

CITY OF HURON
ERIE COUNTY, OHIO

AUDIT REPORT

For the Year Ended December 31, 2013





Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the City of Huron, Erie County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2013 through December 31, 2013. 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 "Dave Yost".

Dave Yost
Auditor of State

September 30, 2014

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**CITY OF HURON
 ERIE COUNTY
 AUDIT REPORT
 For the Year Ending December 31, 2013**

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

INDEPENDENT AUDITORS' REPORT

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

To the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Huron, Erie County, Ohio (the City), as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Huron, Erie County, Ohio, as of December 31, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General and Fire Levy Funds, thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 26, 2014, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Charles E. Harris & Associates, Inc.
August 26, 2014

City of Huron, Ohio

Management's Discussion and Analysis

For the Year Ended December 31, 2013

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, 2013. 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 2013 are as follows:

- For governmental activities, net position increased \$1,410,870, which represents a significant increase of 9.9 percent from 2012.
- Net position of business-type related activities increased \$257,593 or 4.0 percent from 2012.
- General revenues, for governmental activities, accounted for \$3,768,918 or 41.6 percent of total governmental activities revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$5,293,756 or 58.4 percent of total governmental revenues of \$9,062,674.
- For business-type activities, total expenses were \$1,784,558; all of these expenses were offset by program specific charges for services and sales.
- The loss from the demolition of the Con Agra building is recorded as a special item in the deficit amount of \$1,032,398 on the Statement of Activities.

Overview of the Financial Statements

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

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

City of Huron, Ohio

Management's Discussion and Analysis

For the Year Ended December 31, 2013

Unaudited

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

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

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

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

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

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

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

City of Huron, Ohio

Management's Discussion and Analysis

For the Year Ended December 31, 2013

Unaudited

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

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

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

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

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

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

City of Huron, Ohio

Management's Discussion and Analysis

For the Year Ended December 31, 2013

Unaudited

Government-Wide Financial Analysis

While this document contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole looks at all financial transactions and answers the question, "How did we do financially during 2013?" The statement of net position and statement of activities answers this question, as stated earlier. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by a private business.

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

The City of Huron as a Whole

Recall that the Statement of Net Position looks at the City as a whole. Table 1 provides a summary of the City's net position for 2013 compared to 2012:

Table 1
Net Position

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Assets:						
Current and other assets	\$ 5,474,741	\$ 5,701,951	\$ 2,264,928	\$ 2,440,173	\$ 7,739,669	\$ 8,142,124
Capital assets	<u>14,457,513</u>	<u>12,916,820</u>	<u>6,806,069</u>	<u>6,744,540</u>	<u>21,263,582</u>	<u>19,661,360</u>
Total assets	<u>19,932,254</u>	<u>18,618,771</u>	<u>9,070,997</u>	<u>9,184,713</u>	<u>29,003,251</u>	<u>27,803,484</u>
Liabilities:						
Current liabilities	571,237	881,764	83,767	78,425	655,004	960,189
Long-term liabilities:						
Due within one year	1,028,583	496,888	414,697	410,745	1,443,280	907,633
Due in more than one year	<u>2,038,255</u>	<u>2,317,321</u>	<u>1,857,900</u>	<u>2,238,444</u>	<u>3,896,155</u>	<u>4,555,765</u>
Total liabilities	<u>3,638,075</u>	<u>3,695,973</u>	<u>2,356,364</u>	<u>2,727,614</u>	<u>5,994,439</u>	<u>6,423,587</u>
Deferred inflows of resources:						
Property taxes	<u>677,958</u>	<u>717,447</u>	<u>-</u>	<u>-</u>	<u>677,958</u>	<u>717,447</u>
Net Position:						
Net investment in capital assets	11,868,673	10,554,046	4,612,062	4,192,512	16,480,735	14,746,558
Restricted net position	2,357,299	2,390,645	-	-	2,357,299	2,390,645
Unrestricted net position	<u>1,390,249</u>	<u>1,260,660</u>	<u>2,102,630</u>	<u>2,264,587</u>	<u>3,492,879</u>	<u>3,525,247</u>
Total net position	<u>\$ 15,616,221</u>	<u>\$ 14,205,351</u>	<u>\$ 6,714,692</u>	<u>\$ 6,457,099</u>	<u>\$ 22,330,913</u>	<u>\$ 20,662,450</u>

City of Huron, Ohio

Management's Discussion and Analysis

For the Year Ended December 31, 2013

Unaudited

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. For the City, total assets exceed total liabilities by \$22,330,913 at the close of the most recent year. This amounts to \$15,616,221 in governmental activities and \$6,714,692 in business-type activities.

Capital assets reported on the government-wide statements represent the largest portion of the City's assets. At year-end, capital assets represented 73.3 percent of total governmental and business-type assets. Capital assets include land, construction in progress, land and land improvements, land use rights, land improvements, buildings and improvements, equipment and furniture and infrastructure. Capital assets, net of related debt to acquire the assets at December 31, 2013, were \$16,480,735. These capital assets are used to provide services to citizens and are not available for future spending.

Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities. As of December 31, 2013, the City is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities.

A portion of the City's governmental net position, \$2,357,299 or 15.1 percent, represent resources that are subject to external restrictions on how they may be used. Of the total restricted net position, \$529,933 is restricted for capital projects, \$57,806 is restricted for debt service, \$32,073 is restricted for leisure, \$533,352 is restricted for transportation, \$549,264 is restricted for security persons and property and \$654,871 is restricted for other purposes. The governmental activities unrestricted net position of \$1,390,249 may be used to meet the government's ongoing obligations to citizens and creditors.

Table 2 below shows the changes in net position for governmental and business-type activities for year 2013 compared to 2012:

City of Huron, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2013
Unaudited

Table 2
Changes in Net Position

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Revenues						
Program revenues:						
Charges for services and sales	\$ 2,330,330	\$ 2,594,383	\$ 2,006,164	\$ 2,551,392	\$ 4,336,494	\$ 5,145,775
Operating grants and contributions	1,551,009	1,077,446	-	-	1,551,009	1,077,446
Capital grants and contributions	1,412,417	769,352	43,987	-	1,456,404	769,352
General revenues:						
Income taxes	2,423,422	2,261,531	-	-	2,423,422	2,261,531
Property taxes	819,067	693,381	-	-	819,067	693,381
Payment in lieu of tax	779	-	-	-	779	-
Intergovernmental	385,581	485,076	-	-	385,581	485,076
Interest	7,547	9,049	-	-	7,547	9,049
Miscellaneous	<u>132,522</u>	<u>59,417</u>	<u>-</u>	<u>-</u>	<u>132,522</u>	<u>59,417</u>
Total revenues	<u>9,062,674</u>	<u>7,949,635</u>	<u>2,050,151</u>	<u>2,551,392</u>	<u>11,112,825</u>	<u>10,501,027</u>
Program Expenses						
Governmental Activities:						
General government	1,061,220	1,087,862	-	-	1,061,220	1,087,862
Security of persons and property:						
Police	1,544,177	1,586,249	-	-	1,544,177	1,586,249
Fire	1,692,744	1,648,294	-	-	1,692,744	1,648,294
Other	115,079	108,714	-	-	115,079	108,714
Economic development and assistance	26,832	248,225	-	-	26,832	248,225
Refuse	709,985	694,290	-	-	709,985	694,290
Leisure time activities	680,543	599,211	-	-	680,543	599,211
Transportation	739,678	687,467	-	-	739,678	687,467
Interest and fiscal charges	57,148	72,841	-	-	57,148	72,841
Issuance costs	-	67,114	-	-	-	67,114
Business-type Activities:						
Water	-	-	1,667,833	1,936,426	1,667,833	1,936,426
Electric	-	-	116,725	114,366	116,725	114,366
Total program expenses	<u>6,627,406</u>	<u>6,800,267</u>	<u>1,784,558</u>	<u>2,050,792</u>	<u>8,411,964</u>	<u>8,851,059</u>
Change in net position before transfers and special item						
	2,435,268	1,149,368	265,593	500,600	2,700,861	1,649,968
Transfers	8,000	-	(8,000)	-	-	-
Special item - building demolition	<u>(1,032,398)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,032,398)</u>	<u>-</u>
Change in net position	1,410,870	1,149,368	257,593	500,600	1,668,463	1,649,968
Net position beginning of year	<u>14,205,351</u>	<u>13,055,983</u>	<u>6,457,099</u>	<u>5,956,499</u>	<u>20,662,450</u>	<u>19,012,482</u>
Net position end of year	<u>\$ 15,616,221</u>	<u>\$ 14,205,351</u>	<u>\$ 6,714,692</u>	<u>\$ 6,457,099</u>	<u>\$ 22,330,913</u>	<u>\$ 20,662,450</u>

City of Huron, Ohio

Management's Discussion and Analysis

For the Year Ended December 31, 2013

Unaudited

Governmental Activities

Security of persons and property, which primarily supports the operations of the City's police, fire and emergency medical services, accounts for \$3,352,000 of expenses, or 50.6 percent of total governmental expenses of the City. These expenses were funded by \$1,030,422 in charges to users of services and operating grants. General government expenses, which primarily include support departments of the mayor, council, finance, engineering, law and other adjunct support services not specifically related to a specific function or activity; totaled \$1,061,220 or 16 percent of total governmental expenses. General government expenses were fully covered by \$2,710,523 of direct charges to users and operating and capital grants.

