the following conditions:

1. The employer's obligation relating to employees' rights to receive compensation for future absences is attributed to employees' services already rendered.
2. The obligation relates to rights that vest or accumulate.
3. Payment of the compensation is probable.
4. The amount can be reasonably estimated.

For governmental funds, the City records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. The City records a liability for accumulated unused sick leave for eligible employees in the period the employee becomes eligible to receive payment. These amounts are reported in the general long-term debt account group. In proprietary funds, compensated absences are expended when earned. The entire amount of compensated absences is reported as a fund liability.

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 \$195,432 at December 31, 2001. 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 to vested employees on December 31, 2001 was \$90,750. At December 31, 2001, the maximum liability to the City for accumulated unpaid sick leave, assuming all accumulated unpaid sick leave will be used through time off from work, approximated \$777,300.

LONG-TERM OBLIGATIONS

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the general long-term debt account group. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

FUND EQUITY

Contributed capital is recorded in proprietary funds that have received capital grants or contributions from developers, customers or other funds. Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

BOND DISCOUNTS/ISSUANCE COSTS

In governmental fund types, bond discounts and issuance costs are recognized in the current period. Bond discounts and issuance costs for proprietary fund types are deferred and amortized over the term of the bonds using the bonds-outstanding method, which approximates the effective interest method. Bond discounts are presented as a reduction of the face amount of bonds payable whereas issuance costs are recorded as deferred charges.

INTERFUND TRANSACTIONS

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

CHANGE IN ACCOUNTING PRINCIPLE

GASB Statement No. 33, Accounting and Financial Reporting for Nonexchange Transactions, was implemented during fiscal 2001. In accordance with this statement, certain types of revenue received by the City for which no value is given in return, including derived tax revenues, imposed nonexchange transactions, government-mandated nonexchange transactions, and voluntary nonexchange transactions may have been reported in a manner inconsistent with prior fiscal years; however, the adoption of this statement had no effect on fund balances/retained earnings as previously reported by the City at December 31, 2000.

NOTE C -- EQUITY IN POOLED CASH AND INVESTMENTS

The City maintains a cash and cash equivalent pool which is available for use by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in

CITY OF WILLARD, OHIO
NOTES TO COMBINED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

Pooled Cash". In addition, investments are held by the City and each fund types' portion of these investments is displayed on the combined balance sheet as "Investments".

DEPOSITS: At year-end, the carrying amount of the City's deposits and cash on hand was \$5,840,082 and the bank balance was \$6,730,761. The carrying amount and bank balance of the City's certificates of deposit, which are classified as investments in the financial statements, were both \$3,000,000 at year end. The carrying amount and account balance of the City's STAR Ohio investment were both \$2,722,063 at year end and is classified as cash and cash equivalents in the financial statements based on the short-term nature of the underlying investments of STAR Ohio.

The City's deposits are categorized to give an indication of the level of credit risk assumed by the entity at year end. Category 1 includes deposits that are insured or collateralized with securities held by the City or its safekeeping agent in the City's name. Category 2 includes uninsured deposits collateralized with securities held by the pledging financial institution's trust department or safekeeping agent in the City's name. Category 3 includes uninsured and uncollateralized deposits, including any bank balance that is collateralized with securities held by the pledging institution, or by its trust department or safekeeping agent, but not in the City's name. The following show the City's deposits in each category:

Category 1. \$9,674,145 was covered by federal depository insurance, by collateral held by the City or by collateral held by a qualified third party trustee in the name of the City.

Collateral is required for demand deposits and certificates of deposit at 105 percent of all deposits not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States, its agencies and obligations of the State and its municipalities.

Obligations pledged to secure deposits must be delivered to a bank other than the institution in which the deposit is made. Written custodial agreements are required.

INVESTMENTS: Statutes authorize the City of Willard to invest in bank certificates of deposit, in obligations of the U.S. Treasury, agencies and instrumentalities, bonds and other obligations of this State, repurchase agreements and the State Treasurer's Asset Reserve investment pool.

The City's investments are categorized to give an indication of the level of risk assumed by the entity at year end. Category A includes investments that are insured or registered or for which the securities are held by the City or its agent in the City's name. Category B includes uninsured and unregistered investments for which the securities are held by the counter party's trust department or agent in the City's name. Category C includes uninsured and unregistered investments for which

securities are held by the counter party or its trust department but not in the City's name.

		<u>Carrying Amount</u>	<u>Fair Value</u>
City of Willard Special Assessment Bonds	Category A	29,135	29,135
STAR Ohio	N/A	<u>2,722,063</u>	<u>2,722,063</u>
Total Investments		<u>2,751,198</u>	<u>2,751,198</u>

The \$2,722,063 on deposit with STAR Ohio is not classified, since it is not evidenced by securities that exist in physical or book entry form.

