

CITY OF HURON
ERIE COUNTY, OHIO

REGULAR AUDIT

For the Year Ended December 31, 2022



OHIO AUDITOR OF STATE
KEITH FABER



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Members of Council
City of Huron
417 Main Street
Huron, OH 44839

We have reviewed the *Independent Auditor's Report* of the City of Huron, Erie County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2022 through December 31, 2022. 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 black ink that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

October 02, 2023

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CITY OF HURON
 ERIE COUNTY
 REGULAR AUDIT
 December 31, 2022

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INDEPENDENT AUDITOR'S REPORT

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

To the Members of the City Council:

Report on the Audit of the Financial Statements

Opinion

We have audited 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, Ohio (the City), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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, 2022, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General and the Fire Levy funds thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

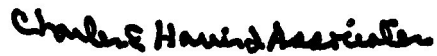
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and schedules of net pension and other post-employment benefit assets/liabilities and pension and other post-employment benefit contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 24, 2023, 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. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's 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.
August 24, 2023

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City of Huron, Ohio

Management's Discussion and Analysis

For the Year Ended December 31, 2022

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, 2022. 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 2022 are as follows:

- For governmental activities, net position decreased \$123,479, which represents a decrease of 0.8 percent from 2021.
- Net position of business-type related activities increased \$94,208 or 0.7 percent from 2021.
- General revenues for governmental activities, accounted for \$5,690,697 or 50.9 percent of total governmental activities revenues. Program specific revenues in the form of charges for services and sales, grants, contributions and interest accounted for \$5,497,623 or 49.1 percent of total governmental revenues of \$11,188,320.
- For business-type activities, total expenses were \$6,318,785; these expenses were offset by program specific charges for services and sales.
- The City issued \$3,025,000 in bond anticipation notes for economic development with a 6.875 percent interest rate.

Overview of the Financial Statements

This annual report consists of a series of financial statements, notes pertaining to those statements, and the required supplementary information. These statements are presented so that the reader can understand the City's financial situation as a whole and also give a detailed view of the City's fiscal condition.

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 nonmajor funds presented in total in one column.

City of Huron, Ohio

Management's Discussion and Analysis

For the Year Ended December 31, 2022

Unaudited

The statement of net position presents information on all of the City's assets, deferred outflows of resources, liabilities and deferred inflows of resources, 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.

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.

The City maintains several 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. One fund, budgeted as a special revenue fund, is reported as part of the general fund and data from several other governmental funds are combined into single aggregate presentation.

City of Huron, Ohio

Management's Discussion and Analysis

For the Year Ended December 31, 2022

Unaudited

The City adopts an annual appropriated budget for each of its funds. A budgetary comparison statement (non-GAAP basis) has been provided for the general fund and the fire levy special revenue 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 and electric 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 charging computer repair services, and 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 these activities predominately benefit 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.

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 custodial funds represent the Huron Municipal Court, the State Highway Patrol, and the Huron Area Joint Recreation funds.

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.

Other Information – In addition to the basic financial statements and accompanying notes, this report presents the required supplementary information.

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 2022?" 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.

City of Huron, Ohio

Management's Discussion and Analysis

For the Year Ended December 31, 2022

Unaudited

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 2022 compared to 2021:

Table 1
Net Position

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Assets:						
Current and other assets	\$ 11,419,361	\$ 10,514,023	\$ 6,521,803	\$ 6,794,298	\$ 17,941,164	\$ 17,308,321
Net OPEB asset	282,889	147,081	152,324	79,197	435,213	226,278
Capital assets	<u>25,653,306</u>	<u>24,571,511</u>	<u>14,081,854</u>	<u>11,719,852</u>	<u>39,735,160</u>	<u>36,291,363</u>
Total assets	<u>37,355,556</u>	<u>35,232,615</u>	<u>20,755,981</u>	<u>18,593,347</u>	<u>58,111,537</u>	<u>53,825,962</u>
Deferred outflows of resources:						
Pension	2,342,839	1,243,894	272,521	120,796	2,615,360	1,364,690
OPEB	<u>555,647</u>	<u>672,698</u>	<u>11,179</u>	<u>49,879</u>	<u>566,826</u>	<u>722,577</u>
Total deferred outflows of resources	<u>2,898,486</u>	<u>1,916,592</u>	<u>283,700</u>	<u>170,675</u>	<u>3,182,186</u>	<u>2,087,267</u>
Liabilities:						
Current liabilities	930,028	627,641	887,337	781,786	1,817,365	1,409,427
Long-term liabilities:						
Due within one year	934,646	994,526	472,850	326,882	1,407,496	1,321,408
Due in more than one year:						
Net pension liability	6,219,298	7,033,187	429,335	638,824	6,648,633	7,672,011
Net OPEB liability	951,262	908,713	-	-	951,262	908,713
Other amounts	<u>10,947,194</u>	<u>8,577,170</u>	<u>5,672,738</u>	<u>3,680,700</u>	<u>16,619,932</u>	<u>12,257,870</u>
Total liabilities	<u>19,982,428</u>	<u>18,141,237</u>	<u>7,462,260</u>	<u>5,428,192</u>	<u>27,444,688</u>	<u>23,569,429</u>
Deferred inflows of resources:						
Property taxes	928,432	923,379	-	-	928,432	923,379
Payments in lieu of taxes	29,089	-	-	-	29,089	-
Pension	2,732,769	1,175,186	520,094	283,489	3,252,863	1,458,675
OPEB	<u>706,782</u>	<u>911,384</u>	<u>157,381</u>	<u>246,603</u>	<u>864,163</u>	<u>1,157,987</u>
Total deferred inflows of resources	<u>4,397,072</u>	<u>3,009,949</u>	<u>677,475</u>	<u>530,092</u>	<u>5,074,547</u>	<u>3,540,041</u>
Net position (deficit):						
Net investment in capital assets	14,548,895	15,738,067	8,030,265	7,807,005	22,579,160	23,545,072
Restricted	4,500,021	4,083,802	-	-	4,500,021	4,083,802
Unrestricted	<u>(3,174,374)</u>	<u>(3,823,848)</u>	<u>4,869,681</u>	<u>4,998,733</u>	<u>1,695,307</u>	<u>1,174,885</u>
Total net position	<u>\$ 15,874,542</u>	<u>\$ 15,998,021</u>	<u>\$ 12,899,946</u>	<u>\$ 12,805,738</u>	<u>\$ 28,774,488</u>	<u>\$ 28,803,759</u>

City of Huron, Ohio

Management's Discussion and Analysis

For the Year Ended December 31, 2022

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 and deferred outflows of resources exceed total liabilities and deferred inflows of resources by \$28,774,488 at the close of the most recent year. This amounts to \$15,874,542 in governmental activities and \$12,899,946 in business-type activities.

The City's statement of activities prepared on an accrual basis of accounting includes an annual pension and OPEB expense for their proportionate share of each plan's change in net pension and OPEB liabilities and asset not accounted for as deferred inflows/outflows.

The City is also reporting a net pension liability, a net OPEB liability and asset as well as deferred inflows/outflows of resources related to pension and OPEB on the accrual basis of accounting in the statement of net position.

Capital assets reported on the government-wide statements represent the largest portion of the City's assets. At year-end, capital assets represented 68.4 percent of total governmental and business-type assets. Capital assets include land, land use rights, construction in progress, land improvements, buildings and improvements, equipment and furniture, vehicles and infrastructure. Capital assets, net of related debt to acquire the assets at December 31, 2022, were \$22,579,160. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the City's governmental net position, \$4,500,021 or 28.3 percent, represent resources that are subject to external restrictions on how they may be used. Of the total restricted net position, \$1,293,770 is restricted for capital projects, \$119,006 is restricted for debt service, \$808,285 is restricted for transportation, \$1,064,590 is restricted for security persons and property and \$1,214,370 is restricted for other purposes. The remaining significant balance of governmental activities unrestricted net position is a deficit of \$3,174,374. The impact on net position that is from reporting a net pension and net other post-employment benefit liability and asset is explained later.

Table 2 below shows the changes in net position for governmental and business-type activities for year 2022 compared to 2021:

City of Huron, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2022
Unaudited

Table 2
Changes in Net Position

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Revenues						
Program revenues:						
Charges for services and sales	\$ 4,449,583	\$ 4,669,471	\$ 6,375,493	\$ 7,205,939	\$ 10,825,076	\$ 11,875,410
Operating grants and contributions	983,005	1,155,877	37,500	15,738	1,020,505	1,171,615
Capital grants and contributions	65,035	623,020	-	-	65,035	623,020
General revenues:						
Income taxes	3,878,400	3,335,127	-	-	3,878,400	3,335,127
Property taxes	967,097	912,368	-	-	967,097	912,368
Payment in lieu of tax	29,089	-	-	-	29,089	-
Intergovernmental	315,135	173,693	-	-	315,135	173,693
Other taxes	427,863	277,816	-	-	427,863	277,816
Interest	(111,966)	(14,783)	-	-	(111,966)	(14,783)
Gain on sale of capital asset	-	22,275	-	592,401	-	614,676
Miscellaneous	185,079	169,174	-	-	185,079	169,174
Total revenues	11,188,320	11,324,038	6,412,993	7,814,078	17,601,313	19,138,116
Program Expenses						
Governmental Activities:						
General government	3,755,036	1,613,317	-	-	3,755,036	1,613,317
Security of persons and property:						
Police	1,714,044	1,551,115	-	-	1,714,044	1,551,115
Fire	2,516,340	2,402,798	-	-	2,516,340	2,402,798
Other	122,065	183,164	-	-	122,065	183,164
Leisure time activities	851,433	556,465	-	-	851,433	556,465
Economic development and assistance	126,098	181,797	-	-	126,098	181,797
Transportation	1,018,889	710,360	-	-	1,018,889	710,360
Refuse	957,198	836,638	-	-	957,198	836,638
Interest and fiscal charges	250,696	227,170	-	-	250,696	227,170
Business-type Activities:						
Water	-	-	2,104,107	1,592,995	2,104,107	1,592,995
Electric	-	-	4,214,678	3,389,130	4,214,678	3,389,130
Total program expenses	11,311,799	8,262,824	6,318,785	4,982,125	17,630,584	13,244,949
Change in net position before transfers	(123,479)	3,061,214	94,208	2,831,953	(29,271)	5,893,167
Transfers	-	(190,842)	-	190,842	-	-
Change in net position	(123,479)	2,870,372	94,208	3,022,795	(29,271)	5,893,167
Net position beginning of year	15,998,021	13,127,649	12,805,738	9,782,943	28,803,759	22,910,592
Net position end of year	\$ 15,874,542	\$ 15,998,021	\$ 12,899,946	\$ 12,805,738	\$ 28,774,488	\$ 28,803,759

City of Huron, Ohio

Management's Discussion and Analysis

For the Year Ended December 31, 2022

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 \$4,352,449 of expenses, or 38.5 percent of total governmental expenses of the City. These expenses were funded by \$1,982,937 in charges to users of services, operating grants and contributions. In addition, these expenses include a negative expense adjustment from a decrease in the net pension liability as shown in Table 3. 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 \$3,755,036 or 33.2 percent of total governmental expenses. General government expenses were partially covered by \$773,900 of direct charges to users and operating grants.

General revenues totaled \$5,690,697, and amounted to 50.9 percent of total revenues. These revenues primarily consist of property and income tax revenue of \$4,845,497, or 85.1 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 2022, these revenues totaled \$315,135 or 5.5 percent of the total general revenues.

The net position for the internal service fund increased \$139,043. This increase was mainly attributable to a decrease in charges for services revenues and an increase in contractual services expenses from the prior year. The internal service fund activity is determined by the City's management for funding estimated employee health care reimbursements and related expenses of the fund as well as funding decisions made for computer upgrade and repair activities.

Business-type Activities

The water and electric funds represent the City's business-type activities. These programs have program revenues of \$6,412,993, and expenses of \$6,318,785, for the year ended December 31, 2022. Business-type activities had an increase in net position of \$94,208. For this year, the increase in net position was attributed to operating activities of both, the electric fund and water fund.

Most of the business-type activities program revenue was charges for services. The majority of the receipts were used to fund the electric operations, however charges for water operations increased compared to the prior year. Electric operations contributed more to the increase of net position for business-type activities.

In a prior year, the City implemented the accounting standard for pension plans and for other postemployment benefit (OPEB) plans. As a result of implementing the accounting standards, the City is reporting a significant net pension and OPEB liability, related deferred inflows of resources and an increase in expenses related to pension/OPEB for the fiscal year which have a negative effect on net position. In addition, the City is reporting an OPEB asset and deferred outflows of resources, which have a positive consequence on net position. The increase or decrease in pension/OPEB expense is the difference between the contractually required contributions and the pension/OPEB expense resulting from the change in the net pension/OPEB liability and asset that is not reported as deferred inflows or outflows. These amounts can be found in the reconciliation of the statement of revenues, expenditures and changes in fund balances of governmental funds to the statement of activities.

City of Huron, Ohio

Management's Discussion and Analysis

For the Year Ended December 31, 2022

Unaudited

To further explain the impact of these new accounting standards on the City's net position and expenses, additional information is presented below.

Table 3
Impact of pension and other post-employment benefit liabilities

	2022	2021	2022	2021
	Governmental	Governmental	Business-Type	Business-Type
	<u>Activities</u>	<u>Activities</u>	<u>Activities</u>	<u>Activities</u>
Deferred outflows of resources for:				
Pension	\$ 2,342,839	\$ 1,243,894	\$ 272,521	\$ 120,796
OPEB	555,647	672,698	11,179	49,879
Deferred inflows of resources for:				
Pension	(2,732,769)	(1,175,186)	(520,094)	(283,489)
OPEB	(706,782)	(911,384)	(157,381)	(246,603)
Net pension liability	(6,219,298)	(7,033,187)	(429,335)	(638,824)
Net OPEB liability	(951,262)	(908,713)	-	-
Net OPEB asset	<u>282,889</u>	<u>147,081</u>	<u>152,324</u>	<u>79,197</u>
Impact on net on position from pension and OPEB reporting	<u>\$ (7,428,736)</u>	<u>\$ (7,964,797)</u>	<u>\$ (670,786)</u>	<u>\$ (919,044)</u>
Expenses:				
General government	(202,314)	(398,858)	-	-
Security of persons and property:				
Police	(141,373)	(110,709)	-	-
Fire	22,919	23,608	-	-
Other	(1,552)	(6,598)	-	-
Leisure time activities	(115,271)	(277,024)	-	-
Transportation	(89,391)	(193,415)	-	-
Refuse	(9,079)	(19,197)	-	-
Water	-	-	(243,294)	(536,170)
Electric	-	-	(4,964)	(10,944)
Net expense impact	<u>\$ (536,061)</u>	<u>\$ (982,193)</u>	<u>\$ (248,258)</u>	<u>\$ (547,114)</u>

For 2022, the net expense impact of GASB Statement No. 68 and 75 was \$(536,061) for governmental activities and \$(248,258) for business-type activities. This was for reporting the decrease of the City's proportionate share of the pension and other post-employment benefit liability for the Ohio Public Employment Retirement (OPERS) board and Ohio Police & Fire Pension board. This adjustment was a negative expense which decreased expenses.

