

***CITY OF HURON***  
***ERIE COUNTY, OHIO***

***AUDIT REPORT***

**For the Year Ended December 31, 2012**







# Dave Yost • Auditor of State

City Council  
City of Huron  
417 Main Street  
Huron, Ohio 44839

We have reviewed the *Independent Auditors' Report* of the City of Huron, Erie County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2012 through December 31, 2012. 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 Huron is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost  
Auditor of State

October 30, 2013

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**CITY OF HURON  
 ERIE COUNTY  
 AUDIT REPORT  
 For the Year Ending December 31, 2012**

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***Charles E. Harris & Associates, Inc.***  
*Certified Public Accountants*

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**INDEPENDENT AUDITORS' REPORT**

City of Huron  
Erie County  
417 Main Street  
Huron, Ohio 44839

To the City Council:

***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Huron, Erie County, Ohio (the City), as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

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

***Auditor's Responsibility***

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

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

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Huron, Erie County, Ohio, as of December 31, 2012, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General and Fire Levy Funds, thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As described in Note 3, the City implemented GASB Statement No. 63, "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*", and GASB Statement No. 65, "*Items Previously Reported as Assets and Liabilities*". We did not modify our opinion regarding these matters.

**Other Matters**

*Required Supplementary Information*

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 5, 2013, 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 grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



**Charles E. Harris & Associates, Inc.**  
September 5, 2013



## ***City of Huron, Ohio***

Management's Discussion and Analysis

For the Year Ended December 31, 2012

Unaudited

The discussion and analysis of the City of Huron's (the City) financial performance provides an overall review of the City's financial activities for the year ended December 31, 2012. The intent of this discussion and analysis is to look at the City's financial performance as a whole. Readers are advised to review the basic financial statements and the notes to enhance their understanding of the City's financial performance.

### **Financial Highlights**

Key financial highlights for 2012 are as follows:

- For governmental activities, net position increased \$1,149,368, which represents a significant increase of 8.8 percent from 2011.
- Net position of business-type related activities increased \$500,600 or 8.4 percent from 2011.
- General revenues, for governmental activities, accounted for \$3,508,454 or 44.1 percent of total governmental activities revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$4,441,181 or 55.9 percent of total governmental revenues of \$7,949,635.
- For business-type activities, total expenses were \$2,050,792; all of these expenses were offset by program specific charges for services and sales.

### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government wide financial statements, 2) fund financial statements and 3) notes to the basic financial statements.

***Government Wide Financial Statements.*** The government wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to private sector businesses. The statement of net position and statement of activities provide information about the activities of the City taken as a whole. These statements present both an aggregate view of the City's finances and a longer term view of those related assets. Major fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short term as well as what dollars remain for future spending. The fund financial statements also look at the City's most significant funds with all other non-major funds presented in total in one column.

## ***City of Huron, Ohio***

Management's Discussion and Analysis

For the Year Ended December 31, 2012

Unaudited

The statement of net position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

Both of the government wide financial statements distinguish functions for the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business type activities). The governmental activities of the City include general government, security of persons and property, public works, transportation, community environment, interest and fiscal charges, and leisure time activities. The business activities include the water and electric enterprise funds.

The government wide financial statements can be found starting on page 15 of this report.

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

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

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

## ***City of Huron, Ohio***

Management's Discussion and Analysis

For the Year Ended December 31, 2012

Unaudited

The City maintains 31 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances, for the general fund, fire levy special revenue fund, general obligation bond retirement debt service fund and the capital improvement capital project fund which are considered to be major funds. Data from the other 27 governmental funds are combined into single aggregate presentation.

The City adopts an annual appropriated budget for each of its funds. A budgetary comparison statement (non-GAAP basis) has been provided for general fund and the fire levy fund to demonstrate budgetary compliance.

***Proprietary Funds*** The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions as business type activities in the government wide financial statements. The City uses an enterprise fund to account for its water operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City maintains such a fund for its self insurance of health related benefits offered to all full time employees and some participating part time employees as well as those who are continuing benefits through COBRA. Since health insurance predominately benefits governmental rather than business functions, it has been included within governmental activities in the government wide financial statements.

Proprietary funds provide the same type of information as the government wide financial statements only in more detail. The water and electric funds are considered major funds. The proprietary fund financial statements can be found on pages 24 through 26 of this report.

***Fiduciary Funds*** Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected on the government-wide financial statements because the resources from those funds are not available to support the City's programs. The accounting method used for fiduciary funds is much like that used for the proprietary funds. The agency funds represent unclaimed monies fund and the state patrol fund.

***Notes to the Basic Financial Statements*** The notes provide additional information that is essential for a full understanding of the data provided in the government wide and fund financial statements. The notes to the basic financial statements can be found beginning on page 29 of this report.

## City of Huron, Ohio

### Management's Discussion and Analysis

For the Year Ended December 31, 2012

Unaudited

#### Government-Wide Financial Analysis

While this document contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole looks at all financial transactions and answers the question, "How did we do financially during 2012?" The statement of net position and statement of activities answers this question, as stated earlier. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by a private business.

The basis for this accounting considers all of the current year revenues and expenses regardless of when the cash was received or paid. These two statements report the City's net position and the changes in this position. The change in position is important because it tells the reader whether, for the City as a whole, the financial position of the City has improved or declined. However, in evaluating the overall position of the City, non-financial information such as changes in the City's tax base and the condition of City capital assets will also need to be evaluated.

#### The City of Huron as a Whole

Recall that the Statement of Net Position looks at the City as a whole. Table 1 provides a summary of the City's net position for 2012 compared to 2011:

Table 1  
Net Position

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
<b>Assets:</b>						
Current and other assets	\$ 5,701,951	\$ 5,881,985	\$ 2,440,173	\$ 2,724,055	\$ 8,142,124	\$ 8,606,040
Capital assets	12,916,820	11,722,202	6,744,540	6,080,484	19,661,360	17,802,686
Total assets	<u>18,618,771</u>	<u>17,604,187</u>	<u>9,184,713</u>	<u>8,804,539</u>	<u>27,803,484</u>	<u>26,408,726</u>
<b>Liabilities:</b>						
Current liabilities	881,764	1,050,565	78,425	75,462	960,189	1,126,027
Long-term liabilities:						
Due within one year	496,888	1,292,280	410,745	569,362	907,633	1,861,642
Due in more than one year	<u>2,317,321</u>	<u>1,484,963</u>	<u>2,238,444</u>	<u>2,203,216</u>	<u>4,555,765</u>	<u>3,688,179</u>
Total liabilities	<u>3,695,973</u>	<u>3,827,808</u>	<u>2,727,614</u>	<u>2,848,040</u>	<u>6,423,587</u>	<u>6,675,848</u>
<b>Deferred inflows of resources:</b>						
Property taxes	<u>717,447</u>	<u>720,396</u>	<u>-</u>	<u>-</u>	<u>717,447</u>	<u>720,396</u>
<b>Net Position:</b>						
Net investment in capital assets	10,554,046	9,407,360	4,192,512	3,403,727	14,746,558	12,811,087
Restricted net position	2,390,645	2,656,004	-	-	2,390,645	2,656,004
Unrestricted net position	<u>1,260,660</u>	<u>992,619</u>	<u>2,264,587</u>	<u>2,552,772</u>	<u>3,525,247</u>	<u>3,545,391</u>
Total net position	<u>\$ 14,205,351</u>	<u>\$ 13,055,983</u>	<u>\$ 6,457,099</u>	<u>\$ 5,956,499</u>	<u>\$ 20,662,450</u>	<u>\$ 19,012,482</u>

## ***City of Huron, Ohio***

Management's Discussion and Analysis

For the Year Ended December 31, 2012

Unaudited

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. For the City, total assets exceed total liabilities by \$20,662,450 at the close of the most recent year. This amounts to \$14,205,351 in governmental activities and \$6,457,099 in business-type activities.

Capital assets reported on the government-wide statements represent the largest portion of the City's assets. At year-end, capital assets represented 70.7 percent of total governmental and business-type assets. Capital assets include land, construction in progress, land and land improvements, land use rights, land improvements, buildings and improvements, equipment and furniture and infrastructure. Capital assets, net of related debt to acquire the assets at December 31, 2012, were \$14,746,558. These capital assets are used to provide services to citizens and are not available for future spending.

Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities. As of December 31, 2012, the City is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities.

A portion of the City's governmental net position, \$2,390,645 or 16.8 percent, represent resources that are subject to external restrictions on how they may be used. Of the total restricted net position, \$161,376 is restricted for capital projects, \$50,822 is restricted for debt service, \$33,980 is restricted for leisure, \$599,705 is restricted for transportation, \$584,265 is restricted for security persons and property and \$960,497 is restricted for other purposes. The governmental activities unrestricted net position of \$1,260,660 may be used to meet the government's ongoing obligations to citizens and creditors.

**City of Huron, Ohio**  
**Management's Discussion and Analysis**  
**For the Year Ended December 31, 2012**  
**Unaudited**

Table 2 below shows the changes in net position for governmental and business-type activities for year 2012 compared to 2011:

Table 2  
Changes in Net Position

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
<b>Revenues</b>						
Program revenues:						
Charges for services and sales	\$ 2,594,383	\$ 1,811,785	\$ 2,551,392	\$ 2,279,118	\$ 5,145,775	\$ 4,090,903
Operating grants and contributions	1,077,446	1,169,930	-	2,083	1,077,446	1,172,013
Capital grants and contributions	769,352	374,177	-	-	769,352	374,177
General revenues:						
Income taxes	2,261,531	2,364,580	-	-	2,261,531	2,364,580
Property taxes	693,381	775,838	-	-	693,381	775,838
Payment in lieu of tax	-	265	-	-	-	265
Intergovernmental	485,076	1,232,687	-	-	485,076	1,232,687
Interest	9,049	6,569	-	-	9,049	6,569
Sale of capital asset	-	3,620	-	-	-	3,620
Miscellaneous	59,417	94,104	-	-	59,417	94,104
Total revenues	<u>7,949,635</u>	<u>7,833,555</u>	<u>2,551,392</u>	<u>2,281,201</u>	<u>10,501,027</u>	<u>10,114,756</u>
<b>Program Expenses</b>						
Governmental Activities:						
General government	1,087,862	1,677,044	-	-	1,087,862	1,677,044
Security of persons and property:						
Police	1,586,249	1,521,699	-	-	1,586,249	1,521,699
Fire	1,648,294	1,491,528	-	-	1,648,294	1,491,528
Economic development and assistance	248,225	366,442	-	-	248,225	366,442
Basic utility service	694,290	540,313	-	-	694,290	540,313
Leisure time activities	599,211	526,324	-	-	599,211	526,324
Transportation	796,181	862,659	-	-	796,181	862,659
Interest and fiscal charges	72,841	77,038	-	-	72,841	77,038
Issuance costs	67,114	-	-	-	67,114	-
Business-type Activities:						
Water	-	-	1,936,426	2,041,761	1,936,426	2,041,761
Electric	-	-	114,366	135,935	114,366	135,935
Total program expenses	<u>6,800,267</u>	<u>7,063,047</u>	<u>2,050,792</u>	<u>2,177,696</u>	<u>8,851,059</u>	<u>9,240,743</u>
Change in net position	1,149,368	770,508	500,600	103,505	1,649,968	874,013
Net position beginning of year	<u>13,055,983</u>	<u>12,285,475</u>	<u>5,956,499</u>	<u>5,852,994</u>	<u>19,012,482</u>	<u>18,138,469</u>
Net position end of year	<u>\$ 14,205,351</u>	<u>\$ 13,055,983</u>	<u>\$ 6,457,099</u>	<u>\$ 5,956,499</u>	<u>\$ 20,662,450</u>	<u>\$ 19,012,482</u>

## ***City of Huron, Ohio***

Management's Discussion and Analysis

For the Year Ended December 31, 2012

Unaudited

### ***Governmental Activities***

Security of persons and property, which primarily supports the operations of the City's police, fire and emergency medical services, accounts for \$3,234,543 of expenses, or 47.6 percent of total governmental expenses of the City. These expenses were funded by \$1,168,890 in charges to users of services and operating grants. General government expenses, which primarily include support departments of the mayor, council, finance, engineering, law and other adjunct support services not specifically related to a specific function or activity; totaled \$1,087,862 or 16 percent of total governmental expenses. General government expenses were fully covered by \$1,624,008 of direct charges to users and operating and capital grants.