The classification of cash and cash equivalents, and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Non-Expendable Trust funds and Governmental Entities That Use Proprietary Fund Accounting." A reconciliation between the classifications of cash and investments on the combined financial statements and the classification of deposits and investments presented above per GASB Statement No. 3, is as follows:

	<u>Cash and Cash Equivalents</u>	<u>Investments</u>
GASB Statement 9	\$8,562,145	\$3,029,135
STAR Ohio	(2,722,063)	2,722,063
Certificates of Deposit	<u>3,000,000</u>	<u>(3,000,000)</u>
GASB Statement 3	<u>\$8,840,082</u>	<u>\$2,751,198</u>

NOTE D -- CONTRIBUTED CAPITAL

Assets constructed or acquired by the governmental fund types and transferred to the Enterprise Funds, or assets partially financed through grants to the Enterprise Funds from other governmental entities, represents contributed capital to the enterprise operations. To determine the amount to be initially recorded as contributed capital, the City performed a review of financial data in the Enterprise Funds for approximately the preceding 80-year period. Contributed capital identified during this review and recorded in the accompanying financial statements represents grants received toward construction of water lines, sewer lines and the wastewater treatment plant.

NOTE E -- BUDGET BASIS OF ACCOUNTING

The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (non-GAAP Budgetary Basis) - All Governmental Fund Types and Expendable Trust Funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The budgetary basis as provided by law is based upon

CITY OF WILLARD, OHIO
NOTES TO COMBINED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

accounting for certain transactions on the basis of cash receipts and disbursements. The major differences between the budget basis and the GAAP basis are:

- (1) Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP);
- (2) Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).

It is the City's policy to formally budget and appropriate those funds which derive their primary revenues from levied taxes, other governments or user charges.

Budgeted control is exercised at the object code level. Reported budgeted amounts are as originally adopted and amended by appropriation resolutions of the Council. Department budgets are represented by appropriations and can only be modified by Council resolution. Modifications at the object code level are allowed within each department by the Finance Director or City Manager. Unencumbered appropriations lapse at year end. Modifications were made during the year which were routine and immaterial to the budget as a whole.

A reconciliation of the results of operations for the year from the GAAP basis to the budgetary basis follows:

	Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses				
	General Fund	Special Revenue	Debt Service	Capital Projects	Expendable Trust
Budget Basis	\$111,619	(\$132,583)	\$1,453	(\$1,037,433)	(\$27,859)
Increase (decrease) due to:					
Change in accrued receivables not recognized in budget - Jan. 1 to Dec. 31	21,318	13,113	-0-	(70,748)	(19,810)
Change in accrued liabilities not recognized in budget Jan. 1 to Dec. 31	(26,010)	1,660	-0-	(68,020)	-0-
Encumbrances	<u>30,356</u>	<u>31,580</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
GAAP Basis	<u>\$137,283</u>	<u>(\$ 86,230)</u>	<u>\$1,453</u>	<u>(\$1,176,201)</u>	<u>(\$47,669)</u>

NOTE F -- RECEIVABLES

The City's receivables at December 31, 2001, by fund type consist of the following:

	General Fund	Special Revenue	Debt Service	Enterprise Fund	Capital Projects	Trust and Agency
City Income Taxes:						
Withholdings	\$ -	\$497,551	\$ -	\$ -	\$ -	\$ -
Estimates	-	23,534	-	-	-	-
Property Taxes:						
Deferred	349,395	116,548	-	-	-	-
Delinquent	<u>42,226</u>	<u>17,971</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Taxes	<u>\$391,621</u>	<u>\$655,604</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Accounts Receivable:						
Billed - Unpaid	\$ 224	\$ -	\$ -	\$243,829	\$ -	\$ -
Ambulance	186,124	-	-	-	-	-
Unbilled	<u>52,433</u>	<u>27,598</u>	<u>-</u>	<u>198,452</u>	<u>-</u>	<u>-</u>
Total Accounts	<u>\$238,781</u>	<u>\$ 27,598</u>	<u>\$ -</u>	<u>\$442,281</u>	<u>\$ -</u>	<u>\$ -</u>
Special Assessments:						
Delinquent	\$ -	\$ -	\$ 50,617	\$ -	\$ -	\$ -
Deferred	-	-	190,121	-	-	-
Interest	<u>11,143</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,477</u>	<u>4,333</u>
Total Receivables	<u>\$641,545</u>	<u>\$683,202</u>	<u>\$240,738</u>	<u>\$442,281</u>	<u>\$15,477</u>	<u>\$4,333</u>

The above receivable amounts are net of the applicable allowance for uncollectible which are not material in relation to the respective receivable balances.

City income taxes receivable are accrued at December 31, 2001, to the extent of individual estimates and employee withholdings for the last quarter of 2001 paid within sixty days after year-end, and are due by April 30, 2002.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property, and public utility taxes which become measurable as of December 31, 2001. Although total property tax collections for the next year are measurable, only the amount available as an advance at December 31, 2001 is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. None of the amount receivable at December 31, 2001 was available as an advance and so the entire amount of \$766,878 is recognized as deferred revenue. Of this total, \$391,621 is deferred revenue recorded by the general fund, \$134,519 of deferred revenue was recorded by the special revenue funds, and \$240,738 of deferred revenue was recorded by the debt service funds at December 31, 2001.

Residents are billed on a monthly basis for water and sewer service based upon the actual cycle billings. Ambulance services and cemetery services are billed as residents incur service.