General revenues totaled \$3,768,918, and amounted to 41.6 percent of total revenues. These revenues primarily consist of property and income tax revenue of \$3,242,489, or 86 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 2013, these revenues totaled \$385,581 or 10.2 percent of the total general revenues.

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

The net position for the internal service fund increased \$111,090. This increase was mainly attributable to a decrease in claims.

Business-type Activities

The water and electric funds represent the City's business-type activities. These programs have program revenues of \$2,050,151, and expenses of \$1,784,558, respectively, for the year ended 2013. Business-type activities had an increase in net position of \$257,593. For this year, the increase in net position was attributed to operating activities.

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

Program Expenses

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for government-wide activities, the total cost of services and the net cost of services for 2013 compared to 2012. That is, it identifies the cost of these services supported by general revenues.

City of Huron, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2013
Unaudited

Table 3
Program Expenses

	<u>2013</u>		<u>2012</u>		<u>Net Change</u>	
	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
<i>Governmental Activities:</i>						
General government	\$ 1,061,220	\$ 1,649,303	\$ 1,087,862	\$ 536,146	\$ (26,642)	\$ 1,113,157
Security of persons and property						
Police	1,544,177	(1,439,272)	1,586,249	(1,449,194)	(42,072)	9,922
Fire	1,692,744	(771,040)	1,648,294	(616,459)	44,450	(154,581)
Other	115,079	(111,266)	108,714	(108,714)	6,365	(2,552)
Economic development and assistance	26,832	(26,032)	248,225	(248,175)	(221,393)	222,143
Refuse	709,985	(77,533)	694,290	(57,779)	15,695	(19,754)
Leisure time activities	680,543	(266,205)	599,211	(93,528)	81,332	(172,677)
Transportation	739,678	(234,457)	687,467	(181,428)	52,211	(53,029)
Interest and fiscal charges	57,148	(57,148)	69,917	(69,917)	(12,769)	12,769
Issuance costs	-	-	67,114	(67,114)	(67,114)	67,114
Current refunding	-	-	2,924	(2,924)	(2,924)	2,924
<i>Business-Type Activities:</i>						
Water	1,667,833	241,323	1,936,426	486,113	(268,593)	(244,790)
Electric	116,725	24,270	114,366	14,487	2,359	9,783
Total expenses	<u>\$ 8,411,964</u>	<u>\$ (1,068,057)</u>	<u>\$ 8,851,059</u>	<u>\$ (1,858,486)</u>	<u>\$ (439,095)</u>	<u>\$ 790,429</u>

Financial Analysis of City Funds

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

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

As of December 31, 2013, the City's governmental funds reported a combined ending fund balance of \$3,396,190, an increase of \$103,337 in comparison with the prior year. \$1,112,540 of the ending combined fund balance for 2013 constitutes assigned and unassigned fund balance combined, which is available for spending at the government's discretion. The remainder of fund balance is nonspendable, restricted, or committed to indicate that it is not available for new spending because it is not in spendable form or it has already been restricted or committed by external or internal constraints. A large portion of the fund balance, \$2,022,283, or 59.5 percent is restricted. These restricted amounts lead to restricted net position on the Statement of Net Position due to expenditure restrictions mandated by the source of the resource, such as the state or federal government.

City of Huron, Ohio

Management's Discussion and Analysis

For the Year Ended December 31, 2013

Unaudited

The general fund is the primary operating fund of the City. At the end of 2013, unassigned fund balance was \$1,106,737 while total fund balance was \$1,127,938. 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 \$81,618 during 2013. This decrease was caused not by any specific event.

Table 4 below reports year 2013 balances compared to 2012:

Table 4
Change in Fund Balance

	Fund Balance		Increase (Decrease)	Percent Change
	December 31, 2013	December 31, 2012		
General	\$ 1,127,938	\$ 1,209,556	\$ (81,618)	-6.7%
Fire levy	310,983	319,212	(8,229)	-2.6%
General obligation bond retirement	70,213	52,923	17,290	32.7%
Capital improvements	336,928	(243,320)	580,248	238.5%
Other governmental funds	<u>1,550,128</u>	<u>1,954,482</u>	<u>(404,354)</u>	-20.7%
	<u>\$ 3,396,190</u>	<u>\$ 3,292,853</u>	<u>\$ 103,337</u>	

Table 5 below assists in illustrating the financial activities for the general fund of year 2013 balances compared to 2012:

Table 5
Change in Financial Activities for the General Fund

	December 31, 2013	December 31, 2012	Increase (Decrease)
Revenues:			
Income tax	\$ 2,020,058	\$ 1,800,368	\$ 219,690
Property and other taxes	236,754	171,087	65,667
Charges for services	660,463	669,283	(8,820)
Licenses and permits	136,699	128,058	8,641
Fines and forfeitures	367,633	329,963	37,670
Intergovernmental	435,339	467,932	(32,593)
Investment income	7,547	7,551	(4)
Other	<u>127,015</u>	<u>154,249</u>	<u>(27,234)</u>
Total revenue	<u>\$ 3,991,508</u>	<u>\$ 3,728,491</u>	<u>\$ 263,017</u>
Expenditures:			
Current:			
General government	992,350	935,543	56,807
Security of persons and property:			
Police	1,244,960	1,334,057	(89,097)
Refuse	709,985	694,290	15,695
Capital outlay	<u>10,788</u>	<u>-</u>	<u>10,788</u>
Total expenditures	<u>\$ 2,958,083</u>	<u>\$ 2,963,890</u>	<u>\$ (5,807)</u>

City of Huron, Ohio

Management's Discussion and Analysis

For the Year Ended December 31, 2013

Unaudited

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

As of December 31, 2013, net position for the City's enterprise funds were \$6,714,692. Of that total, \$2,102,630 represents unrestricted net position that are available for spending at the City's discretion. As of December 31, 2013, unrestricted net position in the self-insurance program were \$155,204.

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 2013 the City amended its general fund budget on various occasions. All recommendations for budget changes come to the Finance Committee of City Council for review before going to the whole Council for ordinance enactment on the change. The City allows small interdepartmental budget changes that modify line items within departments within the same fund. The general fund supports many of the City's major activities such as the Police Department and the Fire Department as well as most legislative and executive activities. The general fund is monitored closely, looking for possible revenue shortfalls or overspending by individual departments.

The general fund original budgeted revenue was increased by \$459,109 during the year due to anticipated additional revenues being received later in the year. The actual revenue received during the year was \$70,328 or 1.5 percent less than the final estimate.

The general fund original budgeted expenditures were less than the final budgeted expenditures by \$145,786. There were no individually significant events that led to these differences. Actual expenditures, plus encumbrances for the year were \$123,806 less than the final budgeted amounts.

Capital Assets and Debt Administration

Capital Assets - At the end of 2013, the City had \$21,263,582 (net of accumulated depreciation) invested in land, land and land improvements, land use rights, land improvements, buildings, equipment and furniture, vehicles, infrastructure and construction in progress. Of this total \$14,457,513 was reported in governmental activities and \$6,806,069 was reported in business-type activities. Table 4 shows fiscal year 2013 balances compared to 2012.

City of Huron, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2013
Unaudited

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Land and land improvements	\$ 6,135,544	\$ 6,097,388	\$ 30,000	\$ 30,000	\$ 6,165,544	\$ 6,127,388
Land use rights	49,687	49,687	-	-	49,687	49,687
Construction in progress	1,313,099	434,381	32,186	33,506	1,345,285	467,887
Land improvements	2,660,864	2,405,279	50,034	57,566	2,710,898	2,462,845
Buildings and improvements	2,103,763	2,119,849	1,750,226	1,807,431	3,853,989	3,927,280
Equipment and furniture	340,547	319,557	1,222,551	1,221,758	1,563,098	1,541,315
Vehicles	563,493	641,253	32,103	18,917	595,596	660,170
Infrastructure	1,290,516	849,426	3,688,969	3,575,362	4,979,485	4,424,788
Total	<u>\$ 14,457,513</u>	<u>\$ 12,916,820</u>	<u>\$ 6,806,069</u>	<u>\$ 6,744,540</u>	<u>\$ 21,263,582</u>	<u>\$ 19,661,360</u>

For governmental activities capital additions were offset by \$467,641 of accumulated depreciation. Depreciation expense for business-type activities was \$204,444.