General revenues totaled \$3,508,454, and amounted to 44.1 percent of total revenues. These revenues primarily consist of property and income tax revenue of \$2,954,912, or 84.2 percent of total general revenues. The other primary source of general revenues is intergovernmental that are not restricted to specific programs, with a majority of the revenue being local government and local government revenue assistance. For 2012, these revenues totaled \$485,076 or 13.8 percent of the total general revenues.

Net position increased due partly to an increase in charges for services and operating and capital grants.

The net position for the internal service fund increased \$93,042. This increase was mainly attributable to an increase in charges for services.

### ***Business-type Activities***

The water and electric funds represent the City's business-type activities. These programs have program revenues of \$2,551,392, and expenses of \$2,050,792, respectively, for the year ended 2012. Business-type activities had an increase in net position of \$500,600. For this year, the increase in net position was attributed to operating activities.

All of the business-type activities program revenue was charges for services. The majority of the receipts were used to fund the water operations.

### ***Program Expenses***

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for government-wide activities, the total cost of services and the net cost of services for 2012 compared to 2011. That is, it identifies the cost of these services supported by general revenues.

## City of Huron, Ohio

### Management's Discussion and Analysis

For the Year Ended December 31, 2012

Unaudited

Table 3  
Program Expenses

	<u>2012</u>		<u>2011</u>		<u>Net Change</u>	
	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
<i>Governmental Activities:</i>						
General government	\$ 1,087,862	\$ 536,146	\$ 1,677,044	\$ (821,053)	\$ (589,182)	\$ 1,357,199
Security of persons and property						
Police	1,586,249	(1,449,194)	1,521,699	(1,407,499)	64,550	(41,695)
Fire	1,648,294	(616,459)	1,491,528	(628,880)	156,766	12,421
Economic development and assistance	248,225	(248,175)	366,442	(366,282)	(118,217)	118,107
Basic utility service	694,290	(57,779)	540,313	70,783	153,977	(128,562)
Leisure time activities	599,211	(93,528)	526,324	(136,685)	72,887	43,157
Transportation	796,181	(290,142)	862,659	(340,501)	(66,478)	50,359
Interest and fiscal charges	69,917	(69,917)	77,038	(77,038)	(7,121)	7,121
Issuance costs	67,114	(67,114)	-	-	67,114	(67,114)
Current refunding	2,924	(2,924)	-	-	2,924	(2,924)
<i>Business-Type Activities:</i>						
Water	1,936,426	486,113	2,041,761	111,153	(105,335)	374,960
Electricity	114,366	14,487	135,935	(7,648)	(21,569)	22,135
Total expenses	<u>\$ 8,851,059</u>	<u>\$ (1,858,486)</u>	<u>\$ 9,240,743</u>	<u>\$ (3,603,650)</u>	<u>\$ (389,684)</u>	<u>\$ 1,745,164</u>

### Financial Analysis of City Funds

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

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

As of December 31, 2012, the City's governmental funds reported a combined ending fund balance of \$3,292,853, a decrease of \$97,793 in comparison with the prior year. \$794,904 of the ending combined fund balance for 2012 constitutes assigned and unassigned fund balance combined, which is available for spending at the government's discretion. The remainder of fund balance is nonspendable, restricted, or committed to indicate that it is not available for new spending because it is not in spendable form or it has already been restricted or committed by external or internal constraints. A large portion of the fund balance, \$1,986,313, or 60.3 percent is restricted. These restricted amounts lead to restricted net position on the Statement of Net Position due to expenditure restrictions mandated by the source of the resource, such as the state or federal government.



## City of Huron, Ohio

### Management's Discussion and Analysis

For the Year Ended December 31, 2012

Unaudited

The general fund is the primary operating fund of the City. At the end of 2012, unassigned fund balance was \$1,188,126 while total fund balance was \$1,209,556. As a measure of the general fund's liquidity it may be useful to compare both, unassigned fund balance and total fund balance to total fund expenditures. The fund balance of the City's general fund increased, by \$121,933 during 2012. This increase was caused not by any specific event.

Table 4 below reports year 2012 balances compared to 2011:

Table 4  
Change in Fund Balance

	Fund Balance		Increase (Decrease)	Percent Change
	December 31, 2012	December 31, 2011		
General	\$ 1,209,556	\$ 1,087,623	\$ 121,933	11.2%
Fire levy	319,212	302,508	16,704	5.5%
General obligation bond retirement	52,923	49,371	3,552	7.2%
Capital improvements	(243,320)	(187,800)	(55,520)	-29.6%
Other Governmental Funds	1,954,482	2,138,944	(184,462)	-8.6%
	<u>\$ 3,292,853</u>	<u>\$ 3,390,646</u>	<u>\$ (97,793)</u>	

Table 5 below assists in illustrating the financial activities for the general fund of year 2012 balances compared to 2011:

Table 5  
Change in Financial Activities for the General Fund

	December 31, 2012	December 31, 2011	Increase (Decrease)
<u>Revenues:</u>			
Income tax	\$ 1,800,368	\$ 1,796,561	\$ 3,807
Property and other taxes	171,087	215,381	(44,294)
Charges for services	669,283	642,741	26,542
Licenses and permits	128,058	113,749	14,309
Fines and forfeitures	329,963	290,960	39,003
Intergovernmental	467,932	1,245,828	(777,896)
Investment income	7,551	3,569	3,982
Other	154,249	92,924	61,325
Total revenue	<u>\$ 3,728,491</u>	<u>\$ 4,401,713</u>	<u>\$ (673,222)</u>
<u>Expenditures:</u>			
Current:			
General government	935,543	809,238	126,305
Security of persons and property:			
Police	1,334,057	1,300,327	33,730
Basic utility services	694,290	540,313	153,977
Capital outlay	-	6,193	(6,193)
Total expenditures	<u>\$ 2,963,890</u>	<u>\$ 2,656,071</u>	<u>\$ 307,819</u>

## ***City of Huron, Ohio***

Management's Discussion and Analysis

For the Year Ended December 31, 2012

Unaudited

*Proprietary Funds* – The City maintains two different types of proprietary funds. Enterprise funds are used to report functions presented as a business-type activities on the government-wide financial statements. As noted earlier, the City uses enterprise funds to account for water and electric operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's other programs and activities. The City uses an internal service fund to account for the self-insurance program and employee benefits.

As of December 31, 2012, net position for the City's enterprise funds were \$6,457,099. Of that total, \$2,264,587 represents unrestricted net position that are available for spending at the City's discretion. As of December 31, 2012, unrestricted net position in the self-insurance program were \$44,114.

### **Budgetary Highlights**

The City's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the general fund. During the course of 2012 the City amended its general fund budget on various occasions. All recommendations for budget changes come to the Finance Committee of City Council for review before going to the whole Council for ordinance enactment on the change. The City allows small interdepartmental budget changes that modify line items within departments within the same fund. The general fund supports many of the City's major activities such as the Police Department and the Fire Department as well as most legislative and executive activities. The general fund is monitored closely, looking for possible revenue shortfalls or overspending by individual departments.

The general fund original budgeted revenue was increased by \$302,988 during the year due to anticipated additional revenues being received later in the year. The actual revenue received during the year was \$141,432 or 3.3 percent less than the final estimate.

The general fund original budgeted expenditures were less than the final budgeted expenditures by \$254,952. There were no individually significant events that led to these differences. Actual expenditures, plus encumbrances for the year were the same as the final budgeted amounts.

### **Capital Assets and Debt Administration**

*Capital Assets* - At the end of 2012, the City had \$19,661,360 (net of accumulated depreciation) invested in land, land and land improvements, land use rights, land improvements, buildings, equipment and furniture, vehicles, infrastructure and construction in progress. Of this total \$12,916,820 was reported in governmental activities and \$6,744,540 was reported in business-type activities. Table 4 shows fiscal year 2012 balances compared to 2011.

**City of Huron, Ohio**

Management's Discussion and Analysis

For the Year Ended December 31, 2012

Unaudited

**Table 6**  
**Capital Assets, at December 31**  
**(Net of Depreciation)**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Land and land improvements	\$ 6,097,388	\$ 5,991,649	\$ 30,000	\$ 30,000	\$ 6,127,388	\$ 6,021,649
Land use rights	49,687	49,687	-	-	49,687	49,687
Construction in progress	434,381	37,147	33,506	823,176	467,887	860,323
Land improvements	2,405,279	2,514,050	57,566	56,305	2,462,845	2,570,355
Buildings and improvements	2,119,849	2,144,173	1,807,431	1,799,616	3,927,280	3,943,789
Equipment and furniture	319,557	356,149	1,221,758	117,488	1,541,315	473,637
Vehicles	641,253	418,555	18,917	26,485	660,170	445,040
Infrastructure	849,426	210,792	3,575,362	3,227,414	4,424,788	3,438,206
Total	<u>\$ 12,916,820</u>	<u>\$ 11,722,202</u>	<u>\$ 6,744,540</u>	<u>\$ 6,080,484</u>	<u>\$ 19,661,360</u>	<u>\$ 17,802,686</u>

For governmental activities capital additions were offset by \$421,249 of accumulated depreciation. Depreciation expense for business-type activities was \$189,139.

Additional information concerning the City's capital assets can be found in Note 8 of the basic financial statements.

*Long Term Debt* - At December 31, 2012 the City had total long-term debt outstanding of \$4,914,802. Of this total, \$696,689 is due within one year and \$4,218,113 is due in more than one year. Table 5 below summarizes the bonds and loans outstanding:

**Table 7**  
**Outstanding Debt, at December 31**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
General obligation bonds	\$ 1,927,395	\$ 1,198,300	\$ 1,203,153	\$ 1,483,945	\$ 3,130,548	\$ 2,682,245
Notes	-	895,000	-	-	-	895,000
OWDA loan	-	-	968,797	1,136,929	968,797	1,136,929
Capital leases	435,379	221,542	380,078	55,883	815,457	277,425
Total	<u>\$ 2,362,774</u>	<u>\$ 2,314,842</u>	<u>\$ 2,552,028</u>	<u>\$ 2,676,757</u>	<u>\$ 4,914,802</u>	<u>\$ 4,991,599</u>

Additional information concerning the City's capital leases and debt can be found in Notes 10, 11, and 12 of the basic financial statements.

## ***City of Huron, Ohio***

Management's Discussion and Analysis

For the Year Ended December 31, 2012

Unaudited

### **Economic Factors**

The City is financially strong. The City is continuing its economic priority by aggressively pursuing new businesses to move to its community as well as people who represent investment capital. The City has implemented a zoning program, and groups such as the Huron Economic Development Committee and Chamber of Commerce have supported the reservation of industrial tracts. Also, with the creation of the Huron Joint Port Authority has helped to ensure that the local harbor facilities can be developed to their maximum potential. The Port Authority continues working to create additional uses of the harbor in an effort to stimulate commerce in the community.

### **Requests for Information**

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Pam Snell, Financial Director, 417 Main Street, Huron, Ohio 44839.