**CITY OF WILLARD, OHIO
NOTES TO COMBINED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001**

NOTE G -- TAXES

PROPERTY TAX

Property taxes include amounts levied against all real and public utility property and tangible personal property (used in business) located in the City. Real property taxes are levied each January 1 on the assessed value as of the prior January 1, the lien date. Assessed values are established by the County Auditor at 35% of the appraised market value.

The County Auditor re-appraises all real property every six years with a triennial update. The last update was completed for tax year 2000. The assessed value upon which the 2001 levy was based was \$117,594,560.

The full tax rate applied to real property for the fiscal year ended December 31, 2001 was \$61.50 per \$1,000 of assessed valuation.

The full tax rate was all inside millage, therefore no adjustment of the rate for inflationary increases in property values was made. The effective tax rate was the same per \$1,000 of assessed valuation for real property classified as residential/agricultural and other property. Real property owners' tax bills were reduced by homestead and rollback deductions, when applicable. The amount of these homestead and rollback reductions is reimbursed to the City by the State of Ohio.

Real Property -- 2001 Valuation

Residential	\$ 45,984,140
Public Utilities	1,237,590
Commercial/Industrial/Agriculture	23,648,040

Tangible Personal Property - 2001 Valuation

General	43,322,930
Public Utilities	<u>3,401,860</u>

TOTAL VALUATION 117,594,560

EXEMPTED PROPERTY 19,244,950

TOTAL VALUATION + EXEMPTED \$136,839,510

The Huron County Treasurer collects property tax on behalf of all taxing districts within Huron County, including the City of Willard. Taxes are payable to the County in two equal installments in January and July and, if not paid, become delinquent after December 31 of the year they are due. The Huron County Auditor periodically remits to the City its portion of the taxes collected. Such collections are available only to pay current period liabilities.

CITY INCOME TAX

The City levies an income tax of 1 1/4% 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 the City.

All the revenue received from income tax is recorded directly into the City income tax fund. The costs of operating the income tax department and income tax refunds are expended from this fund. Pursuant to 197.14 of the City Charter, at least forty percent 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 H -- PROPERTY, PLANT AND EQUIPMENT

The property, plant and equipment values were initially determined at December 31, 1989, assigning original acquisition costs for the majority of assets. In cases where information supporting original costs was not practically determinable, estimated costs were developed using various valuation methods.

All costs associated with the construction and acquisition of general fixed assets are included in the Capital Outlay amount within the accompanying financial statements. Costs associated with the construction of infrastructure fixed assets are not capitalized in the General Fixed Assets Account Group in accordance with the City's accounting policy and, accordingly, are not reflected as additions in the General Fixed Assets Account Group.

A summary of general fixed assets at December 31, 2001, by class and the changes therein during 2001, is as follows:

	<u>01/01/01</u>	<u>Additions</u>	<u>Retirements</u>	<u>12/31/01</u>
Land	\$1,093,010	\$ -0-	(\$ 14,500)	\$1,078,510
Land				
Improvements	393,728	34,884	(1,957)	426,655
Buildings	2,327,719	6,911	(1,673)	2,332,957
Equipment/				
Furniture	2,211,145	180,221	(579,354)	1,812,012
Vehicles	<u>1,454,740</u>	<u>107,166</u>	<u>(231,719)</u>	<u>1,330,187</u>
SUB-TOTAL	7,480,342	329,182	(829,203)	6,980,321
Accumulated				
Depreciation	<u>(3,435,028)</u>	<u>(474,584)</u>	<u>538,097</u>	<u>(3,371,515)</u>
Investment in				
Fixed Assets	<u>\$4,045,314</u>	<u>(\$145,402)</u>	<u>(\$291,106)</u>	<u>\$3,608,806</u>

**CITY OF WILLARD, OHIO
NOTES TO COMBINED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001**

A summary of proprietary fund property, plant and equipment at December 31, 2001, by class and by individual Fund is as follows:

	<u>Water</u>	<u>Sewer</u>	<u>Storm Water</u>
Land	\$ 458,790	\$ 343,471	
Buildings	2,309,601	5,452,238	
Utility Plant in Service	6,761,423	12,185,551	961,799
Land Improvements	-	87,174	
Equipment & Furniture	933,626	3,093,516	
Vehicles	<u>133,973</u>	<u>390,006</u>	<u> </u>
 SUB-TOTAL	 10,597,413	 21,551,956	 961,799
 Accumulated Depreciation	 (<u>3,743,691</u>)	 (<u>7,443,751</u>)	 (<u>22,117</u>)
Net Property, Plant and Equipment	 <u>\$ 6,853,722</u>	 <u>\$14,108,205</u>	 <u>\$939,682</u>

Depreciation is provided using the straight-line basis over the estimated useful lives of the assets. Depreciable lives used for property items within each property classification are as follows:

<u>Classification</u>	<u>Life</u>
Buildings	20-40 Years
Utility plant in service	40-80 Years
Improvements other than buildings	20-50 Years
Machinery and equipment	5-20 Years

CITY OF WILLARD, OHIO
NOTES TO COMBINED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE I – DEBT OBLIGATIONS

A listing of the changes in the debt of the City for the year ended December 31, 2001 follows:

	Balance 01/01/01	Additions	Retirements	Balance 12/31/01
<u>GENERAL OBLIGATION DEBT:</u>				
1993 City Hall Improvement Bonds 3.00% - 5.60%	\$ 320,000	\$-0-	\$160,000	\$160,000
1999 Pearl St. Repavement 0.00%	133,598	-0-	7,032	126,566
2000 Industrial Park 5.30%	<u>1,101,441</u>	<u>1,103,751</u>	<u>1,101,441</u>	<u>1,103,751</u>
<u>TOTAL GENERAL OBLIGATION DEBT</u>	1,555,039	1,103,751	1,268,473	1,390,317
<u>SPECIAL ASSESSMENT DEBT WITH GOVERNMENT COMMITMENT:</u>				
6.00% Special Assessment Kennedy Drive Project 1996 Bond, due through 2004				
	37,768	-0-	8,633	29,135
8.00% Special Assessment Street, Water, and Sewer Improvement 1994 Bond, due through 2001				
	<u>10,275</u>	<u>-0-</u>	<u>10,275</u>	<u>-0-</u>
<u>TOTAL SPECIAL ASSESSMENT DEBT</u>	<u>48,043</u>	<u>-0-</u>	<u>18,908</u>	<u>29,135</u>
COMPENSATED ABSENCES (NET)	<u>161,781</u>	<u>7,972</u>	<u>-0-</u>	<u>169,753</u>
<u>TOTAL GENERAL LONG-TERM DEBT</u>	1,764,863	1,111,723	1,287,381	1,589,205
<u>ENTERPRISE DEBT:</u>				
1993 Water System Improvement Bonds	160,000	-0-	10,000	150,000
6.87% Sewer Plant Loan 1980	975,234	-0-	192,659	782,575
12.0% Sewer Plant Loan - Supplement (1982)	69,216	-0-	12,484	56,732
7.51% Sewer Plant Loan 1989	4,935,839	-0-	759,130	4,176,709
0.00% Water Line Issue 2 1991	7,800	-0-	5,199	2,601
0.00% Feeder Main Issue 2 1993	16,295	-0-	4,657	11,638
0.00% Water Line Issue 2 1994	69,850	-0-	13,970	55,880
0.00% Water Line Issue 2 1996	61,576	-0-	3,973	57,603
1.2% Storm Water Loan 1998	114,520	-0-	11,425	103,095
1.2% Lagoon Loan 1998	325,757	-0-	32,195	293,562
1.2% Storm Water Loan 1999	42,127	-0-	2,156	39,971
1.2% Water Pollution Loan 2000	311,351	-0-	15,026	296,325
2.0% Drinking Water Loan 2000	461,669	-0-	22,800	438,869
2.2% Storm Water Loan 2001	-0-	2,200	-0-	2,200
2.2% Sewer Loan 2001	<u>-0-</u>	<u>525,111</u>	<u>12,610</u>	<u>512,501</u>
<u>TOTAL ENTERPRISE DEBT</u>	<u>7,551,234</u>	<u>527,311</u>	<u>1,098,284</u>	<u>6,980,261</u>
<u>TOTAL DEBT</u>	<u>\$9,316,097</u>	<u>\$1,639,034</u>	<u>\$2,385,665</u>	<u>\$8,569,466</u>

CITY OF WILLARD, OHIO
NOTES TO COMBINED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE I -- DEBT OBLIGATIONS (continued)

General Obligation Debt:

<u>Description</u>	<u>Original Amount</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
City Hall Improvement Bonds	\$1,610,000	3.00-5.60%	12/01/2002

The bonds were issued for the purpose of acquiring real estate and building and improving the site in order to house municipal offices and functions. The Bonds are payable from the Income Tax Capital Improvement Fund monies for a period of ten years.

<u>Description</u>	<u>Original Amount</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
Pearl Street Repavement	\$140,630	0%	07/01/2019

The debt was incurred for the purpose of repaving Pearl Street. The note is payable from local funds over a period of twenty years to be repaid from the General Fund.

<u>Description</u>	<u>Original Amount</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
Industrial Park Loan	\$1,101,441	5.30%	05/25/2001

The debt was incurred in anticipation of the issuance of bonds for the purpose of developing the Industrial Park. The note is payable from the Willard Industrial Park Municipal Public Improvement Equivalent Fund into which all service payments in lieu of taxes are to be deposited.

<u>Description</u>	<u>Original Amount</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
Water System - General Obligation Bonds	\$210,000	4.90-5.70%	12/01/2013

The bonds were issued to provide funds for the water system expansion outside the City limits. The Bonds are payable from the tap fees from the new users and the City's general obligation.

Special Assessment Bonds Payable with Government Commitment:

The following special assessment debt will be paid by property owners through the Special Assessment Bond Retirement Fund. Taxes and the general credit of the City are guaranteed in the bond indenture in case of default of the property owners. No reserve or sinking fund has been established for default as the possibility of default is considered remote.

<u>Description</u>	<u>Original Amount</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
1996 Street Improvement	\$67,262	8.00%	12/01/2004

The bonds were issued to pay the property owners' portion of the cost of improving Kennedy Drive by grading, draining, curbing, paving and installing water mains and sanitary sewer laterals. The bonds are payable from the collection of special assessments and are paid from the Pineview Estates Capital Projects Fund.