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, 2013 the City had total long-term debt outstanding of \$4,782,847. Of this total, \$1,256,298 is due within one year and \$3,526,549 is due in more than one year. Table 5 below summarizes the bonds and loans outstanding:

Table 7
Outstanding Debt, at December 31

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
General obligation bonds	\$ 1,705,063	\$ 1,927,395	\$ 1,081,696	\$ 1,203,153	\$ 2,786,759	\$ 3,130,548
Notes	525,000	-	-	-	525,000	-
OWDA loan	-	-	792,740	968,797	792,740	968,797
Capital leases	358,777	435,379	319,571	380,078	678,348	815,457
Total	<u>\$ 2,588,840</u>	<u>\$ 2,362,774</u>	<u>\$ 2,194,007</u>	<u>\$ 2,552,028</u>	<u>\$ 4,782,847</u>	<u>\$ 4,914,802</u>

Additional information concerning the City's capital leases and debt can be found in Notes 9, 10 and 11 of the basic financial statements.

City of Huron, Ohio

Management's Discussion and Analysis

For the Year Ended December 31, 2013

Unaudited

Economic Factors

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

Requests for Information

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

City of Huron, Ohio
Statement of Net Position
December 31, 2013

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>Assets:</u>			
Equity in pooled cash and cash equivalents	\$ 2,945,421	\$ 1,545,620	\$ 4,491,041
Cash and cash equivalents in segregated accounts	300,059	-	300,059
<u>Receivables:</u>			
Income tax	528,544	-	528,544
Property and other taxes	854,151	-	854,151
Accounts	237,787	528,162	765,949
Special assessments	20,209	39,478	59,687
Accrued interest	3,843	-	3,843
Intergovernmental	388,510	-	388,510
Materials and supplies inventory	5,067	138,187	143,254
Land held for resale	161,140	-	161,140
Prepaid items	30,010	13,481	43,491
Nondepreciable capital assets	7,498,330	62,186	7,560,516
Depreciable capital assets, net	6,959,183	6,743,883	13,703,066
Total assets	<u>19,932,254</u>	<u>9,070,997</u>	<u>29,003,251</u>
 <u>Liabilities:</u>			
Accounts payable	179,407	57,938	237,345
Contracts payable	13,904	-	13,904
Accrued wages and benefits	70,509	13,252	83,761
Pension obligation payable	13,543	1,855	15,398
Due to other governments	42,863	8,698	51,561
Income tax refunds payable	23,785	-	23,785
Accrued interest payable	12,407	1,965	14,372
Claims payable	53,679	-	53,679
Notes payable	161,140	-	161,140
<u>Long-term liabilities:</u>			
Due within one year	1,028,583	414,697	1,443,280
Due in more than one year	2,038,255	1,857,900	3,896,155
Total liabilities	<u>3,638,075</u>	<u>2,356,305</u>	<u>5,994,380</u>
 <u>Deferred inflows of resources:</u>			
Property taxes	<u>677,958</u>	<u>-</u>	<u>677,958</u>
 <u>Net position:</u>			
Net investment in capital assets	11,868,673	4,612,062	16,480,735
<u>Restricted for:</u>			
Capital projects	529,933	-	529,933
Debt service	57,806	-	57,806
Transportation	533,352	-	533,352
Security of persons and property	549,264	-	549,264
Leisure time activities	32,073	-	32,073
Other purposes	654,871	-	654,871
Unrestricted	<u>1,390,249</u>	<u>2,102,630</u>	<u>3,492,879</u>
Total net position	<u>\$ 15,616,221</u>	<u>\$ 6,714,692</u>	<u>\$ 22,330,913</u>

See accompanying notes to the basic financial statements.

City of Huron, Ohio

Statement of Activities

For the Year Ended December 31, 2013

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants and Contributions
<u>Governmental Activities:</u>				
General government	\$ 1,061,220	\$ 591,375	\$ 706,731	\$ 1,412,417
Security of persons and property				
Police	1,544,178	27,522	77,383	-
Fire	1,692,743	739,397	182,307	-
Other	115,079	3,813	-	-
Leisure time activities	680,543	334,480	79,858	-
Economic development and assistance	26,832	-	800	-
Transportation	739,678	1,291	503,930	-
Refuse	709,985	632,452	-	-
Interest and fiscal charges	57,148	-	-	-
Total governmental activities	<u>6,627,406</u>	<u>2,330,330</u>	<u>1,551,009</u>	<u>1,412,417</u>
<u>Business-Type Activities:</u>				
Water	1,667,833	1,865,169	-	43,987
Electric	116,725	140,995	-	-
Total business-type activities	<u>1,784,558</u>	<u>2,006,164</u>	<u>-</u>	<u>43,987</u>
Total primary government	<u>\$ 8,411,964</u>	<u>\$ 4,336,494</u>	<u>\$ 1,551,009</u>	<u>\$ 1,456,404</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
Investment earnings
Other
Transfers
Special item - building demolition
Total general revenues, transfers and special item

Change in net position

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

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and Changes in Net Position

Primary Government

Governmental Activities	Business-Type Activities	Total
\$ 1,649,303	\$ -	\$ 1,649,303
(1,439,273)	-	(1,439,273)
(771,039)	-	(771,039)
(111,266)	-	(111,266)
(266,205)	-	(266,205)
(26,032)	-	(26,032)
(234,457)	-	(234,457)
(77,533)	-	(77,533)
(57,148)	-	(57,148)
<u>(1,333,650)</u>	<u>-</u>	<u>(1,333,650)</u>
-	241,323	241,323
-	24,270	24,270
<u>-</u>	<u>265,593</u>	<u>265,593</u>
<u>(1,333,650)</u>	<u>265,593</u>	<u>(1,068,057)</u>
241,717	-	241,717
577,350	-	577,350
1,983,393	-	1,983,393
185,029	-	185,029
255,000	-	255,000
779	-	779
385,581	-	385,581
7,547	-	7,547
132,522	-	132,522
8,000	(8,000)	-
<u>(1,032,398)</u>	<u>-</u>	<u>(1,032,398)</u>
<u>2,744,520</u>	<u>(8,000)</u>	<u>2,736,520</u>
1,410,870	257,593	1,668,463
<u>14,205,351</u>	<u>6,457,099</u>	<u>20,662,450</u>
<u>\$ 15,616,221</u>	<u>\$ 6,714,692</u>	<u>\$ 22,330,913</u>

City of Huron, Ohio

Balance Sheet

Governmental Funds

December 31, 2013

	General	Fire Levy	General Obligation Bond Retirement	Capital Improvements	Other Governmental Funds	Total Governmental Funds
<u>Assets:</u>						
Equity in pooled cash and cash equivalents	\$ 870,677	\$ 191,366	\$ 70,213	\$ 396,809	\$ 1,394,705	\$ 2,923,770
Cash and cash equivalents:						
In segregated accounts	-	-	-	-	109,991	109,991
Receivables:						
Income tax	528,544	-	-	-	-	528,544
Property and other taxes	252,952	510,859	-	-	90,340	854,151
Accounts	29,721	208,066	-	-	-	237,787
Special assessments	-	-	-	-	20,209	20,209
Accrued interest	3,343	-	-	-	500	3,843
Intergovernmental	81,723	37,790	-	-	268,997	388,510
Materials and supplies inventory	-	-	-	-	5,067	5,067
Prepaid items	8,168	12,009	-	-	9,833	30,010
Land held for resale	-	-	-	-	161,140	161,140
Total assets	<u>\$ 1,775,128</u>	<u>\$ 960,090</u>	<u>\$ 70,213</u>	<u>\$ 396,809</u>	<u>\$ 2,060,782</u>	<u>\$ 5,263,022</u>
<u>Liabilities and fund balances</u>						
<u>Liabilities:</u>						
Accounts payable	\$ 83,021	\$ 6,148	\$ -	\$ 45,977	\$ 41,425	\$ 176,571
Contracts payable	-	-	-	13,904	-	13,904
Accrued wages and benefits	38,802	19,859	-	-	11,848	70,509
Pension obligation payable	6,854	4,766	-	-	1,923	13,543
Due to other governments	20,051	13,800	-	-	9,012	42,863
Income tax refunds payable	23,785	-	-	-	-	23,785
Notes payable	-	-	-	-	161,140	161,140
Total liabilities	<u>172,513</u>	<u>44,573</u>	<u>-</u>	<u>59,881</u>	<u>225,348</u>	<u>502,315</u>
<u>Deferred inflows of resources:</u>						
Property taxes	200,249	406,190	-	-	71,519	677,958
Unavailable revenue	251,882	155,167	-	-	205,736	612,785
Unavailable revenue - delinquent property taxes	22,546	43,177	-	-	8,051	73,774
Total deferred inflows of resources	<u>474,677</u>	<u>604,534</u>	<u>-</u>	<u>-</u>	<u>285,306</u>	<u>1,364,517</u>
<u>Fund balances:</u>						
Nonspendable	8,168	12,009	-	-	14,900	35,077
Restricted	-	298,974	70,213	336,928	1,316,168	2,022,283
Committed	-	-	-	-	226,290	226,290
Assigned	13,033	-	-	-	-	13,033
Unassigned (deficit)	1,106,737	-	-	-	(7,230)	1,099,507
Total fund balances	<u>1,127,938</u>	<u>310,983</u>	<u>70,213</u>	<u>336,928</u>	<u>1,550,128</u>	<u>3,396,190</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,775,128</u>	<u>\$ 960,090</u>	<u>\$ 70,213</u>	<u>\$ 396,809</u>	<u>\$ 2,060,782</u>	<u>\$ 5,263,022</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, 2013**