Financial Analysis of City Funds

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

City of Huron, Ohio

Management's Discussion and Analysis

For the Year Ended December 31, 2022

Unaudited

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, 2022, the City's governmental funds reported a combined ending fund balance of \$8,027,346, an increase of \$424,338 in comparison with the prior year. \$2,022,580 of the ending combined fund balance for 2022 constitutes assigned and unassigned fund balance combined, which is available for spending at the City'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, \$4,335,563, or 54.0 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.

The general fund is the primary operating fund of the City. At the end of 2022, unassigned fund balance was \$2,022,580 while total fund balance was \$2,388,245. 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 decreased by \$209,758 during 2022, this decrease was partially attributed to the adjustment for market value on investments.

Table 4 below reports year 2022 balances compared to 2021:

	Fund Balance		Increase	Percent
	December 31, 2022	December 31, 2021	(Decrease)	Change
General	\$ 2,388,245	\$ 2,598,003	\$ (209,758)	-8.1%
Fire levy	879,916	903,228	(23,312)	-2.6%
Capital improvement	264,062	868,979	(604,917)	-69.6%
Sawmill creek improvement TIF	335	-	335	n/a
Other governmental funds	<u>4,494,788</u>	<u>3,232,798</u>	<u>1,261,990</u>	39.0%
	<u>\$ 8,027,346</u>	<u>\$ 7,603,008</u>	<u>\$ 424,338</u>	

The general, fire levy and capital improvement funds decreased in fund balance in 2022. The general fund reported a decrease in fund balance of \$209,758 from 2021 to an ending fund balance of \$2,388,245. This decrease was due mainly to a negative net amount from operating transfers. The fire levy fund reported a decrease in fund balance of \$23,312 from 2021 to an ending fund balance of \$879,916. This decrease was due mainly from an increase in fire related expenditures exceeding the increase in revenues. The capital improvement fund reported a decrease in fund balance of \$604,917 from 2021 to an ending fund balance of \$264,062 due mainly to capital outlay expenditures on capital projects. All other governmental funds fund balance increased by \$1,261,990 during 2022.

City of Huron, Ohio

Management's Discussion and Analysis For the Year Ended December 31, 2022 Unaudited

Table 5 below assists in illustrating the financial activities for the general fund of year 2022 amounts compared to 2021:

Table 5
Change in Financial Activities for the General Fund

	December 31, <u>2022</u>	December 31, <u>2021</u>	Increase <u>(Decrease)</u>
<u>Revenues:</u>			
Income tax	\$ 2,777,687	\$ 2,340,503	\$ 437,184
Property taxes	314,780	282,057	32,723
Other taxes	427,863	329,584	98,279
Charges for services	14,143	119,062	(104,919)
Licenses and permits	391,423	504,966	(113,543)
Fines and forfeitures	247,199	232,878	14,321
Intergovernmental	248,845	226,011	22,834
Investment income	(111,966)	(14,783)	(97,183)
Other	183,153	191,752	(8,599)
Total revenue	<u>\$ 4,493,127</u>	<u>\$ 4,212,030</u>	<u>\$ 281,097</u>
<u>Expenditures:</u>			
Current:			
General government	1,783,575	1,797,677	(14,102)
Security of persons and property:			
Police	1,494,434	1,347,001	147,433
Fire	-	7,144	(7,144)
Transportation	-	1,160	(1,160)
Leisure time activities	6,134	5,224	910
Capital outlay	25,000	-	25,000
Total expenditures	<u>\$ 3,309,143</u>	<u>\$ 3,158,206</u>	<u>\$ 150,937</u>

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.

Analysis of the City's enterprise funds is noted above within the discussion of the City's business-type activities.

As of December 31, 2022, unrestricted net position in the internal service fund was \$474,837.

City of Huron, Ohio

Management's Discussion and Analysis

For the Year Ended December 31, 2022

Unaudited

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 2022 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 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 (excluding other financing sources) was increased by \$508,858 during the year for a better estimate of revenues being received later in the year. The actual revenue received for the general fund during the year was \$317,450 or 5.85 percent more than the final estimate.

The general fund original budgeted expenditures (excluding transfers out) were less than the final budgeted expenditures by \$149,858. There were no individually significant events that led to these differences. Actual expenditures, plus encumbrances for the year were \$266,017 less than the final budgeted amounts.

Capital Assets and Debt Administration

Capital Assets - At the end of 2022, the City had \$39,735,160 (net of accumulated depreciation) invested in land, land use rights, land improvements, buildings and improvements, equipment and furniture, vehicles, infrastructure and construction in progress. Of this total \$25,653,306 was reported in governmental activities and \$14,081,854 was reported in business-type activities.

Table 6 shows fiscal year 2022 balances compared to 2021.

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Land	\$ 6,372,640	\$ 6,192,559	\$ 100,380	\$ 100,380	\$ 6,473,020	\$ 6,292,939
Land use rights	49,687	49,687	-	-	49,687	49,687
Construction in progress	5,026,493	3,720,593	2,803,893	1,099,582	7,830,386	4,820,175
Land improvements	2,678,902	2,830,415	3,522	3,962	2,682,424	2,834,377
Buildings and improvements	1,608,000	1,682,957	2,069,031	1,315,803	3,677,031	2,998,760
Equipment and furniture	762,575	729,203	1,491,146	1,324,013	2,253,721	2,053,216
Vehicles	954,292	1,133,990	23,879	31,468	978,171	1,165,458
Infrastructure	8,200,717	8,232,107	7,590,003	7,844,644	15,790,720	16,076,751
Total	<u>\$ 25,653,306</u>	<u>\$ 24,571,511</u>	<u>\$ 14,081,854</u>	<u>\$ 11,719,852</u>	<u>\$ 39,735,160</u>	<u>\$ 36,291,363</u>

City of Huron, Ohio

Management's Discussion and Analysis

For the Year Ended December 31, 2022

Unaudited

For governmental activities capital additions were offset by \$712,715 of accumulated depreciation. Depreciation expense for business-type activities was \$399,304. In 2022 significant increases were in construction in progress and infrastructure for governmental activities as well as for business-type activities. However, business-type activities had a significant decrease in infrastructure from the sale of electric transmission assets. Also, governmental activities had a decrease in infrastructure from a current year constructed asset that was transferred to business-type activities. Additional information concerning the City's capital assets can be found in Note 7 of the basic financial statements.

Long-Term Debt - At December 31, 2022 the City had total long-term debt outstanding of \$17,123,405. Of this total, \$993,761 is due within one year and \$16,129,644 is due in more than one year. Table 7 below summarizes the bonds and loans outstanding:

Table 7
Outstanding Debt, at December 31

	Governmental Activities		Business-Type Activities		Total	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
General obligation bonds	\$ 7,332,568	\$ 7,981,555	\$ 96,414	\$ 187,215	\$ 7,428,982	\$ 8,168,770
Improvement bonds	-	-	1,340,000	1,420,000	1,340,000	1,420,000
Notes	3,025,000	-	-	-	3,025,000	-
OWDA loan	-	-	4,582,580	2,273,037	4,582,580	2,273,037
OPWC loan	687,211	699,786	-	-	687,211	699,786
Lease-purchases	<u>59,632</u>	<u>152,103</u>	<u>-</u>	<u>-</u>	<u>59,632</u>	<u>152,103</u>
Total	<u>\$ 11,104,411</u>	<u>\$ 8,833,444</u>	<u>\$ 6,018,994</u>	<u>\$ 3,880,252</u>	<u>\$ 17,123,405</u>	<u>\$ 12,713,696</u>

At December 31, 2022 the City's overall legal debt margin was \$16,267,275, with an unvoted debt margin of \$3,582,509. The City's credit rating remained unchanged in 2022 as compared to 2021.

Additional information concerning the City's lease-purchases and debt can be found in Notes 9 and 10 of the basic financial statements.

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, 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 is 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 Cory Swaisgood, Finance Director, 417 Main Street, Huron, Ohio 44839.

City of Huron, Ohio
Statement of Net Position
December 31, 2022

	Governmental Activities	Business-Type Activities	Total
<u>Assets:</u>			
Equity in pooled cash and cash equivalents	\$ 8,222,471	\$ 4,099,410	\$ 12,321,881
<u>Receivables:</u>			
Income tax	1,243,702	-	1,243,702
Property and other taxes	979,373	-	979,373
Accounts	332,804	2,266,920	2,599,724
Revenue in lieu of taxes	29,089	-	29,089
Special assessments	52,959	4,863	57,822
Accrued interest	9,386	-	9,386
Intergovernmental	454,244	-	454,244
Materials and supplies inventory	5,625	97,145	102,770
Prepaid items	89,708	53,465	143,173
Net OPEB asset	282,889	152,324	435,213
Nondepreciable capital assets	11,448,820	2,904,273	14,353,093
Depreciable capital assets, net	14,204,486	11,177,581	25,382,067
Total assets	<u>37,355,556</u>	<u>20,755,981</u>	<u>58,111,537</u>
<u>Deferred outflows of resources:</u>			
Pension	2,342,839	272,521	2,615,360
OPEB	555,647	11,179	566,826
Total deferred outflows of resources	<u>2,898,486</u>	<u>283,700</u>	<u>3,182,186</u>
<u>Liabilities:</u>			
Accounts payable	397,146	851,639	1,248,785
Accrued wages and benefits	67,421	21,387	88,808
Pension obligation payable	12,665	2,938	15,603
Due to other governments	2,700	778	3,478
Unearned revenue	356,593	-	356,593
Undistributed monies	22,878	-	22,878
Income tax refunds payable	44,180	-	44,180
Accrued interest payable	26,445	10,595	37,040
<u>Long-term liabilities:</u>			
Due within one year	930,584	472,850	1,403,434
Due in more than one year:			
Net pension liability	6,219,298	429,335	6,648,633
Net OPEB liability	951,262	-	951,262
Other amounts due in more than one year	10,951,256	5,672,738	16,623,994
Total liabilities	<u>19,982,428</u>	<u>7,462,260</u>	<u>27,444,688</u>
<u>Deferred inflows of resources:</u>			
Property taxes	928,432	-	928,432
Payments in lieu of taxes	29,089	-	29,089
Pension	2,732,769	520,094	3,252,863
OPEB	706,782	157,381	864,163
Total deferred inflows of resources	<u>4,397,072</u>	<u>677,475</u>	<u>5,074,547</u>
<u>Net position:</u>			
Net investment in capital assets	14,548,895	8,030,265	22,579,160
Restricted for capital projects	1,293,770	-	1,293,770
Restricted for debt service	119,006	-	119,006
Restricted for transportation	808,285	-	808,285
Restricted for security of persons and property	1,064,590	-	1,064,590
Restricted for other purposes	1,214,370	-	1,214,370
Unrestricted (deficit)	(3,174,374)	4,869,681	1,695,307
Total net position	<u>\$ 15,874,542</u>	<u>\$ 12,899,946</u>	<u>\$ 28,774,488</u>

See accompanying notes to the basic financial statements.

City of Huron, Ohio
Statement of Activities
For the Year Ended December 31, 2022

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants and Contributions
<u>Governmental Activities:</u>				
General government	\$ 3,755,036	\$ 735,297	\$ 38,603	\$ -
Security of persons and property:				
Police	1,714,044	88,325	30,031	-
Fire	2,516,340	1,620,974	10,251	-
Other	122,065	233,356	-	-
Leisure time activities	851,433	857,936	216,297	-
Economic development and assistance	126,098	16,336	-	-
Transportation	1,018,889	109,099	687,823	65,035
Refuse	957,198	788,260	-	-
Interest and fiscal charges	250,696	-	-	-
Total governmental activities	<u>11,311,799</u>	<u>4,449,583</u>	<u>983,005</u>	<u>65,035</u>
<u>Business-Type Activities:</u>				
Water	2,104,107	2,427,023	37,500	-
Electric	4,214,678	3,948,470	-	-
Total business-type activities	<u>6,318,785</u>	<u>6,375,493</u>	<u>37,500</u>	<u>-</u>
Total primary government	<u>\$ 17,630,584</u>	<u>\$ 10,825,076</u>	<u>\$ 1,020,505</u>	<u>\$ 65,035</u>

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

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

Governmental Activities	Business-Type Activities	Total
\$ (2,981,136)	\$ -	\$ (2,981,136)
(1,595,688)	-	(1,595,688)
(885,115)	-	(885,115)
111,291	-	111,291
222,800	-	222,800
(109,762)	-	(109,762)
(156,932)	-	(156,932)
(168,938)	-	(168,938)
(250,696)	-	(250,696)
<u>(5,814,176)</u>	<u>-</u>	<u>(5,814,176)</u>
-	360,416	360,416
-	(266,208)	(266,208)
<u>-</u>	<u>94,208</u>	<u>94,208</u>
<u>(5,814,176)</u>	<u>94,208</u>	<u>(5,719,968)</u>
316,345	-	316,345
650,752	-	650,752
2,827,130	-	2,827,130
201,270	-	201,270
850,000	-	850,000
29,089	-	29,089
315,135	-	315,135
427,863	-	427,863
(111,966)	-	(111,966)
185,079	-	185,079
<u>5,690,697</u>	<u>-</u>	<u>5,690,697</u>
(123,479)	94,208	(29,271)
<u>15,998,021</u>	<u>12,805,738</u>	<u>28,803,759</u>
<u>\$ 15,874,542</u>	<u>\$ 12,899,946</u>	<u>\$ 28,774,488</u>