<u>Description</u>	<u>Original Amount</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
1994 Street Improvement	\$64,750	8.00%	12/01/2001

The bonds were issued to pay the property owners' portion of the cost of improving West Sandusky Avenue by grading, draining, curbing, paving and installing water mains and sanitary sewer laterals. The bonds are payable from the collection of special assessments and are currently paid through the special assessment bond retirement fund.

O.W.D.A. Debt Issues:

<u>Description</u>	<u>Original Amount</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
Sewer Plant Loan	\$3,061,712	6.87%	12/31/2005

The debt was incurred in 1980 to pay the cost of constructing the wastewater treatment plant. The project was jointly funded by an EPA Grant and local funds which were borrowed from the O.W.D.A.

A cooperative agreement with O.W.D.A. was entered into in 1980 to finance the local portion. The debt is a twenty-five year O.W.D.A. loan with semi-annual payments of \$129,829 to pay the principal and interest. The loan is payable from revenues of the sewer fund. The total estimated cost of the project was \$10,532,913 of which \$7,591,305 was funded by the EPA Grant.

<u>Description</u>	<u>Original Amount</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
Sewer Plant Loan - Supplemental	\$161,184	12.00%	12/31/2005

The debt was incurred in 1982 to pay the additional costs of constructing the wastewater treatment plant. These costs were funded by local funds which were borrowed from the O.W.D.A.

A cooperative agreement with O.W.D.A. was entered into in 1982 to finance the local portion. The debt is a twenty-three and one-half year O.W.D.A. loan with semi-annual payments of \$10,396 to pay the principal and interest. The loan is payable from revenues of the sewer fund.

CITY OF WILLARD, OHIO
NOTES TO COMBINED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

<u>Description</u>	<u>Original Amount</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
Sewer Plant Loan 1989	\$9,966,553	7.51%	12/31/2006

The debt was incurred in 1989 to pay the cost of reconstructing the wastewater treatment plant. The project was funded entirely by local funds which were borrowed from the O.W.D.A. A cooperative agreement with O.W.D.A. was entered into in 1989 to finance the local portion. The debt is a fifteen year O.W.D.A. loan with semi-annual payments of \$564,894 to pay the principal and interest.

<u>Description</u>	<u>Original Amount</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
Drinking Water Loan	\$472,889	2.00%	07/01/2020

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 O.W.D.A. A cooperative agreement was entered into in 2000 to finance the local portion. The debt is a twenty year loan with annual payments of \$28,588 to pay the principal and interest. The loan is payable from revenues of the water fund.

Ohio EPA Debt Issues:

<u>Description</u>	<u>Original Amount</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
Storm Water Loan	\$120,230	1.2%	07/01/2019

The debt was incurred in 1998 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 O.W.D.A. A cooperative agreement with O.W.D.A. was entered into in 1998 to finance the local portion. The debt is a twenty year O.W.D.A. loan with annual payments of \$6,397 to pay the principal and interest. The loan is payable from revenues of the water fund.

<u>Description</u>	<u>Original Amount</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
Lagoon Loan	\$342,000	1.2%	07/01/2019

The debt was incurred in 1998 to pay the cost of improvements to the waste water treatment plant. The project was funded by local funds which were borrowed from the Ohio EPA but administered by the O.W.D.A. A cooperative agreement with O.W.D.A. was entered into in 1998 to finance the local portion. The debt is a twenty year O.W.D.A. loan with annual payments of \$18,198 to pay the principal and interest. The loan is payable from revenues of the water fund.

<u>Description</u>	<u>Original Amount</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
Storm Water Loan – Supplemental	\$44,091	1.20%	07/01/2020

The debt was incurred in 1999 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 O.W.D.A. A cooperative agreement with O.W.D.A. was entered into in 1999 to finance the local portion. The debt is a twenty year O.W.D.A. loan with annual payments of \$2,493 to pay the principal and interest. The loan is payable from revenues of the water fund.

<u>Description</u>	<u>Original Amount</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
Water Pollution Loan	\$318,805	1.20%	07/01/2020

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 O.W.D.A. A cooperative agreement was entered into in 2000 to finance the local portion. The debt is a twenty year loan with annual payments of \$18,440 to pay the principal and interest. The loan is payable from revenues of the sewer fund.

<u>Description</u>	<u>Original Amount</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
Sewer Loan	\$525,111	2.20%	07/01/2021

The debt was incurred in 2001 to pay the cost of improvements to the sewer line on S. Main Street. The project was funded by local funds which were borrowed from the Ohio EPA but administered by the O.W.D.A. A cooperative agreement was entered into in 2001 to finance the local portion. The debt is a twenty year loan with annual payments of \$39,064 to pay the principal and interest. The loan is payable from revenues of the sewer fund.

<u>Description</u>	<u>Original Amount</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
Storm Water – SR 224	\$2,200	2.20%	07/01/2021

The debt was incurred in 2001 to pay the cost of improvements to the storm water drainage system at State Route 224 – Section A. The project was funded by local funds which were borrowed from the Ohio EPA but administered by the O.W.D.A. A cooperative agreement was entered into in 2001 to finance the local portion. The debt is a twenty year loan with annual payments of \$25,428 to pay the principal and interest. The loan is payable from the revenues of the Water Fund. The O.W.D.A. is committed to advance an additional \$407,438, or \$409,638 in total, to finance this project as it progresses, which represents estimated total costs for the project.