Total governmental fund balances \$ 3,396,190

*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. 14,457,513

An internal service fund is used by management to charge the
costs of insurance to individual funds. The assets and liabilities
of the internal service fund are included in governmental
activities in the statement of net position. 155,204

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

Property and other taxes	\$ 73,774	
Income taxes	192,335	
Payment in lieu of tax	20,209	
Intergovernmental	276,886	
Charges for services	117,377	
Other	5,978	
Total		686,559

Accrued interest payable is not due and payable in the current
period and therefore is not reported in the funds. (12,407)

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

General obligation bonds	\$ (2,192,000)	
Unamortized premium on bonds	(38,063)	
Capital lease payable	(358,777)	
Compensated absences	(477,998)	
Total		<u>(3,066,838)</u>

Net position of governmental activities \$ 15,616,221

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, 2013

	General	Fire Levy	General Obligation Retirement	Bond Retirement	Capital Improvements	Other Governmental Funds	Total Governmental Funds
Revenues:							
Income tax	\$ 2,020,058	\$ -	\$ 255,000	\$ -	\$ 185,029	\$ -	\$ 2,460,087
Property and other taxes	236,754	483,907	-	-	-	84,441	805,102
Charges for services	660,463	747,349	-	-	-	289,599	1,697,411
Licenses and permits	136,699	-	-	-	583	-	137,282
Fines and forfeitures	367,633	-	-	-	-	87,912	455,545
Intergovernmental	435,339	166,709	-	-	2,118,653	628,669	3,349,370
Special assessments	-	-	-	-	-	3,813	3,813
Investment income	7,547	-	-	-	-	3,130	10,677
Payment in lieu of tax	-	-	-	-	-	20,988	20,988
Other	127,015	-	-	-	-	76,699	203,714
Total revenue	3,991,508	1,397,965	255,000	-	2,304,265	1,195,251	9,143,989
Expenditures:							
Current:							
General government	992,350	-	-	-	15,776	77,174	1,085,300
Security of persons and property:							
Police	1,244,960	-	-	-	-	249,722	1,494,682
Fire	-	1,533,694	-	-	11,814	38,209	1,583,717
Other	-	-	-	-	-	115,485	115,485
Transportation	-	-	-	-	92,539	464,980	557,519
Refuse	709,985	-	-	-	-	-	709,985
Leisure time activities	-	-	-	-	22,356	591,268	613,624
Economic development and assistance	-	-	-	-	-	26,832	26,832
Capital outlay	10,788	-	-	-	2,630,099	391,845	3,032,732
Debt service:							
Principal retirement	-	-	213,600	-	115,762	18,362	347,724
Interest and fiscal charges	-	-	39,110	-	14,774	3,118	57,002
Total expenditures	2,958,083	1,533,694	252,710	-	2,903,120	1,976,995	9,624,602
Excess of revenues over (under) expenditures	1,033,425	(135,729)	2,290	-	(598,855)	(781,744)	(480,613)
Other financing sources (uses):							
Notes issued	-	-	-	-	525,000	-	525,000
Inception of capital lease	-	-	-	-	57,522	-	57,522
Premium on debt issued	-	-	-	-	1,428	-	1,428
Transfers - in	-	200,000	15,000	-	595,153	393,890	1,204,043
Transfers - out	(1,115,043)	(72,500)	-	-	-	(16,500)	(1,204,043)
Total other financing sources (uses)	(1,115,043)	127,500	15,000	-	1,179,103	377,390	583,950
Net change in fund balance	(81,618)	(8,229)	17,290	-	580,248	(404,354)	103,337
Fund balances (deficit) at beginning of year	1,209,556	319,212	52,923	-	(243,320)	1,954,482	3,292,853
Fund balances (deficit) at end of year	\$ 1,127,938	\$ 310,983	\$ 70,213	-	\$ 336,928	\$ 1,550,128	\$ 3,396,190

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, 2013

Net change in fund balances - Total governmental funds \$ 103,337

*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	\$ 3,032,732	
Capital assets transferred	8,000	
Depreciation expense	<u>(467,641)</u>	
Excess of capital outlay over depreciation expense		2,573,091

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. This is recorded as a special item in the statement of activities. (1,032,398)

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	\$ 13,965	
Income taxes	(36,665)	
Payment in lieu of taxes	(20,209)	
Intergovernmental	(34,606)	
Charges for services	(9,307)	
Other	<u>5,507</u>	
Net change in deferred inflows of resources during the year		(81,315)

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	\$ (26,563)	
Increase in accrued interest	<u>(10,306)</u>	
Total additional expenditures		(36,869)

The internal service fund used by management to charge the costs of dental and vision claims to individual funds are not reported in the statement of activities. Governmental fund expenditures and related internal service fund revenues are eliminated. 111,090

Repayment of bond and note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 213,600

Payment of capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 134,124

Some capital additions were financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the statement of net position, the lease obligation is reported as a liability. (57,522)

The issuance of notes resulted in expenditures and other financing sources and uses in the governmental funds, but these transactions are reflected in the statement of net assets as liabilities. (525,000)

The amortization of bond premium is reflected as an expense in the statement of activities. 8,732

Change in net position of governmental activities \$ 1,410,870

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, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>Revenues:</u>				
Income tax	\$ 2,467,053	\$ 2,467,053	\$ 2,446,185	\$ (20,868)
Property and other taxes	254,017	238,835	235,846	(2,989)
Charges for services	675,000	675,000	660,463	(14,537)
Licenses and permits	147,200	147,200	135,391	(11,809)
Fines and forfeitures	330,000	372,000	367,633	(4,367)
Intergovernmental	168,009	562,772	570,078	7,306
Investment income	10,000	10,000	11,564	1,564
Other	125,500	163,028	138,400	(24,628)
Total revenue	<u>4,176,779</u>	<u>4,635,888</u>	<u>4,565,560</u>	<u>(70,328)</u>
<u>Expenditures:</u>				
Current:				
General government	981,762	1,073,698	1,024,288	49,410
Security of persons and property:				
Police	1,313,015	1,327,165	1,253,406	73,759
Basic utility services	679,000	718,700	718,063	637
Total expenditures	<u>2,973,777</u>	<u>3,119,563</u>	<u>2,995,757</u>	<u>123,806</u>
Excess of revenues over expenditures	<u>1,203,002</u>	<u>1,516,325</u>	<u>1,569,803</u>	<u>53,478</u>
<u>Other financing uses:</u>				
Transfers - out	<u>(1,114,717)</u>	<u>(1,570,072)</u>	<u>(1,570,072)</u>	<u>-</u>
Net change in fund balance	88,285	(53,747)	(269)	53,478
Fund balance at beginning of year	828,987	828,987	828,987	-
Prior year encumbrances appropriated	13,360	13,360	13,360	-
Fund balance at end of year	<u>\$ 930,632</u>	<u>\$ 788,600</u>	<u>\$ 842,078</u>	<u>\$ 53,478</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, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final Budget		
Revenues:				
Property and other taxes	\$ 475,339	\$ 485,759	\$ 481,982	\$ (3,777)
Charges for services	760,200	760,200	743,329	(16,871)
Intergovernmental	67,733	166,709	166,709	-
Total revenue	<u>1,303,272</u>	<u>1,412,668</u>	<u>1,392,020</u>	<u>(20,648)</u>
Expenditures:				
Current:				
Security of persons and property:				
Fire	<u>1,342,136</u>	<u>1,392,419</u>	<u>1,344,246</u>	<u>48,173</u>
Excess of revenues over expenditures	<u>(38,864)</u>	<u>20,249</u>	<u>47,774</u>	<u>27,525</u>
Other financing sources (uses):				
Transfers - in	200,000	200,000	200,000	-
Transfers - out	<u>(167,500)</u>	<u>(281,000)</u>	<u>(281,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>32,500</u>	<u>(81,000)</u>	<u>(81,000)</u>	<u>-</u>
Net change in fund balance	(6,364)	(60,751)	(33,226)	27,525
Fund balance at beginning of year	202,009	202,009	202,009	-
Prior year encumbrances appropriated	<u>9,544</u>	<u>9,544</u>	<u>9,544</u>	<u>-</u>
Fund balance at end of year	<u>\$ 205,189</u>	<u>\$ 150,802</u>	<u>\$ 178,327</u>	<u>\$ 27,525</u>