City of Huron, Ohio

Balance Sheet

Governmental Funds

December 31, 2022

	General	Fire Levy	Capital Improvement	Sawmill Creek Improvement TIF	Other Governmental Funds	Total Governmental Funds
<u>Assets:</u>						
Equity in pooled cash and cash equivalents	\$ 1,499,097	\$ 798,321	\$ 742,695	\$ 335	\$ 4,796,639	\$ 7,837,087
<u>Receivables:</u>						
Income tax	1,243,702	-	-	-	-	1,243,702
Property and other taxes	322,098	542,246	-	-	115,029	979,373
Accounts	143,695	189,034	-	-	75	332,804
Special assessments	-	-	-	-	52,959	52,959
Revenue in lieu of taxes	-	-	-	-	29,089	29,089
Accrued interest	9,334	-	-	-	52	9,386
Intergovernmental	128,491	35,701	-	-	290,052	454,244
Materials and supplies inventory	-	-	-	-	5,625	5,625
Advances to other funds	200,000	-	-	-	-	200,000
Total assets	<u>\$ 3,546,417</u>	<u>\$ 1,565,302</u>	<u>\$ 742,695</u>	<u>\$ 335</u>	<u>\$ 5,289,520</u>	<u>\$ 11,144,269</u>
<u>Liabilities, deferred inflows of resources and fund balances:</u>						
<u>Liabilities:</u>						
Accounts payable	\$ 46,299	\$ 19,978	\$ 278,633	\$ -	\$ 51,981	\$ 396,891
Accrued wages and benefits	30,935	25,233	-	-	11,253	67,421
Pension obligation payable	5,420	5,690	-	-	1,555	12,665
Due to other governments	1,164	1,013	-	-	523	2,700
Undistributed monies	22,878	-	-	-	-	22,878
Unearned revenues	-	-	-	-	356,593	356,593
Income tax refunds payable	44,180	-	-	-	-	44,180
Advances from other funds	-	-	200,000	-	-	200,000
Total liabilities	<u>150,876</u>	<u>51,914</u>	<u>478,633</u>	<u>-</u>	<u>421,905</u>	<u>1,103,328</u>
<u>Deferred inflows of resources:</u>						
Property taxes	305,280	514,129	-	-	109,023	928,432
Payments in lieu of taxes	-	-	-	-	29,089	29,089
Unavailable revenue	698,452	113,371	-	-	233,442	1,045,265
Unavailable revenue - delinquent property taxes	3,564	5,972	-	-	1,273	10,809
Total deferred inflows of resources	<u>1,007,296</u>	<u>633,472</u>	<u>-</u>	<u>-</u>	<u>372,827</u>	<u>2,013,595</u>
<u>Fund balances:</u>						
Nonspendable	150,000	-	-	-	5,625	155,625
Restricted	-	879,916	264,062	335	3,191,250	4,335,563
Committed	112,314	-	-	-	1,297,913	1,410,227
Assigned	253,351	-	-	-	-	253,351
Unassigned (deficit)	1,872,580	-	-	-	-	1,872,580
Total fund balances	<u>2,388,245</u>	<u>879,916</u>	<u>264,062</u>	<u>335</u>	<u>4,494,788</u>	<u>8,027,346</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 3,546,417</u>	<u>\$ 1,565,302</u>	<u>\$ 742,695</u>	<u>\$ 335</u>	<u>\$ 5,289,520</u>	<u>\$ 11,144,269</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, 2022

Total governmental fund balances \$ 8,027,346

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. 25,653,306

An internal service fund is used by management to charge the costs of certain employee benefits and computer repairs. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position. 474,837

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

Property and other taxes	\$	10,809	
Income taxes		615,128	
Intergovernmental		295,988	
Special assessments		52,959	
Fines and forfeitures		1,594	
Charges for services		77,670	
Other		1,926	
Total		1,056,074	1,056,074

The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in the funds:

Deferred outflows - pension	\$	2,342,839	
Deferred inflows - pension		(2,732,769)	
Net pension liability		(6,219,298)	
Deferred outflows - OPEB		555,647	
Deferred inflows - OPEB		(706,782)	
Net OPEB liability		(951,262)	
Net OPEB asset		282,889	
Total		(7,428,736)	(7,428,736)

Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds. (26,445)

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

General obligation bonds	\$	(7,194,000)	
Long-term notes		(3,025,000)	
Unamortized premium on bonds		(138,568)	
Lease purchases		(59,632)	
OPWC loan		(687,211)	
Compensated absences		(777,429)	
Total		(11,881,840)	(11,881,840)

Net position of governmental activities \$ 15,874,542

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, 2022

	General	Fire Levy	Capital Improvement	Sawmill Creek Improvement TIF	Other Governmental Funds	Total Governmental Funds
Revenues:						
Income tax	\$ 2,777,687	\$ -	\$ 201,270	\$ -	\$ 850,000	\$ 3,828,957
Property taxes	314,780	535,140	-	-	112,454	962,374
Other taxes	427,863	-	-	-	-	427,863
Charges for services	14,143	1,618,554	-	-	1,802,002	3,434,699
Licenses and permits	391,423	-	-	-	-	391,423
Fines and forfeitures	247,199	-	-	-	81,681	328,880
Intergovernmental	248,845	80,903	65,035	-	969,800	1,364,583
Special assessments	-	-	-	-	208,832	208,832
Investment income	(111,966)	-	-	-	2,194	(109,772)
Payment in lieu of tax	-	-	-	-	29,089	29,089
Other	183,153	16,888	14,200	-	94,086	308,327
Total revenues	<u>4,493,127</u>	<u>2,251,485</u>	<u>280,505</u>	<u>-</u>	<u>4,150,138</u>	<u>11,175,255</u>
Expenditures:						
Current:						
General government	1,783,575	-	1,049	2,000,000	129,525	3,914,149
Security of persons and property:						
Police	1,494,434	-	-	-	322,851	1,817,285
Fire	-	2,374,797	-	-	80,458	2,455,255
Other	-	-	-	-	120,200	120,200
Transportation	-	-	2,150	-	746,375	748,525
Refuse	-	-	-	-	967,407	967,407
Leisure time activities	6,134	-	1	-	811,003	817,138
Economic development and assistance	-	-	-	-	126,414	126,414
Capital outlay	25,000	-	1,354,258	-	447,194	1,826,452
Debt service:						
Principal retirement	-	-	-	-	743,404	743,404
Interest and fiscal charges	-	-	2,302	15,076	244,668	262,046
Total expenditures	<u>3,309,143</u>	<u>2,374,797</u>	<u>1,359,760</u>	<u>2,015,076</u>	<u>4,739,499</u>	<u>13,798,275</u>
Excess of revenues over (under) expenditures	<u>1,183,984</u>	<u>(123,312)</u>	<u>(1,079,255)</u>	<u>(2,015,076)</u>	<u>(589,361)</u>	<u>(2,623,020)</u>
Other financing sources (uses):						
Bond anticipation note issued	-	-	-	2,015,411	1,009,589	3,025,000
Proceeds of OPWC loans	-	-	8,358	-	-	8,358
Proceeds from sale of capital assets	-	-	-	-	14,000	14,000
Transfers - in	-	200,000	465,980	-	965,012	1,630,992
Transfers - out	(1,393,742)	(100,000)	-	-	(137,250)	(1,630,992)
Total other financing sources (uses)	<u>(1,393,742)</u>	<u>100,000</u>	<u>474,338</u>	<u>2,015,411</u>	<u>1,851,351</u>	<u>3,047,358</u>
Net change in fund balance	<u>(209,758)</u>	<u>(23,312)</u>	<u>(604,917)</u>	<u>335</u>	<u>1,261,990</u>	<u>424,338</u>
Fund balances at beginning of year	<u>2,598,003</u>	<u>903,228</u>	<u>868,979</u>	<u>-</u>	<u>3,232,798</u>	<u>7,603,008</u>
Fund balances at end of year	<u>\$ 2,388,245</u>	<u>\$ 879,916</u>	<u>\$ 264,062</u>	<u>\$ 335</u>	<u>\$ 4,494,788</u>	<u>\$ 8,027,346</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, 2022

Net change in fund balances - Total governmental funds \$ 424,338

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	\$ 1,826,452	
Depreciation expense	(712,517)	
Excess of capital outlay over depreciation expense		1,113,935

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. (32,140)

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	\$ 4,723	
Income taxes	49,443	
Intergovernmental	(13,627)	
Special assessments	(16,526)	
Fines and forfeitures	1,594	
Charges for services	(14,468)	
Other	1,926	
Net change in deferred inflows of resources during the year		13,065

Contractually required contributions are reported as expenditures in the governmental funds however, the statement of activities reports these amounts as deferred outflows.

Pension		699,889
OPEB		11,439

Except for amounts reported as deferred inflows/outflows, changes in the net pension/OPEB liability and asset are reported as pension expense in the statement of activities.

Pension		(344,638)
OPEB		169,371

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:

Increase in compensated absences	\$ (39,177)	
Increase in accrued interest	(7,637)	
Total additional expenditures		(46,814)

The internal service fund used by management to charge the costs of certain employee benefits and computer repairs to individual funds are not reported in the statement of activities. Governmental fund expenditures and related internal service fund revenues are eliminated. 139,043

Payment of principal of leases and lease-purchases is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 743,404

The issuance of loans and lease-purchases resulted in other financing sources in the governmental funds, but these transactions are reflected in the statement of net position as liabilities. (3,033,358)

The amortization of bond premium is reflected as an expense in the statement of activities. 18,987

Change in net position of governmental activities \$ (123,479)

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, 2022**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<u>Revenues:</u>				
Income tax	\$ 3,191,000	\$ 3,691,000	\$ 3,845,018	\$ 154,018
Property taxes	280,012	280,012	312,079	32,067
Other taxes	325,000	325,000	315,929	(9,071)
Charges for services	70,767	70,767	169,687	98,920
Licenses and permits	377,000	377,000	391,872	14,872
Fines and forfeitures	268,000	268,000	247,199	(20,801)
Intergovernmental	211,276	220,134	247,672	27,538
Investment income	50,000	50,000	59,168	9,168
Other	148,393	148,393	159,132	10,739
Total revenues	<u>4,921,448</u>	<u>5,430,306</u>	<u>5,747,756</u>	<u>317,450</u>
<u>Expenditures:</u>				
Current:				
General government	1,904,391	2,032,391	1,856,569	175,822
Security of persons and property:				
Police	<u>1,559,205</u>	<u>1,581,063</u>	<u>1,490,868</u>	<u>90,195</u>
Total expenditures	<u>3,463,596</u>	<u>3,613,454</u>	<u>3,347,437</u>	<u>266,017</u>
Excess of revenues over expenditures	<u>1,457,852</u>	<u>1,816,852</u>	<u>2,400,319</u>	<u>583,467</u>
<u>Other financing uses:</u>				
Sale of capital assets	-	-	1,527	1,527
Transfers - out	<u>(1,539,100)</u>	<u>(2,569,100)</u>	<u>(2,505,012)</u>	<u>64,088</u>
Net change in fund balance	(81,248)	(752,248)	(103,166)	649,082
Fund balance at beginning of year	1,669,343	1,669,343	1,669,343	-
Prior year encumbrances appropriated	<u>88,504</u>	<u>88,504</u>	<u>88,504</u>	<u>-</u>
Fund balance at end of year	<u>\$ 1,676,599</u>	<u>\$ 1,005,599</u>	<u>\$ 1,654,681</u>	<u>\$ 649,082</u>

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, 2022**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final Budget		
<u>Revenues:</u>				
Property and other taxes	\$ 533,450	\$ 533,450	\$ 531,085	\$ (2,365)
Charges for services	1,601,681	1,601,681	1,609,906	8,225
Intergovernmental	72,241	82,241	80,903	(1,338)
Other	6,250	6,250	16,888	10,638
Total revenue	<u>2,213,622</u>	<u>2,223,622</u>	<u>2,238,782</u>	<u>15,160</u>
<u>Expenditures:</u>				
Current:				
Security of persons and property:				
Fire	<u>2,247,453</u>	<u>2,282,973</u>	<u>2,146,827</u>	<u>136,146</u>
Excess of revenues over expenditures	<u>(33,831)</u>	<u>(59,351)</u>	<u>91,955</u>	<u>151,306</u>
<u>Other financing sources (uses):</u>				
Sale of capital assets	5,000	5,000	-	(5,000)
Transfers - in	200,000	200,000	200,000	-
Transfers - out	<u>(365,000)</u>	<u>(365,000)</u>	<u>(365,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(160,000)</u>	<u>(160,000)</u>	<u>(165,000)</u>	<u>(5,000)</u>
Net change in fund balance	(193,831)	(219,351)	(73,045)	146,306
Fund balance at beginning of year	804,966	804,966	804,966	-
Prior year encumbrances appropriated	<u>30,174</u>	<u>30,174</u>	<u>30,174</u>	<u>-</u>
Fund balance at end of year	<u>\$ 641,309</u>	<u>\$ 615,789</u>	<u>\$ 762,095</u>	<u>\$ 146,306</u>

See accompanying notes to the basic financial statements.

City of Huron, Ohio
Statement of Fund Net Position
Proprietary Funds
December 31, 2022

	Business-Type Activities - Enterprise Funds			Governmental
	Water	Electric	Total	Activities Internal Service
<u>Assets:</u>				
Current assets:				
Equity in pooled cash and cash equivalents	\$ 3,506,386	\$ 593,024	\$ 4,099,410	\$ 385,384
Receivables:				
Accounts	617,768	1,649,152	2,266,920	-
Special assessments	4,863	-	4,863	-
Materials and supplies inventory	97,145	-	97,145	-
Prepaid items	31,555	21,910	53,465	89,708
Total current assets	4,257,717	2,264,086	6,521,803	475,092
Noncurrent assets:				
Net OPEB asset	149,278	3,046	152,324	-
Capital assets:				
Nondepreciable capital assets	2,763,839	140,434	2,904,273	-
Depreciable capital assets, net	9,084,748	2,092,833	11,177,581	-
Total noncurrent assets	11,997,865	2,236,313	14,234,178	-
Total assets	16,255,582	4,500,399	20,755,981	475,092
<u>Deferred outflows of resources:</u>				
Pension	267,070	5,451	272,521	-
OPEB	10,955	224	11,179	-
Total deferred outflows of resources	278,025	5,675	283,700	-
<u>Liabilities:</u>				
Current liabilities:				
Accounts payable	171,639	680,000	851,639	255
Accrued wages and benefits	17,822	3,565	21,387	-
Pension obligation payable	2,441	497	2,938	-
Due to other governments	649	129	778	-
Compensated absences payable	57,017	14,239	71,256	-
Accrued interest payable	7,022	3,573	10,595	-
OWDA loans payable	145,594	-	145,594	-
General obligation bonds payable	96,000	-	96,000	-
Revenue bonds payable	-	160,000	160,000	-
Total current liabilities	498,184	862,003	1,360,187	255
Long-term liabilities:				
Compensated absences payable	55,338	-	55,338	-
OWDA loans payable, net of current portion	4,436,986	-	4,436,986	-
General obligation bonds payable, net of current portion	414	-	414	-
Revenue bonds payable, net of current portion	-	1,180,000	1,180,000	-
Net pension liability	420,748	8,587	429,335	-
Total long-term liabilities	4,913,486	1,188,587	6,102,073	-
Total liabilities	5,411,670	2,050,590	7,462,260	255

(Continued)

City of Huron, Ohio
Statement of Fund Net Position
Proprietary Funds
December 31, 2022
(Continued)

	Business-Type Activities - Enterprise Funds			Governmental
	Water	Electric	Total	Activities Internal Service
<u>Deferred inflows of resources:</u>				
Pension	509,692	10,402	520,094	-
OPEB	154,234	3,147	157,381	-
Total deferred inflows of resources	663,926	13,549	677,475	-
<u>Net position:</u>				
Net investment in capital assets	7,136,998	893,267	8,030,265	-
Unrestricted	3,321,013	1,548,668	4,869,681	474,837
Total net position	<u>\$ 10,458,011</u>	<u>\$ 2,441,935</u>	<u>\$ 12,899,946</u>	<u>\$ 474,837</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, 2022

	<u>Business-Type Activities - Enterprise Funds</u>			<u>Governmental</u>
	<u>Water</u>	<u>Electric</u>	<u>Total</u>	<u>Activities</u> <u>Internal Service</u>
<u>Operating revenues:</u>				
Charges for services	\$ 2,415,839	\$ 3,841,499	\$ 6,257,338	\$ 1,164,271
Other	11,184	106,971	118,155	-
Total operating revenue	<u>2,427,023</u>	<u>3,948,470</u>	<u>6,375,493</u>	<u>1,164,271</u>
<u>Operating expenses:</u>				
Personal services	681,259	161,618	842,877	-
Fringe benefits	405,639	65,194	470,833	84,418
Operations and maintenance	4,069	-	4,069	-
Contractual services	365,290	130,641	495,931	928,708
Purchased power	-	3,764,638	3,764,638	-
Supplies and materials	248,979	-	248,979	12,102
Depreciation	351,943	47,361	399,304	-
Total operating expenses	<u>2,057,179</u>	<u>4,169,452</u>	<u>6,226,631</u>	<u>1,025,228</u>
Operating income (loss)	<u>369,844</u>	<u>(220,982)</u>	<u>148,862</u>	<u>139,043</u>
<u>Nonoperating revenue (expenses):</u>				
Intergovernmental	37,500	-	37,500	-
Interest and fiscal charges	(22,176)	(45,226)	(67,402)	-
Loss on disposal of capital assets	(24,752)	-	(24,752)	-
Total nonoperating revenues (expenses)	<u>(9,428)</u>	<u>(45,226)</u>	<u>(54,654)</u>	<u>-</u>
Change in net position	360,416	(266,208)	94,208	139,043
Net position at beginning of year	<u>10,097,595</u>	<u>2,708,143</u>	<u>12,805,738</u>	<u>335,794</u>
Net position at end of year	<u>\$ 10,458,011</u>	<u>\$ 2,441,935</u>	<u>\$ 12,899,946</u>	<u>\$ 474,837</u>

See accompanying notes to the basic financial statements.