CITY OF WILLARD, OHIO
NOTES TO COMBINED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

Issue 2 Debt Obligations:

<u>Description</u>	<u>Original Amount</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
Water Line Issue 2 Note - 1991	\$52,064	0.00%	12/01/2002

This note was entered into for the purpose of advancing funds so as to improve the water line on Myrtle Avenue. Funding for the project came from local funds, Issue 2 grant monies and the above-mentioned note for a period of ten years to be repaid from the Water Fund.

<u>Description</u>	<u>Original Amount</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
Feeder Main Issue 2 Note - 1993	\$46,572	0%	12/01/2004

This note was entered into for the purpose of advancing funds so as to improve the feeder main on Central Avenue. Funding for the project came from local funds, and the above-mentioned note for a period of ten years to be repaid from the Water Fund.

<u>Description</u>	<u>Original Amount</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
Water Line Issue 2 Note - 1994	\$139,700	0%	12/01/2005

This note was executed for the purpose of advancing funds so as to improve the water line on Tiffin Street. Funding for the project came from the local funds and the above-mentioned note for a period of ten years to be repaid from the Water Fund.

<u>Description</u>	<u>Original Amount</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
Water Line Issue 2 Note - 1996	\$79,450	0%	07/01/2016

This note was executed for the purpose of advancing funds so as to improve the Tiffin Street water line restoration. Funding for the project came from local funds and the above-mentioned note for a period of twenty years to be repaid from the Water Fund.

A summary of the City's future debt service requirements (excluding compensated absences) as of December 31, 2001 follows:

Future Payment due in	General Long-Term Obligation Account Group		Special Assessment W/Govt Commitment		Bond Principal	Enterprise Debt Loans	
	Bond Principal	Interest	Bond Principal	Interest		Principal	Interest
2002	\$1,270,783	\$45,350	\$ 9,151	\$1,748	\$ 10,000	\$1,147,952	\$ 402,518
2003	7,032	-	9,701	1,199	10,000	1,221,570	323,977
2004	7,032	-	10,283	617	10,000	1,303,454	239,645
2005	7,032	-	-	-	10,000	1,251,656	148,712
2006	7,032	-	-	-	10,000	619,501	61,904
2007-2021	91,406	-	-	-	100,000	1,286,128	135,885
TOTAL	\$1,390,317	\$45,350	\$29,135	\$3,564	\$150,000	\$6,830,261	\$1,312,641

NOTE J -- LEASE

The City has a lease with the Willard Area Hospital, Inc., a non-profit corporation, for the operation of the hospital facilities. The terms of the lease state that the City will undertake the improvements to the hospital and the lessee (hospital) will make lease payments of:

1. Basic rent, \$1.00 per year
2. Monthly amount to pay the interest on the bonds
3. Monthly amount to pay the principal on the bonds
4. Monthly amount to provide payments in the debt service reserve fund
5. Monthly amount to provide the payments in the contingency reserve fund

This revenue was paid to a trustee, with the exception of the basic rent which is paid to the City's general fund. During 1994 the bonds were repaid in full to the trustee and the debt service reserve and the contingency reserve fund were released.

When the lessee discontinues operations of the hospital, the City is required to either operate the hospital or find another operator for the hospital. Upon expiration of the lease or its termination for any reason, after paying the accounts payable, all of the assets of the lessee, including cash on hand, accounts receivable, stocks, bonds, and all other property, real or personal, used in connection with the operation of the hospital facilities shall become the property of the City immediately with the exception of any funds or securities which had been transferred to the lessee by way of gift, endowment, bequest, devise, annuity, insurance or similar method which will remain the property of the lessee.

NOTE K -- 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 long term investments designated by the City or provided by operations are equally offset by a fund balance/retained earnings reserve or a liability. Restricted assets at December 31, 2001 are comprised of the following:

CITY OF WILLARD, OHIO
NOTES TO COMBINED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

	Cash and Long Term Investments	Accrued Interest Receivable	Total
Water Fund:			
Customer Deposits	\$31,825	\$-0-	\$31,825

NOTE L -- PENSION AND RETIREMENT PLANS

The employees of the City of Willard are covered by either the Public Employees' Retirement System of Ohio or the Police and Fire Pension Fund. The State of Ohio accounts for the activities of the retirement systems and the amounts of these funds are not reflected in the accompanying financial statements.

Public Employees' Retirement System - The Public Employees Retirement System of Ohio (PERS), a statewide cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. PERS issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 466-2085 or 1-800-222-PERS (7377).

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate is 8.50% of qualifying gross wages for all employees other than law enforcement. The total 2001 employer contribution rate was 13.55% of covered payroll. The PERS Board instituted a temporary employer contribution rate rollback for 2000. The rate rollback was 20% for local government employers resulting in a 2000 employer contribution rate of 10.84% on covered payroll. Required employer contributions are equal to 100% of the dollar amount billed to each employer and must be extracted from the employer's records. The City's contributions to PERS for the years ended December 31, 2001, 2000, and 1999 were \$281,291, \$280,517, and \$259,845, respectively. Of the above City matching contributions, \$59,297 had not been paid by December 31, 2001.