See accompanying notes to the basic financial statements.

City of Huron, Ohio
Statement of Fund Net Position
Proprietary Funds
December 31, 2013

	Business-Type Activities - Enterprise Funds			Governmental
	Water	Electric	Total	Activities Internal Service
<u>Assets:</u>				
Current assets:				
Equity in pooled cash and cash equivalents	\$ 1,358,852	\$ 186,768	\$ 1,545,620	\$ 21,651
Cash and cash equivalents:				
In segregated accounts	-	-	-	190,068
Receivables:				
Accounts	527,912	250	528,162	-
Special assessments	39,478	-	39,478	-
Materials and supplies inventory	138,187	-	138,187	-
Prepaid items	13,481	-	13,481	-
Total current assets	2,077,910	187,018	2,264,928	211,719
Noncurrent assets:				
Capital assets:				
Nondepreciable capital assets	62,186	-	62,186	-
Depreciable capital assets, net	6,657,647	86,236	6,743,883	-
Total noncurrent assets	6,719,833	86,236	6,806,069	-
Total assets	8,797,743	273,254	9,070,997	\$ 211,719
<u>Liabilities:</u>				
Current liabilities:				
Accounts payable	41,965	15,973	57,938	2,836
Accrued wages and benefits	13,055	197	13,252	-
Accrued pension	1,827	28	1,855	-
Due to other governments	8,617	81	8,698	-
Compensated absences payable	27,045	59	27,104	-
Accrued interest payable	1,965	-	1,965	-
Claims payable	-	-	-	53,679
Capital lease payable	84,600	-	84,600	-
OWDA loans payable	184,393	-	184,393	-
General obligation bonds payable	118,600	-	118,600	-
Total current liabilities	482,067	16,338	498,405	56,515
Long-term liabilities:				
Compensated absences payable	51,486	-	51,486	-
Capital leases payable, net of current portion	234,971	-	234,971	-
OWDA loans payable, net of current portion	608,347	-	608,347	-
General obligation bonds payable, net of current portion	963,096	-	963,096	-
Total long-term liabilities	1,857,900	-	1,857,900	-
Total liabilities	2,339,967	16,338	2,356,305	56,515
<u>Net position:</u>				
Net investment in capital assets	4,525,826	86,236	4,612,062	-
Unrestricted	1,931,950	170,680	2,102,630	155,204
Total net position	\$ 6,457,776	\$ 256,916	\$ 6,714,692	\$ 155,204

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, 2013

	Business-Type Activities - Enterprise Funds			Governmental Activities Internal Service
	Water	Electric	Total	
<u>Operating revenues:</u>				
Charges for services	\$ 1,833,609	\$ 140,995	\$ 1,974,604	\$ 941,293
Other	31,560	-	31,560	-
Total operating revenue	<u>1,865,169</u>	<u>140,995</u>	<u>2,006,164</u>	<u>941,293</u>
<u>Operating expenses:</u>				
Personal services	562,695	3,381	566,076	-
Fringe benefits	242,450	2,616	245,066	-
Contractual services	391,257	107,389	498,646	312,439
Supplies and materials	190,353	-	190,353	-
Claims	-	-	-	517,764
Other operating costs	2,880	-	2,880	-
Depreciation	201,105	3,339	204,444	-
Total operating expenses	<u>1,590,740</u>	<u>116,725</u>	<u>1,707,465</u>	<u>830,203</u>
Operating income	<u>274,429</u>	<u>24,270</u>	<u>298,699</u>	<u>111,090</u>
<u>Nonoperating revenues (expenses):</u>				
Special assessments	43,987	-	43,987	-
Interest and fiscal charges	(77,093)	-	(77,093)	-
Loss on disposal of capital assets	(8,000)	-	(8,000)	-
Total nonoperating revenues (expenses)	<u>(41,106)</u>	<u>-</u>	<u>(41,106)</u>	<u>-</u>
Change in net position	233,323	24,270	257,593	111,090
Net position at beginning of year	<u>6,224,453</u>	<u>232,646</u>	<u>6,457,099</u>	<u>44,114</u>
Net position at end of year	<u>\$ 6,457,776</u>	<u>\$ 256,916</u>	<u>\$ 6,714,692</u>	<u>\$ 155,204</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, 2013

	Business-Type Activities - Enterprise Funds			Governmental
	Water	Electric	Total	Activities Internal Service
Cash flows from operating activities:				
Cash received from customers	\$ 2,176,358	\$ 141,001	\$ 2,317,359	\$ 941,293
Cash payments for personal services	(832,009)	(8,726)	(840,735)	-
Cash payments for contractual services	(322,538)	(99,770)	(422,308)	(313,998)
Cash payments to suppliers for goods and services	(233,984)	-	(233,984)	-
Cash payments for claims	-	-	-	(531,789)
Net cash provided by operating activities	<u>787,827</u>	<u>32,505</u>	<u>820,332</u>	<u>95,506</u>
Cash flows from capital and related financing activities:				
Cash received from special assessments	4,509	-	4,509	-
Interest paid on bonds, loans and leases	(81,422)	-	(81,422)	-
Principal payment on bonds, loans and leases	(375,548)	-	(375,548)	-
Acquisition of capital assets	(251,835)	-	(251,835)	-
Net cash used for capital and related financing activities	<u>(704,296)</u>	<u>-</u>	<u>(704,296)</u>	<u>-</u>
Net increase in cash and cash equivalents	83,531	32,505	116,036	95,506
Cash and cash equivalents at beginning of year	<u>1,275,321</u>	<u>154,263</u>	<u>1,429,584</u>	<u>116,213</u>
Cash and cash equivalents at end of year	<u>\$ 1,358,852</u>	<u>\$ 186,768</u>	<u>\$ 1,545,620</u>	<u>\$ 211,719</u>
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ 274,429	\$ 24,270	\$ 298,699	\$ 111,090
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	201,105	3,339	204,444	-
Change in assets and liabilities:				
(Increase) decrease in assets:				
Accounts receivable	311,189	6	311,195	-
Materials and supplies inventory	20,308	-	20,308	-
Prepaid items	(744)	-	(744)	-
Increase (decrease) in liabilities:				
Accounts payable	8,264	7,619	15,883	(1,559)
Claims payable	-	-	-	(14,025)
Accrued pension	(5,295)	(347)	(5,642)	-
Accrued wages and benefits	4,012	(2,483)	1,529	-
Compensated absences	(18,630)	59	(18,571)	-
Due to other governments	(6,811)	42	(6,769)	-
Net cash provided by operating activities	<u>\$ 787,827</u>	<u>\$ 32,505</u>	<u>\$ 820,332</u>	<u>\$ 95,506</u>
Noncash capital and related financing activities:				
Capital assets acquired by a capital lease	<u>\$ 22,138</u>	<u>\$ -</u>	<u>\$ 22,138</u>	<u>\$ -</u>

See accompanying notes to the basic financial statements.

City of Huron, Ohio
Statement of Fiduciary Net Position
Agency Funds
December 31, 2013

	<u>Agency</u>
<u>Assets:</u>	
Equity in pooled cash and cash equivalents	\$ 42,351
Cash and cash equivalents in segregated accounts	<u>7,608</u>
Total assets	<u><u>\$ 49,959</u></u>
<u>Liabilities:</u>	
Accounts payable	\$ 4,386
Due to other governments	7,608
Undistributed monies	<u>37,965</u>
Total liabilities	<u><u>\$ 49,959</u></u>

See accompanying notes to the basic financial statements.

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City of Huron, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2013

NOTE 1 – Summary of Significant Accounting Policies

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

A. Reporting Entity

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

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

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

Component units are legally separate organizations for which the City, as the primary government, is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization’s governing board and 1) the City is able to significantly influence the programs or services performed or provided by the organization; or 2) the City is legally entitled to or can otherwise access the organization’s resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization. Component units may also include organizations for which the City approves the budget, the issuance of debt, or the levying of taxes. The City doesn’t have any component units.

B. Basis of Presentation

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

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

City of Huron, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2013

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

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

C. Fund Accounting

The City is organized and operated on the basis of funds. The operation of each fund is accounted for within a set of self-balancing accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. Funds are classified into three categories: governmental, proprietary, and fiduciary.

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

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

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

City of Huron, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2013

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

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

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

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

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

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

D. Measurement Focus

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

City of Huron, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2013

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

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

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

E. Basis of Accounting

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

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, 2013

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, estate taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes, estate taxes is recognized in the period in which the income is earned. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied (Note 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. The City does not have any deferred outflows of resources at December 31, 2013.

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, 2013, but which were levied to finance year 2014 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.

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

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

City of Huron, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2013

F. Budgetary Data

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

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

Estimated Resources – The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the City by October 1. As part of this certification the City receives the official certificate of estimated resources, which states the projected revenue of each fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include unencumbered cash balances at December 31 of the preceding year. The certificate may be further amended during the year if the Finance Director determines, and the Budget Commission agrees, that an estimate needs to be either increased or decreased. The amounts reported on the budgetary statement reflect the amounts in the first and final amended official certificate of estimated resources issued during 2013.

City of Huron, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2013

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

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

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

G. Cash and Cash Equivalents

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

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

H. Materials and Supplies Inventory

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

City of Huron, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2013

I. Capital Assets

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

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

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

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

Interest is capitalized on capital assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period. Capitalized interest is amortized on the straight-line basis over the estimated useful life of the asset. For 2013, interest costs incurred on construction projects were not material.

J. Compensated Absences

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

City of Huron, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2013

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, 2013. Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those employees the City has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at year end, taking into consideration any limits specified in the City's termination policy.

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

K. Accrued Liabilities and Long-Term Obligations

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

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

L. Interfund Transactions

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

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

City of Huron, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2013

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

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

M. Fund Balance

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

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

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

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

City of Huron, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2013

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

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

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

O. Operating Revenues and Expenses

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

P. Special Items

Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence.

Q. Net Position

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

R. Estimates

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

City of Huron, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2013

S. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2013, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the in the year in which it was consumed.

NOTE 2 – Budgetary Basis of Accounting

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

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

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

Net Change in Fund Balances

	General Fund	Fire Levy Fund
GAAP basis	\$ (81,618)	\$ (8,229)
Revenue accruals	574,052	(5,945)
Expense accruals	(456,971)	(6,013)
Encumbrances (budget basis) outstanding at year end	<u>(35,732)</u>	<u>(13,039)</u>
Budget basis	<u>\$ (269)</u>	<u>\$ (33,226)</u>

City of Huron, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2013

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	General	Fire Levy	General Obligation Bond Retirement	Capital Improvements	Other Governmental Funds	Total Governmental Funds
<u>Nonspendable</u>						
Materials and supplies inventory	\$ -	\$ -	\$ -	\$ -	\$ 5,067	\$ 5,067
Prepays	8,168	12,009	-	-	9,833	30,010
Total nonspendable	<u>8,168</u>	<u>12,009</u>	<u>-</u>	<u>-</u>	<u>14,900</u>	<u>35,077</u>
<u>Restricted for</u>						
Streets and highways	-	-	-	-	372,514	372,514
Economic development	-	-	-	-	200,401	200,401
Recreation	-	-	-	-	32,073	32,073
Fire and EMS services	-	298,974	-	-	97,641	396,615
Capital improvements	-	-	-	336,928	172,796	509,724
Marine patrol	-	-	-	-	5,134	5,134
Debt service payments	-	-	70,213	-	-	70,213
Court activities	-	-	-	-	395,493	395,493
Shade tree	-	-	-	-	725	725
Police services	-	-	-	-	39,391	39,391
Total restricted	<u>-</u>	<u>298,974</u>	<u>70,213</u>	<u>336,928</u>	<u>1,316,168</u>	<u>2,022,283</u>
<u>Committed</u>						
Recreation	-	-	-	-	142,525	142,525
Employee retirements	-	-	-	-	83,765	83,765
Total committed	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>226,290</u>	<u>226,290</u>
<u>Assigned</u>						
Encumbrances	13,033	-	-	-	-	13,033
Unassigned (deficit)	<u>1,106,737</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(7,230)</u>	<u>1,099,507</u>
Total fund balances	<u>\$ 1,127,938</u>	<u>\$ 310,983</u>	<u>\$ 70,213</u>	<u>\$ 336,928</u>	<u>\$ 1,550,128</u>	<u>\$ 3,396,190</u>

City of Huron, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2013

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 two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

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

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

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

City of Huron, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2013

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

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

During 2013, investments were limited to certificates of deposit.

A. Undeposited Cash

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

B. Deposits

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

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

As of December 31, the carrying amount of the City's deposits was \$3,179,054 and the bank balance was \$3,383,772. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2013, none of the City's bank balance was exposed to custodial credit risk as described above.

C. Investments

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

Investment Type	Fair	Maturity			Rating
	Value	< 1 year	< 2 years	< 3-5 years	
Negotiable certificates of deposit	\$ 1,658,870	\$ 438,569	\$ 547,862	\$ 672,439	N/A ⁽¹⁾

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

City of Huron, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2013

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

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

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

Following Ohio statutes, the City has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2013 amounted to \$7,547, which includes \$6,601 assigned from other City funds.

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 2013 for real and public utility property taxes represents collections of the 2012 taxes. Property tax payments received during 2013 for tangible personal property (other than public utility property) is for 2013 taxes.

2013 real property taxes are levied after October 1, 2013, on the assessed value as of January 1, 2013, the lien date. Assessed values are established by State law at 35% of appraised market value. 2013 real property taxes are collected in and intended to finance 2014.

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. 2013 public utility property taxes became a lien December 31, 2012, are levied after October 1, 2013, and are collected in 2014 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, 2013 was \$4.9 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2013 property tax receipts were based are as follows:

City of Huron, Ohio

Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

<u>Property Category</u>	<u>Assessed Value</u>	<u>Percent</u>
<u>Real property</u>		
Residential and agricultural	\$ 167,534,350	86.9%
Commercial and industrial	22,028,500	11.4%
Public Utilities	207,750	0.1%
<u>Tangible personal property</u>		
Public Utilities	<u>3,061,850</u>	<u>1.6%</u>
Total	<u>\$ 192,832,450</u>	<u>100.0%</u>

B. Income Taxes

The City levies a municipal income tax of one percent on substantially all income earned within the City: in addition, residents are required to pay tax on income earned outside of the City. The City allows a credit of fifty percent for income tax paid to another municipality. Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City either monthly or quarterly. Corporations and other individual tax payers are required to pay their estimated tax quarterly and file a declaration annually. Income tax proceeds are to be used for the purpose of general municipal operations, maintenance, new equipment, extension, and enlargement of municipal services and facilities and capital improvements of the City. In 2013, the proceeds were allocated to the general, general obligation bond retirement and capital improvement funds.

NOTE 6 – Receivables

Receivables at December 31, 2013 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	\$ 57,771
Homestead and Rollbacks	61,724
Gas and motor vehicle taxes	250,805
Grants	11,894
Other	<u>6,316</u>
Total	<u>\$ 388,510</u>

City of Huron, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2013

NOTE 7 – Capital Assets

Governmental Activities A summary of the governmental activities' capital asset activity as of December 31, 2013 are as follows:

<u>Governmental activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land and land improvements	\$ 6,097,388	\$ 1,070,554	\$ (1,032,398)	\$ 6,135,544
Land use rights	49,687	-	-	49,687
Construction in progress	<u>434,381</u>	<u>1,656,884</u>	<u>(778,166)</u>	<u>1,313,099</u>
Total capital assets, not being depreciated	<u>6,581,456</u>	<u>2,727,438</u>	<u>(1,810,564)</u>	<u>7,498,330</u>
Capital assets, being depreciated:				
Land improvements	4,312,255	418,981	-	4,731,236
Buildings and improvements	3,203,804	52,898	-	3,256,702
Equipment and furniture	1,211,617	95,458	-	1,307,075
Vehicles	1,894,255	67,022	(157,333)	1,803,944
Infrastructure	<u>893,584</u>	<u>457,101</u>	<u>-</u>	<u>1,350,685</u>
Total capital assets, being depreciated	<u>11,515,515</u>	<u>1,091,460</u>	<u>(157,333)</u>	<u>12,449,642</u>
Less accumulated depreciation:				
Land improvements	(1,906,976)	(163,396)	-	(2,070,372)
Buildings and improvements	(1,083,955)	(68,984)	-	(1,152,939)
Equipment and furniture	(892,060)	(74,468)	-	(966,528)
Vehicles	(1,253,002)	(144,782)	157,333	(1,240,451)
Infrastructure	<u>(44,158)</u>	<u>(16,011)</u>	<u>-</u>	<u>(60,169)</u>
Total accumulated depreciation	<u>(5,180,151)</u>	<u>(467,641)</u>	<u>157,333</u>	<u>(5,490,459)</u>
Total capital assets being depreciated, net	<u>6,335,364</u>	<u>623,819</u>	<u>-</u>	<u>6,959,183</u>
Governmental activities capital assets, net	<u>\$ 12,916,820</u>	<u>\$ 3,351,257</u>	<u>\$ (1,810,564)</u>	<u>\$ 14,457,513</u>

Depreciation Expense Depreciation expense charged to governmental functions for the year ending December 31, 2013 is as follows:

	<u>Amount</u>
General government	\$ 41,026
Security of persons and property:	
Police	78,122
Fire	82,901
Leisure time activities	69,246
Transportation	<u>196,346</u>
Total governmental activities depreciation expense	<u>\$ 467,641</u>

City of Huron, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2013

Business-Type Activities A summary of the business-type activities' capital assets as of December 31, 2013 are as follows:

<u>Business-type activities</u>	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
Capital assets, not being depreciated:				
Land	\$ 30,000	\$ -	\$ -	\$ 30,000
Construction in progress	<u>33,506</u>	<u>211,255</u>	<u>(212,575)</u>	<u>32,186</u>
Total capital assets, not being depreciated	<u>63,506</u>	<u>211,255</u>	<u>(212,575)</u>	<u>62,186</u>
Capital assets, being depreciated:				
Land improvements	106,714	-	-	106,714
Buildings and improvements	2,721,096	-	-	2,721,096
Equipment and furniture	1,379,365	40,580	(8,000)	1,411,945
Vehicles	305,673	22,138	-	327,811
Infrastructure				
Water	4,771,820	212,575	-	4,984,395
Electric	<u>100,173</u>	<u>-</u>	<u>-</u>	<u>100,173</u>
Total capital assets, being depreciated	<u>9,384,841</u>	<u>275,293</u>	<u>(8,000)</u>	<u>9,652,134</u>
Less accumulated depreciation:				
Land improvements	(49,148)	(7,532)	-	(56,680)
Buildings and improvements	(913,665)	(57,205)	-	(970,870)
Equipment and furniture	(157,607)	(31,787)	-	(189,394)
Vehicles	(286,756)	(8,952)	-	(295,708)
Infrastructure				
Water	(1,286,033)	(95,629)	-	(1,381,662)
Electric	<u>(10,598)</u>	<u>(3,339)</u>	<u>-</u>	<u>(13,937)</u>
Total accumulated depreciation	<u>(2,703,807)</u>	<u>(204,444)</u>	<u>-</u>	<u>(2,908,251)</u>
Total capital assets being depreciated, net	<u>6,681,034</u>	<u>70,849</u>	<u>(8,000)</u>	<u>6,743,883</u>
Business-type activities capital assets, net	<u>\$ 6,744,540</u>	<u>\$ 282,104</u>	<u>\$ (220,575)</u>	<u>\$ 6,806,069</u>

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

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.

City of Huron, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2013

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

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

As of December 31, 2013 the liability for long-term unpaid compensated absences was \$477,998 for the governmental activities, which would be paid from the general fund, and parks, recreation, boat basin, street maintenance and state highway, special fire levy, police grants and employee benefit special revenue funds; and liability for long-term unpaid compensated absences for business-type activities was \$78,590, which would be paid from water fund.

NOTE 9 – Long-term Obligations

Governmental Activities A summary of the governmental activities' debt and other long-term obligations as of December 31, 2013 are as follows:

	Beginning			Ending	Due within
	<u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u>	<u>One Year</u>
<u>Governmental Activities:</u>					
<u>General obligation bonds</u>					
2012 Various purpose refunding, 2.00% - 2.10%, maturing 2023	\$ 1,880,600	\$ -	\$ (213,600)	\$ 1,667,000	\$ 216,400
Premium on bonds	<u>46,795</u>	<u>-</u>	<u>(8,732)</u>	<u>38,063</u>	<u>-</u>
Total general obligation bonds	<u>1,927,395</u>	<u>-</u>	<u>(222,332)</u>	<u>1,705,063</u>	<u>216,400</u>
 <u>Long-term notes</u>					
2013 Various Purpose Notes	<u>-</u>	<u>525,000</u>	<u>-</u>	<u>525,000</u>	<u>525,000</u>
 <u>Other obligations</u>					
Capital leases	435,379	57,522	(134,124)	358,777	127,305
Compensated absences	<u>451,435</u>	<u>196,212</u>	<u>(169,649)</u>	<u>477,998</u>	<u>159,878</u>
Total governmental activities	<u>\$ 2,814,209</u>	<u>\$ 778,734</u>	<u>\$ (526,105)</u>	<u>\$ 3,066,838</u>	<u>\$ 1,028,583</u>

City of Huron, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2013

Business-type Activities A summary of the business-type activities' debt and other long-term obligations as of December 31, 2013 are as follows:

<u>Business-type activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Amount Due in One Year</u>
<u>General obligation bonds</u>					
2012 Various purpose refunding, 2.00% - 2.10%, maturing 2023	\$ 1,174,400	\$ -	\$ (116,400)	\$ 1,058,000	\$ 118,600
Premium on bonds	<u>28,753</u>	<u>-</u>	<u>(5,057)</u>	<u>23,696</u>	<u>-</u>
Total general obligation bonds	<u>1,203,153</u>	<u>-</u>	<u>(121,457)</u>	<u>1,081,696</u>	<u>118,600</u>
<u>Loans</u>					
Ohio Water Development Authority:					
Chaska Beach, 6.63%, due 2017	230,044	-	(45,873)	184,171	48,773
Industrial Park, 3.00%, due 2016	306,621	-	(73,266)	233,355	75,481
Water projects, 5.66%, due 2019	<u>432,132</u>	<u>-</u>	<u>(56,918)</u>	<u>375,214</u>	<u>60,139</u>
Total loans	<u>968,797</u>	<u>-</u>	<u>(176,057)</u>	<u>792,740</u>	<u>184,393</u>
Capital lease	380,078	22,584	(83,091)	319,571	84,600
Compensated absences	<u>97,161</u>	<u>22,724</u>	<u>(41,295)</u>	<u>78,590</u>	<u>27,104</u>
Total business-type activities	<u>\$ 2,649,189</u>	<u>\$ 45,308</u>	<u>\$ (421,900)</u>	<u>\$ 2,272,597</u>	<u>\$ 414,697</u>

2012 Various Purpose Refunding Bonds: During September 2012, the City issued \$3,180,000 in refunding general obligation bonds with interest rates from 2.0% to 2.1% in order to refund \$3,590,000 of various bonds and a note outstanding. In addition to the proceeds of the new bonds the City paid an additional \$495,676, which 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.

City of Huron, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2013

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

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

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

Governmental activities principal and interest requirements to retire long-term obligations outstanding at December 31, 2013 are as follows:

	2012 Various Purpose Refunding Bonds	
	Principal	Interest
2014	\$ 216,400	\$ 33,454
2015	216,400	29,126
2016	211,400	24,798
2017	174,200	20,570
2018	168,600	17,086
2019-2023	<u>680,000</u>	<u>40,050</u>
	<u>\$ 1,667,000</u>	<u>\$ 165,084</u>

Business-type activities principal and interest requirements to retire long-term obligations outstanding at December 31, 2013 are as follows:

	2012 Various Purpose Refunding Bonds		OWDA Loans	
	Principal	Interest	Principal	Interest
2014	\$ 118,600	\$ 21,256	\$ 184,392	\$ 39,315
2015	118,600	18,884	193,160	30,548
2016	118,600	16,512	202,384	21,323
2017	120,800	14,140	99,349	12,233
2018	116,400	11,724	74,955	6,421
2019-2023	<u>465,000</u>	<u>28,500</u>	<u>38,500</u>	<u>2,191</u>
	<u>\$ 1,058,000</u>	<u>\$ 111,016</u>	<u>\$ 792,740</u>	<u>\$ 112,031</u>

City of Huron, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2013

NOTE 10 – Note Debt

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

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

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

NOTE 11 – Capital Lease

During 2013, the City entered into several new capital leases. Governmental activities acquired two vehicles for the police department. These assets were capitalized and reported as additions to capital assets in the amount of \$57,522. In addition, assets acquired in previous years are being reported with a value of \$551,392 and depreciated over their estimated useful lives. Business-type activities acquired a vehicle valued at \$22,584, during 2013, and equipment acquired in prior years is valued at \$422,004 from capital lease financing. These capital assets are being depreciated over their estimated useful lives. The lease agreements qualify as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future lease payments as of the inception date.

The following is a schedule of future minimum lease payments under this capital lease and the present value of the net minimum lease payments at December 31, 2013:

<u>Year</u>	Lease Payments Governmental <u>Activities</u>	Lease Payments Business-type <u>Activities</u>
2014	\$ 142,964	\$ 94,662
2015	132,812	94,662
2016	112,327	112,954
2017	-	39,368
Total minimum lease payments	388,103	341,646
Less: amount representing interest	(29,326)	(22,075)
Present value of minimum lease payments	<u>\$ 358,777</u>	<u>\$ 319,571</u>

City of Huron, Ohio

Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

NOTE 12 – Defined Benefit Pension Plan

Ohio Public Employees Retirement System

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

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

Member and employer contributions rates were consistent across all three plans (TP, MD and CP). For the year ended December 31, 2013, City employees were required to contribute 10% of their annual covered salary. The City's contribution rate for 2013 was 14%. The Ohio Revised Code provides statutory authority for member and employer contributions.

The City's required contributions for pension obligations to the traditional plan for the years ended December 31, 2013, 2012 and 2011 were \$202,324, \$124,063 and \$141,699 respectively; 97.6% has been contributed for 2013 and 100% for 2012 and 2011. \$4,778 representing the unpaid contribution for fiscal year 2013 is recorded as an intergovernmental payable.

Ohio Police and Fire Pension Fund

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

City of Huron, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2013

From January 1, 2013 through July 1, 2013, plan members are required to contribute 10 percent of their annual covered salary. From July 2, 2013 through December 31, 2013, plan members are required to contribute 10.75 percent of their annual covered salary. Throughout 2013, the City is required to contribute 19.5 percent for police officers. Contributions are authorized by State statute. The City's contributions to the Fund for the years ended December 31, 2013, 2012 and 2011 were \$321,112, \$249,116 and \$239,011 respectively, equal to the required contributions for each year. The full amount has been contributed for 2012 and 2011. 97.4% has been contributed for 2013 with the remainder being reported as a liability. \$8,286 representing the unpaid contribution for fiscal year 2013 is recorded as an intergovernmental payable.

NOTE 13 – Post Employment Benefits

Ohio Public Employees Retirement System

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

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

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

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

The Ohio Revised Code provides statutory authority requiring employers to fund post-retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care. Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2013, the City contributed at a rate of 14% of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14% of covered payroll for state and local employer units. Active members do not make contributions to the OPEB plan.

City of Huron, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2013

OPERS' Post Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 1 percent during calendar year 2013. The portion of employer contributions allocated to health care for members in the Combined Plan was 1 percent during calendar year 2013. Effective January 1, 2014, the portion of employer contributions allocated to healthcare was raised to 2 percent for both plans, as recommended by the OPERS Actuary. The OPERS Board of Trustees is also authorized to establish rules for the retiree, or their surviving beneficiaries, to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected.

Actual employer contributions which were used to fund postemployment benefits for the years ended December 31, 2013, 2012 and 2011 were \$15,563, \$94,413 and \$78,722 respectively; 97.6% has been contributed for 2013 and 100% for 2012 and 2011. \$368 representing the unpaid contribution for fiscal year 2013 is recorded as an intergovernmental payable. The actual contribution and the actuarially required contribution amounts are the same.

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

Ohio Police and Firemen's Disability and Pension Fund

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

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

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.

City of Huron, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2013

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

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. The portion of employer contributions allocated to health care was 4.69 percent of covered payroll from January 1, 2013 thru May 31, 2013 and 2.85 percent of covered payroll from June 1, 2013 thru December 31, 2013. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

The City's actual contributions for 2013, 2012 and 2011 that were used to fund postemployment benefits were \$32,123, \$51,677 and \$54,061 for police and \$34,864, \$59,284 and \$53,568 for firefighters. 96.8% and 97.9% for police and firefighters, respectively has been contributed, for 2013 with the remainder being reported as a liability. \$1,023 and \$749 for police and fire, respectively, representing the unpaid contribution for fiscal year 2013 is recorded as an intergovernmental payable.

NOTE 14 – 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 2013, the City contracted with several companies for various types of insurance as follows:

City of Huron, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2013

The City participates with other cities in the Buckeye Ohio Risk Management Association, Inc. (BORMA) in a jointly funded risk financing programs administered by Arthur J. Allagher & Co., which include two separate pools which provide separate and distinct coverages. The City participates in the pool in the following areas of risks: Property (Building and Contents), Commercial Automobile Liability, automobile Physical Damage, Comprehensive General Liability, Crime and Property Liability, and Public Officials Liability. This program includes the following municipalities: Bowling Green, Defiance, Huron, Napoleon, Sandusky, and Willard. A third party administrator, reviews all claims, which are then paid by the Pool. Member contributions are calculated to annually produce a sufficient sum of money within the pool to fund administrative expenses and to create reserves for claims. As of December 31, 2013, the Pool has cash reserves, which in the opinion of BORMA management, is adequate for any claims against the Pool. The City contributed \$44,094 towards the reserve, premium and administration costs of the Pool and \$-0- towards claims for which the City is directly liable. Settled claims have not exceeded this coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

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

The City is self-insured for health and dental benefits. The health and dental programs are administrated by Anthem Benefit Administrators, Inc., which provides claims review and processing services. Because the City is self-insured for its health and dental programs, it has a potential liability for incurred but not yet reported claims (IBNR). IBNR claims are claims for insured events that have occurred but were not reported to the third party administrator as of December 31, 2013. These claims include known loss events that are expected to be represented as claims, unknown loss events that are expected to become claims, and expected future developments on claims already reported. The City accounts for claims activity in the internal service fund.

<u>Year</u>	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claim Payments</u>	<u>Balance at End of Year</u>
2012	\$ 66,037	\$ 905,671	\$ (904,004)	\$ 67,704
2013	67,704	517,764	(531,789)	53,679

City of Huron, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

NOTE 15 – Interfund Transfers

Interfund transfers for the year ended December 31, 2013 consisted of the following:

Transfers from general fund to:	
Fire levy fund	\$ 200,000
Capital improvement fund	595,153
Nonmajor governmental funds	<u>319,890</u>
	<u>1,115,043</u>
Transfers from fire levy fund to:	
Nonmajor governmental funds	72,500
Transfers from nonmajor governmental funds to:	
General obligation bond retirement fund	15,000
Other nonmajor governmental funds	<u>1,500</u>
	<u>\$ 16,500</u>

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

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

NOTE 16 – Accountability

The following funds had a deficit fund balance or deficit net position as of December 31, 2013.

<u>Fund</u>	<u>Amount</u>
Nonmajor governmental fund:	
Police grants	\$ 7,230

This deficit is largely the result of the recognition of liabilities in accordance with general accepted accounting principles.

City of Huron, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2013

NOTE 17 – Contingency

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

NOTE 18 – Related Party Transactions

The City Mayor's family is an owner of a title company that processed title settlement for the purchase of land and provided surveyor services for the City. The City paid \$11,541 for these transactions in 2013.

A City Councilman's wife provides graphic design services to the City and was paid \$2,351 in 2013. Another Council member owned a car repair shop and provided repair services to the City. The City paid \$511 for services in 2013.

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

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

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

To the City Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Huron, Erie County, (the City) as of and for the year ended December 31, 2013, 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 26, 2014.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

We did note certain matters not requiring inclusion in this report that we reported to the City's management in a separate letter dated August 26, 2014.

Purpose of this Report

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



Charles E. Harris & Associates, Inc.

August 26, 2013

CITY OF HURON
ERIE COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2013

The prior audit report, for the year ending December 31, 2012, reported no material citations or recommendations.

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Dave Yost • Auditor of State

CITY OF HURON

ERIE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
OCTOBER 14, 2014**