**City of Huron, Ohio**  
**Statement of Net Position**  
**December 31, 2012**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>Assets:</u>			
Equity in pooled cash and cash equivalents	\$ 3,016,964	\$ 1,429,584	\$ 4,446,548
Cash and cash equivalents in segregated accounts	216,667	-	216,667
Receivables:			
Income tax	527,522	-	527,522
Property and other taxes	876,518	-	876,518
Accounts	253,191	839,357	1,092,548
Special assessments	40,849	-	40,849
Accrued interest	2,947	-	2,947
Intergovernmental	576,135	-	576,135
Materials and supplies inventory	2,806	158,495	161,301
Land held for resale	161,140	-	161,140
Prepaid items	27,212	12,737	39,949
Nondepreciable capital assets	6,581,456	63,506	6,644,962
Depreciable capital assets, net	6,335,364	6,681,034	13,016,398
<b>Total assets</b>	<b>18,618,771</b>	<b>9,184,713</b>	<b>27,803,484</b>
<u>Liabilities:</u>			
Accounts payable	152,356	42,501	194,857
Contracts payable	256,804	-	256,804
Accrued wages and benefits	46,127	11,723	57,850
Pension obligation payable	118,426	7,497	125,923
Due to other governments	53,368	15,467	68,835
Income tax refunds payable	23,738	-	23,738
Accrued interest payable	2,101	1,237	3,338
Claims payable	67,704	-	67,704
Notes payable	161,140	-	161,140
Long-term liabilities:			
Due within one year	496,888	410,745	907,633
Due in more than one year	2,317,321	2,238,444	4,555,765
<b>Total liabilities</b>	<b>3,695,973</b>	<b>2,727,614</b>	<b>6,423,587</b>
<u>Deferred inflows of resources:</u>			
Property taxes	717,447	-	717,447
<u>Net position:</u>			
Net investment in capital assets	10,554,046	4,192,512	14,746,558
Restricted for:			
Capital projects	161,376	-	161,376
Debt service	50,822	-	50,822
Transportation	599,705	-	599,705
Security of persons and property	584,265	-	584,265
Leisure time activities	33,980	-	33,980
Other purposes	960,497	-	960,497
Unrestricted	1,260,660	2,264,587	3,525,247
<b>Total net position</b>	<b>\$ 14,205,351</b>	<b>\$ 6,457,099</b>	<b>\$ 20,662,450</b>

See accompanying notes to the basic financial statements.

**City of Huron, Ohio**  
**Statement of Activities**  
**For the Year Ended December 31, 2012**

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants and Contributions
<u>Governmental Activities:</u>				
General government	\$ 1,087,862	\$ 644,301	\$ 210,355	\$ 769,352
Security of persons and property				
Police	1,586,249	40,907	96,148	-
Fire	1,648,294	941,998	89,837	-
Leisure time activities	599,211	326,820	178,863	-
Economic development and assistance	248,225	50	-	-
Transportation	796,181	3,796	502,243	-
Basic utility services	694,290	636,511	-	-
Interest and fiscal charges	72,841	-	-	-
Bond issuance costs	67,114	-	-	-
Total governmental activities	<u>6,800,267</u>	<u>2,594,383</u>	<u>1,077,446</u>	<u>769,352</u>
<u>Business-Type Activities:</u>				
Water	1,936,426	2,422,539	-	-
Electric	114,366	128,853	-	-
Total business-type activities	<u>2,050,792</u>	<u>2,551,392</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 8,851,059</u>	<u>\$ 5,145,775</u>	<u>\$ 1,077,446</u>	<u>\$ 769,352</u>

General revenues:  
Property taxes levied for:  
    General purposes  
    Police and fire  
Municipal income tax levied for:  
    General purposes  
    Capital improvements  
    Debt services  
Grants and entitlements not restricted to specific programs  
Investment earnings  
Other  
Total general revenues

Change in net position

Net position, beginning of year  
Net position, end of year

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and Changes in Net Position

Primary Government

Governmental Activities	Business-Type Activities	Total
\$ 536,146	\$ -	\$ 536,146
(1,449,194)	-	(1,449,194)
(616,459)	-	(616,459)
(93,528)	-	(93,528)
(248,175)	-	(248,175)
(290,142)	-	(290,142)
(57,779)	-	(57,779)
(72,841)	-	(72,841)
(67,114)	-	(67,114)
<u>(2,359,086)</u>	<u>-</u>	<u>(2,359,086)</u>
-	486,113	486,113
-	14,487	14,487
-	500,600	500,600
<u>(2,359,086)</u>	<u>500,600</u>	<u>(1,858,486)</u>
138,023	-	138,023
555,358	-	555,358
1,793,256	-	1,793,256
178,275	-	178,275
290,000	-	290,000
485,076	-	485,076
9,049	-	9,049
59,417	-	59,417
<u>3,508,454</u>	<u>-</u>	<u>3,508,454</u>
1,149,368	500,600	1,649,968
<u>13,055,983</u>	<u>5,956,499</u>	<u>19,012,482</u>
<u>\$ 14,205,351</u>	<u>\$ 6,457,099</u>	<u>\$ 20,662,450</u>

**City of Huron, Ohio**

**Balance Sheet**

**Governmental Funds**

**December 31, 2012**

	General	Fire Levy	General Obligation Bond Retirement	Capital Improvements	Other Governmental Funds	Total Governmental Funds
<u>Assets:</u>						
Equity in pooled cash and cash equivalents	\$ 843,126	\$ 211,553	\$ 52,923	\$ 148	\$ 1,902,257	\$ 3,010,007
Cash and cash equivalents:						
In segregated accounts	-	-	-	-	107,411	107,411
Receivables:						
Income tax	527,522	-	-	-	-	527,522
Property and other taxes	266,312	513,565	-	-	96,641	876,518
Accounts	41,193	211,998	-	-	-	253,191
Special assessments	431	-	-	-	40,418	40,849
Accrued interest	2,528	-	-	-	419	2,947
Intergovernmental	260,242	36,896	-	25,808	253,189	576,135
Materials and supplies inventory	-	-	-	-	2,806	2,806
Prepaid items	8,250	11,161	-	-	7,801	27,212
Land held for resale	-	-	-	-	161,140	161,140
Total assets	<u>\$ 1,949,604</u>	<u>\$ 985,173</u>	<u>\$ 52,923</u>	<u>\$ 25,956</u>	<u>\$ 2,572,082</u>	<u>\$ 5,585,738</u>
<u>Liabilities and fund balances</u>						
<u>Liabilities:</u>						
Accounts payable	\$ 84,225	\$ 16,040	\$ -	\$ 12,472	\$ 35,224	\$ 147,961
Contracts payable	-	-	-	256,804	-	256,804
Accrued wages and benefits	25,552	13,090	-	-	7,485	46,127
Pension obligation payable	10,098	3,225	-	-	105,103	118,426
Due to other governments	25,219	17,383	-	-	10,766	53,368
Income tax refunds payable	23,738	-	-	-	-	23,738
Notes payable	-	-	-	-	161,140	161,140
Total liabilities	<u>168,832</u>	<u>49,738</u>	<u>-</u>	<u>269,276</u>	<u>319,718</u>	<u>807,564</u>
<u>Deferred inflows of resources:</u>						
Property taxes	219,480	418,052	-	-	79,915	717,447
Unavailable revenue	334,153	162,225	-	-	211,687	708,065
Unavailable revenue - delinquent property taxes	17,583	35,946	-	-	6,280	59,809
Total deferred inflows of resources	<u>571,216</u>	<u>616,223</u>	<u>-</u>	<u>-</u>	<u>297,882</u>	<u>1,485,321</u>
<u>Fund balances:</u>						
Nonspendable	8,250	11,161	-	-	171,747	191,158
Restricted	-	308,051	52,923	-	1,625,339	1,986,313
Committed	-	-	-	-	320,478	320,478
Assigned	13,180	-	-	-	-	13,180
Unassigned	1,188,126	-	-	(243,320)	(163,082)	781,724
Total fund balances	<u>1,209,556</u>	<u>319,212</u>	<u>52,923</u>	<u>(243,320)</u>	<u>1,954,482</u>	<u>3,292,853</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,949,604</u>	<u>\$ 985,173</u>	<u>\$ 52,923</u>	<u>\$ 25,956</u>	<u>\$ 2,572,082</u>	<u>\$ 5,585,738</u>

See accompanying notes to the basic financial statements.



**City of Huron, Ohio**

**Reconciliation of Total Governmental Fund Balances to  
Net Position of Governmental Activities  
December 31, 2012**

Total governmental fund balances \$ 3,292,853

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

Capital assets used in governmental activities are not financial  
resources and therefore are not reported in funds. 12,916,820

An internal service fund is used by management to charge the  
costs of insurance to individual funds. The assets and liabilities  
of the internal service fund are included in governmental  
activities in the statement of net position. 44,114

Other long-term assets are not available to pay for current-period  
expenditures and therefore are deferred in the funds:

Property and other taxes	\$ 104,549	
Income taxes	229,000	
Payment in lieu of tax	40,418	
Intergovernmental	266,752	
Charges for services	126,684	
Other	471	
Total	<u>767,874</u>	767,874

Accrued interest payable is not due and payable in the current  
period and therefore is not reported in the funds. (2,101)

Long-term liabilities are not due and payable in the current  
period and therefore are not reported in the funds:

General obligation bonds	\$ (1,880,600)	
Unamortized premium on bonds	(46,795)	
Capital lease payable	(435,379)	
Compensated absences	(451,435)	
Total	<u>(2,814,209)</u>	(2,814,209)

Net position of governmental activities \$ 14,205,351

See accompanying notes to the basic financial statements.

**City of Huron, Ohio**

**Statement of Revenues, Expenditures and Changes in Fund Balances**

**Governmental Funds**

**For the Year Ended December 31, 2012**

	General	Fire Levy	General Obligation Retirement	Bond Capital Improvements	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>						
Income tax	\$ 1,800,368	\$ -	\$ 290,000	\$ 178,275	\$ 4,704	\$ 2,273,347
Property and other taxes	171,087	484,055	-	-	88,424	743,566
Charges for services	669,283	858,656	-	-	286,336	1,814,275
Licenses and permits	128,058	-	-	22,064	-	150,122
Fines and forfeitures	329,963	-	-	-	78,311	408,274
Intergovernmental	467,932	72,349	-	979,707	758,851	2,278,839
Special assessments	-	-	-	8,407	16,732	25,139
Investment income	7,551	-	-	-	5,221	12,772
Payment in lieu of tax	-	-	-	-	20,209	20,209
Other	154,249	1,000	-	-	79,465	234,714
<b>Total revenue</b>	<b>3,728,491</b>	<b>1,416,060</b>	<b>290,000</b>	<b>1,188,453</b>	<b>1,338,253</b>	<b>7,961,257</b>
<b>Expenditures:</b>						
<b>Current:</b>						
General government	935,543	-	-	38,170	45,256	1,018,969
Security of persons and property:						
Police	1,334,057	-	-	6,664	273,464	1,614,185
Fire	-	1,521,569	-	-	53,061	1,574,630
Transportation	-	-	-	36,744	609,331	646,075
Basic utility services	694,290	-	-	-	-	694,290
Leisure time activities	-	-	-	17,143	529,554	546,697
Economic development and assistance	-	-	-	-	248,225	248,225
Capital outlay	-	15,287	-	1,568,068	32,512	1,615,867
Debt service:						
Principal retirement	-	-	1,017,000	110,428	17,656	1,145,084
Interest and fiscal charges	-	-	48,966	8,677	3,824	61,467
Bond issuance costs	-	-	67,114	-	-	67,114
Current refunding	-	-	136,424	-	-	136,424
<b>Total expenditures</b>	<b>2,963,890</b>	<b>1,536,856</b>	<b>1,269,504</b>	<b>1,785,894</b>	<b>1,812,883</b>	<b>9,369,027</b>
Excess of revenues over (under) expenditures	764,601	(120,796)	(979,504)	(597,441)	(474,630)	(1,407,770)
<b>Other financing sources (uses):</b>						
Issuance of refunding bonds	-	-	2,002,600	-	-	2,002,600
Payment to refunded bond escrow agent	-	-	(1,090,638)	-	-	(1,090,638)
Inception of capital lease	-	-	-	341,921	-	341,921
Premium on debt issued	-	-	56,094	-	-	56,094
Transfers - in	-	200,000	15,000	200,000	326,668	741,668
Transfers - out	(642,668)	(62,500)	-	-	(36,500)	(741,668)
<b>Total other financing sources (uses)</b>	<b>(642,668)</b>	<b>137,500</b>	<b>983,056</b>	<b>541,921</b>	<b>290,168</b>	<b>1,309,977</b>
Net change in fund balance	121,933	16,704	3,552	(55,520)	(184,462)	(97,793)
Fund balances (deficit) at beginning of year	1,087,623	302,508	49,371	(187,800)	2,138,944	3,390,646
Fund balances (deficit) at end of year	<u>\$ 1,209,556</u>	<u>\$ 319,212</u>	<u>\$ 52,923</u>	<u>\$ (243,320)</u>	<u>\$ 1,954,482</u>	<u>\$ 3,292,853</u>

See accompanying notes to the basic financial statements.