Police And Fire Pension Fund - The City of Willard contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. The OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, OH 43215-5164.

Plan members are required to contribute 10.0% of their annual covered salary, while employers are required to contribute 19.5% and 24.0%, respectively, for police officers and firefighters. The City of Willard's contributions to OP&F for the years ending December 31, 2001, 2000, and 1999 were \$211,961, \$191,188, and \$200,254, respectively, equal to the required contribution for the year. Of the above City matching contributions, \$40,365 had not been paid by December 31, 2001.

**NOTE M -- POSTEMPLOYMENT BENEFITS
OTHER THAN PENSION BENEFITS**

Public Employees Retirement System - Public Employees Retirement System of Ohio provides post-retirement health care coverage to age and service retirees with 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and to primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to PERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The 2001 and 2000 employer contribution rates were 13.55% and 10.84%, respectively, of covered payroll; 4.3% was the portion that was used to fund health care for both 2001 and 2000, which is \$89,300 and \$87,100 for 2001 and 2000, respectively.

The Ohio Revised code provides the statutory authority requiring public employers to fund post retirement health care through their contribution to PERS.

OPEB is financed through employer contributions and investment earnings thereon. PERS has elected advance funding of its OPEB's on an actuarially determined basis. The most recent actuarial valuation of PERS' OPEB liability was performed as of December 31, 2000. The following significant actuarial assumptions were used in this valuation:

Funding Method An entry age normal actuarial cost method of valuation is used in the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of the unfunded actuarial accrued liability.

Assets Valuation Method All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25% of unrealized market appreciation or depreciation on investment assets.

CITY OF WILLARD, OHIO
NOTES TO COMBINED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

Investment Return The investment assumption rate for 2000 was 7.75%.

Active Employee Total Payroll An annual increase of 4.75% compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.75% base increase, were assumed to range from 0.54% to 5.1%.

Health Care Costs Health care costs was assumed to increase 4.75% annually.

The number of active contributing participants of PERS as of December 31, 2000 was 411,076. The contribution rates discussed above are the actuarially determined contribution requirements for PERS. The Retirement System's net assets available for OPEB had an actuarial value of \$11,735,900,000 as of December 31, 2000. The actuarial accrued liability as of that date was \$14,364,600,000 resulting in an unfunded actuarial accrued liability of \$2,628,700,000.

Police and Fire Pension Fund - The Ohio Police and Fire Pension Fund (OP&F) provides post-retirement health care coverage to any person who received or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school or under the age of 22 if attending school full-time or on a 2/3 basis. The health care coverage provided by the retirement system is considered an Other Post Employment Benefit (OPEB) as described in GASB Statement No. 12. The Ohio Revised Code provides that health care costs paid from the funds of OP&F shall be included in the employer's contribution rate. The total police employer contribution rate is 19.5% of covered payroll and the total firefighter employer contribution rate is 24% of covered payroll.

The Ohio Revised Code provides the statutory authority allowing the OP&F's Board of Trustees to provide health care coverage to all eligible individuals.

Health care funding and accounting is on a pay-as-you-go basis. A portion of covered payroll, as defined by the Board, is used to pay retiree health care expenses. The Board-defined allocation, 7.5 and 7.25 percent of covered payroll in 2001 and 2000, respectively, is used to pay health care expenses. In addition, since July 1, 1992 most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment.

The number of participants eligible to receive health care benefits as of December 31, 2000, the date of the last actuarial valuation available, is 12,853 for police and 10,037 for

firefighters.

The amount that the City of Willard contributed as the employer's share to pay post employment benefits was \$43,200 for police and \$20,300 for fire.

The Fund's total health care expenses for the year ended December 31, 2000, the date of the last actuarial valuation available, were \$106,160,054, which was net of member contributions of \$5,657,431.

NOTE N -- ACCUMULATED UNPAID EMPLOYEE BENEFITS

FRATERNAL ORDER OF POLICE

The City has a union agreement with the Fraternal Order of Police. This agreement covers all the full-time policemen and dispatchers except the chief of police and probationary employees in the first sixty days of employment. Non-union employees are governed by the charter and ordinances. The City has historically matched the union employees pay increases and other benefits.

The agreement states that 35 percent of accrued unpaid sick leave will be paid to an employee when he retires from active service with the City and qualifies and begins to receive pension payments under the Public Employees Retirement System or other State operated pension and retirement program. Sick leave may be accumulated to a total of 180 working days or 1440 hours. A full-time employee shall be entitled to a cash payment, equal to 35 percent 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, he 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 he is leaving the service of the City.

NOTE O -- DEFERRED COMPENSATION

The City of Willard employees and elected officials may participate in a state-wide deferred compensation plan created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The plan permits deferral of compensation until future years. According to the plan, the deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

The plan Agreement states that the City and the Ohio Public Employees Deferred Compensation Board have no liability for losses under the plan with the exception of fraud or wrongful taking.