City of Huron, Ohio
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2022

	Business-Type Activities - Enterprise Funds			Governmental
	Water	Electric	Total	Activities Internal Service
Cash flows from operating activities:				
Cash received from customers	\$ 2,467,949	\$ 3,797,978	\$ 6,265,927	\$ 1,164,271
Cash payments for personal services	(1,332,957)	(231,393)	(1,564,350)	(84,418)
Cash payments for operations and maintenance	(4,069)	-	(4,069)	-
Cash payments for contractual services	(380,502)	(143,785)	(524,287)	(957,988)
Cash payments for wholesale power	-	(3,736,521)	(3,736,521)	-
Cash payments to suppliers for materials and supplies	(262,783)	-	(262,783)	(12,102)
Net cash provided by (used for) operating activities	<u>487,638</u>	<u>(313,721)</u>	<u>173,917</u>	<u>109,763</u>
Cash flows from capital and related financing activities:				
Subsidy from state and federal grants	37,500	-	37,500	-
Issuance of loans and notes	2,404,490	-	2,404,490	-
Interest paid on bonds, loans and leases	(23,467)	(45,440)	(68,907)	-
Principal payment on bonds, loans and leases	(184,947)	(80,000)	(264,947)	-
Acquisition of capital assets	(2,625,863)	(42,406)	(2,668,269)	-
Net cash (used for) capital and related financing activities	<u>(392,287)</u>	<u>(167,846)</u>	<u>(560,133)</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	95,351	(481,567)	(386,216)	109,763
Cash and cash equivalents at beginning of year	3,411,035	1,074,591	4,485,626	275,621
Cash and cash equivalents at end of year	<u>\$ 3,506,386</u>	<u>\$ 593,024</u>	<u>\$ 4,099,410</u>	<u>\$ 385,384</u>
Reconciliation of operating income to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ 369,844	\$ (220,982)	\$ 148,862	\$ 139,043
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	351,943	47,361	399,304	-
Change in assets, deferred outflows, liabilities and deferred inflows:				
(Increase) decrease in assets and deferred outflows:				
Accounts receivable	36,976	(150,492)	(113,516)	-
Special assessments receivable	3,950	-	3,950	-
Prepaid items	(2,704)	(1,451)	(4,155)	(29,535)
Net OPEB asset	(71,665)	(1,462)	(73,127)	-
Deferred outflows of resources - pension/OPEB	(110,764)	(2,261)	(113,025)	-
Increase (decrease) in liabilities and deferred inflows:				
Accounts payable	(25,716)	16,424	(9,292)	255
Accrued wages and benefits	1,148	432	1,580	-
Accrued pension	161	109	270	-
Compensated absences	(1,385)	649	(736)	-
Due to other governments	(3,285)	(807)	(4,092)	-
Net pension/OPEB liability	(205,300)	(4,189)	(209,489)	-
Deferred inflows of resources - pension/OPEB	144,435	2,948	147,383	-
Net cash provided by (used for) operating activities	<u>\$ 487,638</u>	<u>\$ (313,721)</u>	<u>\$ 173,917</u>	<u>\$ 109,763</u>

See accompanying notes to the basic financial statements.

City of Huron, Ohio
Statement of Fiduciary Net Position
Custodial Funds
December 31, 2022

	<u>Custodial</u>
<u>Assets:</u>	
Equity in pooled cash and cash equivalents	\$ <u>35,908</u>
 <u>Liabilities:</u>	
Accounts payable	\$ 1,536
Due to other governments	11,710
Undistributed monies	<u>22,662</u>
Total liabilities	<u>\$ 35,908</u>
 <u>Net position:</u>	
Restricted for individuals, organizations and other governments	<u>-</u>
Total net position	<u>\$ -</u>

See accompanying notes to the basic financial statements.

City of Huron, Ohio
Statement of Changes in Fiduciary Net Position
Custodial Funds
December 31, 2022

	<u>Custodial</u>
<u>Additions:</u>	
Amounts received as fiscal agent	\$ 172,921
Fines and forfeitures for other governments	<u>420,215</u>
Total additions	<u><u>\$ 593,136</u></u>
<u>Deductions:</u>	
Distributions from municipal court to other governments	\$ 402,502
Distributions as fiscal agent	172,921
Distributions to other governments	<u>17,713</u>
Total deductions	<u><u>\$ 593,136</u></u>
Change net position	-
Net position beginning of year	<u>-</u>
Net position end of year	<u><u>\$ -</u></u>

See accompanying notes to the basic financial statements.

City of Huron, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2022

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, firefighting 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 doesn’t have any component units.

The City is associated with organizations which are described as a jointly governed organizations and a public entity risk pool. These organizations include the Huron Area Joint Recreation District, the Regional Income Tax Agency (RITA), and the Public Entities Pool of Ohio (PEP). These organizations are presented in Notes 12 and 13 to the basic financial statements.

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.

City of Huron, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2022

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.

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 business-type activities of the City. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by 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 internal service funds are presented in a single 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.

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, deferred outflows of resources, current liabilities and deferred inflows of resources 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:

City of Huron, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2022

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.

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.

Sawmill Creek Tax Increment Financing (TIF) Fund - This fund was created in 2022 to record TIF proceeds from expansion efforts at the Sawmill Creek Resort. The TIF fund will account for capital improvements near the property and related debt services payments.

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 funds account for the revenues and expenses of the City owned water system and electricity provided by the City to an industrial park.

Internal Service Funds The internal service funds account 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 certain employee benefits. The computer repair fund accounts for the computer repairs of the City.

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 custodial 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. The City’s custodial funds account for highway patrol, the Huron Area Joint Recreation and municipal court collections that are distributed to various local governments.

City of Huron, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2022

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 deferred outflows of resources and current liabilities and deferred inflows of resources generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the 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, deferred outflows of resources, liabilities and deferred inflows of resources 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.

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.

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.

City of Huron, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2022

Nonexchange transactions are transactions in which the City receives value without directly giving equal value in return, including income taxes, estate taxes, motel-hotel taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied (Note 5). 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. For the City, deferred outflows of resources are reported on the government-wide statement of net position for deferred charge on refunding, for pension and other postemployment benefits (OPEB). The deferred outflows of resources related to pension and OPEB are explained in Note 11.

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, 2022, but which were levied to finance year 2023 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. Deferred inflows of resources related to pension and OPEB are reported on the government-wide statement of net position.

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

City of Huron, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2022

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 custodial 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 2022.

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.

City of Huron, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2022

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.

During 2022, the City invested in negotiable certificate of deposits and the State Treasury Asset Reserve of Ohio (STAR Ohio).

Investments are reported at fair value which is based on quoted market prices, with the exception of nonparticipating repurchase agreements, which are reported at cost. For investments in open-end mutual funds, fair value is determined by the fund's share price.

The City's investment in the State Treasury Asset Reserve of Ohio (STAR Ohio) is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company and is recognized as an external investment pool by the City. The City measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

For 2022, there were no limitation or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice is appreciated 24 hours in advance of all deposits and withdrawals exceeding \$100 million. STAR Ohio reserves the right to limit the transaction to \$250 million, requiring the excess amount to be transacted the following business day(s), but only to the \$250 million limit. All accounts of the participant will be combined for these purposes.

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.

City of Huron, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2022

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.

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

Inventory consists of expendable supplies held for consumption.

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 acquisition 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 capital assets are depreciated over the remaining useful lives of the related proprietary fund type capital assets. The estimated useful lives are as follows:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-Type Activities 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

City of Huron, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2022

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 2022, interest costs incurred on construction projects were not material.

J. Pension and other postemployment benefits (OPEB)

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

The current accounting standard requires Cities to report their proportionate share of the net pension/OPEB liability or asset using the earning approach to pension and OPEB accounting instead of the funding approach as previously used. The funding approach limited pension and postemployment costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension/OPEB liability. Under the new standards, the net pension/OPEB liability or asset equals the City's proportionate share of each plan's collective present value of estimated future pension/OPEB benefits attributable to active and inactive employees' past service minus plan assets available to pay these benefits.

Pension and OPEB obligations, whether funded or unfunded, are part of the employment exchange. The employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. The unfunded portion of this benefit of exchange is a liability of the City. However, the City is not responsible for key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension/OPEB benefits with the employer. Benefit provisions and both employer and employee contribution rates are determined by State statute. The employee and employer enter the employment exchange with the knowledge that the exchange is limited by law. The pension system is responsible for the administration of the pension and OPEB plans.

There is no repayment schedule for the net pension/OPEB liability. The City has no control over the changes in the benefits, contributions rates, and return on investments affecting the balance of the liabilities. In the event that contributions, investment returns, and other changes are insufficient to keep up with required payments, State statute does not identify the responsible party for the unfunded portion. Due to the unique nature of how the pension/OPEB liability or asset is satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

K. 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.

City of Huron, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2022

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 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, 2022. 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.

L. 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, special termination benefits and the net pension/OPEB liability 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, lease purchases and long-term loans are recognized as a liability in the fund financial statements when due. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits.

M. 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, 2022

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.

N. 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. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned fund balance classification is 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. In addition, the Director of Finance is authorized to assign fund balance for purchases on order provided such amounts have been lawfully appropriated.

City of Huron, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2022

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, electric, and employee health benefits program. Operating expenses are necessary costs incurred to provide the goods and services that is the primary activity of the fund.

P. 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.

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

Q. 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.

R. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2022, 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.

City of Huron, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2022

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).
- The revenues, expenditures and other financing sources and uses of the general fund include activity that is budgeted within special revenue funds (GAAP basis). However, on the budgetary basis, the activity of the special revenue funds is excluded resulting in perspective differences.

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.

	General Fund	Fire Levy Fund
GAAP basis	\$ (209,758)	\$ (23,312)
Revenue accruals	1,256,156	(12,703)
Expense accruals	(1,140,744)	(804)
Perspective difference from fund budgeted as special revenue fund:		
Expenditures	38,384	-
Transfers from general fund	25,000	-
Encumbrances (budget basis) outstanding at year end	<u>(72,204)</u>	<u>(36,226)</u>
Budget basis	<u>\$ (103,166)</u>	<u>\$ (73,045)</u>

City of Huron, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2022

NOTE 3 – 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	<u>General</u>	<u>Fire Levy</u>	<u>Capital Improvement</u>	<u>Sawmill Creek Improvement TIF</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Nonspendable</u>						
Materials and supplies inventory	\$ -	\$ -	\$ -	\$ -	\$ 5,625	\$ 5,625
Long-term interfund loan	150,000	-	-	-	-	150,000
Total nonspendable	<u>150,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,625</u>	<u>155,625</u>
<u>Restricted for</u>						
Streets and highways	-	-	-	-	658,056	658,056
Economic development	-	-	-	-	177,284	177,284
Recreation	-	-	-	-	463,912	463,912
Fire and EMS services	-	879,916	-	-	89,158	969,074
Capital improvements	-	-	264,062	335	1,032,789	1,297,186
Marine patrol	-	-	-	-	2,515	2,515
Debt service payments	-	-	-	-	83,249	83,249
Court activities	-	-	-	-	588,744	588,744
Police services	-	-	-	-	92,927	92,927
Opioid settlement	-	-	-	-	2,616	2,616
Total restricted	<u>-</u>	<u>879,916</u>	<u>264,062</u>	<u>335</u>	<u>3,191,250</u>	<u>4,335,563</u>
<u>Committed</u>						
Recreation	-	-	-	-	261,478	261,478
Capital improvements	-	-	-	-	949,892	949,892
Stormwater system	-	-	-	-	58,287	58,287
Refuse and recycling	-	-	-	-	23,394	23,394
Property maintenance	-	-	-	-	4,862	4,862
Employee retirements	112,314	-	-	-	-	112,314
Total committed	<u>112,314</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,297,913</u>	<u>1,410,227</u>
<u>Assigned</u>						
Encumbrances	50,058	-	-	-	-	50,058
Next year's budget	203,293	-	-	-	-	203,293
Total assigned	<u>253,351</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>253,351</u>
Unassigned	1,872,580	-	-	-	-	1,872,580
Total fund balances	<u>\$ 2,388,245</u>	<u>\$ 879,916</u>	<u>\$ 264,062</u>	<u>\$ 335</u>	<u>\$ 4,494,788</u>	<u>\$ 8,027,346</u>

City of Huron, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2022

NOTE 4 – Deposits and Investments

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

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

Inactive deposits are public deposits that the City has identified as not required for use within the current five 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)

City of Huron, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2022

7. Commercial paper notes, limited to 40% (5% for a single issuer) in total of the interim monies available for investment at any one time and for a period not to exceed two hundred seventy days; and
8. Bankers acceptances, limited to 40% of the interim monies available for investment at any one time and for a period not to exceed one hundred eighty days.

An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Custodial Credit Risk is the risk that in the event of bank failure, the government's deposits may not be returned to it. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the City or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured. If the institution participates in the Ohio Pooled Collateral System (OPCS), the total market value of the securities pledged can be one hundred two percent or lower if permitted by the Treasurer of State.

A. Undeposited Cash

At year-end, the City had \$2,185 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. As of December 31, \$3,374,064 of the City's bank balance of \$9,455,532 was exposed to custodial credit risk because those deposits were uninsured and uncollateralized.