**City of Huron, Ohio**

**Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ended December 31, 2012**

Net change in fund balances - Total governmental funds \$ (97,793)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities,  
the cost of capital assets is allocated over their estimated useful lives as depreciation expense.

In the current period, these amounts are:

Capital outlay	\$ 1,615,867	
Depreciation expense	<u>(421,249)</u>	
Excess of capital outlay over depreciation expense		1,194,618

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

Property and other taxes	\$ (5,445)	
Income taxes	(11,816)	
Payment in lieu of taxes	(20,209)	
Intergovernmental	(29,825)	
Special assessments	(28,495)	
Charges for services	83,697	
Other	<u>471</u>	
Net change in deferred inflows of resources during the year		(11,622)

Some items reported in the statement of activities do not require the use of current financial  
resources and therefore are not reported as expenditures in governmental funds. These  
activities consist of:

Decrease in compensated absences	\$ 10,966	
Decrease in accrued interest	<u>8,089</u>	
Total additional expenditures		19,055

The internal service fund used by management to charge the costs of dental and vision  
claims to individual funds are not reported in the statement of activities. Governmental  
fund expenditures and related internal service fund revenues are eliminated. 93,042

Repayment of bond and note principal is an expenditure in the governmental funds, but the  
repayment reduces long-term liabilities in the statement of net position. 1,017,000

Payment of capital lease principal is an expenditure in the governmental funds, but the  
repayment reduces long-term liabilities in the statement of net position. 128,084

Some capital additions were financed through capital leases. In governmental funds, a capital  
lease arrangement is considered a source of financing, but in the statement of net position, (341,921)

The issuance of refunding bonds resulted in expenditures and other financing sources and uses in the governmental  
funds, but these transactions are reflected in the statement of net assets as liabilities.

Payment to refunded bond escrow agent	1,090,638	
Proceeds from refunding bonds	(2,002,600)	
Current refunding	136,424	
Interest payment on refunding bonds	<u>(28,762)</u>	
		(804,300)

The amortization of bond premium is reflected as an expense in the statement of  
activities. (46,795)

Change in net position of governmental activities \$ 1,149,368

See accompanying notes to the basic financial statements.

**City of Huron, Ohio**

**Statement of Revenues, Expenditures and Changes  
In Fund Balance - Budget (Non-GAAP Basis) and Actual  
General Fund  
For the Year Ended December 31, 2012**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<u>Revenues:</u>				
Income tax	\$ 2,286,260	\$ 2,455,295	\$ 2,353,627	\$ (101,668)
Property and other taxes	239,581	257,296	247,492	(9,804)
Charges for services	639,035	686,282	669,340	(16,942)
Licenses and permits	126,265	135,600	127,293	(8,307)
Fines and forfeitures	305,703	330,000	329,963	(37)
Intergovernmental	325,088	349,123	345,873	(3,250)
Investment income	5,214	5,600	5,123	(477)
Other	147,947	158,885	157,938	(947)
Total revenue	4,075,093	4,378,081	4,236,649	(141,432)
<u>Expenditures:</u>				
Current:				
General government	906,901	957,972	957,972	-
Security of persons and property:				
Police	1,215,914	1,352,099	1,352,099	-
Basic utility services	619,302	686,998	686,998	-
Total expenditures	2,742,117	2,997,069	2,997,069	-
Excess of revenues over expenditures	1,332,976	1,381,012	1,239,580	(141,432)
<u>Other financing uses:</u>				
Transfers - out	(1,126,804)	(1,126,791)	(1,125,943)	848
Net change in fund balance	206,172	254,221	113,637	(140,584)
Fund balance at beginning of year	701,141	701,141	701,141	-
Prior year encumbrances appropriated	14,209	14,209	14,209	-
Fund balance at end of year	\$ 921,522	\$ 969,571	\$ 828,987	\$ (140,584)

See accompanying notes to the basic financial statements.

**City of Huron, Ohio**  
**Statement of Revenues, Expenditures and Changes**  
**In Fund Balance - Budget (Non-GAAP Basis) and Actual**  
**Fire Levy Fund**  
**For the Year Ended December 31, 2012**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final Budget	Actual	
<u>Revenues:</u>				
Property and other taxes	\$ 440,840	\$ 480,167	\$ 480,131	\$ (36)
Charges for services	823,014	849,588	846,103	(3,485)
Intergovernmental	23,414	72,349	72,349	-
Other	918	1,000	1,000	-
Total revenue	<u>1,288,186</u>	<u>1,403,104</u>	<u>1,399,583</u>	<u>(3,521)</u>
<u>Expenditures:</u>				
Current:				
Security of persons and property:				
Fire	<u>1,266,395</u>	<u>1,385,212</u>	<u>1,382,293</u>	<u>2,919</u>
Excess of revenues over expenditures	<u>21,791</u>	<u>17,892</u>	<u>17,290</u>	<u>(602)</u>
<u>Other financing sources (uses):</u>				
Transfers - in	200,000	200,000	200,000	-
Transfers - out	<u>(230,535)</u>	<u>(230,535)</u>	<u>(230,535)</u>	<u>-</u>
Total other financing sources (uses)	<u>(30,535)</u>	<u>(30,535)</u>	<u>(30,535)</u>	<u>-</u>
Net change in fund balance	(8,744)	(12,643)	(13,245)	(602)
Fund balance at beginning of year	202,789	202,789	202,789	-
Prior year encumbrances appropriated	12,465	12,465	12,465	-
Fund balance at end of year	<u>\$ 206,510</u>	<u>\$ 202,611</u>	<u>\$ 202,009</u>	<u>\$ (602)</u>

See accompanying notes to the basic financial statements.

**City of Huron, Ohio**  
**Statement of Fund Net Position**  
**Proprietary Funds**  
**December 31, 2012**

	Business-Type Activities - Enterprise Funds			Governmental
	Water	Electric	Total	Activities Internal Service
<u>Assets:</u>				
Current assets:				
Equity in pooled cash and cash equivalents	\$ 1,275,321	\$ 154,263	\$ 1,429,584	\$ 6,957
Cash and cash equivalents:				
In segregated accounts	-	-	-	109,256
Receivables:				
Accounts receivable	839,101	256	839,357	-
Materials and supplies inventory	158,495	-	158,495	-
Prepaid items	12,737	-	12,737	-
Total current assets	<u>2,285,654</u>	<u>154,519</u>	<u>2,440,173</u>	<u>116,213</u>
Non-current assets:				
Capital assets:				
Non-depreciable capital assets	63,506	-	63,506	-
Depreciable capital assets, net	6,591,459	89,575	6,681,034	-
Total non-current assets	<u>6,654,965</u>	<u>89,575</u>	<u>6,744,540</u>	<u>-</u>
Total assets	<u>8,940,619</u>	<u>244,094</u>	<u>9,184,713</u>	<u>\$ 116,213</u>
<u>Liabilities:</u>				
Current liabilities:				
Accounts payable	34,147	8,354	42,501	4,395
Accrued wages and benefits	9,043	2,680	11,723	-
Accrued pension	7,122	375	7,497	-
Due to other governments	15,428	39	15,467	-
Compensated absences payable	41,295	-	41,295	-
Accrued interest payable	1,237	-	1,237	-
Claims payable	-	-	-	67,704
Capital lease payable	76,993	-	76,993	-
OWDA loans payable	176,057	-	176,057	-
General obligation bonds payable	116,400	-	116,400	-
Total current liabilities	<u>477,722</u>	<u>11,448</u>	<u>489,170</u>	<u>72,099</u>
Long-term liabilities:				
Compensated absences payable	55,866	-	55,866	-
Capital leases payable, net of current portion	303,085	-	303,085	-
OWDA loans payable, net of current portion	792,740	-	792,740	-
General obligation bonds payable, net of current portion	1,086,753	-	1,086,753	-
Total long-term liabilities	<u>2,238,444</u>	<u>-</u>	<u>2,238,444</u>	<u>-</u>
Total liabilities	<u>2,716,166</u>	<u>11,448</u>	<u>2,727,614</u>	<u>72,099</u>
<u>Net position:</u>				
Net investment in capital assets	4,102,937	89,575	4,192,512	-
Unrestricted	2,121,516	143,071	2,264,587	44,114
Total net position	<u>\$ 6,224,453</u>	<u>\$ 232,646</u>	<u>\$ 6,457,099</u>	<u>\$ 44,114</u>

See accompanying notes to the basic financial statements.

**City of Huron, Ohio**

**Statement of Revenues, Expenses and Changes in Fund Net Position**

**Proprietary Funds**

**For the Year Ended December 31, 2012**

	Business-Type Activities - Enterprise Funds			Governmental
	Water	Electric	Total	Activities Internal Service
<u>Operating revenues:</u>				
Charges for services	\$ 2,422,539	\$ 128,853	\$ 2,551,392	\$ 1,230,002
<u>Operating expenses:</u>				
Personal services	648,266	2,680	650,946	-
Fringe benefits	298,126	414	298,540	-
Contractual services	372,674	108,114	480,788	231,289
Supplies and materials	242,541	-	242,541	-
Claims	-	-	-	905,671
Other operating costs	4,646	-	4,646	-
Depreciation	185,981	3,158	189,139	-
Total operating expenses	1,752,234	114,366	1,866,600	1,136,960
Operating income	670,305	14,487	684,792	93,042
<u>Non-operating expenses:</u>				
Interest and fiscal charges	(144,733)	-	(144,733)	-
Bond issuance costs	(39,459)	-	(39,459)	-
Total non-operating expenses	(184,192)	-	(184,192)	-
Change in net position	486,113	14,487	500,600	93,042
Net position at beginning of year	5,738,340	218,159	5,956,499	(48,928)
Net position at end of year	\$ 6,224,453	\$ 232,646	\$ 6,457,099	\$ 44,114

See accompanying notes to the basic financial statements.