**CITY OF WILLARD, OHIO
 NOTES TO COMBINED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2001**

NOTE P -- JOINT SELF-INSURANCE POOLS

The City participates with other cities in The Buckeye Ohio Risk Management Agency, Inc. (BORMA) in jointly funded risk financing programs administered by Arthur J. Gallagher & Co. One program currently includes the following areas of risks: Commercial Automobile Liability, Automobile Physical Damage, Comprehensive General Liability, Crime and Property Liability, and Public Officials Liability. This program includes the following municipalities: Bowling Green, Defiance, Huron, Napoleon, Sandusky, and Willard. A third party administrator, Arthur J. Gallagher and Co. - Cleveland, reviews all claims which are then paid by the Pool. Member contributions are calculated to annually produce a sufficient sum of money within the pool to fund administrative expenses and to create reserves for claims. As of December 31, 2001, the Pool has cash reserves which, in the opinion of BORMA management, is adequate for any claims against the Pool. The City contributed \$21,175 towards the reserve, \$45,340 towards the premium and administration costs of the Pool and \$-0- towards claims for which the City is directly liable.

The other program is for employee benefits and includes life insurance, accidental death and dismemberment insurance, health insurance, prescription drug insurance and dental insurance. Each member has an option on the coverage it has elected for its employees. Willard provides to its employees all available options offered by the Pool. The members included in this Pool are Archbold, Bowling Green, Carey, Clyde, Defiance, Fayette, Hicksville, Napoleon, Oberlin, Sandusky, Upper Sandusky, and Willard. A third party, CoreSource, Inc. - Columbus, reviews all claims which are then paid by the Pool. As of December 31, 2001, the latest information available, the Pool had cash reserves which, in the opinion of BORMA management, is adequate for any claims against the Pool.

Premiums are paid to the Benefits Pool at a cost of \$325.02 for single coverage and \$896.40 for family coverage. Life insurance monthly premium is \$6.20. During 2001, the City paid \$620,700 into the Pool for coverage. These costs are paid by the fund that pays the salary for the employee. Both Pools purchase insurance coverage for excess claims to limit the potential loss to its members. The amount of risk retained within the pool for property/casualty and liability is \$25,000 and \$100,000 per claim, respectively, subject to a maximum \$100,000 combined. Claims in excess of \$25,000 up to \$10,000,000 are covered by various excess carriers. In the

Benefits Pool, an annual aggregate limit of \$75,000 per individual is retained by the Pool and claims exceeding that limit are covered by Lloyds of London Company. The City may be liable for any claims which exceed the Pool's assets and are less than the excess claims amount, which could be charged at a pro-rata share of the individual member's premium to the total Pool premiums. The probability of this occurring is remote because Pool reserves are deemed to be adequate and, accordingly, no amounts have been reserved in the City's financial statements. Audited financial statements are maintained separately by the BORMA Pools.

**NOTE Q -- SEGMENT INFORMATION
 - ENTERPRISE FUNDS**

The City maintains three enterprise funds which are intended to be self-supporting through user fees charged for services to the public. Financial segment information as of and for the year ended December 31, 2001 are below.

	<u>Water</u>	<u>Sewer</u>	<u>Storm Water</u>	<u>Total</u>
Operating Revenues	1,237,194	1,565,008	-	2,802,202
Depreciation Expense	256,385	656,393	10,075	922,853
Operating Transfers-in	-	200,000	44,500	244,500
Operating Transfers-out	-	-	-	-
Operating Income (Loss)	(14,145)	(360,850)	(11,031)	(386,026)
Net Income (Loss)	(80,107)	(240,025)	33,469	(286,663)
Current Capital Contributions	-	922,285	34,615	956,900
Property/Equipment Additions	125,383	582,606	11,328	719,317
Net Working Capital	778,643	(127,558)	42,004	693,089
Total Assets	7,826,426	15,190,119	1,006,491	24,023,036
Notes and Bonds Payable	716,591	5,822,079	441,591	6,980,261
Total Equity	6,970,826	9,236,662	564,900	16,772,388

**NOTE R -- MATERIAL VIOLATIONS OF FINANCE
 RELATED LEGAL AND CONTRACTUAL
 PROVISIONS**

Pursuant to Section 117.11(B) of the Revised Code, Weber O'Brien Ltd., CPA's performed tests of compliance with various provisions of local, state and/or federal laws, as appropriate.

NOTE S -- LITIGATION

In the normal course of operations the City may be subject to litigation and claims. While the outcome of any such matters cannot presently be determined, management believes that their ultimate resolution will not have a material effect on the financial statements.



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

City Council
City of Willard
631 S. Myrtle Avenue
Willard, OH 44890

We have audited the general purpose financial statements of the City of Willard, Ohio as of and for the year ended December 31, 2001, and have issued our report thereon dated June 14, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of Willard, Ohio's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on the compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the City of Willard, Ohio in a separate letter dated June 14, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Willard, Ohio's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted another matter involving the internal control over financial reporting that we have reported to management of the City of Willard, Ohio in a separate letter dated June 14, 2002.

City Council
City of Willard
Page Two

This report is intended solely for the information and use of City Council, management, and others within the City, and is not intended to be and should not be used by anyone other than these specified parties.

WILBIR O'BREN LTD.

June 14, 2002



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

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 22, 2002**