City of Huron, Ohio

Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

C. Investments

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Percentage of Investment</u>	<u>Investment Maturity (years)</u>		
			<u>Less than 1 year</u>	<u>1 - 2 years</u>	<u>More than 2 years</u>
Negotiable certificates of deposits:					
UBS Bank UT	\$ 217,172	5.38%	\$ -	\$ -	\$ 217,172
Capital One NA VA	249,536	6.19%	74,080	-	175,456
Goldman Sachs Bank NY	450,807	11.18%	149,819	64,122	236,866
All other certificates of deposits	1,745,660	43.28%	768,681	538,302	438,677
STAR Ohio	<u>1,369,991</u>	<u>33.97%</u>	<u>1,369,991</u>	<u>-</u>	<u>-</u>
	<u>\$ 4,033,166</u>	<u>100.00%</u>	<u>\$ 2,362,571</u>	<u>\$ 602,424</u>	<u>\$ 1,068,171</u>

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The preceding table identifies the City's recurring fair value measurement as of December 31, 2022. As previously discussed, Star Ohio is reported at its net asset value. All other investments of the City are valued using Level 2 inputs using valuations techniques that incorporate market data for similar investments, broker quotes and inactive transactions prices.

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.

Credit Risk – The City's investment policy limits its investments that are not obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government to investments which have the highest credit quality rating issued by nationally recognized statistical rating organizations. The City's investment in STAR Ohio has an AAAM credit rating from S&P. The City's investments negotiable certificates of deposit were not rated or the ratings were unavailable.

Concentration of credit risk is the possibility of loss attributed to the magnitude of the City's investment in a single issuer. The table above lists the CDs that are individually greater than 5% per issuer of the City's total investments. 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.

City of Huron, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2022

Following Ohio statutes, the City has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue of \$(111,966) was credited to the general fund during 2022, which includes \$(94,595) assigned from other City funds. For 2022, interest income reported in the general, water and electric funds were negative amounts resulting from fluctuations in reporting investments at fair value

NOTE 5 – 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 2022 for real and public utility property taxes represents collections of the 2021 taxes. Property tax payments received during 2022 for tangible personal property (other than public utility property) is for 2022 taxes.

2022 real property taxes are levied after October 1, 2021, on the assessed value as of January 1, 2021, the lien date. Assessed values are established by State law at 35% of appraised market value.

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. 2022 public utility property taxes became a lien December 31, 2020, are levied after October 1, 2021, and are collected with real property taxes.

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, 2022 was \$4.9 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2022 property tax receipts were based are as follows:

<u>Property Category</u>	<u>Assessed Value</u>
<u>Real property</u>	
Residential and agricultural	\$ 216,949,190
Commercial and industrial	30,960,690
Public utilities	158,640
<u>Tangible personal property</u>	
Public utilities	<u>5,626,790</u>
Total	<u>\$ 253,695,310</u>

City of Huron, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2022

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. 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 2022, the proceeds were allocated to the general, general obligation bond retirement and capital improvement funds.

NOTE 6 – Receivables

Receivables at December 31, 2022 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:

	<u>Governmental Activities</u>
Due from other governments:	
Local government funding	\$ 89,501
Homestead and rollbacks	64,151
Gas and motor vehicle taxes	254,467
Permissive tax	26,344
Other	<u>19,781</u>
Total	<u>\$ 454,244</u>

NOTE 7 – Capital Assets

Governmental Activities A summary of the governmental activities' capital asset activity as of December 31, 2022 are as follows:

City of Huron, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2022

Governmental activities	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
Capital assets, not being depreciated:				
Land	\$ 6,192,559	\$ 180,081	\$ -	\$ 6,372,640
Land use rights	49,687	-	-	49,687
Construction in progress	<u>3,720,593</u>	<u>1,305,900</u>	<u>-</u>	<u>5,026,493</u>
Total capital assets, not being depreciated	<u>9,962,839</u>	<u>1,485,981</u>	<u>-</u>	<u>11,448,820</u>
Capital assets, being depreciated:				
Land improvements	6,771,013	77,777	-	6,848,790
Buildings and improvements	3,424,785	-	-	3,424,785
Equipment and furniture	2,043,321	140,049	(40,975)	2,142,395
Vehicles	3,272,043	-	-	3,272,043
Infrastructure	<u>8,968,957</u>	<u>122,645</u>	<u>-</u>	<u>9,091,602</u>
Total capital assets, being depreciated	<u>24,480,119</u>	<u>340,471</u>	<u>(40,975)</u>	<u>24,779,615</u>
Less accumulated depreciation:				
Land improvements	(3,940,598)	(229,290)	-	(4,169,888)
Buildings and improvements	(1,741,828)	(74,957)	-	(1,816,785)
Equipment and furniture	(1,314,118)	(74,537)	8,835	(1,379,820)
Vehicles	(2,138,053)	(179,698)	-	(2,317,751)
Infrastructure	<u>(736,850)</u>	<u>(154,035)</u>	<u>-</u>	<u>(890,885)</u>
Total accumulated depreciation	<u>(9,871,447)</u>	<u>(712,517)</u>	<u>8,835</u>	<u>(10,575,129)</u>
Total capital assets being depreciated, net	<u>14,608,672</u>	<u>(372,046)</u>	<u>(32,140)</u>	<u>14,204,486</u>
Governmental activities capital assets, net	<u>\$ 24,571,511</u>	<u>\$ 1,113,935</u>	<u>\$ (32,140)</u>	<u>\$ 25,653,306</u>

Depreciation Expense Depreciation expense charged to governmental functions for the year ending December 31, 2022 is as follows:

	<u>Amount</u>
General government	\$ 84,091
Security of persons and property:	
Police	52,738
Fire	83,762
Other	3,685
Leisure time activities	138,908
Transportation	<u>349,333</u>
Total governmental activities depreciation expense	<u>\$ 712,517</u>

City of Huron, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2022

Business-Type Activities A summary of the business-type activities' capital assets as of December 31, 2022 are as follows:

Business-type activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 100,380	\$ -	\$ -	\$ 100,380
Construction in progress	<u>1,099,582</u>	<u>2,524,685</u>	<u>(820,374)</u>	<u>2,803,893</u>
Total capital assets, not being depreciated	<u>1,199,962</u>	<u>2,524,685</u>	<u>(820,374)</u>	<u>2,904,273</u>
Capital assets, being depreciated:				
Land improvements	106,714	-	-	106,714
Buildings and improvements	2,750,198	820,374	-	3,570,572
Equipment and furniture	1,912,929	261,373	(36,670)	2,137,632
Vehicles	332,147	-	-	332,147
Infrastructure				
Water	8,081,383	-	-	8,081,383
Electric	<u>2,295,282</u>	<u>-</u>	<u>-</u>	<u>2,295,282</u>
Total capital assets, being depreciated	<u>15,478,653</u>	<u>1,081,747</u>	<u>(36,670)</u>	<u>16,523,730</u>
Less accumulated depreciation:				
Land improvements	(102,752)	(440)	-	(103,192)
Buildings and improvements	(1,434,395)	(67,146)	-	(1,501,541)
Equipment and furniture	(588,916)	(69,488)	11,918	(646,486)
Vehicles	(300,679)	(7,589)	-	(308,268)
Infrastructure				
Water	(2,376,933)	(207,280)	-	(2,584,213)
Electric	<u>(155,088)</u>	<u>(47,361)</u>	<u>-</u>	<u>(202,449)</u>
Total accumulated depreciation	<u>(4,958,763)</u>	<u>(399,304)</u>	<u>11,918</u>	<u>(5,346,149)</u>
Total capital assets being depreciated, net	<u>10,519,890</u>	<u>682,443</u>	<u>(24,752)</u>	<u>11,177,581</u>
Business-type activities capital assets, net	<u>\$ 11,719,852</u>	<u>\$ 3,207,128</u>	<u>\$ (845,126)</u>	<u>\$ 14,081,854</u>

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

City of Huron, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2022

NOTE 8 – 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 480 hours or 1,750 for those employees grandfathered in before the new limit.

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, 2022 the liability for long-term unpaid compensated absences was \$777,429 for the governmental activities, which would be paid from the general fund, the employee benefit fund, and parks, recreation, boat basin, street maintenance and state highway, special fire levy, street lighting, police grants, and probation special revenue funds and liability for long-term unpaid compensated absences for business-type activities was \$126,594, which would be paid from the water and electric funds.

City of Huron, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2022

NOTE 9 – Long-term Obligations

Governmental Activities A summary of the governmental activities' debt and other long-term obligations as of December 31, 2022 are as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Amount Due within One Year
<u>Governmental Activities:</u>					
<u>General obligation bonds</u>					
2015 Various purpose					
2.25% - 3.75%, maturing 2030	\$ 750,000	\$ -	\$ (100,000)	\$ 650,000	\$ 110,000
2012 Various purpose refunding,					
2.00% - 2.10%, maturing 2023	249,000	-	(135,000)	114,000	114,000
Premium	1,685	-	(1,156)	529	-
2018 Various purpose					
2.00% - 3.125%, maturing 2034	2,535,000	-	(210,000)	2,325,000	190,000
Premium	44,709	-	(7,021)	37,688	-
2019 Street improvement					
2.00% - 5.00%, maturing 2039	4,290,000	-	(185,000)	4,105,000	185,000
Premium	111,161	-	(10,810)	100,351	-
Total general obligation bonds	<u>7,981,555</u>	<u>-</u>	<u>(648,987)</u>	<u>7,332,568</u>	<u>599,000</u>
<u>Ohio Public Works Commission loan</u>					
Berlin waterline, 0.00%	385,049	8,358	-	393,407	6,557
Fabens Park - Adams Avenue, 0.00%	160,405	-	(8,749)	151,656	2,917
2018 Paving program, 0.00%	154,332	-	(12,184)	142,148	4,061
Total Ohio Public Works Commission loans	<u>699,786</u>	<u>8,358</u>	<u>(20,933)</u>	<u>687,211</u>	<u>13,535</u>
<u>Bond anticipation note - long-term</u>					
2022 Economic development, 6.875%	-	3,025,000	-	3,025,000	-
<u>Other obligations</u>					
Lease purchases	152,103	-	(92,471)	59,632	59,632
Compensated absences	738,252	286,237	(247,060)	777,429	258,417
Net pension liability:					
OPERS	1,186,388	-	(389,053)	797,335	-
OP&F	5,846,799	-	(424,836)	5,421,963	-
Total net pension liability	<u>7,033,187</u>	<u>-</u>	<u>(813,889)</u>	<u>6,219,298</u>	<u>-</u>
Net OPEB liability:					
OP&F	908,713	42,549	-	951,262	-
Total net OPEB liability	<u>908,713</u>	<u>42,549</u>	<u>-</u>	<u>951,262</u>	<u>-</u>
Total governmental activities	<u>\$ 17,513,596</u>	<u>\$ 3,362,144</u>	<u>\$ (1,823,340)</u>	<u>\$ 19,052,400</u>	<u>\$ 930,584</u>

City of Huron, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2022

Business-type Activities A summary of the business-type activities' debt and other long-term obligations as of December 31, 2022 are as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Amount Due in One Year
<u>Business-type activities</u>					
<u>General obligation bonds</u>					
2012 Various purpose refunding, 2.00% - 2.10%, maturing 2023	\$ 186,000	\$ -	\$ (90,000)	\$ 96,000	\$ 96,000
Premium on bonds	1,215	-	(801)	414	-
Total general obligation bonds	187,215	-	(90,801)	96,414	96,000
<u>Improvement bonds</u>					
2021 Electric system improvement, 3.20%	1,420,000	-	(80,000)	1,340,000	80,000
<u>Loans</u>					
Ohio Water Development Authority:					
Huron WTP tube settler improvements, 0.00%	39,262	2,387,520	-	2,426,782	42,977
Berlin Road waterline, 1.35%	787,557	16,970	(20,800)	783,727	32,319
Water treatment plant sedimentation basin improvements, 0.00%	896,791	-	(47,106)	849,685	42,572
Oklahoma waterline, 2.64%	545,007	-	(25,778)	519,229	26,463
Asset management plan 0.00%	4,420	-	(1,263)	3,157	1,263
Total loans	2,273,037	2,404,490	(94,947)	4,582,580	145,594
<u>Other obligations</u>					
Compensated absences	127,330	61,198	(61,934)	126,594	71,256
Net pension liability:					
Water	626,048	-	(205,300)	420,748	-
Electric	12,776	-	(4,189)	8,587	-
Total net pension liability	638,824	-	(209,489)	429,335	-
Total business-type activities	\$ 4,646,406	\$ 2,465,688	\$ (537,171)	\$ 6,574,923	\$ 392,850

City of Huron, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2022

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 was 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.

In July 2015, the City issued \$1,385,000 in general obligation bonds for the purpose of renovating and improving city hall, constructing a recreational bicycle and walkway path and various other infrastructure improvements. The bonds have interest rates varying between 2.25 - 3.75 percent and are due on December 1, 2030.

During 2019 the City issued \$4.6 million in 2019 street improvement bonds. \$2.6 million was used to repay the note issued in 2018 and the remaining portion was used as additional funding for street projects. The bonds carry interest rates from 5.00% to 2.00% and mature in 2039.

During 2018, the City entered into a loan agreement with the Ohio Public Works Commission (OPWC). The loan is for a street, sidewalk and drainage project. The loan will be repaid in annual installments of \$5,833, maturing in 2049. Principal is paid out of the general obligation bond retirement fund. For 2023, the payment will be \$2,917 as a third semi-annual payment was posted before the close of 2022.

During 2019, the City entered into a loan agreement with the Ohio Public Works Commission (OPWC). The loan will be repaid in annual installments of \$8,123, maturing in 2040. Principal is paid out of the general obligation bond retirement fund. For 2023, the payment will be \$4,061 as a third semi-annual payment was posted before the close of 2022.

During 2021, the City entered into a loan agreement with the Ohio Public Works Commission (OPWC). The loan will be repaid in annual equal semi-annual payments over thirty years for the road and waterline project. The City made a drawdown of \$8,358 on this loan during 2022. Semi-annual payments of \$13,114 will be made to repay the loan. The first payment was made in 2023.

In January 2018, the City issued \$3,360,000 in general obligation bonds for street projects and various other improvements. The bonds have interest rates varying between 2.00 - 3.125 percent and are due on December 1, 2034.

During 2022, the City issued a bond anticipation note for \$3,025,000. This economic development revenue note carries an interest rate of 6.875% and has a maturity date of September 7, 2023. The note will be repaid from the proceeds of bonds during 2023.

City of Huron, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2022

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 City pays net pension/OPEB liability obligations from the fund benefitting from employee services.

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. Not all loans were finalized at year end.

The \$519,229 OWDA loan outstanding with a 2.65 percent interest rate is for the 2017 Oklahoma water line and requires principal and interest payments over sixteen more years.

The \$3,157 OWDA loan outstanding is for the 2019 asset management and requires principal payments over three more years.

The 2020 OWDA water treatment plant sedimentation basin improvements loan had debt service payments made in 2022 and known amounts due in 2023, however the final amortization for other future payments is not available until the project is closed.