**City of Huron, Ohio**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended December 31, 2012**

	Business-Type Activities - Enterprise Funds			Governmental
	Water	Electric	Total	Activities Internal Service
Cash flows from operating activities:				
Cash received from customers	\$ 2,140,678	\$ 128,597	\$ 2,269,275	\$ 1,230,002
Cash payments for personal services	(939,902)	-	(939,902)	-
Cash payments for contractual services	(334,289)	(107,778)	(442,067)	(235,357)
Cash payments to suppliers for goods and services	(258,265)	-	(258,265)	-
Cash payments for claims	-	-	-	(904,004)
Net cash provided by operating activities	608,222	20,819	629,041	90,641
Cash flows from capital and related financing activities:				
Refunding bonds issued	1,177,400	-	1,177,400	-
Interest paid on bonds, loans and leases	(111,097)	-	(111,097)	-
Principal payment on bonds, loans and leases	(211,997)	-	(211,997)	-
Premium on bonds issued	33,823	-	33,823	-
Bond issuance costs	(39,459)	-	(39,459)	-
Current refunding	(359,252)	-	(359,252)	-
Payment to refunding escrow agent	(1,167,791)	-	(1,167,791)	-
Acquisition of capital assets	(477,235)	(10,900)	(488,135)	-
Net cash used for capital and related financing activities	(1,155,608)	(10,900)	(1,166,508)	-
Net increase (decrease) in cash and cash equivalents	(547,386)	9,919	(537,467)	90,641
Cash and cash equivalents at beginning of year	1,822,707	144,344	1,967,051	25,572
Cash and cash equivalents at end of year	\$ 1,275,321	\$ 154,263	\$ 1,429,584	\$ 116,213
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ 670,305	\$ 14,487	\$ 684,792	\$ 93,042
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	185,981	3,158	189,139	-
Change in assets and liabilities:				
(Increase) decrease in assets:				
Accounts receivable	(281,861)	(256)	(282,117)	-
Materials and supplies inventory	28,097	-	28,097	-
Prepaid items	435	-	435	-
Increase (decrease) in liabilities:				
Accounts payable	(854)	336	(518)	(4,068)
Claims payable	-	-	-	1,667
Accrued pension	411	375	786	-
Accrued wages and benefits	(1,619)	2,680	1,061	-
Compensated absences	1,340	-	1,340	-
Due to other governments	5,987	39	6,026	-
Net cash provided by operating activities	\$ 608,222	\$ 20,819	\$ 629,041	\$ 90,641
Noncash capital and related financing activities:				
Acquisition of a capital lease	\$ 365,060	\$ -	\$ 365,060	\$ -
Total noncash capital and related financing activities	\$ 365,060	\$ -	\$ 365,060	\$ -

See accompanying notes to the basic financial statements.



***City of Huron, Ohio***  
**Statement of Fiduciary Net Position**  
**Agency Funds**  
**December 31, 2012**

	<u>Agency</u>
<u>Assets:</u>	
Equity in pooled cash and cash equivalents	\$ 39,578
Cash and cash equivalents in segregated accounts	6,187
Receivables:	
Accounts	<u>57</u>
Total assets	<u>\$ 45,822</u>
<u>Liabilities:</u>	
Accounts payable	\$ 1,767
Intergovernmental payable	6,187
Undistributed monies	<u>37,868</u>
Total liabilities	<u>\$ 45,822</u>

See accompanying notes to the basic financial statements.

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## ***City of Huron, Ohio***

Notes to the Basic Financial Statements

For the Year Ended December 31, 2012

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### **NOTE 1 – Summary of Significant Accounting Policies**

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

#### **A. Reporting Entity**

The City of Huron (the “City”) is a home rule municipal corporation, established under the laws of the State of Ohio and operated under its own charter. The City operates under a part-time council and full-time City Manager form of government. The Mayor and Council are elected.

The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements of the City are not misleading.

The City provides various services including police protection, fire fighting and prevention, health, parks and recreation, street maintenance, planning and zoning, water services, municipal court and general administrative services. The operation of each of these activities is directly controlled by the Council through the budgetary process. None of these services are provided by a legally separate organization; therefore, these operations are included in the primary government.

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

#### **B. Basis of Presentation**

The City’s basic financial statements consist of government-wide financial statements, including a statement of net position and a statement of activities, and fund financial statements that provide a more detailed level of financial information.

***Government-wide Financial Statements*** – The statement of net position and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government except for fiduciary funds. The activity of the internal service fund is eliminated to avoid “doubling up” revenues and expenses. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

## ***City of Huron, Ohio***

Notes to the Basic Financial Statements

For the Year Ended December 31, 2012

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The statement of net position presents the financial condition of the governmental and business-type activities of the City at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for the single business-type activity of the City. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues, which are not classified as program revenue, are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the City.

***Fund Financial Statements*** – During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The enterprise funds are presented in one column on the face of the proprietary fund statements. Fiduciary funds are reported by type.

### **C. Fund Accounting**

The City is organized and operated on the basis of funds. The operation of each fund is accounted for within a set of self-balancing 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. Funds are classified into three categories: governmental, proprietary, and fiduciary.

## ***City of Huron, Ohio***

Notes to the Basic Financial Statements

For the Year Ended December 31, 2012

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***Governmental Funds*** – Governmental funds are those through which most governmental functions typically are financed. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets. The following are the City’s major governmental funds:

*General Fund* This fund is used 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.

*Fire Levy Fund* This fund is used to account for financial resources to be used for Fire department.

*General Obligation Debt Fund* This fund is used for transfers from the general fund income tax revenue restricted to pay for general obligation bond debt.

*Capital Improvement Fund* This fund is used for the purpose of improving, constructing, maintaining and purchasing those items necessary to enhance the operation of the City.

***Proprietary Funds*** – Proprietary funds are used to account for the City’s ongoing organizations and activities which are similar to those found in the private sector. All proprietary funds are accounted for on a flow of economic resources measurement focus. With this approach, the focus is upon the determination of net income, financial position and cash flows. Proprietary funds are classified either enterprise or internal service:

*Enterprise Funds* The enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that costs (expenses, including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges. The water and electric funds are the City’s major proprietary funds. These fund accounts for the revenues and expenses of the City owned water system and electricity provided by the City to an industrial park.

*Internal Service Fund* The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the City on a cost-reimbursement basis. The health care fund accounts for the employees’ health care benefits.

## ***City of Huron, Ohio***

Notes to the Basic Financial Statements

For the Year Ended December 31, 2012

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***Fiduciary Funds*** – Fiduciary funds reporting focuses on net position and changes in net position. The fiduciary fund category is spilt into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City’s own programs. The City has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement if results of operations. The City’s agency funds account for highway patrol and unclaimed money.

### **D. Measurement Focus**

***Government-wide Financial Statements*** – The government-wide financial statements are prepared using the economic resources measurement focus. All assets, all liabilities, deferred outflows of resources and deferred inflows of resources associated with the operation of the City are included on the Statement of Net Position. The Statement of Activities presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position.

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

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

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

### **E. Basis of Accounting**

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

## ***City of Huron, Ohio***

Notes to the Basic Financial Statements

For the Year Ended December 31, 2012

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

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

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year end: income tax, interest, federal and state grants and subsidies, state-levied locally shared taxes (including motor vehicle license fees and gasoline taxes), fees and rentals.

### Deferred Outflows/Inflows of Resources

In addition to assets, the statements of net position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. The City does not have any deferred outflows of resources at December 31, 2012.

In addition to liabilities, the statements of net position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes, payments in lieu of taxes and unavailable revenues. Property taxes and payments in lieu of taxes represent amounts for which there is an enforceable legal claim as of December 31, 2012, but which were levied to finance year 2013 operations. These amounts have been recorded as deferred inflows on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City, unavailable revenue includes delinquent property taxes, income taxes, franchise taxes, intergovernmental grants, special assessments, and charges for services. These amounts are deferred and recognized as inflows of resources in the period the amounts become available.

## ***City of Huron, Ohio***

Notes to the Basic Financial Statements

For the Year Ended December 31, 2012

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

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

### **F. Budgetary Data**

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

***Tax Budget*** – During the first Council meeting in July, the Mayor presents the annual operating budget for the following fiscal year to City Council for consideration and passage. The adopted budget is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year.

***Estimated Resources*** – The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the City by October 1. As part of this certification the City receives the official certificate of estimated resources, which states the projected revenue of each fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include unencumbered cash balances at December 31 of the preceding year. The certificate may be further amended during the year if the Finance Director determines, and the Budget Commission agrees, that an estimate needs to be either increased or decreased. The amounts reported on the budgetary statement reflect the amounts in the first and final amended official certificate of estimated resources issued during 2012.



## ***City of Huron, Ohio***

Notes to the Basic Financial Statements

For the Year Ended December 31, 2012

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***Appropriations*** – A temporary appropriation ordinance to control expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation ordinance must be passed by April 1 of each year for the period January 1 to December 31. The appropriation ordinance fixes spending authority at the fund, department, and object level for all funds. The appropriation ordinance may be amended during the year as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified. The allocation of appropriations among departments and objects within each fund may be modified during the year by an ordinance of Council. During the year, several supplemental appropriation measures were passed. The budget figures which appear in the statement of budgetary comparisons represent the first and final appropriation amounts, including all amendments and modifications.

***Lapsing of Appropriations*** - At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding year and is not re-appropriated.

***Encumbrances*** – As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The Ohio Revised Code prohibits expenditures plus encumbrances from exceeding appropriations at the legal level of control.

### **G. Cash and Cash Equivalents**

To improve cash management, cash received by the City is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through City records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the balance sheet. The City has segregated bank accounts for monies held separate from the City's central bank account. These interest-bearing depository accounts are presented on the statement of net position as "cash and cash equivalents in segregated accounts" since they are not required to be deposited into the City's treasury. A portion of the cash of the healthcare, Huron Rescue Squad, and indigent alcohol treatment funds are included in this line item as well as the entire balance of the municipal courts.

For purpose of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the City are considered to be cash equivalents. Investments with an original maturity of more than three months that were not purchased from the pool are reported as investments.

### **H. Materials and Supplies Inventory**

On the government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used. The cost of inventory items are recorded as expenditures in the governmental fund types when purchased and as expenses in the proprietary fund types when used.

## City of Huron, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2012

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### I. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. In cases where information supporting original costs was not practicably determinable, estimated historical costs were developed. For certain capital assets, the estimates were calculated by indexing estimated current costs back to the estimated year of acquisition. Donated capital assets are recorded at their fair market values as of the date received. The City's infrastructure, was phased in, and consists of roads, guardrails, bridges, water lines, sewer lines and storm water drainage. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of capital assets is also capitalized. The City maintains a capitalization threshold of \$5,000.

All reported capital assets are depreciated except for land and construction in progress. Depreciation of water lines, equipment, and vehicles in the proprietary fund type is computed using the straight-line method over an estimated useful life. Improvements to proprietary fund type fixed assets are depreciated over the remaining useful lives of the related proprietary fund type fixed assets. The estimated useful lives are as follows:

<u>Description</u>	Governmental	Business-Type
	Activities	Activities
	<u>Estimated Lives</u>	<u>Estimated Lives</u>
Buildings and improvements	10-20 years	10-20 years
Equipment, furniture and vehicles	5-10 years	5-10 years
Land improvements	10-20 years	10-20 years
Infrastructure	40 years	40 years

Interest is capitalized on capital assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period. Capitalized interest is amortized on the straight-line basis over the estimated useful life of the asset. For 2012, interest costs incurred on construction projects were not material.

### J. Compensated Absences

Compensated absences of the City consist of vacation leave and sick leave to the extent that payment to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the City and the employee.

In accordance with the provision of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if 1) employees' rights to receive

## ***City of Huron, Ohio***

Notes to the Basic Financial Statements

For the Year Ended December 31, 2012

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compensation are attributable to services already rendered; and 2) it is probable that the City will compensate the employees for the benefits through paid time off or some other means. A liability for sick leave is based on the sick leave accumulated at December 31, 2012. Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those employees the City has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at year end, taking into consideration any limits specified in the City's termination policy.

The entire compensated absences liability is reported on the government-wide statements. For governmental fund financial statements, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported. For enterprise funds, the entire amount of compensated absences is reported as a fund liability.

### **K. Accrued Liabilities and Long-Term Obligations**

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, compensated absences, and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases and long-term loans are recognized as a liability in the fund financial statements when due.

### **L. Interfund Transactions**

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

During the normal course of operations, the City has numerous transactions between funds. Transfers represent movement of resources from a fund receiving revenue to a fund through which those resources will be expended and are recorded as other financing sources (uses) in the governmental funds and as transfers in proprietary funds. Interfund transactions that would be treated as revenues and expenditures/expenses if they involved organizations external to the City are treated similarly when involving other funds of the City.

## ***City of Huron, Ohio***

### Notes to the Basic Financial Statements

For the Year Ended December 31, 2012

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Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “interfund receivable/interfund payable” for the current portion of interfund loans or advances to/from other funds for the noncurrent portion of interfund loans. These amounts are eliminated in the Statement of Net Position, except for any residual balances outstanding between the governmental activities and business-type activities, which are reported in the government-wide financial statements as “internal balances”.

Long-term advances between funds, as reported in the governmental fund financial statements, are often offset by a nonspendable fund balance in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

#### **M. Fund Balance**

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

Nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

Restricted fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation (City ordinances). Enabling legislation authorizes the City to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the City can be compelled by an external party—such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution) of City Council. Those committed amounts cannot be used for any other purpose unless City Council removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by City Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints are not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

## ***City of Huron, Ohio***

Notes to the Basic Financial Statements

For the Year Ended December 31, 2012

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Assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by City Council or a City official delegated that authority by City Charter or ordinance, or by State Statute.

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

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

### **O. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for the water, and self-insurance program. Operating expenses are necessary costs incurred to provide the goods and services that is the primary activity of the fund.

### **P. Capital Contributions**

Capital contributions in statement of activities and proprietary fund financial statements arise from outside contributions of capital assets, or from grants or outside contributions of resources restricted to capital acquisition and construction.

## ***City of Huron, Ohio***

Notes to the Basic Financial Statements

For the Year Ended December 31, 2012

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### **Q. Net Position**

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment of capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

### **R. Estimates**

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

### **S. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond December 31, 2012, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the in the year in which it was consumed.

### **NOTE 2 – Budgetary Basis of Accounting**

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP basis), the budgetary basis as provided by law is based upon accounting for transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget (Non-GAAP) and Actual presented for the general fund and fire levy fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget and to demonstrate compliance with state statute. The major differences between the budget basis and the GAAP are:

- Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
- Expenditures/expenses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
- Encumbrances are treated as expenditures/expenses for all funds (budget) rather than an assigned fund balance for governmental fund types (GAAP).

**City of Huron, Ohio**

Notes to the Basic Financial Statements

For the Year Ended December 31, 2012

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The following table summarizes the adjustments necessary to reconcile the GAAP basis financial statements to the budgetary basis financial statements for the general and fire levy funds.

	Net Change in Fund Balances	
	General Fund	Fire Levy Fund
GAAP basis	\$ 121,933	\$ 16,704
Revenue accruals	508,158	(16,477)
Expense accruals	(503,094)	(3,928)
Encumbrances (budget basis) outstanding at year end	<u>(13,360)</u>	<u>(9,544)</u>
Budget basis	<u>\$ 113,637</u>	<u>\$ (13,245)</u>

**NOTE 3 – Implementation of new accounting standard**

For 2012, the City has implemented Governmental Accounting Standards Board Statement (GASBS) No. 63, “Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position”.

GASBS No. 63 established standards for the reporting of net position which was previously referred to as net assets. The City’s implementation of GASBS No. 63 had no effect on the amount of beginning net position.

For 2012, the City has implemented Governmental Accounting Standards Board Statement (GASBS) No. 65, “Items Previously Reported as Assets and Liabilities”.

GASBS No. 65 established standards that reclassify, as deferred outflows of resources and deferred inflows of resources, certain items that were previously reported as assets and liabilities. The City’s implementation of GASBS No. 65 had no effect on the amount of beginning net position.

**City of Huron, Ohio**

Notes to the Basic Financial Statements

For the Year Ended December 31, 2012

**NOTE 4 – Fund Balance**

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

Fund Balances	General	Fire Levy	Economic Development	General Obligation Bond Retirement	Capital Improvements	Other Governmental Funds	Total Governmental Funds
<u>Nonspendable</u>							
Materials and supplies inventory	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,806	\$ 2,806
Prepays	8,250	11,161	-	-	-	7,801	27,212
Assets held for resale	-	-	-	-	-	161,140	161,140
Total nonspendable	<u>8,250</u>	<u>11,161</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>171,747</u>	<u>191,158</u>
<u>Restricted for</u>							
Streets and highways	-	-	-	-	-	439,900	439,900
Economic development	-	-	-	-	-	534,445	534,445
Recreation	-	-	-	-	-	33,980	33,980
Fire and EMS services	-	308,051	-	-	-	94,786	402,837
Capital improvements	-	-	-	-	-	120,958	120,958
Marine patrol	-	-	-	-	-	10	10
Debt service payments	-	-	-	52,923	-	-	52,923
Court activities	-	-	-	-	-	349,652	349,652
Shade tree	-	-	-	-	-	725	725
Police services	-	-	-	-	-	50,883	50,883
Total restricted	<u>-</u>	<u>308,051</u>	<u>-</u>	<u>52,923</u>	<u>-</u>	<u>1,625,339</u>	<u>1,986,313</u>
<u>Committed</u>							
Recreation	-	-	-	-	-	201,496	201,496
Employee retirements	-	-	-	-	-	118,982	118,982
Total committed	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>320,478</u>	<u>320,478</u>
<u>Assigned</u>							
Encumbrances	<u>13,180</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,180</u>
Unassigned (deficit)	<u>1,188,126</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(243,320)</u>	<u>(163,082)</u>	<u>781,724</u>
Total fund balances	<u>\$ 1,209,556</u>	<u>\$ 319,212</u>	<u>\$ -</u>	<u>\$ 52,923</u>	<u>\$ (243,320)</u>	<u>\$ 1,954,482</u>	<u>\$ 3,292,853</u>



## ***City of Huron, Ohio***

Notes to the Basic Financial Statements

For the Year Ended December 31, 2012

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### **NOTE 5 – Deposits and Investments**

Monies held by the City are classified by State Statute into three categories.

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit, or by savings or deposit accounts including passbook accounts.

Interim monies may be deposited or invested in the following securities:

1. U.S. treasury notes, bills, bonds, notes, or other obligations of or guaranteed by the United States, or those for which the faith of the United States is pledged for the payment of principal and interest.
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency services shall be direct issuances of federal government agencies or instrumentalities.
3. Written repurchase and reverse repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days.
4. Bonds and other obligations of the State of Ohio.
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions.
6. The State Treasurer's investment pool (STAR Ohio)

An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

## ***City of Huron, Ohio***

Notes to the Basic Financial Statements

For the Year Ended December 31, 2012

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Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

During 2012, investments were limited to certificates of deposit and a repurchase agreement.

### **A. Undeposited Cash**

At year-end, the City had \$3,135 in undeposited cash on hand which is included as part of "equity in pooled cash and cash equivalents."

### **B. Deposits**

*Custodial credit risk* is the risk that, in the event of a bank failure, the City's deposits may not be returned. According to state law, public depositories must give security for all public funds on deposit in excess of those funds that are insured by the federal deposit insurance corporation (FDIC) or by any other agency or instrumentality of the federal government.

These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC, or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution. The City's policy is to deposit money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

As of December 31, the carrying amount of the City's deposits was \$3,049,426. Money is credited to their checking account from a repurchase account that is linked to those accounts as checks are presented. The City's bank balance of \$3,103,392 were not exposed to custodial credit risk as they were either insured or secured by a collateral pool of eligible securities held at the Federal Reserve in a pledge account.

**City of Huron, Ohio**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2012

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**C. Investments**

As of December 31, the City had the following investments:

Investment Type	Fair Value	Maturity		Rating
		< 6 months	< 12 months	
Negotiable certificates of deposit	\$ 1,656,419	\$ 375,229	\$ 1,281,190	N/A <sup>(1)</sup>

(1) All negotiable CDs were fully insured by FDIC.

All of the City’s negotiable certificates of deposit are registered securities and covered in full by FDIC insurance. The City’s policy is to invest money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

*Interest rate risk* is the possibility that changes in interest rates will adversely affect the fair value of an investment. The City’s investment policy does not address limits on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Concentration of credit risk* is the possibility of loss attributed to the magnitude of the City’s investment in a single issuer. More than 5% of the City’s investments are in fully insured negotiable CDs making up 100% of all investments. The City’s policy places no limit on the amount that may be invested in any one issuer.

Following Ohio statutes, the City has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2012 amounted to \$7,551, which includes \$6,503 assigned from other City funds.

**NOTE 6 – Taxes**

**A. Property Taxes**

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Property tax revenue received during 2011 for real and public utility property taxes represents collections of the 2011 taxes. Property tax payments received during 2012 for tangible personal property (other than public utility property) is for 2012 taxes.

2012 real property taxes are levied after October 1, 2012, on the assessed value as of January 1, 2012, the lien date. Assessed values are established by State law at 35% of appraised market value. 2012 real property taxes are collected in and intended to finance 2013.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35% of true value. 2012 public utility property taxes became a lien December 31, 2011, are levied after October 1, 2012, and are collected in 2013 with real property taxes.

## ***City of Huron, Ohio***

### Notes to the Basic Financial Statements

For the Year Ended December 31, 2012

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The Erie County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of Huron. The Erie County Auditor periodically remits to the City its portion of the taxes collected.

The full tax rate for all City operations for the year ended December 31, 2012 was \$4.9 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2012 property tax receipts were based are as follows:

<u>Property Category</u>	<u>Assessed Value</u>	<u>Percent</u>
<u>Real property</u>		
Residential and agricultural	\$ 178,660,400	87.5%
Commercial and industrial	22,395,290	11.0%
Public Utilities	182,220	0.1%
<u>Tangible personal property</u>		
Public Utilities	<u>2,779,700</u>	<u>1.4%</u>
Total	<u>\$ 204,017,610</u>	<u>100.0%</u>

#### **B. Income Taxes**

The City levies a municipal income tax of one percent on substantially all income earned within the City: in addition, residents are required to pay tax on income earned outside of the City. The City allows a credit of fifty percent for income tax paid to another municipality. Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City either monthly or quarterly. Corporations and other individual tax payers are required to pay their estimated tax quarterly and file a declaration annually. Income tax proceeds are to be used for the purpose of general municipal operations, maintenance, new equipment, extension, and enlargement of municipal services and facilities and capital improvements of the City. In 2012, the proceeds were allocated to the general, general obligation bond retirement and capital improvement funds.

#### **NOTE 7 – Receivables**

Receivables at December 31, 2012 consisted of taxes, accounts (billing for user charged services), due from other governments (intergovernmental), special assessments and interest on investments. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes. A summary of the principal items due from other governments (intergovernmental) follows:

**City of Huron, Ohio**

Notes to the Basic Financial Statements

For the Year Ended December 31, 2012

	Governmental Activities
Due from other governments:	
Local government funding	\$ 62,822
Homestead and Rollbacks	61,494
Gas and motor vehicle taxes	247,039
Estate tax	178,959
Grants	25,808
Other	13
Total	<u>\$ 576,135</u>

**NOTE 8 – Capital Assets**

**Governmental Activities** A summary of the governmental activities' capital asset activity as of December 31, 2012 are as follows:

<u>Governmental activities</u>	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land and land improvements	\$ 5,991,649	\$ 105,739	\$ -	\$ 6,097,388
Land use rights	49,687	-	-	49,687
Construction in progress	37,147	438,509	(41,275)	434,381
Total capital assets, not being depreciated	<u>6,078,483</u>	<u>544,248</u>	<u>(41,275)</u>	<u>6,581,456</u>
Capital assets, being depreciated:				
Land improvements	4,268,504	43,751	-	4,312,255
Buildings and improvements	3,162,529	41,275	-	3,203,804
Equipment and furniture	1,175,675	35,942	-	1,211,617
Vehicles	1,552,334	341,921	-	1,894,255
Infrastructure	243,579	650,005	-	893,584
Total capital assets, being depreciated	<u>10,402,621</u>	<u>1,112,894</u>	<u>-</u>	<u>11,515,515</u>
Less accumulated depreciation:				
Land improvements	(1,754,454)	(152,522)	-	(1,906,976)
Buildings and improvements	(1,018,356)	(65,599)	-	(1,083,955)
Equipment and furniture	(819,526)	(72,534)	-	(892,060)
Vehicles	(1,133,779)	(119,223)	-	(1,253,002)
Infrastructure	(32,787)	(11,371)	-	(44,158)
Total accumulated depreciation	<u>(4,758,902)</u>	<u>(421,249)</u>	<u>-</u>	<u>(5,180,151)</u>
Total capital assets being depreciated, net	<u>5,643,719</u>	<u>691,645</u>	<u>-</u>	<u>6,335,364</u>
Governmental activities capital assets, net	<u>\$ 11,722,202</u>	<u>\$ 1,235,893</u>	<u>\$ (41,275)</u>	<u>\$ 12,916,820</u>

**City of Huron, Ohio**

Notes to the Basic Financial Statements

For the Year Ended December 31, 2012

**Depreciation Expense** Depreciation expense charged to governmental functions for the year ending December 31, 2012 is as follows:

	<u>Amount</u>
General government	\$ 37,390
Security of persons and property:	
Police	72,152
Fire	70,083
Leisure time activities	54,433
Transportation	<u>187,191</u>
Total governmental activities depreciation expense	<u>\$ 421,249</u>

**Business-Type Activities** A summary of the business-type activities' capital assets as of December 31, 2012 are as follows:

<u>Business-type activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 30,000	\$ -	\$ -	\$ 30,000
Construction in progress	<u>823,176</u>	<u>272,537</u>	<u>(1,062,207)</u>	<u>33,506</u>
Total capital assets, not being depreciated	<u>853,176</u>	<u>272,537</u>	<u>(1,062,207)</u>	<u>63,506</u>
Capital assets, being depreciated:				
Land improvements	97,921	8,793	-	106,714
Buildings and improvements	2,656,076	65,020	-	2,721,096
Equipment and furniture	251,585	1,127,780	-	1,379,365
Vehicles	305,673	-	-	305,673
Infrastructure				
Water	4,341,448	430,372	-	4,771,820
Electric	<u>89,273</u>	<u>10,900</u>	<u>-</u>	<u>100,173</u>
Total capital assets, being depreciated	<u>7,741,976</u>	<u>1,642,865</u>	<u>-</u>	<u>9,384,841</u>
Less accumulated depreciation:				
Land improvements	(41,616)	(7,532)	-	(49,148)
Buildings and improvements	(856,460)	(57,205)	-	(913,665)
Equipment and furniture	(134,097)	(23,510)	-	(157,607)
Vehicles	(279,188)	(7,568)	-	(286,756)
Infrastructure				
Water	(1,195,867)	(90,166)	-	(1,286,033)
Electric	<u>(7,440)</u>	<u>(3,158)</u>	<u>-</u>	<u>(10,598)</u>
Total accumulated depreciation	<u>(2,514,668)</u>	<u>(189,139)</u>	<u>-</u>	<u>(2,703,807)</u>
Total capital assets being depreciated, net	<u>5,227,308</u>	<u>1,453,726</u>	<u>-</u>	<u>6,681,034</u>
Business-type activities capital assets, net	<u>\$ 6,080,484</u>	<u>\$ 1,726,263</u>	<u>\$ (1,062,207)</u>	<u>\$ 6,744,540</u>

***City of Huron, Ohio***

Notes to the Basic Financial Statements

For the Year Ended December 31, 2012

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The electric fund's depreciation expense is all reported within infrastructure. The remaining depreciation is reported within the water fund.

**NOTE 9 – Compensated Absences**

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Vacation leave is earned at rates that vary depending upon length of service and standard workweek. Vacation accumulation is limited to a maximum of one hundred sixty days. All accumulated unused vacation time is paid upon termination of employment.

Employees earn sick leave at the rate of 1.25 workdays with pay for each month of completed service. Sick leave is paid upon retirement based on accumulated hours with the restriction of a maximum of 1,750 hours.

The current portion of unpaid compensated absences is recorded as a current liability on the fund financial statements in the fund from which the employees who have accumulated unpaid leave are paid. On the government-wide statements, the entire amount of compensated absences is reported as a liability.

As of December 31, 2012 the liability for long-term unpaid compensated absences was \$451,435 for the governmental activities, which would be paid from the general fund, and parks, recreation, boat basin, street maintenance and state highway, special fire levy, police grants and employee benefit special revenue funds; and liability for long-term unpaid compensated absences for business-type activities was \$97,161, which would be paid from water fund.

**City of Huron, Ohio**

Notes to the Basic Financial Statements  
For the Year Ended December 31, 2012

**NOTE 10 – Long-term Obligations**

**Governmental Activities** A summary of the governmental activities' debt and other long-term obligations as of December 31, 2012 are as follows:

<b><u>Governmental Activities:</u></b>	<b><u>Beginning</u></b>			<b><u>Ending</u></b>	<b><u>Due within</u></b>
	<b><u>Balance</u></b>	<b><u>Additions</u></b>	<b><u>Deletions</u></b>	<b><u>Balance</u></b>	<b><u>One Year</u></b>
<b><u>General obligation bonds</u></b>					
2012 Various purpose refunding, 2.00% - 2.10%, maturing 2023	\$ -	\$ 2,002,600	\$ (122,000)	\$ 1,880,600	\$ 213,600
Premium on bonds	-	56,094	(9,299)	46,795	-
2002 Improvement	693,000	-	(693,000)	-	-
1996 City Hall addition	205,000	-	(205,000)	-	-
1999 Municipal boat refunding	56,700	-	(56,700)	-	-
1999 Service center	165,648	-	(165,648)	-	-
1999 Sewer line	77,952	-	(77,952)	-	-
Total general obligation bonds	<u>1,198,300</u>	<u>2,058,694</u>	<u>(1,329,599)</u>	<u>1,927,395</u>	<u>213,600</u>
<b><u>Long-term notes</u></b>					
2011 Various Purpose Notes	<u>895,000</u>	<u>-</u>	<u>(895,000)</u>	<u>-</u>	<u>-</u>
<b><u>Other obligations</u></b>					
Compensated absences	462,401	161,759	(172,725)	451,435	169,649
Capital leases	<u>221,542</u>	<u>341,921</u>	<u>(128,084)</u>	<u>435,379</u>	<u>113,639</u>
Total governmental activities	<u>\$ 2,777,243</u>	<u>\$ 2,562,374</u>	<u>\$ (2,525,408)</u>	<u>\$ 2,814,209</u>	<u>\$ 496,888</u>



**City of Huron, Ohio**

Notes to the Basic Financial Statements

For the Year Ended December 31, 2012

**Business-type Activities** A summary of the business-type activities' debt and other long-term obligations as of December 31, 2012 are as follows:

<b><u>Business-type activities</u></b>	Beginning <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	Ending <u>Balance</u>	Amount Due in <u>One Year</u>
<b><u>General obligation bonds</u></b>					
2012 Various purpose refunding, 2.00% - 2.10%, maturing 2023	\$ -	\$ 1,177,400	\$ (3,000)	\$ 1,174,400	\$ 116,400
Premium on bonds	-	33,823	(5,070)	28,753	-
2002 Improvement	1,047,000	-	(1,047,000)	-	-
1999 Water system refunding	258,300	-	(258,300)	-	-
1999 Water project	74,646	-	(74,646)	-	-
1999 Water Line	45,936	-	(45,936)	-	-
1999 New service center	70,818	-	(70,818)	-	-
Unamortized accounting loss on refunding	(12,755)	-	12,755	-	-
<b>Total general obligation bonds</b>	<u>1,483,945</u>	<u>1,211,223</u>	<u>(1,492,015)</u>	<u>1,203,153</u>	<u>116,400</u>
<b><u>Loans</u></b>					
Ohio Water Development Authority:					
Chaska Beach, 6.63%, due 2017	273,190	-	(43,146)	230,044	45,873
Industrial Park, 3.00%, due 2016	377,738	-	(71,117)	306,621	73,266
Water projects, 5.66%, due 2019	486,001	-	(53,869)	432,132	56,918
<b>Total loans</b>	<u>1,136,929</u>	<u>-</u>	<u>(168,132)</u>	<u>968,797</u>	<u>176,057</u>
Capital lease	55,883	365,060	(40,865)	380,078	76,993
Compensated absences	95,821	44,476	(43,136)	97,161	41,295
<b>Total business-type activities</b>	<u>\$ 2,772,578</u>	<u>\$ 1,620,759</u>	<u>\$ (1,744,148)</u>	<u>\$ 2,649,189</u>	<u>\$ 410,745</u>

**2012 Various Purpose Refunding Bonds:** During September 2012, the City issued \$3,180,000 in refunding general obligation bonds with interest rates from 2.0% to 2.1% in order to refund \$3,590,000 of various bonds and a note outstanding. In addition to the proceeds of the new bonds the City paid an additional \$495,676, which is reported as a debt service expenditure in the general obligation bond retirement fund and a reduction of a liability in the water fund. The net proceeds of \$3,163,344 (after payment of \$106,573 in underwriting fees, insurance, and other issuance costs) was deposited into an irrevocable trust with an escrow agent to provide for debt service payments of the bonds refunded. As a result of this issue, the old bonds were called for redemption in December 2012 and subsequently repaid.

The City refunded the old bonds to reduce its total debt service payments over the following 11 years by \$304,225 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$275,232.

## City of Huron, Ohio

### Notes to the Basic Financial Statements

For the Year Ended December 31, 2012

General obligation bonds will be paid from money transferred to the debt service fund as well as user charges from the appropriate enterprise fund. The Ohio Water Development Authority (OWDA) loans will be paid partly with special assessments levied against the benefited property owners, as well as user charges from the appropriate enterprise fund. In the event that a property owner would fail to pay the assessment, payment would be made by the City. The various purpose long term notes will be paid from the capital improvement fund.

Compensated absences will be paid from the fund from which the employees' salaries are paid as explained above.

In prior years, the City entered into contractual agreements for new construction loans from OWDA. Under the terms of these agreements, OWDA reimbursed, advanced or directly paid the construction costs of the approved projects. OWDA will capitalize administrative costs and construction interest and add them to the total amounts of the final loans. A line of credit has been established for various projects.

Governmental activities principal and interest requirements to retire long-term obligations outstanding at December 31, 2012 are as follows:

	2012 Various Purpose Refunding Bonds	
	Principal	Interest
2013	\$ 213,600	\$ 37,726
2014	216,400	33,454
2015	216,400	29,126
2016	211,400	24,798
2017	174,200	20,570
2018-2022	734,600	54,742
2023	114,000	2,394
	<u>\$ 1,880,600</u>	<u>\$ 202,810</u>

Business-type activities principal and interest requirements to retire long-term obligations outstanding at December 31, 2012 are as follows:

	2012 Various Purpose Refunding Bonds		OWDA Loans	
	Principal	Interest	Principal	Interest
2013	\$ 116,400	\$ 23,584	\$ 176,057	\$ 47,651
2014	118,600	21,256	184,392	39,315
2015	118,600	18,884	193,160	30,548
2016	118,600	16,512	202,384	21,323
2017	120,800	14,140	99,349	12,233
2018-2022	485,400	38,208	113,455	8,613
2023	96,000	2,016	-	-
	<u>\$ 1,174,400</u>	<u>\$ 134,600</u>	<u>\$ 968,797</u>	<u>\$ 159,683</u>

**City of Huron, Ohio**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2012

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**NOTE 11 – Note Debt**

The City’s short-term notes at year-end and a schedule of current year activity is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
<b><u>Governmental activities</u></b>				
Industrial Park	\$ 161,140	\$ -	\$ -	\$ 161,140

The City issued a promissory note to partially fund the purchase of land for the development of an industrial park. The note has no stated maturity and principal is to be repaid directly to the former landowners from closing proceeds in the amount \$9,500 per acre as the City sells development sites to purchasers. Interest on the note is payable in quarterly installments. The underlying property and the full resources of the City’s revolving loan special revenue fund secure the note.

**NOTE 12 – Capital Lease**

During 2012, the City entered into several new capital leases. Governmental activities acquired two trucks, an ambulance and a vehicle for the police department. These assets were capitalized and reported as additions to capital assets in the amount of \$341,921. In addition, assets acquired in previous years are being reported with a value of \$270,045 and depreciated over their estimated useful lives. Business-type activities acquired a system of water meters valued at \$365,060, during 2012, and equipment in a prior year valued at \$56,944 from capital lease financing. These capital assets are being depreciated over their estimated useful lives.

These leases meet the criteria of a capital lease as defined by generally accepted accounting standards, which defines a capital lease generally as one which transfers all benefits and risks of ownership to the lessee. Capital lease payments are reflected as debt service payments in the basic financial statements for the governmental funds. These expenditures are reflected as function expenditures on a budgetary basis. The capitalized amounts are equal to the present value of the future minimum lease payments and the down payment respectively, at the time of acquisition.

The following is a schedule of future minimum lease payments under this capital lease and the present value of the net minimum lease payments at December 31, 2012:

## City of Huron, Ohio

Notes to the Basic Financial Statements  
For the Year Ended December 31, 2012

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<u>Year</u>	Lease Payments	Lease Payments
	Governmental	Business-type
	<u>Activities</u>	<u>Activities</u>
2013	\$ 131,532	\$ 88,564
2014	122,479	88,564
2015	112,327	88,564
2016	112,327	106,857
2017	-	39,368
Total minimum lease payments	478,665	411,917
Less: amount representing interest	(43,286)	(31,839)
Total	<u>\$ 435,379</u>	<u>\$ 380,078</u>

### NOTE 13 – Defined Benefit Pension Plan

#### Ohio Public Employees Retirement System

The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. 1.) The Traditional Pension Plan (TP) - a cost-sharing, multiple-employer defined benefit pension plan. 2.) The Member-Directed Plan (MD) - a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Members accumulate retirement assets equal to the value of the member and (vested) employer contributions, plus any investment earnings thereon. 3.) The Combined Plan (CP) - a cost-sharing, multiple-employer defined benefit pension plan. Employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the Traditional Plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the MD.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, Attention: Finance Director, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or 800-222-7377 or by visiting <https://www.opers.org/investments/cafr.shtml>.

Member and employer contributions rates were consistent across all three plans (TP, MD and CP). For the year ended December 31, 2012, City employees were required to contribute 10% of their annual covered salary. The City's contribution rate for 2012 was 14%. The Ohio Revised Code provides statutory authority for member and employer contributions.

The City's required contributions for pension obligations to the traditional plan for the years ended December 31, 2012, 2011 and 2010 were \$124,063, \$141,699 and \$135,280 respectively; 91.09% has been contributed for 2012 and 100% for 2011 and 2010. \$11,051 representing the unpaid contribution for fiscal year 2012 is recorded as an intergovernmental payable.

## ***City of Huron, Ohio***

Notes to the Basic Financial Statements

For the Year Ended December 31, 2012

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### Ohio Police and Fire Pension Fund

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

Plan members are required to contribute 10% of their annual covered salary to fund pension obligations while the City is required to contribute 19.5% for police officers and 24% for firefighters, of which 12.75% for police officers and 17.25% for firefighters was used to fund pension plans. Contributions are authorized by State statute. The City's contributions to the Fund for the years ended December 31, 2012, 2011 and 2010 were \$249,116, \$239,011 and \$220,054 respectively, equal to the required contributions for each year. The full amount has been contributed for 2011 and 2010. 70.5% has been contributed for 2012 with the remainder being reported as a liability. \$73,496 representing the unpaid contribution for fiscal year 2012 is recorded as an intergovernmental payable.

### **NOTE 14 – Post Employment Benefits**

#### Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional plan (TP) – a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan (MD) – a defined contribution plan; and the combined plan (CO) – a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the traditional pension and the combined plans. Members of the member-directed plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-retirement health care coverage, age and service retirees under the traditional pension and combined plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and qualified survivor recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

## *City of Huron, Ohio*

Notes to the Basic Financial Statements

For the Year Ended December 31, 2012

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The Ohio Revised Code provides statutory authority requiring employers to fund post-retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care. Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2012, the City contributed at a rate of 14% of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14% of covered payroll for state and local employer units. Active members do not make contributions to the OPEB plan.

OPERS' Post Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4.0% during calendar year 2012. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05% during calendar year 2012. Effective January 1, 2013, the portion of employer contributions allocated to healthcare was lowered to 1 percent for both plans, as recommended by the OPERS Actuary. The OPERS Board of Trustees is also authorized to establish rules for the retiree, or their surviving beneficiaries, to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected.

Actual employer contributions which were used to fund postemployment benefits for the years ended December 31, 2012, 2011 and 2010 were \$94,413, \$78,722 and \$75,156 respectively; 91.09% has been contributed for 2012 and 100% for 2011 and 2010. \$8,410 representing the unpaid contribution for fiscal year 2012 is recorded as an intergovernmental payable. The actual contribution and the actuarially required contribution amounts are the same.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

### Ohio Police and Firemen's Disability and Pension Fund

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

OP&F provides access to post-retirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

## ***City of Huron, Ohio***

Notes to the Basic Financial Statements

For the Year Ended December 31, 2012

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The Ohio Revised Code allows, but does not mandate OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

The Ohio Revised Code provides for contribution requirements of the participating employers and of the plan members to the OP&F (defined benefit pension plan). Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5 % and 24% of covered payroll for police and fire employers, respectively. The Ohio revised Code states that the employer contribution may not exceed 19.5% of the covered payroll for police employer units and 24% of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2012, the employer contribution allocated to health care plan was 6.75 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

The City's actual contributions for 2012, 2011 and 2010 that were used to fund postemployment benefits were \$51,677, \$54,061 and \$48,941 for police and \$59,284, \$53,568 and \$49,934 for firefighters. 68.78% and 71.6% for police and firefighters, respectively has been contributed, for 2012 with the remainder being reported as a liability. \$16,132 and \$16,836 for police and fire, respectively, representing the unpaid contribution for fiscal year 2012 is recorded as an intergovernmental payable.

### **NOTE 15 – Risk Management**

The City of Huron is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disaster. During 2012, the City contracted with several companies for various types of insurance as follows:

The City participates with other cities in the Buckeye Ohio Risk Management Association, Inc. (BORMA) in a jointly funded risk financing programs administered by Arthur J. Allagher & Co., which include two separate pools which provide separate and distinct coverages. The City participates in the pool in the following areas of risks: Property (Building and Contents),



## City of Huron, Ohio

### Notes to the Basic Financial Statements

For the Year Ended December 31, 2012

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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, 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, 2012, the Pool has cash reserves, which in the opinion of BORMA management, is adequate for any claims against the Pool. The City contributed \$69,175 towards the reserve, premium and administration costs of the Pool and \$-0- towards claims for which the City is directly liable. Settled claims have not exceeded this coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Workers' compensation coverage is provided by the State. The City pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

The City is self-insured for health and dental benefits. The health and dental programs are administrated by Anthem Benefit Administrators, Inc., which provides claims review and processing services. Because the City is self-insured for its health and dental programs, it has a potential liability for incurred but not yet reported claims (IBNR). IBNR claims are claims for insured events that have occurred but were not reported to the third party administrator as of December 31, 2012. These claims include known loss events that are expected to be represented as claims, unknown loss events that are expected to become claims, and expected future developments on claims already reported. The City accounts for claims activity in the internal service fund.

<u>Year</u>		Balance at <u>Beginning of Year</u>		Current Year <u>Claims</u>		Claim <u>Payments</u>		Balance at <u>End of Year</u>
2011	\$	40,212	\$	413,734	\$	(387,909)	\$	66,037
2012		66,037		905,671		(904,004)		67,704



**City of Huron, Ohio**

Notes to the Basic Financial Statements  
For the Year Ended December 31, 2012

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**NOTE 16 – Interfund Transfers**

Interfund transfers for the year ended December 31, 2012 consisted of the following:

Transfers from general fund to:	
Fire levy fund	\$ 200,000
Capital improvement fund	200,000
Nonmajor governmental funds	<u>242,668</u>
	<u>642,668</u>
Transfers from fire levy fund to:	
Nonmajor governmental funds	62,500
Transfers from nonmajor governmental funds to:	
General obligation bond retirement fund	15,000
Other nonmajor governmental funds	<u>21,500</u>
	<u>\$ 36,500</u>

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

The above mentioned transfers from/to were used to move unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Transfers were made from a capital projects fund to make debt payments out of the debt service fund. More specifically, transfers were made to account for insurance reimbursements, pension contributions, severance payments and debt payments.

**City of Huron, Ohio**

Notes to the Basic Financial Statements  
For the Year Ended December 31, 2012

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**NOTE 17 – Accountability**

The following funds had a deficit fund balance or deficit net position as of December 31, 2012.

<u>Fund</u>	<u>Amount</u>
Nonmajor governmental funds:	
Capital improvements	\$ 243,320
Fire pension	7,414
Police pension	49,182
Revolving loan	106,486

In addition to the funds listed above a nonmajor governmental fund reported a negative unassigned fund balance however, total fund balance was positive due to an offset from nonspendable fund balance. The deficits are largely the result of the recognition of liabilities in accordance with general accepted accounting principles.

**NOTE 18 – Contingency**

The City of Huron is a party to legal proceedings seeking damages or injunctive relief generally incidental to its operations and pending projects. The City management is of the opinion that ultimate disposition of various claims and legal proceedings will not have a material effect, if any, on the financial condition of the City.

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***Charles E. Harris & Associates, Inc.***  
*Certified Public Accountants*

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

City of Huron  
Erie County  
417 Main Street  
Huron, Ohio 44839

To the City Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Huron, Erie County, (the City) as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 5, 2013, wherein we noted the City implemented GASB Statement Nos. 63 and 65.

***Internal Control Over Financial Reporting***

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

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

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

***Compliance and Other Matters***

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

We did note certain matters not requiring inclusion in this report that we reported to the City's management in a separate letter dated September 5, 2013.

***Purpose of this Report***

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



***Charles E. Harris & Associates, Inc.***

September 5, 2013

**CITY OF HURON  
ERIE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2012**

The prior audit report, for the year ending December 31, 2011, reported no material citations or recommendations.

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# Dave Yost • Auditor of State

**CITY OF HURON**

**ERIE 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  
NOVEMBER 12, 2013**