The 2021 OWDA Huron water treatment plant (WTP) tube settler improvements project and related loan are still ongoing. The City borrowed \$2,387,520 during 2022 and \$39,262 in 2021. A final amortization schedule for repayment is not available.

The 2021 OWDA Berlin Road waterline project and related loan are still ongoing. The loan had debt service payments made in 2022 and known amounts are due in 2023, however the final amortization for other future payments is not available until the project is closed. The loan balance at the end of 2022 is \$783,727.

The City issued \$1,500,000 of 2021 electric system improvement bonds carrying an interest rate of 3.20% and mature in 2040. These bonds resulted from a 2019 electrical substation improvement project.

Governmental activities principal and interest requirements to retire long-term obligations outstanding at December 31, 2022 are as follows:

City of Huron, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2022

	2015 Various Purpose Bonds		2012 Various Purpose Refunding Bonds	
	Principal	Interest	Principal	Interest
	2023	\$ 110,000	\$ 22,969	\$ 114,000
2024	115,000	19,531	-	-
2025	65,000	15,937	-	-
2026	70,000	13,500	-	-
2027	70,000	10,875	-	-
2028-2030	220,000	16,688	-	-
	<u>\$ 650,000</u>	<u>\$ 99,500</u>	<u>\$ 114,000</u>	<u>\$ 2,394</u>

Year	2018 Various Purpose Bonds		2019 Street Improvement Bonds		OPWC Loan
	Principal	Interest	Principal	Interest	Principal
2023	\$ 190,000	\$ 70,100	\$ 185,000	\$ 110,956	\$ 13,535
2024	195,000	64,400	195,000	101,706	27,069
2025	190,000	58,550	200,000	91,956	27,069
2026	195,000	52,850	205,000	83,956	27,069
2027	200,000	47,000	215,000	79,856	27,069
2028-2032	1,075,000	142,150	1,165,000	331,780	135,346
2033-2037	280,000	13,125	1,345,000	189,376	135,346
2038-2041	-	-	595,000	24,613	119,101
2043-2047	-	-	-	-	94,732
2048-2052	-	-	-	-	74,317
2053	-	-	-	-	6,558
	<u>\$ 2,325,000</u>	<u>\$ 448,175</u>	<u>\$ 4,105,000</u>	<u>\$ 1,014,199</u>	<u>\$ 687,211</u>

Business-type activities principal and interest requirements to retire long-term obligations outstanding at December 31, 2022 are as follows:

	2012 Various Purpose Refunding Bonds	
	Principal	Interest
	2023	\$ 96,000

City of Huron, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2022

	2021 Electric System Improvement Bonds		OWDA Loans	
	Principal	Interest	Principal	Interest
2023	\$ 80,000	\$ 42,880	\$ 27,726	\$ 13,534
2024	80,000	45,440	28,429	12,831
2025	80,000	37,760	28,519	12,109
2026	75,000	35,200	28,630	11,367
2027	75,000	32,800	29,390	45,014
2028-2032	375,000	128,000	159,090	40,895
2033-2037	365,000	68,160	181,383	18,602
2038-2040	210,000	13,440	39,219	778
	<u>\$ 1,340,000</u>	<u>\$ 403,680</u>	<u>\$ 522,386</u>	<u>\$ 155,130</u>

NOTE 10 – Lease Purchase Agreements

In a prior year the City entered into a lease purchase agreement (financed purchase) for a truck with a mounted leaf vac. During 2022, the City entered into another lease purchase of four police vehicles. Governmental activities acquired four vehicles for the police department and a truck with a leaf vac. These assets were capitalized and reported as additions to capital assets in the amount of \$375,892 and are being depreciated over their estimated useful lives. These capital assets are being depreciated over their estimated useful lives.

The following is a schedule of future lease purchase payments under these agreements at December 31, 2022:

	Lease purchases	
	Principal	Interest
2023	\$ 59,632	\$ 5,069

NOTE 11 – Defined Benefit Pension and OPEB Plans

Pensions and OPEB are a component of exchange transactions between an employer and its employees of salaries and benefits for employee services. Pensions/OPEB are provided to an employee on a deferred-payment basis as part of the total compensation package offered by an employer for employee services each financial period.

City of Huron, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2022

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

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

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability (asset). Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

A. DEFINED BENEFIT PENSION PLANS

Ohio Public Employees Retirement System

Plan Description –City employees, other than full-time police and firefighters, 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 plan. While members (e.g. City employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional plan.

City of Huron, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2022

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

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

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

Final average salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career. Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

Once a benefit recipient retiring under the Traditional Plan has received benefits for 12 months, an annual cost-of-living adjustment (COLA) is provided on the member's base benefit. Members retiring under the Combined Plan receive a cost-of-living adjustment on the defined benefit portion of their retirement benefit. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent. Additionally, a death benefit of \$500-\$2,500, determined by the number of years of service credit of the retiree, is paid to the beneficiary of a deceased retiree or disability benefit recipient under the Traditional and Combined plans.

City of Huron, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2022

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

	<u>State and Local</u>
2022 Statutory maximum contribution rates	
Employer	14.00%
Employee	10.00%
2022 Actual contribution rates	
Employer:	
Pension	14.00%
Post-employment health care benefits	<u>0.00%</u>
Total employer	<u>14.00%</u>
Employee	<u>10.00%</u>

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$323,560 for 2022. Of this amount, \$6,337 is reported as pension obligation payable.

Ohio Police & Fire Pension Fund (OP&F)

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

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

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

City of Huron, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2022

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit (see OP&F Annual Comprehensive Financial Report referenced above for additional information, including requirements for Deferred Retirement Option Plan (DROP) provisions and reduced and unreduced benefits).

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

The COLA amount for members who have 15 or more years of service credit as of July 1, 2013, and members who are receiving a pension benefit that became effective before July 1, 2013, will be equal to 3.0 percent of the member's base pension benefit.

The COLA amount for members who have less than 15 years of service credit as of July 1, 2013, and members whose pension benefit became effective on or after July 1, 2013, will be equal to a percentage of the member's base pension benefit where the percentage is the lesser of 3.0 percent or the percentage increase in the consumer price index, if any, over the twelve-month period that ends on the thirtieth day of September of the immediately preceding year, rounded to the nearest one-tenth of one percent.

Members who retired prior to July 24, 1986, or their surviving beneficiaries under optional plans are entitled to cost-of-living allowance increases. The annual increase is paid on July 1st of each year. The annual COLA increase is \$360 under a Single Life Annuity Plan with proportional reductions for optional payment plans.

City of Huron, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2022

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

	<u>Police</u>	<u>Firefighters</u>
2022 Statutory maximum contribution rates		
Employer	19.50%	24.00%
Employee	12.25%	12.25%
2022 Actual contribution rates		
Employer:		
Pension	19.00%	23.50%
Post-employment health care benefits	<u>0.50%</u>	<u>0.50%</u>
Total employer	<u>19.50%</u>	<u>24.00%</u>
Employee	12.25%	12.25%

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was \$489,575 for 2022. Of this amount \$8,951 is reported as pension obligation payable.

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

The net pension liability for OPERS was measured as of December 31, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OP&F's total pension liability was measured as of December 31, 2021, and was determined by rolling forward the total pension liability as of January 1, 2021, to December 31, 2021. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Proportion of the net pension liability - prior measurement date	0.012326%	0.085767%	
Proportion of the net pension liability - current measurement date	<u>0.014099%</u>	<u>0.086787%</u>	
Change in proportionate share	<u>0.001773%</u>	<u>0.001020%</u>	
Proportionate share of the net pension liability	\$ 1,226,670	\$ 5,421,963	\$ 6,648,633
Pension expense	\$ (32,472)	\$ 365,747	\$ 333,275

City of Huron, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2022

At December 31, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Deferred outflows of resources			
Differences between expected and actual experience	\$ 62,534	\$ 156,337	\$ 218,871
Changes of assumptions	153,394	990,902	1,144,296
Changes in proportion and differences between City contributions and proportionate share of contributions	239,143	199,915	439,058
City contributions subsequent to the measurement date	<u>323,560</u>	<u>489,575</u>	<u>813,135</u>
Total deferred outflows of resources	<u>\$ 778,631</u>	<u>\$ 1,836,729</u>	<u>\$ 2,615,360</u>
Deferred inflows of resources			
Differences between expected and actual experience	\$ 26,904	\$ 281,868	\$ 308,772
Net difference between projected and actual earnings on pension plan investments	1,459,079	1,421,555	2,880,634
Changes in proportion and differences between City contributions and proportionate share of contributions	<u>-</u>	<u>63,457</u>	<u>63,457</u>
Total deferred inflows of resources	<u>\$ 1,485,983</u>	<u>\$ 1,766,880</u>	<u>\$ 3,252,863</u>

\$813,135 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Year ending December 31:			
2023	\$ (16,768)	\$ 17,570	\$ 802
2024	(438,950)	(332,418)	(771,368)
2025	(343,089)	(120,352)	(463,441)
2026	(232,105)	(100,279)	(332,384)
2027	<u>-</u>	<u>115,753</u>	<u>115,753</u>
Total	<u>\$ (1,030,912)</u>	<u>\$ (419,726)</u>	<u>\$ (1,450,638)</u>

City of Huron, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2022

Actuarial Assumptions - OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2021, using the following key actuarial assumptions and methods applied to all periods included in the measurement in accordance with the requirements of GASB 67. In 2021, the Board's actuarial consultants conducted an experience study for the period 2016 through 2020, comparing assumptions to actual results. The experience study incorporates both a historical review and forward-looking projections to determine the appropriate set of assumptions to keep the plan on a path toward full funding.

Information from this study led to changes in both demographic and economic assumptions, with the most notable being a reduction in the actuarially assumed rate of return from 7.2 percent down to 6.9 percent, for the defined benefit investments. Key actuarial assumptions and methods used in the latest actuarial valuation, prepared as of December 31, 2021, reflecting experience study results, are presented below:

Experience study	5 - year period ended December 31, 2020
Wage inflation	
Current measurement date	2.75 percent
Prior measurement date	3.25 percent
Future salary increases, including inflation -Traditional plan	
Current measurement date	2.75 percent to 10.75 percent
Prior measurement date	3.25 percent to 10.75 percent
COLA or Ad Hoc COLA	
Current measurement date	Pre January 7, 2013 retirees, 3.00 percent, simple Post January 7, 2013 retirees, 3.00 percent, simple through 2022, then 2.05 percent, simple
Prior measurement date	Pre January 7, 2013 retirees, 3.00 percent, simple Post January 7, 2013 retirees, 0.50 percent, simple through 2021, then 2.15 percent, simple
Investment rate of return	
Current measurement date	6.90 percent
Prior measurement date	7.20 percent
Actuarial cost method	Individual entry age

In July 2021, the OPERS Board adopted a change in COLA for Post-January 7, 2013 retirees, changing it from 0.50% simple through 2021 then 2.15% simple to 3.00% simple through 2022 then 2.05% simple.

City of Huron, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2022

Pre-retirement mortality rates are based on 130% of the Pub-2010 General Employee Mortality tables (males and females) for State and Local Government divisions and 170% of the Pub-2010 Safety Employee Mortality tables (males and females) for the Public Safety and Law Enforcement divisions. Post-retirement mortality rates are based on 115% of the PubG-2010 Retiree Mortality Tables (males and females) for all divisions. Post-retirement mortality rates for disabled retirees are based on the PubNS-2010 Disabled Retiree Mortality Tables (males and females) for all divisions. For all of the previously described tables, the base year is 2010 and mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scales (males and females) to all of these tables.

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

During 2021, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was 15.3% for 2021.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2021 and the long-term expected real rates of return:

<u>Asset class</u>	<u>Target allocation</u>	<u>Weighted average long-term expected real rate of return (arithmetic)</u>
Fixed income	24.00%	1.03%
Domestic equities	21.00%	3.78%
Real estate	11.00%	3.66%
Private equity	12.00%	7.43%
International equities	23.00%	4.88%
Risk parity	5.00%	2.92%
Other investments	<u>4.00%</u>	<u>2.85%</u>
Total	<u>100.00%</u>	<u>4.21%</u>

City of Huron, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2022

Discount Rate The discount rate used to measure the total pension liability was 6.9%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the City's proportionate share of the net pension liability calculated using the current period discount rate assumption of 6.9 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.9 percent) or one percentage point higher (7.9 percent) than the current rate:

	1% Decrease <u>(5.60%)</u>	Current discount rate <u>(6.90%)</u>	1% Increase <u>(7.90%)</u>
City's proportionate share of the net pension liability (asset)	\$ 3,234,170	\$ 1,226,670	\$ (443,837)

Actuarial Assumptions – OP&F

OP&F's total pension liability as of December 31, 2021 is based on the results of an actuarial valuation date of January 1, 2021, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OP&F's actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future. Assumptions considered were: withdrawal rates, disability retirement, service retirement, DROP elections, mortality, percent married and forms of payment, DROP interest rate, CPI-based COLA, investment returns, salary increases and payroll growth.

City of Huron, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2022

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2021, are presented below:

Valuation date	January 1, 2021, with actuarial liabilities rolled forward to December 31, 2021
Actuarial cost method	Entry age normal
Investment rate of return	
Current measurement date	7.50 percent
Prior measurement date	8.00 percent
Projected salary increases	3.75 percent to 10.50 percent
Payroll increases	3.25 percent per annum, compounded annually, consisting of inflation rate of 2.75 percent, plus productivity increase rate of 0.50 percent
Cost of living adjustments	2.20 percent simple

In February 2022, the OP&F Board adopted a change in the investment rate of return, changing it from 8 percent for the 2020 measurement period to 7.5 percent for the 2021 measurement period.

Mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Buck Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120 percent.

<u>Age</u>	<u>Police</u>	<u>Fire</u>
67 or less	77%	68%
68 - 77	105%	87%
78 and up	115%	120%

Mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Buck Modified 2016 Improvement Scale.

<u>Age</u>	<u>Police</u>	<u>Fire</u>
59 or less	35%	35%
60 - 69	60%	45%
70 - 79	75%	70%
80 and up	100%	90%

The most recent experience study was completed December 31, 2016.

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted average of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2021 are summarized below:

City of Huron, Ohio

Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

Asset class	Target allocation	Long-term expected real rate of return**
Cash and cash equivalents	0.00%	0.00%
Domestic equity	21.00%	3.60%
Non-US equity	14.00%	4.40%
Private markets	8.00%	6.80%
Core fixed income *	23.00%	1.10%
High yield	7.00%	3.00%
Private credit	5.00%	4.50%
U.S. inflation linked bonds*	17.00%	0.80%
Midstream energy infrastructure	5.00%	5.00%
Real assets	8.00%	5.90%
Gold	5.00%	2.40%
Real estate	<u>12.00%</u>	4.80%
Total	<u>125.00%</u>	

Note: Assumptions are geometric

* Levered 2x.

**numbers include inflation

OP&F's Board of Trustees has incorporated the "risk parity" concept into OP&F's asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return, and creating a more risk-balanced portfolio based on the relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.25 times due to the application of leverage in certain fixed income asset classes.

Discount Rate The total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return 7.50 percent. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

City of Huron, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2022

	1% Decrease (6.50%)	Current discount rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the net pension liability	\$ 8,040,695	\$ 5,421,963	\$ 3,241,205

B. DEFINED BENEFIT OPEB PLANS

Ohio Public Employees Retirement System

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

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement (HRA) to qualifying benefit recipients of both the traditional pension and the combined plans. Currently, Medicare-eligible retirees are able to select medical and prescription drug plans from a range of options and may elect optional vision and dental plans. Retirees and eligible dependents enrolled in Medicare Parts A and B have the option to enroll in a Medicare supplemental plan with the assistance of the OPERS Medicare Connector. The OPERS Medicare Connector is a relationship with a vendor selected by OPERS to assist retirees, spouses and dependents with selecting a medical and pharmacy plan. Monthly allowances, based on years of service and the age at which the retiree first enrolled in OPERS coverage, are deposited into an HRA. For non-Medicare retirees and eligible dependents, OPERS sponsors medical and prescription coverage through a professionally managed self-insured plan. An allowance to offset a portion of the monthly premium is offered to retirees and eligible dependents. The allowance is based on the retiree's years of service and age when they first enrolled in OPERS coverage.

OPERS provides a monthly allowance for health care coverage for eligible retirees and their eligible dependents. The base allowance is determined by OPERS. For those retiring on or after January 1, 2015, the allowance has been determined by applying a percentage to the base allowance. The percentage applied is based on years of qualifying service credit and age when the retiree first enrolled in OPERS health care. Monthly allowances range between 51 percent and 90 percent of the base allowance. Those who retired prior to January 1, 2015, will have an allowance of at least 75 percent of the base allowance.

The health care trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or separation, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

City of Huron, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2022

Effective January 1, 2022, OPERS discontinued the group plans currently offered to non-Medicare retirees and re-employed retirees. Instead, eligible non-Medicare retirees will select an individual medical plan. OPERS will provide a subsidy or allowance via an HRA allowance to those retirees who meet health care eligibility requirements. Retirees will be able to seek reimbursement for plan premiums and other qualified medical expenses.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit with a minimum age of 60. Members in Group A are eligible for coverage at any age with 30 or more years of qualifying service. Members in Group B are eligible at any age with 32 years of qualifying service, or at age 52 with 31 years of qualifying service. Members in Group C are eligible for coverage with 32 years of qualifying service and a minimum age of 55. Current retirees eligible (or who became eligible prior to January 1, 2022) to participate in the OPERS health care program will continue to be eligible after January 1, 2022. Eligibility requirements change for those retiring after January 1, 2022, with differing eligibility requirements for Medicare retirees and non-Medicare retirees. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. See OPERS' Annual Comprehensive Financial Report referenced below for additional information.

The Ohio Revised Code permits, but does not require, OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS' Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. Beginning in 2018, OPERS no longer allocated a portion of its employer contributions to health care for the traditional plan and the combined plan.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2022, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

City of Huron, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2022

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2022. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2022 was 4.0 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$0 for 2022.

Ohio Police and Firemen's Disability and Pension Fund

Plan Description – The City contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored healthcare program, a cost-sharing, multiple-employer defined post-employment healthcare plan administered by a third-party provider. This program is not guaranteed and is subject to change at any time upon action of the Board of Trustees. On January 1, 2019, OP&F implemented a new model for health care. Under this new model, OP&F provides eligible retirees with a fixed stipend earmarked to pay for health care and Medicare Part B reimbursements.

OP&F contracted with a vendor who assists eligible retirees in choosing health care plans that are available where they live (both Medicare-eligible and pre-65 populations). A stipend funded by OP&F is available to these members through a Health Reimbursement Arrangement and can be used to reimburse retirees for qualified health care expenses.

Regardless of a benefit recipient's participation in the health care program, OP&F is required by law to pay eligible recipients of a service pension, disability benefit and spousal survivor benefit for their Medicare Part B insurance premium, up to the statutory maximum provided the benefit recipient is not eligible to receive reimbursement from any other source. Once OP&F receives the necessary documentation, a monthly reimbursement is included as part of the recipient's next benefit payment. The stipend provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in Governmental Accounting Standards Board (GASB) Statement No. 75.

OP&F maintains funds for health care in two separate accounts: one account for health care benefits and one account for Medicare Part B reimbursements. A separate health care trust accrual account is maintained for health care benefits under IRS Code Section 115 trust. An IRS Code Section 401(h) account is maintained for Medicare Part B reimbursements.

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

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. The report may be obtained by visiting the OP&F website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

City of Huron, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2022

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions for retiree health care benefits. For 2021, the portion of employer contributions allocated to health care was 0.5 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.

The OP&F Board of Trustees is also 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 contractually required contribution to OP&F was \$11,439 for 2022. Of this amount, \$210 is reported as an intergovernmental payable.

OPEB Liabilities or Asset, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability or asset and total OPEB liability or asset for OPERS were determined by an actuarial valuation as of December 31, 2020, rolled forward to the measurement date of December 31, 2021, by incorporating the expected value of health care cost accruals, the actual health care payments, and interest accruals during the year. OP&F's total OPEB liability was measured as of December 31, 2021, and was determined by rolling forward the total OPEB liability as of January 1, 2021, to December 31, 2021. The City's proportion of the net OPEB liability or asset were based on the City's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Proportion of the net OPEB liability or asset - prior measurement date	0.0127010%	0.0857668%	
Proportion of the net OPEB liability or asset - current measurement date	<u>0.0138950%</u>	<u>0.0867872%</u>	
Change in proportionate share	<u>0.0011940%</u>	<u>0.0010204%</u>	
Proportionate share of the net			
OPEB asset	\$ 435,213	\$ -	\$ 435,213
OPEB liability	\$ -	\$ 951,262	\$ 951,262
OPEB expense	\$ (353,283)	\$ 60,263	\$ (293,020)

City of Huron, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2022

At December 31, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Deferred outflows of resources			
Differences between expected and actual experience	\$ -	\$ 43,274	\$ 43,274
Changes of assumptions	-	421,057	421,057
Changes in proportion and differences between City contributions and proportionate share of contributions	31,940	59,116	91,056
City contributions subsequent to the measurement date	-	11,439	11,439
Total deferred outflows of resources	<u>\$ 31,940</u>	<u>\$ 534,886</u>	<u>\$ 566,826</u>
Deferred inflows of resources			
Differences between expected and actual experience	\$ 66,015	\$ 125,723	\$ 191,738
Net difference between projected and actual earnings on OPEB plan investments	207,479	85,931	293,410
Changes of assumptions	176,169	110,484	286,653
Changes in proportion and differences between City contributions and proportionate share of contributions	-	92,362	92,362
Total deferred inflows of resources	<u>\$ 449,663</u>	<u>\$ 414,500</u>	<u>\$ 864,163</u>

\$11,439 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending December 31, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Year ending December 31:			
2023	\$ (253,065)	\$ 21,247	\$ (231,818)
2024	(89,527)	8,490	(81,037)
2025	(45,333)	18,435	(26,898)
2026	(29,798)	14,322	(15,476)
2027	-	24,169	24,169
Thereafter	-	22,284	22,284
Total	<u>\$ (417,723)</u>	<u>\$ 108,947</u>	<u>\$ (308,776)</u>

City of Huron, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2022

Actuarial Assumptions - OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability or asset was determined by an actuarial valuation as of December 31, 2020, rolled forward to the measurement date of December 31, 2021. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Experience study	5 - year period ended December 31, 2020
Wage inflation	
Current measurement date	2.75 percent
Prior measurement date	3.25 percent
Projected salary increases, includes wage inflation	
Current measurement date	2.75 to 10.75 percent
Prior measurement date	3.25 to 10.75 percent
Single discount rate:	
Current measurement date	6.00 percent
Prior measurement date	6.00 percent
Investment rate of return:	
Current measurement date	6.00 percent
Prior measurement date	6.00 percent
Municipal bond rate:	
Current measurement date	1.84 percent
Prior measurement date	2.00 percent
Health care cost trend rate:	
Current measurement date	5.50 percent, initial 3.50 percent, ultimate in 2034
Prior measurement date	8.50 percent, initial 3.50 percent, ultimate in 2035
Actuarial cost method	Individual entry age normal

Pre-retirement mortality rates are based on 130% of the Pub-2010 General Employee Mortality tables (males and females) for State and Local Government divisions and 170% of the Pub-2010 Safety Employee Mortality tables (males and females) for the Public Safety and Law Enforcement divisions. Post-retirement mortality rates are based on 115% of the PubG-2010 Retiree Mortality Tables (males and females) for all divisions. Post-retirement mortality rates for disabled retirees are based on the PubNS-2010 Disabled Retiree Mortality Tables (males and females) for all divisions. For all of the previously described tables, the base year is 2010 and mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scales (males and females) to all of these tables.

City of Huron, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2022

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

During 2021, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio is 14.3 percent for 2021.

The allocation of investment assets within the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined benefit pension plans. Health care is a discretionary benefit. The table below displays the Board-approved asset allocation policy for 2021 and the long-term expected real rates of return:

<u>Asset class</u>	<u>Target allocation</u>	<u>Weighted average long-term expected real rate of return (arithmetic)</u>
Fixed income	34.00%	0.91%
Domestic equities	25.00%	3.78%
Real estate investment trusts	7.00%	3.71%
International equities	25.00%	4.88%
Risk parity	2.00%	2.92%
Other investments	<u>7.00%</u>	<u>1.93%</u>
Total	<u>100.00%</u>	<u>3.45%</u>

City of Huron, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2022

Discount Rate - A single discount rate of 6.00% was used to measure the total OPEB liability on the measurement date of December 31, 2020. A single discount rate of 6.00% was used to measure the total OPEB liability on the measurement date of December 31, 2021. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) a tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on the actuarial assumed rate of return on the health care investment portfolio of 6.00% and a municipal bond rate of 1.84%. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through the year 2121. As a result, the actuarial assumed long-term expected rate of return on health care investments was applied to projected costs through the year 2121, the duration of the projection period through which projected health care payments are fully funded.

Sensitivity of the City's Proportionate Share of the Net OPEB Liability or Asset to Changes in the Discount Rate The following table presents the City's proportionate share of the net OPEB liability or asset calculated using the single discount rate of 6.00 percent, as well as what the City's proportionate share of the net OPEB liability or asset would be if it were calculated using a discount rate that is one percentage point lower (5.00 percent) or one-percentage-point higher (7.00 percent) than the current rate:

	1% Decrease <u>(5.00%)</u>	Current discount rate <u>(6.00%)</u>	1% Increase <u>(7.00%)</u>
Proportionate share of the net OPEB liability/(asset)	\$ (255,946)	\$ (435,213)	\$ (584,007)

Sensitivity of the City's Proportionate Share of the Net OPEB Liability or Asset to Changes in the Health Care Cost Trend Rate Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability or asset. The following table presents the net OPEB liability or asset calculated using the assumed trend rates, and the expected net OPEB liability or asset if it were calculated using a health care cost trend rate that is 1.0 percent lower or 1.0 percent higher than the current rate.

	1% Decrease	Current health care cost trend rate assumption	1% Increase
Proportionate share of the net OPEB liability/(asset)	(\$439,916)	(\$435,213)	(\$429,633)

City of Huron, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2022

Retiree health care valuations use a health care cost-trend assumption with changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2022 is 5.50 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.50 percent in the most recent valuation.

Actuarial Assumptions – OP&F

OP&F's total OPEB liability as of December 31, 2021 is based on the results of an actuarial valuation date of January 1, 2021, rolled-forward using generally accepted actuarial procedures. The total OPEB liability is determined by OP&F's actuaries in accordance with GASB Statement No. 74, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

City of Huron, Ohio

Notes to the Basic Financial Statements For the Year Ended December 31, 2022

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, are presented below.

Valuation date	January 1, 2021, with actuarial liabilities rolled forward to December 31, 2021
Actuarial cost method	Entry age normal
Investment rate of return	
Current measurement date	7.50 percent
Prior measurement date	8.00 percent
Projected salary increases	3.75 percent to 10.50 percent
Payroll growth	3.25 percent
Single discount rate:	
Current measurement date	2.84 percent
Prior measurement date	2.96 percent
Cost of living adjustments	2.20 percent simple

Mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Buck Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120 percent.

<u>Age</u>	<u>Police</u>	<u>Fire</u>
67 or less	77%	68%
68 - 77	105%	87%
78 and up	115%	120%

Mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Buck Modified 2016 Improvement Scale.

<u>Age</u>	<u>Police</u>	<u>Fire</u>
59 or less	35%	35%
60 - 69	60%	45%
70 - 79	75%	70%
80 and up	100%	90%

The most recent experience study was completed for the five-year period ended December 31, 2016.

The OP&F health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 9A.

City of Huron, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2022

Discount Rate - For 2021, the total OPEB liability was calculated using the discount rate of 2.84 percent. For 2020, the total OPEB liability was calculated using the discount rate of 2.96 percent. The projection of cash flows used to determine the discount rate assumed the contribution from employers and from members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return of 7.5 percent. Based on those assumptions, OP&F's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, a municipal bond rate of 2.05 percent at December 31, 2021, and 2.12 percent at December 31, 2020, was blended with the long-term rate of 7.5 percent for 2021 and 8 percent for 2020, which resulted in a blended discount rate of 2.84 percent for 2021 and 2.96 percent for 2020. The municipal bond rate was determined using the Bond Buyers General Obligation 20-year Municipal Bond Index Rate. The OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments until 2037. The long-term expected rate of return on health care investments was applied to projected costs through 2037, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate - Net OPEB liability is sensitive to changes in the discount rate, and to illustrate the potential impact, the following table presents the net OPEB liability calculated using the discount rate of 2.84 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.84 percent), or one percentage point higher (3.84 percent), than the current rate.

	1% Decrease (1.84%)	Current discount rate (2.84%)	1% Increase (3.84%)
City's proportionate share of the net OPEB liability	\$ 1,195,758	\$ 951,262	\$ 750,286

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate The total OPEB liability is based on a medical benefit that is a flat dollar amount; therefore, it is unaffected by a health care cost trend rate. An increase or decrease in the trend rate would have no effect on the total OPEB liability.

NOTE 12 – Jointly Governed Organizations

The Huron Area Joint Recreation District (the District) is a jointly governed organization between Huron Township, the Huron City School District, and the City of Huron providing parks and recreation services to members. The City appoints three members to the nine-member commission. Each entity's control is limited to its representation on the governing board. The District's continued existence is not dependent on the City's continued participation. The District is not accumulating significant financial resources or experiencing fiscal stress that would cause additional financial benefit or burden on the City. Financial information on the District can be obtained from the City of Huron, 417 Main Street, Huron, Ohio, 44839.

City of Huron, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2022

The Regional Income Tax Agency (RITA) is a regional council of governments formed to establish a central collection facility for the purpose of administering the income tax laws of the members and for the purpose of the collection of income taxes on behalf of each member. RITA currently has approximately 350 members in the council of governments. Each member has one representative to the council of governments and is entitled to one vote on items under consideration. RITA is administered by a nine-member board of trustees elected by the members of the council of governments. The board exercises total control over RITA's operation including budgeting, appropriating, contracting and designating management. Each participant's degree of control is limited to its representation on the council. For 2022, the City paid RITA \$77,711 for income tax collection services.

NOTE 13 – 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 2022, the City contracted with several companies for various types of insurance as follows:

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 offers an employer-sponsored health (medical, vision, prescription and dental) insurance policy to employees with a health reimbursement arrangement (HRA) to potentially help offset their deductible portion of the plan. The employee has six months to request reimbursement, from the City's administrator, for HRA-eligible expenses. Any unreimbursed amounts due to employees at year-end are reported as a liability in the internal service fund.

The City belongs to the Public Entities Pool of Ohio (PEP), a risk sharing pool available to Ohio local governments. PEP assumes the risk of loss up to the limits of the City's policy. PEP covers the following risks:

- General liability and casualty
- Public official's liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

PEP reported the following summary of assets and liabilities available to pay those liabilities as of December 31:

City of Huron, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2022

	<u>2022</u>	<u>2021</u>
Assets	\$ 42,310,794	\$ 41,996,850
Liabilities	<u>(15,725,479)</u>	<u>(14,974,099)</u>
Net Position	<u>\$ 26,585,315</u>	<u>\$ 27,022,751</u>

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

	Contributions to PEP
2021	\$ 84,348
2022	98,423

Settled claims have not exceeded this coverage in any of the past three years and there has been no significant reduction in insurance coverage from the prior fiscal year.

NOTE 14 - Contingencies

The City receives financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the City at December 31, 2022.

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

City of Huron, Ohio

Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

NOTE 15 – Interfund Transactions

Interfund transfers for the year ended December 31, 2022 consisted of the following:

Transfers from general fund to:	
Fire levy fund	\$ 200,000
Capital improvement fund	448,730
Nonmajor governmental funds	<u>745,012</u>
	<u>1,393,742</u>
Transfers from fire levy fund to:	
Nonmajor governmental funds	<u>100,000</u>
Transfers from nonmajor governmental funds to:	
Other nonmajor governmental funds	<u>137,250</u>
	<u>\$ 1,630,992</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 the general fund were used to move unrestricted revenues to finance various programs accounted for in other funds in accordance with budgetary authorizations. More specifically, transfers were made to account for pension contributions, severance payments, capital reserves and debt payments.

NOTE 16 – Interfund Loans

Internal balances at December 31, 2022, consist of the following individual long-term advance to/from:

Advances from general fund to:	
Capital improvement fund	\$ 200,000

The City issued a bond and subsequently purchased it to be held as an investment in the general fund. This transaction is treated as a long-term advance in the governmental funds. The advance will be repaid by \$50,000 each year with a final payment in 2026.

City of Huron, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2022

NOTE 17 – Related Party Transactions

A City Councilman's spouse owns an apparel business that the City has used for t-shirt screen printing, uniform alterations and has made various purchases of merchandise. The total of these transactions amounted to \$19,196 for 2022.

NOTE 18 – Tax Abatements

Pursuant to Ohio Revised Code Chapter 5709, the City has established a Community Reinvestment Area (CRA). The City of Huron authorizes incentives through passage of public ordinances, based upon each business's investment criteria, and through a contractual application process with each business, including proof that the improvements have been made. The abatement equals an agreed upon percentage of the additional property tax resulting from the increase in assessed value as a result of the improvements. The amount of the abatement is deducted from the recipient's property tax bill. The establishment of the CRA gave the City the ability to maintain and expand businesses located in the City and created new jobs by abating or reducing assessed valuation of properties, resulting in abated taxes, from new or improved business real estate. The City of Huron also contracts with the Huron City School District (the School District) for payments in lieu of taxes when required by section 5709.82 of the Ohio Revised Code.

During 2022, the City abated property taxes within the Community Reinvestment Area while providing direct payments to the Huron City School District. The City's property taxes were reduced by \$28,140 during 2022 for these abatements.

Pursuant to Section 5709.82 of the Ohio Revised Code, the City of Huron and Huron City School District in line with section 5709.82 of the Ohio Revised Code, created various Community Reinvestment Area Compensation agreements. These agreements stating various reimbursement percentages (50 percent and 25 percent), require the businesses receiving tax abatements to make an annual payment of the required percentage of any abatement benefit received for the prior year. These payments are due to the School District commencing on April 15 of the first year following the year in which the first abatement is received.

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Required Supplementary Information

City of Huron, Ohio
Required Supplementary Information
Schedule of the City's Proportionate Share of the Net Pension Liability
Last Nine Years (1)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Ohio Public Employees Retirement System - Traditional Plan				
City's proportion of the net pension liability	0.014099%	0.012326%	0.011900%	0.012372%
City's proportionate share of the net pension liability	\$ 1,226,670	\$ 1,825,212	\$ 2,352,116	\$ 3,388,440
City's covered employee payroll	\$ 2,046,221	\$ 1,752,114	\$ 1,658,336	\$ 1,721,107
City's proportionate share of the net pension liability as a percentage of its covered payroll	59.95%	104.17%	141.84%	196.88%
Plan fiduciary net position as a percentage of total pension liability	92.62%	86.88%	82.17%	74.70%
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Ohio Police and Fire Pension Fund				
City's proportion of the net pension liability	0.086787%	0.085770%	0.085382%	0.081870%
City's proportionate share of the net pension liability	\$ 5,421,963	\$ 5,846,799	\$ 5,751,788	\$ 6,682,756
City's covered employee payroll	\$ 2,210,052	\$ 2,080,089	\$ 2,109,464	\$ 1,856,009
City's proportionate share of the net pension liability as a percentage of its covered payroll	245.33%	281.08%	272.67%	360.06%
Plan fiduciary net position as a percentage of total pension liability	75.03%	70.65%	69.89%	63.07%

(1) Information prior to 2014 is not available and the amounts presented are as of the City's measurement date which is the prior fiscal year end.

(2) Restated during 2015.

See accompanying notes to the required supplementary information.

2018	2017	2016	2015	2014
0.011652%	0.011935%	0.011173%	0.010859%	0.010859%
\$ 1,827,973	\$ 2,710,236	\$ 1,935,304	\$ 1,309,717	\$ 1,280,135
\$ 1,375,200	\$ 1,284,317	\$ 1,192,242	\$ 1,372,800	\$ 1,369,577
132.92%	211.03%	162.32%	95.40%	93.47%
84.66%	77.25%	81.08%	86.45%	86.36%

2018	2017	2016	2015	2014
0.080296%	0.085667%	0.088247%	0.089316%	0.089316%
\$ 4,928,123	\$ 5,426,094	\$ 5,677,011	\$ 4,626,946	\$ 4,349,974
\$ 1,666,889	\$ 1,549,266	\$ 1,797,526	\$ 1,852,083	\$ 1,882,857
295.65%	350.24%	315.82%	249.82%	231.03%
70.91%	68.36%	66.77%	71.71%	73.00% (2)

City of Huron, Ohio
Required Supplementary Information
Schedule of the City's Contributions - Pension
Last Ten Years

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Ohio Public Employees Retirement System - Traditional Plan				
Contractually required contribution	\$ 323,560	\$ 286,471	\$ 245,296	\$ 232,167
Contributions in relation to contractually required contribution	<u>(323,560)</u>	<u>(286,471)</u>	<u>(245,296)</u>	<u>(232,167)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City covered payroll	\$ 2,311,143	\$ 2,046,221	\$ 1,752,114	\$ 1,658,336
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Ohio Police and Fire Pension Fund				
Contractually required contribution	\$ 489,575	\$ 469,636	\$ 442,019	\$ 448,261
Contributions in relation to contractually required contribution	<u>(489,575)</u>	<u>(469,636)</u>	<u>(442,019)</u>	<u>(448,261)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City covered payroll	\$ 2,303,882	\$ 2,210,052	\$ 2,080,089	\$ 2,109,464
Contributions as a percentage of covered payroll	21.25%	21.25%	21.25%	21.25%

See accompanying notes to the required supplementary information.

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
\$ 240,955	\$ 178,776	\$ 154,118	\$ 143,069	\$ 164,736	\$ 178,045
<u>(240,955)</u>	<u>(178,776)</u>	<u>(154,118)</u>	<u>(143,069)</u>	<u>(164,736)</u>	<u>(178,045)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,721,107	\$ 1,375,200	\$ 1,284,317	\$ 1,192,242	\$ 1,372,800	\$ 1,369,577
14.00%	13.00%	12.00%	12.00%	12.00%	13.00%

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
\$ 394,402	\$ 354,214	\$ 329,219	\$ 361,123	\$ 377,084	\$ 321,592
<u>(394,402)</u>	<u>(354,214)</u>	<u>(329,219)</u>	<u>(361,123)</u>	<u>(377,084)</u>	<u>(321,592)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,856,009	\$ 1,666,889	\$ 1,549,266	\$ 1,797,526	\$ 1,852,083	\$ 1,882,857
21.25%	21.25%	21.25%	20.09%	20.36%	17.08%

City of Huron, Ohio
Required Supplementary Information
Schedule of the City's Proportionate Share of the Net OPEB Liability (Asset)
Last Six Years (1)

	2022	2021	2020	2019
Ohio Public Employees Retirement System				
City's proportion of the net OPEB liability or asset	0.013895%	0.012701%	0.012339%	0.012767%
City's proportionate share of the net OPEB liability (asset)	\$ (435,213)	\$ (226,278)	\$ 1,704,336	\$ 1,664,515
City's covered payroll	\$ 2,046,221	\$ 1,752,114	\$ 1,658,336	\$ 1,721,107
City's proportionate share of the net OPEB liability or asset as a percentage of its covered payroll	21.27%	12.91%	102.77%	96.71%
Plan fiduciary net position as a percentage of total OPEB liability or asset	128.23%	115.57%	47.80%	46.33%
	2022	2021	2020	2019
Ohio Police and Fire Pension Fund				
City's proportion of the net OPEB liability	0.086787%	0.085767%	0.085382%	0.081870%
City's proportionate share of the net OPEB liability	\$ 951,262	\$ 908,713	\$ 843,381	\$ 745,552
City's covered employee payroll	\$ 2,210,052	\$ 2,080,089	\$ 2,109,464	\$ 1,856,009
City's proportionate share of the net OPEB liability as a percentage of its covered payroll	43.04%	43.69%	39.98%	40.17%
Plan fiduciary net position as a percentage of total OPEB liability	46.86%	45.42%	47.10%	46.57%

(1) Information prior to 2017 is not available and the amounts presented are as of the City's measurement date which is the prior fiscal year end.

(2) Restated during 2017.

See accompanying notes to the required supplementary information.

<u>2018</u>	<u>2017 (2)</u>
0.012092%	0.012420%
\$ 1,313,102	\$ 1,254,462
\$ 1,511,200	\$ 1,459,450
86.89%	85.95%
54.14%	54.05%

<u>2018</u>	<u>2017 (2)</u>
0.080296%	0.085667%
\$ 4,549,459	\$ 4,066,439
\$ 1,666,889	\$ 1,549,266
272.93%	262.48%
14.13%	15.96%

City of Huron, Ohio
Required Supplementary Information
Schedule of the City's Contributions - OPEB
Last Ten Years

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Ohio Public Employees Retirement System				
Contractually required contribution	\$ -	\$ -	\$ -	\$ -
Contributions in relation to contractually required contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City covered payroll	\$ 2,311,143	\$ 2,046,221	\$ 1,752,114	\$ 1,658,336
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Ohio Police and Fire Pension Fund				
Contractually required contribution	\$ 11,439	\$ 10,924	\$ 10,288	\$ 10,487
Contributions in relation to contractually required contribution	<u>(11,439)</u>	<u>(10,924)</u>	<u>(10,288)</u>	<u>(10,487)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City covered payroll	\$ 2,303,882	\$ 2,210,052	\$ 2,080,089	\$ 2,109,464
Contributions as a percentage of covered payroll	0.50%	0.50%	0.50%	0.50%

See accompanying notes to the required supplementary information.

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
\$ -	\$ 15,112	\$ 29,189	\$ 27,096	\$ 31,200	\$ 15,563
<u>-</u>	<u>(15,112)</u>	<u>(29,189)</u>	<u>(27,096)</u>	<u>(31,200)</u>	<u>(15,563)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,721,107	\$ 1,511,200	\$ 1,459,450	\$ 1,354,800	\$ 1,560,000	\$ 1,556,300
0.00%	1.00%	2.00%	2.00%	2.00%	1.00%

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
\$ 9,271	\$ 8,405	\$ 7,835	\$ 8,455	\$ 8,837	\$ 66,507
<u>(9,271)</u>	<u>(8,405)</u>	<u>(7,835)</u>	<u>(8,455)</u>	<u>(8,837)</u>	<u>(66,507)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,856,009	\$ 1,666,889	\$ 1,549,266	\$ 1,797,526	\$ 1,852,083	\$ 1,882,857
0.50%	0.50%	0.50%	0.50%	0.50%	3.77%

City of Huron, Ohio
Notes to Required Supplementary Information
For the Year Ended December 31, 2022

Net Pension Liability

Ohio Public Employees Retirement System (OPERS)

Changes in benefit terms: There were no changes in benefit terms from the amounts reported.

Changes in assumptions: There was a change in methods and assumptions used in the calculation of actuarial determined contributions for 2022. See the notes to the basic financial statements for the methods and assumptions in this calculation.

Ohio Police and Fire Pension Fund

Changes in benefit terms: There were no changes in benefit terms from the amounts reported.

Changes in assumptions: There was a change in methods and assumptions used in the calculation of actuarial determined contributions for 2022. See the notes to the basic financial statements for the methods and assumptions in this calculation.

Net OPEB Liability or Asset

Ohio Public Employees Retirement System (OPERS)

Changes in benefit terms: There were no changes in benefit terms from the amounts reported.

Changes in assumptions: There was a change in methods and assumptions used in the calculation of actuarial determined contributions for 2022. See the notes to the basic financial statements for the methods and assumptions in this calculation.

Ohio Police and Fire Pension Fund

Changes in benefit terms: There were no changes in benefit terms from the amounts reported.

Changes in assumptions: There was a change in methods and assumptions used in the calculation of actuarial determined contributions for 2022. See the notes to the basic financial statements for the methods and assumptions in this calculation.

**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 Members of the City Council:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, 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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated August 24, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purposes of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected, on a timely basis. *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 deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

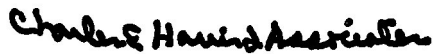
Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted certain matters not requiring inclusion in this report that we reported to the City's management in a separate letter dated August 24, 2023.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *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.
August 24, 2023

OHIO AUDITOR OF STATE KEITH FABER



CITY OF HURON

ERIE COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 10/12/2023

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov