



OHIO AUDITOR OF STATE
KEITH FABER



**CITY OF HURON
ERIE COUNTY
DECEMBER 31, 2020**

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**CITY OF HURON
ERIE COUNTY
DECEMBER 31, 2020**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

City of Huron
Erie County
417 Main Street
Huron, Ohio 44839-1652

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, 2020, 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 such 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, as of December 31, 2020, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General and Fire Levy funds thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 20 to the financial statements, during 2020, the City adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. We did not modify our opinion regarding this matter.

Also, as discussed in Note 21 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the City. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted to opine on the City's basic financial statements taken as a whole.

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this information to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 15, 2022, 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.



Keith Faber
Auditor of State
Columbus, Ohio

July 15, 2022

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City of Huron, Ohio

Management's Discussion and Analysis

For the Year Ended December 31, 2020

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, 2020. 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 2020 are as follows:

- For governmental activities, net position increased \$2,250,141, which represents an increase of 20.7 percent from 2019.
- Net position of business-type related activities increased \$783,546 or 8.7 percent from 2019.
- General revenues for governmental activities, accounted for \$5,102,117 or 45.2 percent of total governmental activities revenues. Program specific revenues in the form of charges for services and sales, grants, contributions and interest accounted for \$6,185,291 or 54.8 percent of total governmental revenues of \$11,287,408.
- For business-type activities, total expenses were \$4,319,757; these expenses were offset by program specific charges for services and sales.
- The City issued \$3,500,000 in an electric system note with a 1.92 percent interest rate.

Overview of the Financial Statements

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

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

City of Huron, Ohio

Management's Discussion and Analysis

For the Year Ended December 31, 2020

Unaudited

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

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

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

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

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

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

The City maintains several individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances, for the general fund, fire levy special revenue fund, general obligation bond retirement debt service fund and the capital improvement capital project fund which are considered to be major funds. One fund, budgeted as a special revenue fund, is reported as part of the general fund and data from 26 other governmental funds are combined into single aggregate presentation.

City of Huron, Ohio

Management's Discussion and Analysis

For the Year Ended December 31, 2020

Unaudited

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

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

Proprietary funds provide the same type of information as the government wide financial statements only in more detail. The water and electric funds are considered major funds.

Fiduciary Funds Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected on the government-wide financial statements because the resources from those funds are not available to support the City's programs. The accounting method used for fiduciary funds is much like that used for the proprietary funds. The custodial funds represent the Huron Municipal Court, the State Highway Patrol, and the Huron Area Joint Recreation funds.

Notes to the Basic Financial Statements The notes provide additional information that is essential for a full understanding of the data provided in the government wide and fund financial statements.

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

Government-Wide Financial Analysis

While this document contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole looks at all financial transactions and answers the question, "How did we do financially during 2020?" The statement of net position and statement of activities answers this question, as stated earlier. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by a private business.

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

City of Huron, Ohio

Management's Discussion and Analysis
For the Year Ended December 31, 2020
Unaudited

The City of Huron as a Whole

Recall that the Statement of Net Position looks at the City as a whole.

Table 1 provides a summary of the City's net position for 2020 compared to 2019:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Assets:						
Current and other assets	\$ 10,059,627	\$ 10,187,147	\$ 4,812,221	\$ 3,768,707	\$ 14,871,848	\$ 13,955,854
Capital assets	<u>23,548,177</u>	<u>20,939,408</u>	<u>12,229,020</u>	<u>11,535,198</u>	<u>35,777,197</u>	<u>32,474,606</u>
Total assets	<u>33,607,804</u>	<u>31,126,555</u>	<u>17,041,241</u>	<u>15,303,905</u>	<u>50,649,045</u>	<u>46,430,460</u>
Deferred outflows of resources:						
Pension	1,314,219	2,496,380	143,429	375,270	1,457,648	2,871,650
OPEB	<u>774,233</u>	<u>608,954</u>	<u>103,170</u>	<u>62,893</u>	<u>877,403</u>	<u>671,847</u>
Total deferred outflows of resources	<u>2,088,452</u>	<u>3,105,334</u>	<u>246,599</u>	<u>438,163</u>	<u>2,335,051</u>	<u>3,543,497</u>
Liabilities:						
Current liabilities	819,558	556,950	670,071	380,576	1,489,629	937,526
Long-term liabilities:						
Due within one year	991,535	953,360	187,447	150,454	1,178,982	1,103,814
Due in more than one year:						
Net pension liability	7,280,663	8,885,242	823,241	1,185,954	8,103,904	10,071,196
Net OPEB liability	1,951,200	1,827,486	596,517	582,581	2,547,717	2,410,067
Other amounts	<u>8,852,807</u>	<u>9,525,238</u>	<u>4,934,622</u>	<u>4,416,793</u>	<u>13,787,429</u>	<u>13,942,031</u>
Total liabilities	<u>19,895,763</u>	<u>21,748,276</u>	<u>7,211,898</u>	<u>6,716,358</u>	<u>27,107,661</u>	<u>28,464,634</u>
Deferred inflows of resources:						
Property taxes	869,265	835,449	-	-	869,265	835,449
Pension	1,157,513	343,811	196,390	20,638	1,353,903	364,449
OPEB	<u>646,066</u>	<u>426,845</u>	<u>96,609</u>	<u>5,675</u>	<u>742,675</u>	<u>432,520</u>
Total deferred inflows of resources	<u>2,672,844</u>	<u>1,606,105</u>	<u>292,999</u>	<u>26,313</u>	<u>2,965,843</u>	<u>1,632,418</u>
Net position (deficit):						
Net investment in capital assets	14,473,362	11,129,945	7,238,579	7,080,096	21,711,941	18,210,041
Restricted	3,834,651	5,412,499	-	-	3,834,651	5,412,499
Unrestricted	<u>(5,180,364)</u>	<u>(5,664,936)</u>	<u>2,544,364</u>	<u>1,919,301</u>	<u>(2,636,000)</u>	<u>(3,745,635)</u>
Total net position	<u>\$ 13,127,649</u>	<u>\$ 10,877,508</u>	<u>\$ 9,782,943</u>	<u>\$ 8,999,397</u>	<u>\$ 22,910,592</u>	<u>\$ 19,876,905</u>

City of Huron, Ohio

Management's Discussion and Analysis

For the Year Ended December 31, 2020

Unaudited

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. For the City, total assets and deferred outflows of resources exceed total liabilities and deferred inflows of resources by \$22,910,592 at the close of the most recent year. This amounts to \$13,127,649 in governmental activities and \$9,782,943 in business-type activities.

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

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

Capital assets reported on the government-wide statements represent the largest portion of the City's assets. At year-end, capital assets represented 70.6 percent of total governmental and business-type assets. Capital assets include land, land use rights, construction in progress, land improvements, buildings and improvements, equipment and furniture, vehicles and infrastructure. Capital assets, net of related debt to acquire the assets at December 31, 2020, were \$21,711,941. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the City's governmental net position, \$3,834,651 or 29.2 percent, represent resources that are subject to external restrictions on how they may be used. Of the total restricted net position, \$1,151,956 is restricted for capital projects, \$180,386 is restricted for debt service, \$492,152 is restricted for transportation, \$1,124,303 is restricted for security persons and property and \$885,854 is restricted for other purposes. The remaining significant balance of governmental activities unrestricted net position is a deficit of \$5,180,364. The impact on net position that is from reporting a net pension and net other post-employment benefit liability is explained later.

City of Huron, Ohio

Management's Discussion and Analysis For the Year Ended December 31, 2020 Unaudited

Table 2 below shows the changes in net position for governmental and business-type activities for year 2020 compared to 2019:

Table 2
Changes in Net Position

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Revenues						
Program revenues:						
Charges for services and sales	\$ 3,593,579	\$ 3,543,057	\$ 5,142,023	\$ 4,620,972	\$ 8,735,602	\$ 8,164,029
Operating grants and contributions	1,641,857	1,104,442	9,965	639	1,651,822	1,105,081
Capital grants and contributions	949,855	657,561	-	-	949,855	657,561
General revenues:						
Income taxes	3,134,244	2,986,483	-	-	3,134,244	2,986,483
Property taxes	906,196	880,167	-	-	906,196	880,167
Intergovernmental	435,191	273,062	-	-	435,191	273,062
Other taxes	259,087	162,174	-	-	259,087	162,174
Interest	83,504	129,684	-	-	83,504	129,684
Gain on sale of capital asset	7,872	-	-	-	7,872	-
Miscellaneous	276,023	315,998	-	-	276,023	315,998
Total revenues	<u>11,287,408</u>	<u>10,052,628</u>	<u>5,151,988</u>	<u>4,621,611</u>	<u>16,439,396</u>	<u>14,674,239</u>
Program Expenses						
Governmental Activities:						
General government	1,870,211	1,661,989	-	-	1,870,211	1,661,989
Security of persons and property:						
Police	1,623,821	182,518	-	-	1,623,821	182,518
Fire	2,400,478	362,511	-	-	2,400,478	362,511
Other	136,431	112,340	-	-	136,431	112,340
Leisure time activities	706,107	983,093	-	-	706,107	983,093
Economic development and assistance	69,058	181,746	-	-	69,058	181,746
Transportation	1,220,836	1,115,477	-	-	1,220,836	1,115,477
Refuse	773,552	766,906	-	-	773,552	766,906
Interest and fiscal charges	285,458	337,034	-	-	285,458	337,034
Business-type Activities:						
Water	-	-	2,063,225	2,252,028	2,063,225	2,252,028
Electric	-	-	2,256,532	2,022,231	2,256,532	2,022,231
Total program expenses	<u>9,085,952</u>	<u>5,703,614</u>	<u>4,319,757</u>	<u>4,274,259</u>	<u>13,405,709</u>	<u>9,977,873</u>
Change in net position before transfers	2,201,456	4,349,014	832,231	347,352	3,033,687	4,696,366
Transfers	<u>48,685</u>	<u>21,261</u>	<u>(48,685)</u>	<u>(21,261)</u>	<u>-</u>	<u>-</u>
Change in net position	2,250,141	4,370,275	783,546	326,091	3,033,687	4,696,366
Net position beginning of year	<u>10,877,508</u>	<u>6,507,233</u>	<u>8,999,397</u>	<u>8,673,306</u>	<u>19,876,905</u>	<u>15,180,539</u>
Net position end of year	<u>\$ 13,127,649</u>	<u>\$ 10,877,508</u>	<u>\$ 9,782,943</u>	<u>\$ 8,999,397</u>	<u>\$ 22,910,592</u>	<u>\$ 19,876,905</u>

City of Huron, Ohio

Management's Discussion and Analysis

For the Year Ended December 31, 2020

Unaudited

Governmental Activities

Security of persons and property, which primarily supports the operations of the City's police, fire and emergency medical services, accounts for \$4,160,730 of expenses, or 45.8 percent of total governmental expenses of the City. These expenses were funded by \$2,291,289 in charges to users of services, operating grants and contributions. In addition, these expenses were significantly higher this year due to a prior year expense adjustment from a decrease in the post-employment benefit liability as shown in Table 3. General government expenses, which primarily include support departments of the mayor, council, finance, engineering, law and other adjunct support services not specifically related to a specific function or activity; totaled \$1,870,211 or 20.6 percent of total governmental expenses. General government expenses were partially covered by \$1,004,908 of direct charges to users and operating grants.

General revenues totaled \$5,102,117, and amounted to 45.2 percent of total revenues. These revenues primarily consist of property and income tax revenue of \$4,040,440, or 79.2 percent of total general revenues. The other primary source of general revenues is intergovernmental that are not restricted to specific programs, with a majority of the revenue being local government and local government revenue assistance. For 2020, these revenues totaled \$435,191 or 8.5 percent of the total general revenues.

The net position for the internal service fund increased \$161,170. This increase was mainly attributable to a decrease in contractual services expenses from the prior year.

Business-type Activities

The water and electric funds represent the City's business-type activities. These programs have program revenues of \$5,151,988, and expenses of \$4,319,757, for the year ended December 31, 2020. Business-type activities had an increase in net position of \$783,546. For this year, the increase in net position was attributed to operating activities of the electric fund.

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

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

City of Huron, Ohio

Management's Discussion and Analysis For the Year Ended December 31, 2020 Unaudited

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

	2020	2019	2020	2019
	Governmental	Governmental	Business-Type	Business-Type
	<u>Activities</u>	<u>Activities</u>	<u>Activities</u>	<u>Activities</u>
Deferred outflows - pension	\$ 1,314,219	\$ 2,496,380	\$ 143,429	\$ 375,270
Deferred outflows - OPEB	774,233	608,954	103,170	62,893
Deferred inflows - pension	(1,157,513)	(343,811)	(196,390)	(20,638)
Deferred inflows - OPEB	(646,066)	(426,845)	(96,609)	(5,675)
Net pension liability	(7,280,663)	(8,885,242)	(823,241)	(1,185,954)
Net OPEB liability	(1,951,200)	(1,827,486)	(596,517)	(582,581)
Impact of GASB 68 and 75 on net position	<u>\$ (8,946,990)</u>	<u>\$ (8,378,050)</u>	<u>\$ (1,466,158)</u>	<u>\$ (1,356,685)</u>
Expenses:				
General government	93,150	210,683	-	-
Security of persons and property:				
Police	113,933	(1,455,150)	-	-
Fire	272,630	(1,818,492)	-	-
Leisure time activities	48,250	130,561	-	-
Economic development and assistance	339	10,826	-	-
Transportation	40,638	92,409	-	-
Water	-	-	107,284	257,372
Electric	-	-	2,189	5,252
Net expense impact	<u>\$ 568,940</u>	<u>\$ (2,829,163)</u>	<u>\$ 109,473</u>	<u>\$ 262,624</u>

For 2020, the net expense impact of 68 and 75 was \$568,940 for governmental activities and \$109,473 for business-type activities. This was for reporting the increase on the City's proportionate share of the pension and other post-employment benefit liability for the Ohio Public Employment Retirement board and Ohio Police & Fire Pension board. This adjustment was a positive expense which increased expenses. For 2019, there was a significant expense adjustment made to police and fire expenses. This was from reporting the decrease in the City's proportionate share of the other post-employment benefit liability of the Ohio Police & Fire Pension Fund. This adjustment was a negative expense which significantly reduced expenses for these programs.

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.

City of Huron, Ohio

Management's Discussion and Analysis

For the Year Ended December 31, 2020

Unaudited

As of December 31, 2020, the City's governmental funds reported a combined ending fund balance of \$6,859,849, a decrease of \$858,586 in comparison with the prior year. \$1,871,718 of the ending combined fund balance for 2020 constitutes assigned and unassigned fund balance combined, which is available for spending at the City's discretion. The remainder of fund balance is nonspendable, restricted, or committed to indicate that it is not available for new spending because it is not in spendable form or it has already been restricted or committed by external or internal constraints. A large portion of the fund balance, \$3,706,402, or 54.0 percent is restricted. These restricted amounts lead to restricted net position on the Statement of Net Position due to expenditure restrictions mandated by the source of the resource, such as the state or federal government.

The general fund is the primary operating fund of the City. At the end of 2020, unassigned fund balance was \$1,451,205 while total fund balance was \$2,141,435. As a measure of the general fund's liquidity it may be useful to compare both, unassigned fund balance and total fund balance to total fund expenditures. The fund balance of the City's general fund increased by \$182,353 during 2020. This increase was due primarily from decreased expenditures from various sources.

Table 4 below reports year 2020 balances compared to 2019:

Table 4
Change in Fund Balance

	Fund Balance			
	December 31, <u>2020</u>	December 31, <u>2019</u>	Increase (Decrease)	Percent Change
General	\$ 2,141,435	\$ 1,959,082	\$ 182,353	9.3%
Fire levy	883,257	895,196	(11,939)	-1.3%
General obligation bond retirement	113,532	146,855	(33,323)	-22.7%
Capital improvement	1,151,956	2,324,219	(1,172,263)	-50.4%
Other governmental funds	<u>2,569,669</u>	<u>2,393,083</u>	<u>176,586</u>	7.4%
	<u>\$ 6,859,849</u>	<u>\$ 7,718,435</u>	<u>\$ (858,586)</u>	

The fire levy fund balance decreased by \$11,939. Fund balance at December 31, 2020, was \$883,257 reporting \$2,211,606 in revenues, \$2,158,245 in expenditures and a net \$65,300 decrease from transfers and proceeds from the sale of capital assets. The general obligation bond retirement fund balance decreased \$33,323 from 2019 to an ending fund balance of \$113,532. The capital improvement fund balance decreased by \$1,172,263 to a fund balance of \$1,151,956. The decrease is primarily from increased capital outlay expenditures used on capital projects. All other governmental funds fund balance increased by \$176,586 during 2020.

City of Huron, Ohio

Management's Discussion and Analysis For the Year Ended December 31, 2020 Unaudited

Table 5 below assists in illustrating the financial activities for the general fund of year 2020 balances compared to 2019:

Table 5
Change in Financial Activities for the General Fund

	December 31, <u>2020</u>	December 31, <u>2019</u>	Increase <u>(Decrease)</u>
<u>Revenues:</u>			
Income tax	\$ 1,697,187	\$ 2,029,051	\$ (331,864)
Property taxes	275,659	267,882	7,777
Other taxes	207,319	162,174	45,145
Charges for services	849,069	849,654	(585)
Licenses and permits	262,239	237,124	25,115
Fines and forfeitures	185,095	253,851	(68,756)
Intergovernmental	211,873	209,171	2,702
Investment income	83,504	129,684	(46,180)
Other	341,795	250,736	91,059
Total revenue	<u>\$ 4,113,740</u>	<u>\$ 4,389,327</u>	<u>\$ (275,587)</u>
<u>Expenditures:</u>			
Current:			
General government	1,296,776	1,270,295	26,481
Security of persons and property:			
Police	1,214,686	1,282,841	(68,155)
Fire	-	-	-
Refuse	773,552	766,906	6,646
Transportation	-	2,682	(2,682)
Leisure time activities	-	6,014	(6,014)
Capital outlay	-	7,282	(7,282)
Debt service:			
Bond issuance costs	-	12,967	(12,967)
Total expenditures	<u>\$ 3,285,014</u>	<u>\$ 3,348,987</u>	<u>\$ (63,973)</u>

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

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

As of December 31, 2020, unrestricted net position in the internal service fund was \$436,057.

City of Huron, Ohio

Management's Discussion and Analysis
For the Year Ended December 31, 2020
Unaudited

Budgetary Highlights

The City's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the general fund. During the course of 2020 the City amended its general fund budget on various occasions. All recommendations for budget changes come to the Finance Committee of City Council for review before going to the whole Council for ordinance enactment on the change. The City allows small interdepartmental budget changes that modify line items within departments within the same fund. The general fund supports many of the City's major activities such as the Police Department as well as most legislative and executive activities. The general fund is monitored closely, looking for possible revenue shortfalls or overspending by individual departments.

The general fund original budgeted revenue (excluding other financing sources) was increased by \$80,000 during the year for a better estimate of revenues being received later in the year. The actual revenue received during the year was \$54,721 or 1.1 percent less than the final estimate.

The general fund original budgeted expenditures (excluding transfers out) were greater than the final budgeted expenditures by \$56,073. There were no individually significant events that led to these differences. Actual expenditures, plus encumbrances for the year were \$279,888 less than the final budgeted amounts.

Capital Assets and Debt Administration

Capital Assets - At the end of 2020, the City had \$35,777,197 (net of accumulated depreciation) invested in land, land use rights, land improvements, buildings and improvements, equipment and furniture, vehicles, infrastructure and construction in progress. Of this total \$23,548,177 was reported in governmental activities and \$12,229,020 was reported in business-type activities.

Table 6 shows fiscal year 2020 balances compared to 2019.

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Land	\$ 6,192,559	\$ 6,192,559	\$ 100,380	\$ 100,380	\$ 6,292,939	\$ 6,292,939
Land use rights	49,687	49,687	-	-	49,687	49,687
Construction in progress	2,529,567	338,800	990,777	60,621	3,520,344	399,421
Land improvements	3,061,656	3,223,812	4,402	4,842	3,066,058	3,228,654
Buildings and improvements	1,739,478	1,790,299	1,374,295	1,414,710	3,113,773	3,205,009
Equipment and furniture	708,044	499,228	1,361,736	1,425,510	2,069,780	1,924,738
Vehicles	1,127,566	670,058	42,081	46,989	1,169,647	717,047
Infrastructure	8,139,620	8,174,965	8,355,349	8,482,146	16,494,969	16,657,111
Total	<u>\$ 23,548,177</u>	<u>\$ 20,939,408</u>	<u>\$ 12,229,020</u>	<u>\$ 11,535,198</u>	<u>\$ 35,777,197</u>	<u>\$ 32,474,606</u>

City of Huron, Ohio

Management's Discussion and Analysis

For the Year Ended December 31, 2020

Unaudited

For governmental activities capital additions were offset by \$683,750 of accumulated depreciation. Depreciation expense for business-type activities was \$356,253. In 2020 the most significant increases were in vehicles in governmental activities from the addition of a fire engine pumper truck and infrastructure in business-type activities from the addition of water lines.

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, 2020 the City had total long-term debt outstanding of \$14,065,256. Of this total, \$843,712 is due within one year and \$13,221,544 is due in more than one year. Table 7 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>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
General obligation bonds	\$ 8,629,291	\$ 9,240,664	\$ 281,416	\$ 379,031	\$ 8,910,707	\$ 9,619,695
Notes	-	-	3,500,000	3,500,000	3,500,000	3,500,000
OWDA loan	-	-	1,209,025	576,071	1,209,025	576,071
OPWC loan	328,692	321,239	-	-	328,692	321,239
Lease-purchase loan	-	30,341	-	-	-	30,341
Capital leases	<u>116,832</u>	<u>217,219</u>	-	-	<u>116,832</u>	<u>217,219</u>
Total	<u>\$ 9,074,815</u>	<u>\$ 9,809,463</u>	<u>\$ 4,990,441</u>	<u>\$ 4,455,102</u>	<u>\$ 14,065,256</u>	<u>\$ 14,264,565</u>

At December 31, 2020 the City's overall legal debt margin was \$14,927,583, with an unvoted debt margin of \$3,574,445. The City's credit rating remained unchanged in 2020 as compared to 2019.

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

Economic Factors

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

Requests for Information

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

City of Huron, Ohio
Statement of Net Position
December 31, 2020

	Governmental Activities	Business-Type Activities	Total
<u>Assets:</u>			
Equity in pooled cash and cash equivalents	\$ 6,426,212	\$ 3,042,669	\$ 9,468,881
Cash and cash equivalents in segregated accounts	456,059	-	456,059
<u>Receivables:</u>			
Income tax	1,107,783	-	1,107,783
Property and other taxes	909,642	-	909,642
Accounts	384,400	1,625,245	2,009,645
Special assessments	87,250	13,219	100,469
Accrued interest	8,254	-	8,254
Intergovernmental	630,745	-	630,745
Materials and supplies inventory	10,046	99,692	109,738
Prepaid items	39,236	31,396	70,632
Nondepreciable capital assets	8,771,813	1,091,157	9,862,970
Depreciable capital assets, net	14,776,364	11,137,863	25,914,227
Total assets	<u>33,607,804</u>	<u>17,041,241</u>	<u>50,649,045</u>
<u>Deferred outflows of resources:</u>			
Pension	1,314,219	143,429	1,457,648
OPEB	774,233	103,170	877,403
Total deferred outflows of resources	<u>2,088,452</u>	<u>246,599</u>	<u>2,335,051</u>
<u>Liabilities:</u>			
Accounts payable	497,601	539,047	1,036,648
Accrued wages and benefits	170,595	58,148	228,743
Pension obligation payable	77,848	13,020	90,868
Due to other governments	4,226	1,411	5,637
Unearned revenue	533	-	533
Undistributed monies	22,878	-	22,878
Income tax refunds payable	25,481	-	25,481
Accrued interest payable	20,396	58,445	78,841
<u>Long-term liabilities:</u>			
Due within one year	991,535	187,447	1,178,982
Due in more than one year:			
Net pension liability	7,280,663	823,241	8,103,904
Net OPEB liability	1,951,200	596,517	2,547,717
Other amounts due in more than one year	8,852,807	4,934,622	13,787,429
Total liabilities	<u>19,895,763</u>	<u>7,211,898</u>	<u>27,107,661</u>
<u>Deferred inflows of resources:</u>			
Property taxes	869,265	-	869,265
Pension	1,157,513	196,390	1,353,903
OPEB	646,066	96,609	742,675
Total deferred inflows of resources	<u>2,672,844</u>	<u>292,999</u>	<u>2,965,843</u>
<u>Net position:</u>			
Net investment in capital assets	14,473,362	7,238,579	21,711,941
<u>Restricted for:</u>			
Capital projects	1,151,956	-	1,151,956
Debt service	180,386	-	180,386
Transportation	492,152	-	492,152
Security of persons and property	1,124,303	-	1,124,303
Other purposes	885,854	-	885,854
Unrestricted (deficit)	<u>(5,180,364)</u>	<u>2,544,364</u>	<u>(2,636,000)</u>
Total net position	<u>\$ 13,127,649</u>	<u>\$ 9,782,943</u>	<u>\$ 22,910,592</u>

See accompanying notes to the basic financial statements.

City of Huron, Ohio

Statement of Activities

For the Year Ended December 31, 2020

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants and Contributions
<u>Governmental Activities:</u>				
General government	\$ 1,870,211	\$ 567,177	\$ 437,731	\$ -
Security of persons and property:				
Police	1,623,821	63,755	43,695	-
Fire	2,400,478	1,457,066	187,379	294,110
Other	136,431	245,284	-	-
Leisure time activities	706,107	347,620	463,786	-
Economic development and assistance	69,058	10,212	50	-
Transportation	1,220,836	96,751	509,216	655,745
Refuse	773,552	805,714	-	-
Interest and fiscal charges	285,458	-	-	-
Total governmental activities	<u>9,085,952</u>	<u>3,593,579</u>	<u>1,641,857</u>	<u>949,855</u>
<u>Business-Type Activities:</u>				
Water	2,063,225	2,442,862	9,965	-
Electric	2,256,532	2,699,161	-	-
Total business-type activities	<u>4,319,757</u>	<u>5,142,023</u>	<u>9,965</u>	<u>-</u>
Total primary government	<u>\$ 13,405,709</u>	<u>\$ 8,735,602</u>	<u>\$ 1,651,822</u>	<u>\$ 949,855</u>

General revenues:

- Property taxes levied for:
 - General purposes
 - Police and fire
- Municipal income tax levied for:
 - General purposes
 - Capital improvements
 - Debt services
- Grants and entitlements not restricted to specific programs
- Gain on sale of capital assets
- Other taxes
- Investment earnings
- Other
- Transfers

Total general revenues and transfers

Change in net position

Net position, beginning of year

Net position, end of year

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (865,303)	\$ -	\$ (865,303)
(1,516,371)	-	(1,516,371)
(461,923)	-	(461,923)
108,853	-	108,853
105,299	-	105,299
(58,796)	-	(58,796)
40,876	-	40,876
32,162	-	32,162
(285,458)	-	(285,458)
<u>(2,900,661)</u>	<u>-</u>	<u>(2,900,661)</u>
-	389,602	389,602
-	442,629	442,629
<u>-</u>	<u>832,231</u>	<u>832,231</u>
<u>(2,900,661)</u>	<u>832,231</u>	<u>(2,068,430)</u>
276,816	-	276,816
629,380	-	629,380
2,009,244	-	2,009,244
275,000	-	275,000
850,000	-	850,000
435,191	-	435,191
7,872	-	7,872
259,087	-	259,087
83,504	-	83,504
276,023	-	276,023
48,685	(48,685)	-
<u>5,150,802</u>	<u>(48,685)</u>	<u>5,102,117</u>
2,250,141	783,546	3,033,687
<u>10,877,508</u>	<u>8,999,397</u>	<u>19,876,905</u>
<u>\$ 13,127,649</u>	<u>\$ 9,782,943</u>	<u>\$ 22,910,592</u>

City of Huron, Ohio

Balance Sheet

Governmental Funds

December 31, 2020

	General	Fire Levy	General Obligation Bond Retirement	Capital Improvement	Other Governmental Funds	Total Governmental Funds
Assets:						
Equity in pooled cash and cash equivalents	\$ 1,598,872	\$ 621,438	\$ 113,532	\$ 1,537,341	\$ 2,443,259	\$ 6,314,442
Cash and cash equivalents:						
In segregated accounts	-	-	-	-	131,772	131,772
Receivables:						
Income tax	1,107,783	-	-	-	-	1,107,783
Property and other taxes	277,902	532,490	-	-	99,250	909,642
Accounts	167,658	216,742	-	-	-	384,400
Special assessments	-	-	87,250	-	-	87,250
Accrued interest	8,196	-	-	-	58	8,254
Intergovernmental	125,102	251,544	-	-	254,099	630,745
Materials and supplies inventory	-	-	-	-	10,046	10,046
Prepaid items	12,375	15,165	-	-	11,696	39,236
Total assets	<u>\$ 3,297,888</u>	<u>\$ 1,637,379</u>	<u>\$ 200,782</u>	<u>\$ 1,537,341</u>	<u>\$ 2,950,180</u>	<u>\$ 9,623,570</u>
Liabilities, deferred inflows of resources and fund balances:						
Liabilities:						
Accounts payable	\$ 50,554	\$ 15,664	\$ -	\$ 385,385	\$ 45,998	\$ 497,601
Accrued wages and benefits	67,019	73,932	-	-	29,644	170,595
Pension obligation payable	16,322	17,546	-	-	43,980	77,848
Due to other governments	1,683	1,759	-	-	784	4,226
Undistributed monies	22,878	-	-	-	-	22,878
Unearned revenues	-	-	-	-	533	533
Income tax refunds payable	25,481	-	-	-	-	25,481
Total liabilities	<u>183,937</u>	<u>108,901</u>	<u>-</u>	<u>385,385</u>	<u>120,939</u>	<u>799,162</u>
Deferred inflows of resources:						
Property taxes	265,600	508,808	-	-	94,857	869,265
Unavailable revenue	703,729	130,203	87,250	-	163,577	1,084,759
Unavailable revenue - delinquent property taxes	3,187	6,210	-	-	1,138	10,535
Total deferred inflows of resources	<u>972,516</u>	<u>645,221</u>	<u>87,250</u>	<u>-</u>	<u>259,572</u>	<u>1,964,559</u>
Fund balances:						
Nonspendable	12,375	15,165	-	-	21,742	49,282
Restricted	-	868,092	113,532	1,151,956	1,573,822	3,707,402
Committed	250,067	-	-	-	981,380	1,231,447
Assigned	427,788	-	-	-	-	427,788
Unassigned (deficit)	1,451,205	-	-	-	(7,275)	1,443,930
Total fund balances	<u>2,141,435</u>	<u>883,257</u>	<u>113,532</u>	<u>1,151,956</u>	<u>2,569,669</u>	<u>6,859,849</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 3,297,888</u>	<u>\$ 1,637,379</u>	<u>\$ 200,782</u>	<u>\$ 1,537,341</u>	<u>\$ 2,950,180</u>	<u>\$ 9,623,570</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, 2020**

Total governmental fund balances \$ 6,859,849

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. 23,548,177

An internal service fund is used by management to charge the costs of certain employee benefits and computer repairs. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position. 436,057

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

Property and other taxes	\$	62,303	
Income taxes		584,901	
Intergovernmental		266,798	
Special assessments		87,250	
Charges for services		94,042	
Total		1,095,294	1,095,294

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

Deferred outflows - pension	\$	1,314,219	
Deferred inflows - pension		(1,157,513)	
Net pension liability		(7,280,663)	
Deferred outflows - OPEB		774,233	
Deferred inflows - OPEB		(646,066)	
Net OPEB liability		(1,951,200)	
Total		(8,946,990)	(8,946,990)

Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds. (20,396)

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

General obligation bonds	\$	(8,451,000)	
Unamortized premium on bonds		(178,291)	
Capital lease payable		(116,832)	
OPWC loan		(328,692)	
Compensated absences		(769,527)	
Total		(9,844,342)	(9,844,342)

Net position of governmental activities \$ 13,127,649

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, 2020

	General	Fire Levy	General Obligation Bond Retirement	Capital Improvement	Other Governmental Funds	Total Governmental Funds
Revenues:						
Income tax	\$ 1,697,187	\$ -	\$ 850,000	\$ 275,000	\$ -	\$ 2,822,187
Property taxes	275,659	528,248	-	-	98,449	902,356
Other taxes	207,319	-	-	-	-	207,319
Charges for services	849,069	1,410,426	-	-	476,581	2,736,076
Licenses and permits	262,239	-	-	-	-	262,239
Fines and forfeitures	185,095	-	-	-	70,189	255,284
Intergovernmental	211,873	237,532	-	697,965	1,611,845	2,759,215
Special assessments	-	-	19,260	-	243,535	262,795
Investment income	83,504	-	-	-	5,690	89,194
Other	341,795	35,400	-	-	47,026	424,221
Total revenues	4,113,740	2,211,606	869,260	972,965	2,553,315	10,720,886
Expenditures:						
Current:						
General government	1,296,776	-	1,436	-	407,039	1,705,251
Security of persons and property:						
Police	1,214,686	-	-	-	264,218	1,478,904
Fire	-	2,001,518	-	-	71,952	2,073,470
Other	-	-	-	-	136,431	136,431
Transportation	-	-	-	258,538	589,358	847,896
Refuse	773,552	-	-	-	-	773,552
Leisure time activities	-	-	-	9,250	515,526	524,776
Economic development and assistance	-	-	-	-	68,302	68,302
Capital outlay	-	156,727	-	2,114,508	711,047	2,982,282
Debt service:						
Principal retirement	-	-	594,833	30,341	100,387	725,561
Interest and fiscal charges	-	-	306,314	877	9,572	316,763
Total expenditures	3,285,014	2,158,245	902,583	2,413,514	2,873,832	11,633,188
Excess of revenues over (under) expenditures	828,726	53,361	(33,323)	(1,440,549)	(320,517)	(912,302)
Other financing sources (uses):						
Proceeds of OPWC loans	-	-	-	13,286	-	13,286
Proceeds from sale of capital assets	1,500	6,700	-	-	32,230	40,430
Transfers - in	57,085	200,000	-	255,000	811,958	1,324,043
Transfers - out	(704,958)	(272,000)	-	-	(347,085)	(1,324,043)
Total other financing sources (uses)	(646,373)	(65,300)	-	268,286	497,103	53,716
Net change in fund balance	182,353	(11,939)	(33,323)	(1,172,263)	176,586	(858,586)
Fund balances at beginning of year	1,959,082	895,196	146,855	2,324,219	2,393,083	7,718,435
Fund balances at end of year	\$ 2,141,435	\$ 883,257	\$ 113,532	\$ 1,151,956	\$ 2,569,669	\$ 6,859,849

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, 2020

Net change in fund balances - Total governmental funds	\$ (858,586)
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>	
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	\$ 2,982,282
Capital contributions	294,110
Capital assets transferred	48,685
Depreciation expense	<u>(683,750)</u>
Excess of capital outlay over depreciation expense	2,641,327
Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.	(32,558)
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	\$ 55,608
Income taxes	312,057
Intergovernmental	(28,644)
Special assessments	(19,260)
Charges for services	10,551
Other	<u>(65,772)</u>
Net change in deferred inflows of resources during the year	264,540
Contractually required contributions are reported as expenditures in the governmental funds however, the statement of activities reports these amounts as deferred outflows.	
Pension	601,461
OPEB	10,288
Except for amounts reported as deferred inflows/outflows, changes in the net pension/OPEB liability are reported as pension expense in the statement of activities.	
Pension	(992,745)
OPEB	(187,944)
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	\$ (100,392)
Decrease in accrued interest	<u>8,932</u>
Total additional expenditures	(91,460)
The internal service fund used by management to charge the costs of certain employee benefits and computer repairs to individual funds are not reported in the statement of activities. Governmental fund expenditures and related internal service fund revenues are eliminated.	
	161,170
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.	
	594,833
Payment of principal of capital leases and lease-purchases is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	
	130,728
The issuance of bonds, loans, and notes resulted in expenditures and other financing sources and uses in the governmental funds, but these transactions are reflected in the statement of net position as liabilities.	
	(13,286)
The amortization of bond premium is reflected as an expense in the statement of activities.	
	<u>22,373</u>
Change in net position of governmental activities	<u>\$ 2,250,141</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
General Fund
For the Year Ended December 31, 2020**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<u>Revenues:</u>				
Income tax	\$ 2,856,000	\$ 2,856,000	\$ 2,816,553	\$ (39,447)
Property taxes	306,577	306,577	279,505	(27,072)
Other taxes	110,000	110,000	170,771	60,771
Charges for services	970,768	970,768	851,408	(119,360)
Licenses and permits	249,000	329,000	294,466	(34,534)
Fines and forfeitures	250,000	250,000	185,095	(64,905)
Intergovernmental	200,549	200,549	213,919	13,370
Investment income	55,000	55,000	40,043	(14,957)
Other	153,584	153,584	324,997	171,413
Total revenues	<u>5,151,478</u>	<u>5,231,478</u>	<u>5,176,757</u>	<u>(54,721)</u>
<u>Expenditures:</u>				
Current:				
General government	1,542,154	1,574,985	1,403,434	171,551
Security of persons and property:				
Police	1,374,693	1,300,789	1,211,900	88,889
Refuse service	808,000	793,000	773,552	19,448
Total expenditures	<u>3,724,847</u>	<u>3,668,774</u>	<u>3,388,886</u>	<u>279,888</u>
Excess of revenues over expenditures	<u>1,426,631</u>	<u>1,562,704</u>	<u>1,787,871</u>	<u>225,167</u>
<u>Other financing source (uses):</u>				
Sale of capital assets	-	-	1,500	1,500
Transfers - in	31,255	57,085	57,085	-
Transfers - out	(1,505,000)	(1,840,000)	(1,839,958)	42
Total other financing sources (uses)	<u>(1,473,745)</u>	<u>(1,782,915)</u>	<u>(1,781,373)</u>	<u>1,542</u>
Net change in fund balance	(47,114)	(220,211)	6,498	226,709
Fund balance at beginning of year	1,174,389	1,174,389	1,174,389	-
Prior year encumbrances appropriated	55,816	55,816	55,816	-
Fund balance at end of year	<u>\$ 1,183,091</u>	<u>\$ 1,009,994</u>	<u>\$ 1,236,703</u>	<u>\$ 226,709</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, 2020**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final Budget	Actual	
<u>Revenues:</u>				
Property and other taxes	\$ 587,435	\$ 587,435	\$ 536,398	\$ (51,037)
Charges for services	1,400,689	1,403,469	1,412,578	9,109
Intergovernmental	222,287	222,287	237,532	15,245
Other	1,500	1,500	35,506	34,006
Total revenue	<u>2,211,911</u>	<u>2,214,691</u>	<u>2,222,014</u>	<u>7,323</u>
<u>Expenditures:</u>				
Current:				
Security of persons and property:				
Fire	<u>2,079,700</u>	<u>2,057,923</u>	<u>1,905,033</u>	<u>152,890</u>
Excess of revenues over expenditures	<u>132,211</u>	<u>156,768</u>	<u>316,981</u>	<u>160,213</u>
<u>Other financing sources (uses):</u>				
Sale of capital assets	-	-	6,700	6,700
Transfers - in	200,000	200,000	200,000	-
Transfers - out	<u>(498,720)</u>	<u>(498,720)</u>	<u>(498,720)</u>	<u>-</u>
Total other financing sources (uses)	<u>(298,720)</u>	<u>(298,720)</u>	<u>(292,020)</u>	<u>6,700</u>
Net change in fund balance	(166,509)	(141,952)	24,961	166,913
Fund balance at beginning of year	573,032	573,032	573,032	-
Prior year encumbrances appropriated	22,420	22,420	22,420	-
Fund balance at end of year	<u>\$ 428,943</u>	<u>\$ 453,500</u>	<u>\$ 620,413</u>	<u>\$ 166,913</u>

See accompanying notes to the basic financial statements.

City of Huron, Ohio
Statement of Fund Net Position
Proprietary Funds
December 31, 2020

	Business-Type Activities - Enterprise Funds			Governmental
	Water	Electric	Total	Activities Internal Service
<u>Assets:</u>				
Current assets:				
Equity in pooled cash and cash equivalents	\$ 2,787,893	\$ 254,776	\$ 3,042,669	\$ 111,770
Cash and cash equivalents in segregated accounts	-	-	-	324,287
Receivables:				
Accounts	598,107	1,027,138	1,625,245	-
Special assessments	13,219	-	13,219	-
Materials and supplies inventory	99,692	-	99,692	-
Prepaid items	17,463	13,933	31,396	-
Total current assets	3,516,374	1,295,847	4,812,221	436,057
Noncurrent assets:				
Capital assets:				
Nondepreciable capital assets	997,957	93,200	1,091,157	-
Depreciable capital assets, net	7,397,347	3,740,516	11,137,863	-
Total noncurrent assets	8,395,304	3,833,716	12,229,020	-
Total assets	11,911,678	5,129,563	17,041,241	436,057
<u>Deferred outflows of resources:</u>				
Pension	140,561	2,868	143,429	-
OPEB	101,107	2,063	103,170	-
Total deferred outflows of resources	241,668	4,931	246,599	-
<u>Liabilities:</u>				
Current liabilities:				
Accounts payable	187,172	351,875	539,047	-
Accrued wages and benefits	46,333	11,815	58,148	-
Pension obligation payable	10,451	2,569	13,020	-
Due to other governments	1,121	290	1,411	-
Compensated absences payable	51,545	16,528	68,073	-
Accrued interest payable	7,999	50,446	58,445	-
OWDA loans payable	26,374	-	26,374	-
General obligation bonds payable	93,000	-	93,000	-
Total current liabilities	423,995	433,523	857,518	-
Long-term liabilities:				
Compensated absences payable	63,555	-	63,555	-
Notes payable, net of current portion	-	3,500,000	3,500,000	-
OWDA loans payable, net of current portion	1,182,651	-	1,182,651	-
General obligation bonds payable, net of current portion	188,416	-	188,416	-
Net pension liability	806,776	16,465	823,241	-
Net OPEB liability	584,587	11,930	596,517	-
Total long-term liabilities	2,825,985	3,528,395	6,354,380	-
Total liabilities	3,249,980	3,961,918	7,211,898	-

(Continued)

City of Huron, Ohio
Statement of Fund Net Position
Proprietary Funds
December 31, 2020
(Continued)

	Business-Type Activities - Enterprise Funds			Governmental
	Water	Electric	Total	Activities Internal Service
<u>Deferred inflows of resources:</u>				
Pension	192,463	3,927	196,390	-
OPEB	94,677	1,932	96,609	-
Total deferred inflows of resources	287,140	5,859	292,999	-
<u>Net position:</u>				
Net investment in capital assets	6,904,863	333,716	7,238,579	-
Unrestricted	1,711,363	833,001	2,544,364	436,057
Total net position	<u>\$ 8,616,226</u>	<u>\$ 1,166,717</u>	<u>\$ 9,782,943</u>	<u>\$ 436,057</u>

See accompanying notes to the basic financial statements.

City of Huron, Ohio

Statement of Revenues, Expenses and Changes in Fund Net Position

Proprietary Funds

For the Year Ended December 31, 2020

	<u>Business-Type Activities - Enterprise Funds</u>			<u>Governmental</u>
	<u>Water</u>	<u>Electric</u>	<u>Total</u>	<u>Activities</u> <u>Internal Service</u>
<u>Operating revenues:</u>				
Charges for services	\$ 2,424,630	\$ 2,673,377	\$ 5,098,007	\$ 1,024,592
Other	18,232	25,784	44,016	2,331
Total operating revenue	<u>2,442,862</u>	<u>2,699,161</u>	<u>5,142,023</u>	<u>1,026,923</u>
<u>Operating expenses:</u>				
Personal services	890,269	187,705	1,077,974	-
Fringe benefits	339,172	72,797	411,969	77,124
Operations and maintenance	5,212	-	5,212	-
Contractual services	328,875	133,471	462,346	695,487
Purchased power	-	1,694,449	1,694,449	-
Supplies and materials	194,213	-	194,213	-
Claims	-	-	-	93,142
Depreciation	276,270	79,983	356,253	-
Total operating expenses	<u>2,034,011</u>	<u>2,168,405</u>	<u>4,202,416</u>	<u>865,753</u>
Operating income	<u>408,851</u>	<u>530,756</u>	<u>939,607</u>	<u>161,170</u>
<u>Nonoperating revenue (expenses):</u>				
Intergovernmental	9,965	-	9,965	-
Interest and fiscal charges	(29,214)	(88,127)	(117,341)	-
Loss on disposal of capital assets	-	(48,685)	(48,685)	-
Total nonoperating revenues (expenses)	<u>(19,249)</u>	<u>(136,812)</u>	<u>(156,061)</u>	<u>-</u>
Change in net position	389,602	393,944	783,546	161,170
Net position at beginning of year	<u>8,226,624</u>	<u>772,773</u>	<u>8,999,397</u>	<u>274,887</u>
Net position at end of year	<u>\$ 8,616,226</u>	<u>\$ 1,166,717</u>	<u>\$ 9,782,943</u>	<u>\$ 436,057</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, 2020

	Business-Type Activities - Enterprise Funds			Governmental
	Water	Electric	Total	Activities Internal Service
Cash flows from operating activities:				
Cash received from customers	\$ 2,430,530	\$ 2,342,014	\$ 4,772,544	\$ 1,026,923
Cash payments for personal services	(1,091,465)	(252,592)	(1,344,057)	(77,124)
Cash payments for operations and maintenance	(1,662)	-	(1,662)	-
Cash payments for contractual services	(313,070)	(132,653)	(445,723)	(692,722)
Cash payments for wholesale power	-	(1,571,808)	(1,571,808)	-
Cash payments to suppliers for goods and services	(51,305)	(693)	(51,998)	-
Cash payments for claims	-	-	-	(93,142)
Net cash provided by (used for) operating activities	<u>973,028</u>	<u>384,268</u>	<u>1,357,296</u>	<u>163,935</u>
Cash flows from capital and related financing activities:				
Subsidy from state and federal grants	9,965	-	9,965	-
Issuance of loans and notes	640,140	3,500,000	4,140,140	-
Interest paid on bonds, loans and leases	(23,463)	(95,983)	(119,446)	-
Principal payment on bonds, loans and leases	(103,186)	(3,500,000)	(3,603,186)	-
Bond issuance costs	-	(12,375)	(12,375)	-
Acquisition of capital assets	(1,027,638)	(71,122)	(1,098,760)	-
Net cash provided by (used for) capital and related financing activities	<u>(504,182)</u>	<u>(179,480)</u>	<u>(683,662)</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	468,846	204,788	673,634	163,935
Cash and cash equivalents at beginning of year	<u>2,319,047</u>	<u>49,988</u>	<u>2,369,035</u>	<u>272,122</u>
Cash and cash equivalents at end of year	<u>\$ 2,787,893</u>	<u>\$ 254,776</u>	<u>\$ 3,042,669</u>	<u>\$ 436,057</u>
Reconciliation of operating income to net cash provided by (used for) operating activities:				
Operating income	\$ 408,851	\$ 530,756	\$ 939,607	\$ 161,170
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:				
Depreciation	276,270	79,983	356,253	-
Change in assets, deferred outflows, liabilities and deferred inflows:				
(Increase) decrease in assets and deferred outflows:				
Accounts receivable	(16,400)	(357,147)	(373,547)	-
Special assessments receivable	4,068	-	4,068	-
Materials and supplies inventory	7,745	-	7,745	-
Prepaid items	5,787	(13,933)	(8,146)	3,200
Deferred outflows of resources - pension/OPEB	187,732	3,832	191,564	-
Increase (decrease) in liabilities and deferred inflows:				
Accounts payable	149,424	136,699	286,123	(435)
Accrued pension	2,161	499	2,660	-
Accrued wages and benefits	11,275	2,195	13,470	-
Compensated absences	16,443	3,040	19,483	-
Due to other governments	120	(13)	107	-
Net pension/OPEB liability	(341,801)	(6,976)	(348,777)	-
Deferred inflows of resources - pension/OPEB	261,353	5,333	266,686	-
Net cash provided by (used for) operating activities	<u>\$ 973,028</u>	<u>\$ 384,268</u>	<u>\$ 1,357,296</u>	<u>\$ 163,935</u>

See accompanying notes to the basic financial statements.

City of Huron, Ohio
Statement of Fiduciary Net Position
Custodial Funds
December 31, 2020

	<u>Custodial</u>
<u>Assets:</u>	
Equity in pooled cash and cash equivalents	\$ 18,875
Cash and cash equivalents in segregated accounts	<u>9,521</u>
Total assets	<u><u>\$ 28,396</u></u>
<u>Liabilities:</u>	
Accounts payable	\$ 813
Due to other governments	9,521
Undistributed monies	<u>18,062</u>
Total liabilities	<u><u>\$ 28,396</u></u>
<u>Net position:</u>	
Restricted for individuals, organizations and other governments	<u>-</u>
Total net position	<u><u>\$ -</u></u>

See accompanying notes to the basic financial statements.

City of Huron, Ohio
Statement of Changes in Fiduciary Net Position
Custodial Funds
December 31, 2020

	<u>Custodial</u>
<u>Additions:</u>	
Amounts Received as Fiscal Agent	\$ 160,294
Fines and Forfeitures for Other Governments	<u>345,979</u>
Total additions	<u><u>\$ 506,273</u></u>
 <u>Deductions:</u>	
Distributions from municipal court to other governments	\$ 333,417
Distributions as Fiscal Agent	160,294
Distributions to Other Governments	<u>12,562</u>
Total deductions	<u><u>\$ 506,273</u></u>
Change net position	-
Net position beginning of year	<u>-</u>
Net position end of year	<u><u>\$ -</u></u>

See accompanying notes to the basic financial statements.

City of Huron, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2020

NOTE 1 – Summary of Significant Accounting Policies

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

A. Reporting Entity

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

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

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

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

The City is associated with organizations which are described as a jointly governed organizations and a public entity risk pool. These organizations include the Huron Area Joint Recreation District, the Regional Income Tax Agency (RITA), and the Public Entities Pool of Ohio (PEP). These organizations are presented in Notes 13 and 14 to the basic financial statements.

B. Basis of Presentation

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

City of Huron, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2020

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

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

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

C. Fund Accounting

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

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

City of Huron, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2020

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

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

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

Internal Service Funds The internal service funds account for the financing of services provided by one department or agency to other departments or agencies of the City on a cost-reimbursement basis. The health care fund accounts for certain employee benefits. The computer repair fund accounts for the computer repairs of the City.

Fiduciary Funds – Fiduciary funds reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and custodial funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City’s own programs. The City has no trust funds. The City’s custodial funds account for highway patrol, the Huron Area Joint Recreation and municipal court collections that are distributed to various local governments.

City of Huron, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2020

D. Measurement Focus

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

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

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

E. Basis of Accounting

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

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

City of Huron, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2020

Nonexchange transactions are transactions in which the City receives value without directly giving equal value in return, including income taxes, estate taxes, motel-hotel taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied (Note 5). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the City must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from the nonexchange transactions must also be available before it can be recognized.

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of net position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, deferred outflows of resources are reported on the government-wide statement of net position for deferred charge on refunding, for pension and other postemployment benefits (OPEB). The deferred outflows of resources related to pension and OPEB are explained in Notes 11 and 12.

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, 2020, but which were levied to finance year 2021 operations. These amounts have been recorded as deferred inflows on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City, unavailable revenue includes delinquent property taxes, income taxes, franchise taxes, intergovernmental grants, special assessments, and charges for services. These amounts are deferred and recognized as inflows of resources in the period the amounts become available. Deferred inflows of resources related to pension and OPEB are reported on the government-wide statement of net position.

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

City of Huron, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2020

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

F. Budgetary Data

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

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

Estimated Resources – The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the City by October 1. As part of this certification the City receives the official certificate of estimated resources, which states the projected revenue of each fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include unencumbered cash balances at December 31 of the preceding year. The certificate may be further amended during the year if the Finance Director determines, and the Budget Commission agrees, that an estimate needs to be either increased or decreased. The amounts reported on the budgetary statement reflect the amounts in the first and final amended official certificate of estimated resources issued during 2020.

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

City of Huron, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2020

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 health care, 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.

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

Inventory consists of expendable supplies held for consumption.

City of Huron, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2020

I. Capital Assets

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

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

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

	Governmental Activities	Business-Type Activities
<u>Description</u>	<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 2020, interest costs incurred on construction projects were not material.

City of Huron, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2020

J. Pension and other postemployment benefits (OPEB)

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

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

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

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

K. Compensated Absences

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

City of Huron, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2020

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, 2019. Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those employees the City has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at year end, taking into consideration any limits specified in the City's termination policy.

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

L. Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, compensated absences, special termination benefits and the net pension/OPEB liability that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases and long-term loans are recognized as a liability in the fund financial statements when due. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits.

M. Interfund Transactions

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

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

City of Huron, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2020

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

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

N. Fund Balance

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

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

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

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

Assigned fund balance classification is intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by City Council. In addition, the Director of Finance is authorized to assign fund balance for purchases on order provided such amounts have been lawfully appropriated.

City of Huron, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2020

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

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

O. Operating Revenues and Expenses

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

P. Net Position

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

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

Q. Estimates

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

R. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2020, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the in the year in which it was consumed.

City of Huron, Ohio

Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

NOTE 2 – Budgetary Basis of Accounting

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

- Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
- Expenditures/expenses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
- Encumbrances are treated as expenditures/expenses for all funds (budget) rather than an assigned fund balance for governmental fund types (GAAP).
- The revenues, expenditures and other financing sources and uses of the general fund include activity that is budgeted within special revenue funds (GAAP basis). However, on the budgetary basis, the activity of the special revenue funds is excluded resulting in perspective differences.

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

	General Fund	Fire Levy Fund
GAAP basis	\$ 182,353	\$ (11,939)
Revenue accruals	1,063,017	10,408
Expense accruals	(1,197,465)	27,517
Perspective difference from fund budgeted as special revenue fund:		
Expenditures	464	-
Encumbrances (budget basis) outstanding at year end	(41,871)	(1,025)
Budget basis	<u>\$ 6,498</u>	<u>\$ 24,961</u>

City of Huron, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2020

NOTE 3 – Fund Balance

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

Fund Balances	<u>General</u>	Fire <u>Levy</u>	General Obligation Bond <u>Retirement</u>	Capital <u>Improvement</u>	Other Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
<u>Nonspendable</u>						
Materials and supplies inventory	\$ -	\$ -	\$ -	\$ -	\$ 10,046	\$ 10,046
Prepays	12,375	15,165	-	-	11,696	39,236
Total nonspendable	<u>12,375</u>	<u>15,165</u>	<u>-</u>	<u>-</u>	<u>21,742</u>	<u>49,282</u>
<u>Restricted for</u>						
Streets and highways	-	-	-	-	490,594	490,594
Economic development	-	-	-	-	299,192	299,192
Recreation	-	-	-	-	28,226	28,226
Fire and EMS services	-	868,092	-	-	135,612	1,003,704
Capital improvements	-	-	-	1,151,956	-	1,151,956
Marine patrol	-	-	-	-	3,081	3,081
Debt service payments	-	-	113,532	-	-	113,532
Court activities	-	-	-	-	541,516	541,516
Police services	-	-	-	-	75,601	75,601
Total restricted	<u>-</u>	<u>868,092</u>	<u>113,532</u>	<u>1,151,956</u>	<u>1,573,822</u>	<u>3,707,402</u>
<u>Committed</u>						
Recreation	-	-	-	-	534,385	534,385
Capital improvements	-	-	-	-	429,551	429,551
Stormwater system	-	-	-	-	17,444	17,444
Employee retirements	250,067	-	-	-	-	250,067
Total committed	<u>250,067</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>981,380</u>	<u>1,231,447</u>
<u>Assigned</u>						
Encumbrances	15,606	-	-	-	-	15,606
Next year's budget	412,182	-	-	-	-	412,182
Total assigned	<u>427,788</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>427,788</u>
Unassigned (deficit)	<u>1,451,205</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(7,275)</u>	<u>1,443,930</u>
Total fund balances	<u>\$ 2,141,435</u>	<u>\$ 883,257</u>	<u>\$ 113,532</u>	<u>\$ 1,151,956</u>	<u>\$ 2,569,669</u>	<u>\$ 6,859,849</u>

City of Huron, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2020

NOTE 4 – Deposits and Investments

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

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

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

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

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

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

City of Huron, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2020

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

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

Custodial Credit Risk is the risk that in the event of bank failure, the government's deposits may not be returned to it. The City has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or be protected by: eligible securities pledged to the City and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least one hundred five percent of the deposits being secured; or participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be one hundred two percent of the deposits being secured or a lower rate if permitted by the Treasurer of State.

During 2020, investments were limited to certificates of deposit.

A. Undeposited Cash

At year-end, the City had \$2,185 in undeposited cash on hand which is included as part of "equity in pooled cash and cash equivalents."

B. Deposits

At year-end, the carrying amount of the City's deposits was \$6,970,722, and \$2,517,994 of the City's total bank balance of \$7,135,606 was exposed to custodial credit risk because those deposits were uninsured and uncollateralized.

City of Huron, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2020

C. Investments

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Percentage of Investment</u>	<u>Maturity</u>		
			<u>< 1 year</u>	<u>< 2 years</u>	<u>< 3-5 years</u>
Negotiable certificates of deposits:					
Bank of New England NH US	\$ 166,809	5.60%	\$ -	\$ -	\$ 166,809
Flagstar Bank FSB MI US	245,981	8.25%	-	155,177	90,804
Goldman Sachs Bank NY US	229,457	7.70%	-	-	229,457
JP Morgan Chase	180,277	6.05%	-	-	180,277
UBS Bank UT US	245,360	8.23%	-	-	245,360
Wells Fargo Bank SD US	201,904	6.77%	201,904	-	-
World's Foremost Bank NE US	201,134	6.75%	201,134	-	-
Zions First National Bank UT US	180,387	6.05%	180,387	-	-
All other certificates of deposits	<u>1,329,120</u>	<u>44.60%</u>	<u>156,742</u>	<u>244,518</u>	<u>927,860</u>
	<u>\$ 2,980,429</u>	<u>100.00%</u>	<u>\$ 740,167</u>	<u>\$ 399,695</u>	<u>\$ 1,840,567</u>

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The preceding table identifies the City's recurring fair value measurement as of December 31, 2020. All investments of the City are valued using quoted market prices (Level 1 inputs).

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. The table above lists the CDs that are individually greater than 5% per issuer of the City's total investments. Investments are in fully insured negotiable CDs making up 100% of all investments. The City's policy places no limit on the amount that may be invested in any one issuer.

City of Huron, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2020

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 2020 amounted to \$83,504, which includes \$72,621 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 2019 for real and public utility property taxes represents collections of the 2019 taxes. Property tax payments received during 2020 for tangible personal property (other than public utility property) is for 2020 taxes.

2020 real property taxes are levied after October 1, 2019, on the assessed value as of January 1, 2019, the lien date. Assessed values are established by State law at 35% of appraised market value.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35% of true value. 2020 public utility property taxes became a lien December 31, 2018, are levied after October 1, 2019, and are collected with real property taxes.

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

The full tax rate for all City operations for the year ended December 31, 2020 was \$4.9 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2020 property tax receipts were based are as follows:

<u>Property Category</u>	<u>Assessed Value</u>
<u>Real property</u>	
Residential and agricultural	\$ 192,091,710
Commercial and industrial	29,452,510
Public utilities	179,380
<u>Tangible personal property</u>	
Public utilities	<u>5,339,160</u>
Total	<u>\$ 227,062,760</u>

City of Huron, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2020

B. Income Taxes

The City levies a municipal income tax of one percent on substantially all income earned within the City: in addition, residents are required to pay tax on income earned outside of the City. Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City either monthly or quarterly. Corporations and other individual tax payers are required to pay their estimated tax quarterly and file a declaration annually. Income tax proceeds are to be used for the purpose of general municipal operations, maintenance, new equipment, extension, and enlargement of municipal services and facilities and capital improvements of the City. In 2020, the proceeds were allocated to the general, general obligation bond retirement and capital improvement funds.

NOTE 6 – Receivables

Receivables at December 31, 2020 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:

	Governmental <u>Activities</u>
Due from other governments:	
Local government funding	\$ 72,892
Homestead and rollbacks	62,525
Gas and motor vehicle taxes	236,083
Permissive tax	11,078
Fire contract	215,383
Other	<u>32,784</u>
Total	<u>\$ 630,745</u>

City of Huron, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2020

NOTE 7 – Capital Assets

Governmental Activities A summary of the governmental activities’ capital asset activity as of December 31, 2020 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	\$ 6,192,559	\$ -	\$ -	\$ 6,192,559
Land use rights	49,687	-	-	49,687
Construction in progress	<u>338,800</u>	<u>2,190,767</u>	-	<u>2,529,567</u>
Total capital assets, not being depreciated	<u>6,581,046</u>	<u>2,190,767</u>	-	<u>8,771,813</u>
Capital assets, being depreciated:				
Land improvements	6,701,104	69,909	-	6,771,013
Buildings and improvements	3,380,199	24,586	-	3,404,785
Equipment and furniture	1,699,608	300,165	(41,065)	1,958,708
Vehicles	2,465,187	627,564	-	3,092,751
Infrastructure	<u>8,612,790</u>	<u>112,086</u>	-	<u>8,724,876</u>
Total capital assets, being depreciated	<u>22,858,888</u>	<u>1,134,310</u>	<u>(41,065)</u>	<u>23,952,133</u>
Less accumulated depreciation:				
Land improvements	(3,477,292)	(232,065)	-	(3,709,357)
Buildings and improvements	(1,589,900)	(75,407)	-	(1,665,307)
Equipment and furniture	(1,200,380)	(58,791)	8,507	(1,250,664)
Vehicles	(1,795,129)	(170,056)	-	(1,965,185)
Infrastructure	<u>(437,825)</u>	<u>(147,431)</u>	-	<u>(585,256)</u>
Total accumulated depreciation	<u>(8,500,526)</u>	<u>(683,750)</u>	<u>8,507</u>	<u>(9,175,769)</u>
Total capital assets being depreciated, net	<u>14,358,362</u>	<u>450,560</u>	<u>(32,558)</u>	<u>14,776,364</u>
Governmental activities capital assets, net	<u>\$ 20,939,408</u>	<u>\$ 2,641,327</u>	<u>\$ (32,558)</u>	<u>\$ 23,548,177</u>

Depreciation Expense Depreciation expense charged to governmental functions for the year ending December 31, 2020 is as follows:

	<u>Amount</u>
General government	\$ 81,547
Security of persons and property:	
Police	42,228
Fire	69,765
Leisure time activities	140,705
Transportation	<u>349,505</u>
Total governmental activities depreciation expense	<u>\$ 683,750</u>

City of Huron, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2020

Business-Type Activities A summary of the business-type activities' capital assets as of December 31, 2020 are as follows:

Business-type activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 100,380	\$ -	\$ -	\$ 100,380
Construction in progress	60,621	930,156	-	990,777
Total capital assets, not being depreciated	<u>161,001</u>	<u>930,156</u>	<u>-</u>	<u>1,091,157</u>
Capital assets, being depreciated:				
Land improvements	106,714	-	-	106,714
Buildings and improvements	2,732,123	18,075	-	2,750,198
Equipment and furniture	1,879,690	6,584	-	1,886,274
Vehicles	332,147	-	-	332,147
Infrastructure				
Water	6,720,638	95,260	-	6,815,898
Electric	3,896,273	48,685	(48,685)	3,896,273
Total capital assets, being depreciated	<u>15,667,585</u>	<u>168,604</u>	<u>(48,685)</u>	<u>15,787,504</u>
Less accumulated depreciation:				
Land improvements	(101,872)	(440)	-	(102,312)
Buildings and improvements	(1,317,413)	(58,490)	-	(1,375,903)
Equipment and furniture	(454,180)	(63,269)	-	(517,449)
Vehicles	(285,158)	(11,997)	-	(297,155)
Infrastructure				
Water	(2,058,991)	(142,074)	-	(2,201,065)
Electric	(75,774)	(79,983)	-	(155,757)
Total accumulated depreciation	<u>(4,293,388)</u>	<u>(356,253)</u>	<u>-</u>	<u>(4,649,641)</u>
Total capital assets being depreciated, net	<u>11,374,197</u>	<u>(187,649)</u>	<u>(48,685)</u>	<u>11,137,863</u>
Business-type activities capital assets, net	<u>\$ 11,535,198</u>	<u>\$ 742,507</u>	<u>\$ (48,685)</u>	<u>\$ 12,229,020</u>

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

City of Huron, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2020

NOTE 8 – Compensated Absences

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

Employees earn sick leave at the rate of 1.25 workdays with pay for each month of completed service. Sick leave is paid upon retirement based on accumulated hours with the restriction of a maximum of 480 hours or 1,750 for those employees grandfathered in before the new limit..

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

As of December 31, 2020 the liability for long-term unpaid compensated absences was \$769,527 for the governmental activities, which would be paid from the general fund, the employee benefit fund, and parks, recreation, boat basin, street maintenance and state highway, special fire levy, street lighting, police grants, and probation special revenue funds and liability for long-term unpaid compensated absences for business-type activities was \$131,628, which would be paid from the water and electric funds.

City of Huron, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2020

NOTE 9 – Long-term Obligations

Governmental Activities A summary of the governmental activities' debt and other long-term obligations as of December 31, 2020 are as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Amount Due within One Year
<u>Governmental Activities:</u>					
<u>General obligation bonds</u>					
2015 Various purpose					
2.25% - 3.75%, maturing 2030	\$ 955,000	\$ -	\$ (105,000)	\$ 850,000	\$ 100,000
2012 Various purpose refunding,					
2.00% - 2.10%, maturing 2023	540,000	-	(149,000)	391,000	142,000
Premium	6,008	-	(2,507)	3,501	-
2018 Various purpose					
2.00% - 3.125%, maturing 2034	2,945,000	-	(205,000)	2,740,000	205,000
Premium	60,640	-	(8,275)	52,365	-
2019 Street improvement					
2.00% - 5.00%, maturing 2039	4,600,000	-	(130,000)	4,470,000	180,000
Premium	134,016	-	(11,591)	122,425	-
Total general obligation bonds	<u>9,240,664</u>	<u>-</u>	<u>(611,373)</u>	<u>8,629,291</u>	<u>627,000</u>
<u>Ohio Public Works Commission loan</u>					
Fabens Park - Adams Avenue, 0.00%	172,071	-	(5,833)	166,238	5,833
2018 Paving program, 0.00%	149,168	13,286	-	162,454	12,184
Total Ohio Public Works Commission loans	<u>321,239</u>	<u>13,286</u>	<u>(5,833)</u>	<u>328,692</u>	<u>18,017</u>
<u>Other obligations</u>					
Capital leases	217,219	-	(100,387)	116,832	79,321
Lease-purchase loan	30,341	-	(30,341)	-	-
Compensated absences	669,135	328,191	(227,799)	769,527	267,197
Net pension liability:					
OPERS	2,202,486	-	(673,611)	1,528,875	-
OP&F	6,682,756	-	(930,968)	5,751,788	-
Total net pension liability	<u>8,885,242</u>	<u>-</u>	<u>(1,604,579)</u>	<u>7,280,663</u>	<u>-</u>
Net OPEB liability:					
OPERS	1,081,934	25,885	-	1,107,819	-
OP&F	745,552	97,829	-	843,381	-
Total net OPEB liability	<u>1,827,486</u>	<u>123,714</u>	<u>-</u>	<u>1,951,200</u>	<u>-</u>
Total governmental activities	<u>\$ 21,191,326</u>	<u>\$ 465,191</u>	<u>\$ (2,580,312)</u>	<u>\$ 19,076,205</u>	<u>\$ 991,535</u>

City of Huron, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2020

Business-type Activities A summary of the business-type activities' debt and other long-term obligations as of December 31, 2020 are as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Amount Due in One Year
Business-type activities					
<u>General obligation bonds</u>					
2012 Various purpose refunding, 2.00% - 2.10%, maturing 2023	\$ 375,000	\$ -	\$ (96,000)	\$ 279,000	\$ 93,000
Premium on bonds	4,031	-	(1,615)	2,416	-
Total general obligation bonds	379,031	-	(97,615)	281,416	93,000
<u>Notes</u>					
2019 Electric System Improvement, 2.74%	3,500,000	-	(3,500,000)	-	-
2020 Electric System Improvement, 1.92%	-	3,500,000	-	3,500,000	-
Total notes	3,500,000	3,500,000	(3,500,000)	3,500,000	-
<u>Loans</u>					
Ohio Water Development Authority:					
Water Treatment Plant Sedimentation					
Basin Improvements, 0.00%	-	634,015	-	634,015	-
Oklahoma Water Line, 2.64%	575,882	-	(5,764)	570,118	25,111
Asset management plan 0.00%	189	6,125	(1,422)	4,892	1,263
Total loans	576,071	640,140	(7,186)	1,209,025	26,374
<u>Other obligations</u>					
Compensated absences	112,145	72,543	(53,060)	131,628	68,073
Net pension liability:					
Water	1,162,235	-	(355,459)	806,776	-
Electric	23,719	-	(7,254)	16,465	-
Total net pension liability	1,185,954	-	(362,713)	823,241	-
Net OPEB liability:					
Water	570,929	13,658	-	584,587	-
Electric	11,652	278	-	11,930	-
Total net pension liability	582,581	13,936	-	596,517	-
Total business-type activities	\$ 6,335,782	\$ 4,226,619	\$ (4,020,574)	\$ 6,541,827	\$ 187,447

City of Huron, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2020

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

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

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

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

During 2018, the City entered into a loan agreement with the Ohio Public Works Commission (OPWC). The loan is for a street, sidewalk and drainage project. The loan will be repaid in annual installments of \$5,833, maturing in 2049. Principal is paid out of the general obligation bond retirement fund.

During 2019, the City entered into a loan agreement with the Ohio Public Works Commission (OPWC). The loan draws continued into 2020 and are for various street paving projects. The loan will be repaid in annual installments of \$8,123, maturing in 2040. Principal is paid out of the general obligation bond retirement fund. The first payment will be made in 2021. The loan was finalized in 2020 with a final principal amount of \$162,454.

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

During 2015, the City entered into a lease-purchase loan agreement for the purchase of a truck with a plow package in the amount of \$143,419. The loan will be paid annually with the first principal payment due November 15, 2016. The loan carries an interest rate of 2.89%. During 2020, this loan was paid in full with a final principal payment of \$30,341.

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.

City of Huron, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2020

In prior years, the City entered into contractual agreements for new construction loans from OWDA. Under the terms of these agreements, OWDA reimbursed, advanced or directly paid the construction costs of the approved projects. OWDA will capitalize administrative costs and construction interest and add them to the total amounts of the final loans. A line of credit has been established for various projects. Not all loans were finalized at year end.

The \$570,118 OWDA loan outstanding with a 2.65 percent interest rate is for the Oklahoma water line and requires principal and interest payments over eighteen years. The \$4,892 OWDA loan outstanding is for the asset management and requires principal payments over four years.

During 2019, the City issued \$3,500,000 in an electric system improvement note to finance an electrical substation. The note carries a 2.74% interest rate and was due on April 1, 2020. Proceeds for repayment of interest and principal on the note resulted from the issuance of another \$3,500,000 electric system improvement note with an interest rate of 1.92% and a maturity of March 31, 2021.

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

Governmental activities principal and interest requirements to retire long-term obligations outstanding at December 31, 2020 are as follows:

Year	2015 Various Purpose Bonds		2012 Various Purpose Refunding Bonds		OPWC Loan Principal
	Principal	Interest	Principal	Interest	
	2021	\$ 100,000	\$ 29,219	\$ 142,000	
2022	100,000	26,094	135,000	5,094	
2023	110,000	22,969	114,000	2,394	
2024	115,000	19,531	-	-	
2025	65,000	15,937	-	-	
2026-2030	360,000	41,063	-	-	
	<u>\$ 850,000</u>	<u>\$ 154,813</u>	<u>\$ 391,000</u>	<u>\$ 15,422</u>	

Year	2018 Various Purpose Bonds		2019 Street Improvement Bonds		OPWC Loan Principal
	Principal	Interest	Principal	Interest	
2021	\$ 205,000	\$ 78,400	\$ 180,000	\$ 129,206	\$ 18,017
2022	210,000	74,300	185,000	120,206	13,956
2023	190,000	70,100	185,000	110,956	13,956
2024	195,000	64,400	195,000	101,706	13,954
2025	190,000	58,550	200,000	91,956	13,956
2026-2030	1,025,000	204,400	1,100,000	377,081	69,779
2031-2035	725,000	50,725	1,270,000	252,269	69,778
2036-2040	-	-	1,155,000	80,233	65,717
2041-2045	-	-	-	-	29,165
2046-2049	-	-	-	-	20,414
	<u>\$ 2,740,000</u>	<u>\$ 600,875</u>	<u>\$ 4,470,000</u>	<u>\$ 1,263,613</u>	<u>\$ 328,692</u>

City of Huron, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2020

Business-type activities principal and interest requirements to retire long-term obligations outstanding at December 31, 2020 are as follows:

	2012 Various Purpose Refunding Bonds		OWDA Loans	
	Principal	Interest	Principal	Interest
2021	\$ 93,000	\$ 5,676	\$ 26,374	\$ 14,886
2022	90,000	3,816	27,041	14,219
2023	96,000	2,016	27,726	13,534
2024	-	-	28,269	12,831
2025	-	-	27,888	12,109
2026-2030	-	-	150,960	49,025
2031-2035	-	-	172,114	27,871
2036-2038	-	-	114,638	5,353
	<u>\$ 279,000</u>	<u>\$ 11,508</u>	<u>\$ 575,010</u>	<u>\$ 149,828</u>

NOTE 10 – Capital Lease

During 2018, the City entered into a capital lease for truck with a mounted leaf vac and police cars. In a prior year, the City entered into several other capital leases. Governmental activities acquired four vehicles for the police department, a truck with a plow package, a backhoe and a truck with a leaf vac. These assets were capitalized and reported as additions to capital assets in the amount of \$461,605 and are being depreciated over their estimated useful lives. 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, 2020:

<u>Year</u>	Lease Payments Governmental <u>Activities</u>
2021	\$ 84,055
2022	<u>39,320</u>
Total minimum lease payments	123,375
Less: amount representing interest	<u>(6,543)</u>
Present value of minimum lease payments	<u>\$ 116,832</u>

City of Huron, Ohio

Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

NOTE 11 – Defined Benefit Pension Plan

Net pension liability

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

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

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

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

The proportionate share of each plan’s unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in pension obligation payable on both the accrual and modified accrual basis of accounting.

City of Huron, Ohio

Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

Ohio Public Employees Retirement System

Plan Description – The City employees, other than full-time police and firefighters, participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. 1.) The Traditional Pension Plan (TP) - a cost-sharing, multiple-employer defined benefit pension plan. 2.) The Member-Directed Plan (MD) - a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Members accumulate retirement assets equal to the value of the member and (vested) employer contributions, plus any investment earnings thereon. 3.) The Combined Plan (CP) - a cost-sharing, multiple-employer defined benefit pension plan. Employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the Traditional Plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the MD. While members (e.g. City employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; the following disclosure focuses on the traditional plan.

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

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

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

City of Huron, Ohio

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For the Year Ended December 31, 2020

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

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

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

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

	<u>State and Local</u>
2020 Statutory maximum contribution rates	
Employer	14.00%
Employee	10.00%
2020 Actual contribution rates	
Employer:	
Pension	14.00%
Post-employment health care benefits	<u>0.00%</u>
Total employer	<u>14.00%</u>
Employee	<u>10.00%</u>

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$245,296 for 2020. Of this amount, \$31,387 is reported as pension obligation payable.

Ohio Police and Fire Pension Fund

Plan Description - City full-time police and firefighters participate in Ohio Police and Fire Pension Fund (OP&F), a cost-sharing, multiple-employer defined benefit pension plan administered by OP&F. OP&F provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OP&F fiduciary net position.

City of Huron, Ohio

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For the Year Ended December 31, 2020

The report that may be obtained by visiting the OP&F website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

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

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

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

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

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, will receive a COLA equal to either 3% or the percent increase, if any, in the consumer price index (CPI) over the 12-month period ending on September 30 of the immediately preceding year, whichever is less. The COLA amount for members with at least 15 years of service credit as of July 1, 2013 is equal to 3% of their base pension or disability benefit.

City of Huron, Ohio

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

	<u>Police</u>	<u>Firefighters</u>
2020 Statutory maximum contribution rates		
Employer	19.50%	24.00%
Employee	12.25%	12.25%
2020 Actual contribution rates		
Employer:		
Pension	19.00%	23.50%
Post-employment health care benefits	<u>0.50%</u>	<u>0.50%</u>
Total employer	<u>19.50%</u>	<u>24.00%</u>
Employee	12.25%	12.25%

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was \$442,019 for 2020. Of this amount \$57,041 is reported as pension obligation payable.

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

The net pension liability for OPERS was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OP&F's total pension liability was measured as of December 31, 2019, and was determined by rolling forward the total pension liability as of January 1, 2019, to December 31, 2019. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Proportion of the net pension liability - prior measurement date	0.012372%	0.081870%	
Proportion of the net pension liability - current measurement date	<u>0.011900%</u>	<u>0.085382%</u>	
Change in proportionate share	<u>-0.000472%</u>	<u>0.003512%</u>	
Proportionate share of the net pension liability	\$ 2,352,116	\$ 5,751,788	\$ 8,103,904
Pension expense	\$ 373,525	\$ 749,954	\$ 1,123,479

City of Huron, Ohio

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For the Year Ended December 31, 2020

At December 31, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Deferred outflows of resources			
Differences between expected and actual experience	\$ -	\$ 217,724	\$ 217,724
Changes of assumptions	125,631	141,192	266,823
Changes in proportion and differences between City contributions and proportionate share of contributions	38,872	246,914	285,786
City contributions subsequent to the measurement date	<u>245,296</u>	<u>442,019</u>	<u>687,315</u>
Total deferred outflows of resources	<u>\$ 409,799</u>	<u>\$ 1,047,849</u>	<u>\$ 1,457,648</u>
Deferred inflows of resources			
Differences between expected and actual experience	\$ 29,739	\$ 296,643	\$ 326,382
Net difference between projected and actual earnings on pension plan investments	469,194	277,857	747,051
Changes in proportion and differences between City contributions and proportionate share of contributions	<u>62,185</u>	<u>218,285</u>	<u>280,470</u>
Total deferred inflows of resources	<u>\$ 561,118</u>	<u>\$ 792,785</u>	<u>\$ 1,353,903</u>

\$687,315 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Year ending December 31:			
2021	\$ (56,005)	\$ (64,897)	\$ (120,902)
2022	(173,738)	(22,220)	(195,958)
2023	19,429	126,557	145,986
2024	(186,301)	(217,370)	(403,671)
2025	<u>-</u>	<u>(9,025)</u>	<u>(9,025)</u>
Total	<u>\$ (396,615)</u>	<u>\$ (186,955)</u>	<u>\$ (583,570)</u>

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Actuarial Assumptions - OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Experience study	5 - year period ended December 31, 2015
Wage inflation	3.25 percent
Future salary increases, including inflation -Traditional plan	3.25 percent to 10.75 percent
Future salary increases, including inflation - Combined plan	3.25 percent to 8.25 percent
COLA or Ad Hoc COLA	Pre January 7, 2013 retirees, 3 percent, simple Post January 7, 2013 retirees, 1.4 percent, simple through 2020, then 2.15 percent, simple
Investment rate of return	7.2 percent
Actuarial cost method	Individual entry age

Mortality rates are based on the RP-2014 Healthy Annuitant mortality table. For males, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

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

City of Huron, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2020

During 2019, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was 17.2% for 2019.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2019 and the long-term expected real rates of return:

<u>Asset class</u>	<u>Target allocation</u>	Weighted average long-term expected real rate of return <u>(arithmetic)</u>
Fixed income	25.00%	1.83%
Domestic equities	19.00%	5.75%
Real estate	10.00%	5.20%
Private equity	12.00%	10.70%
International equities	21.00%	7.66%
Other investments	<u>13.00%</u>	<u>4.98%</u>
Total	<u>100.00%</u>	<u>5.61%</u>

Discount Rate The discount rate used to measure the total pension liability was 7.2 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the City's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.2%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.2%) or one-percentage-point higher (8.2%) than the current rate:

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For the Year Ended December 31, 2020

	1% Decrease (6.20%)	Current discount rate (7.20%)	1% Increase (8.20%)
Employer proportionate share of the net pension liability	\$ 3,879,400	\$ 2,352,116	\$ 979,132

Actuarial Assumptions – OP&F

OP&F’s total pension liability as of December 31, 2019 is based on the results of an actuarial valuation date of January 1, 2019, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OP&F’s actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future. Assumptions considered were: withdrawal rates, disability retirement, service retirement, DROP elections, mortality, percent married and forms of payment, DROP interest rate, CPI-based COLA, investment returns, salary increases and payroll growth.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2019, are presented below:

Valuation date	January 1, 2019, with actuarial liabilities rolled forward to December 31, 2019
Actuarial cost method	Entry age normal
Investment rate of return	8.00 percent
Projected salary increases	3.75 percent to 10.5 percent
Payroll increases	3.25 percent
Inflation assumptions	2.75 percent
Cost of living adjustments	2.20 percent and 3.00 percent

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

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

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

City of Huron, Ohio

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For the Year Ended December 31, 2020

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2019 are summarized below:

<u>Asset class</u>	<u>Target Allocation</u>	<u>Long-term expected real rate of return</u>
Cash and cash equivalents	0.00%	1.00%
Domestic equity	16.00%	5.40%
Non-US equity	16.00%	5.80%
Private markets	8.00%	8.00%
Core fixed income *	23.00%	2.70%
High yield	7.00%	4.70%
Private credit	5.00%	5.50%
U.S. inflation linked bonds*	17.00%	2.50%
Master limited partnerships	8.00%	6.60%
Real Assets	8.00%	7.40%
Real estate	<u>12.00%</u>	6.40%
Total	<u>120.00%</u>	

Note: Assumptions are geometric

* Levered 2x.

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

City of Huron, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2020

Discount Rate The total pension liability was calculated using the discount rate of 8.00 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the longer-term assumed investment rate of return 8.00 percent. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 8.00 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.00 percent), or one percentage point higher (9.00 percent) than the current rate.

	1% Decrease (7.00%)	Current discount rate (8.00%)	1% Increase (9.00%)
City's proportionate share of the net pension liability	\$ 7,971,778	\$ 5,751,788	\$ 3,894,986

NOTE 12 – Post Employment Benefits

Net OPEB liability

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

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

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

City of Huron, Ohio

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GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net OPEB liability* on the accrual basis of accounting. Any liability for the contractually-required OPEB contribution outstanding at the end of the year is included in pension obligation payable on both the accrual and modified accrual basis of accounting.

Ohio Public Employees Retirement System

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

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the traditional pension and the combined plans. This trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit 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 75. See OPERS' Comprehensive Annual Financial Report referenced below for additional information.

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

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

City of Huron, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2020

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2020, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2020. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2020 was 4.0 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$0 for 2020.

Ohio Police and Firemen's Disability and Pension Fund

Plan Description – The City contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored healthcare program, a cost-sharing, multiple-employer defined post-employment healthcare plan administered by a third-party provider. This program is not guaranteed and is subject to change at any time upon action of the Board of Trustees. OP&F provides health care benefits including coverage for medical, prescription drug, dental, vision, and Medicare Part B Premium to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to postretirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or statutory survivor benefit, 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 Government Accounting Standards Board (GASB) Statement No. 75.

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

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

City of Huron, Ohio

Notes to the Basic Financial Statements

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions for retiree health care benefits. For 2020, the portion of employer contributions allocated to health care was 0.5 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded.

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

The City's contractually required contribution to OP&F was \$10,288 for 2020. Of this amount, \$1,320 is reported as pension obligation payable.

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

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2018, rolled forward to the measurement date of December 31, 2019, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. OP&F's total OPEB liability was measured as of December 31, 2019, and was determined by rolling forward the total OPEB liability as of January 1, 2019, to December 31, 2019. The City's proportion of the net OPEB liability was based on the City's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Proportion of the net OPEB liability - prior measurement date	0.012767%	0.081870%	
Proportion of the net OPEB liability - current measurement date	<u>0.012339%</u>	<u>0.085382%</u>	
Change in proportionate share	<u>0.000428%</u>	<u>-0.003512%</u>	
Proportionate share of the net OPEB liability	\$ 1,704,336	\$ 843,381	\$ 2,547,717
OPEB expense	\$ 184,557	\$ 67,980	\$ 252,537

City of Huron, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2020

At December 31, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Deferred outflows of resources			
Differences between expected and actual experience	\$ 46	\$ -	\$ 46
Changes of assumptions	269,778	493,073	762,851
Changes in proportion and differences between City contributions and proportionate share of contributions	24,948	79,270	104,218
City contributions subsequent to the measurement date	-	10,288	10,288
Total deferred outflows of resources	<u>\$ 294,772</u>	<u>\$ 582,631</u>	<u>\$ 877,403</u>
Deferred inflows of resources			
Differences between expected and actual experience	\$ 155,869	\$ 90,697	\$ 246,566
Net difference between projected and actual earnings on OPEB plan investments	86,784	38,809	125,593
Changes of assumptions	-	179,737	179,737
Changes in proportion and differences between City contributions and proportionate share of contributions	33,373	157,406	190,779
Total deferred inflows of resources	<u>\$ 276,026</u>	<u>\$ 466,649</u>	<u>\$ 742,675</u>

\$10,288 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending December 31, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Year ending December 31:			
2021	\$ 47,756	\$ 14,682	\$ 62,438
2022	8,004	14,682	22,686
2023	69	22,643	22,712
2024	(37,083)	10,092	(26,991)
2025	-	19,960	19,960
Thereafter	-	23,635	23,635
Total	<u>\$ 18,746</u>	<u>\$ 105,694</u>	<u>\$ 124,440</u>

City of Huron, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2020

Actuarial Assumptions - OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2018, rolled forward to the measurement date of December 31, 2019. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Experience study	5 - year period ended December 31, 2015
Wage inflation	3.25 percent
Projected salary increases	3.25 to 10.75 percent (includes wage inflation at 3.25 percent)
Single discount rate:	
Current measurement date	3.16 percent
Prior measurement date	3.96 percent
Investment rate of return	6.00 percent
Municipal bond rate	2.75 percent
Health care cost trend rate	10.0 percent, initial 3.5 percent, ultimate in 2030
Actuarial cost method	Individual entry age normal

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

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

City of Huron, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2020

During 2019, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio is 19.7 percent for 2019.

The allocation of investment assets with the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the Board-approved asset allocation policy for 2019 and the long-term expected real rates of return:

<u>Asset class</u>	<u>Target allocation</u>	<u>Weighted average long-term expected real rate of return (arithmetic)</u>
Fixed income	36.00%	1.53%
Domestic equities	21.00%	5.75%
Real estate investment trust	6.00%	5.69%
International equities	23.00%	7.66%
Other investments	<u>14.00%</u>	<u>4.90%</u>
Total	<u>100.00%</u>	<u>4.55%</u>

Discount Rate A single discount rate of 3.16 percent was used to measure the OPEB liability on the measurement date of December 31, 2019. A single discount rate of 3.96 percent was used to measure the OPEB liability on the measurement date of December 31, 2018. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00 percent and a municipal bond rate of 2.75 percent. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2034. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, and the municipal bond rate was applied to all health care costs after that date.

City of Huron, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2020

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate The following table presents the City's proportionate share of the net OPEB liability calculated using the single discount rate of 3.16 percent, as well as what the City's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.16 percent) or one-percentage-point higher (4.16 percent) than the current rate:

	1% Decrease <u>(2.16%)</u>	Current discount rate <u>(3.16%)</u>	1% Increase <u>(4.16%)</u>
Proportionate share of the net OPEB liability	\$ 2,230,398	\$ 1,704,336	\$ 1,283,133

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

	1% Decrease <u></u>	Current health care cost trend rate <u>assumption</u>	1% Increase <u></u>
Proportionate share of the net OPEB liability	\$1,654,043	\$1,704,336	\$1,753,989

City of Huron, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2020

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2020 is 10.50 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries' project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.50 percent in the most recent valuation.

Actuarial Assumptions – OP&F

OP&F's total OPEB liability as of December 31, 2019, is based on the results of an actuarial valuation date of January 1, 2019, and rolled-forward using generally accepted actuarial procedures. The total OPEB liability is determined by OP&F's actuaries in accordance with GASB Statement No. 74, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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

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

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

City of Huron, Ohio

Notes to the Basic Financial Statements For the Year Ended December 31, 2020

Valuation date	January 1, 2019, with actuarial liabilities rolled forward to December 31, 2019
Actuarial cost method	Entry age normal
Investment rate of return	8.0 percent
Projected salary increases	3.75 percent to 10.5 percent
Payroll growth	Inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent
Single discount rate:	
Current measurement date	3.56 percent
Prior measurement date	4.66 percent
Cost of living adjustments	3.00 percent simple; 2.2 percent simple for increased based on the lesser of the increase in CPI and 3 percent

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

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

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

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

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

The OP&F health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 11.

Discount Rate For 2019, the total OPEB liability was calculated using the discount rate of 3.56 percent. For 2018, the total OPEB liability was calculated using the discount rate of 4.66 percent. The projection of cash flows used to determine the discount rate assumed the contribution from employers and from members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return 8 percent. Based on those assumptions, OP&F's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, a municipal bond rate of 2.75 percent at December 31, 2019 and 4.13 percent at

City of Huron, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2020

December 31, 2018, was blended with the long-term rate of 8 percent, which resulted in a blended discount rate of 3.56 percent for 2019 and 4.66 percent for 2018. The municipal bond rate was determined using the Bond Buyers General Obligation 20-year Municipal Bond Index Rate. The OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments until 2034. The long-term expected rate of return on health care investments was applied to projected costs through 2033, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate Net OPEB liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net OPEB liability calculated using the discount rate of 3.56 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.56 percent), or one percentage point higher (4.56 percent) than the current rate.

	1% Decrease <u>(2.56%)</u>	Current discount rate <u>(3.56%)</u>	1% Increase <u>(4.56%)</u>
City's proportionate share of the net OPEB liability	\$ 1,045,737	\$ 843,381	\$ 675,236

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

Changes between Measurement Date and Report Date There was a decrease in the discount rate from 4.66 percent at the prior measurement date to 3.56 percent at the current measurement date. There are no changes to benefit terms.

NOTE 13 – Jointly Governed Organizations

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

City of Huron, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2020

The Regional Income Tax Agency (RITA) is a regional council of governments formed to establish a central collection facility for the purpose of administering the income tax laws of the members and for the purpose of the collection of income taxes on behalf of each member. RITA currently has approximately 350 members in the council of governments. Each member has one representative to the council of governments and is entitled to one vote on items under consideration. RITA is administered by a nine-member board of trustees elected by the members of the council of governments. The board exercises total control over RITA's operation including budgeting, appropriating, contracting and designating management. Each participant's degree of control is limited to its representation on the council. For 2020, the City paid RITA \$84,375 for income tax collection services.

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 2020, the City contracted with several companies for various types of insurance as follows:

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

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

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

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

City of Huron, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2020

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

	<u>2020</u>	<u>2019</u>
Assets	\$ 57,336,499	\$ 54,973,597
Liabilities	<u>(16,156,805)</u>	<u>(16,440,940)</u>
Net Position	<u>\$ 41,179,694</u>	<u>\$ 38,532,657</u>

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

	Contributions to PEP
2019	\$ 74,269
2020	73,690

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

NOTE 15 - Contingencies

The City receives financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the City at December 31, 2020.

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

NOTE 16 – Interfund Transactions

Interfund transfers for the year ended December 31, 2020 consisted of the following:

City of Huron, Ohio

Notes to the Basic Financial Statements For the Year Ended December 31, 2020

Transfers from general fund to:	
Fire levy fund	\$ 200,000
Capital improvement fund	235,000
Nonmajor governmental funds	<u>269,958</u>
	<u>704,958</u>
Transfers from fire levy fund to:	
Nonmajor governmental funds	<u>272,000</u>
Transfers from nonmajor governmental funds to:	
General fund	57,085
Capital improvement fund	20,000
Other nonmajor governmental funds	<u>270,000</u>
	<u>347,085</u>
	<u>\$ 1,324,043</u>

During the year, capital assets in the amount of \$48,685 were transferred from the electric enterprise fund to governmental activities. This amount is being reported as a transfer between governmental activities and business-type activities on the statement of activities.

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

The above-mentioned transfers from the general fund were used to move unrestricted revenues to finance various programs accounted for in other funds in accordance with budgetary authorizations. More specifically, transfers were made to account for pension contributions, severance payments, capital reserves and debt payments.

NOTE 17 – Related Party Transactions

A City Councilman's spouse owns an apparel business that the City has used for t-shirt screen printing, uniform alterations and has made various purchases of merchandise. The total of these transaction amounted to \$5,730 for 2020.

City of Huron, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2020

NOTE 18 – Tax Abatements

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

During 2020, the City abated property taxes within the Community Reinvestment Area while providing direct payments to the Huron City School District. The City’s property taxes were reduced by \$20,919 during 2020 for these abatements.

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

The City of Huron also has a Community Reinvestment Area Compensation Agreement with a local business receiving abated taxes. Under this agreement the business is to make annual payments equal for 5 percent of any abatement received for the prior year dedicated to the City’s fire and EMS operations. During the year the City received \$846 for this agreement.

NOTE 19 – Accountability

As of year-end two nonmajor funds had deficit balances:

<u>Fund</u>	<u>Amount</u>
Probation	\$ 1,412
Parks and Recreation	5,863

This deficit is largely the result of the recognition of liabilities in accordance with general accepted accounting principles. The general fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

City of Huron, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2020

NOTE 20 – Change in Accounting Principle and Restatement of Net Position

For 2020, the City implemented the Governmental Accounting Standards Board (GASB) Statement No. 84, “Fiduciary Activities.” GASB 84 establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists.

Due to the implementation of GASB Statement No. 84, the City will no longer be reporting agency funds. The City reviewed its agency funds and certain funds will be reported in the new fiduciary fund classification of custodial funds, while other funds have been reclassified as governmental funds. These fund reclassifications were incorporated in the City’s fiscal year 2020 financial statements; however, there was no effect on beginning net position or fund balance.

NOTE 21 – Coronavirus 2019 (COVID-19)

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the City. The City’s investment portfolio and the investments of the pension and other employee benefit plans in which the City participates have incurred a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the City’s future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

NOTE 22 – Subsequent events

Following the close of the year, the City issued debt to finance infrastructure improvements. The debt was in the form of bonds as summarized below:

<u>Date</u>	<u>Purpose</u>	<u>Amount</u>
February 23, 2021	Municipal electric system	\$ 1,500,000
September 14, 2021	Improvements to US-6	\$ 300,000

Required Supplementary Information

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

	2020	2019	2018	2017
Ohio Public Employees Retirement System - Traditional Plan				
City's proportion of the net pension liability	0.011900%	0.012372%	0.011652%	0.011935%
City's proportionate share of the net pension liability	\$ 2,352,116	\$ 3,388,440	\$ 1,827,973	\$ 2,710,236
City's covered employee payroll	\$ 1,658,336	\$ 1,721,107	\$ 1,375,200	\$ 1,284,317
City's proportionate share of the net pension liability as a percentage of its covered payroll	141.84%	196.88%	132.92%	211.03%
Plan fiduciary net position as a percentage of total pension liability	82.17%	74.70%	84.66%	77.25%
	2020	2019	2018	2017
Ohio Police and Fire Pension Fund				
City's proportion of the net pension liability	0.085382%	0.081870%	0.080296%	0.085667%
City's proportionate share of the net pension liability	\$ 5,751,788	\$ 6,682,756	\$ 4,928,123	\$ 5,426,094
City's covered employee payroll	\$ 2,109,464	\$ 1,856,009	\$ 1,666,889	\$ 1,549,266
City's proportionate share of the net pension liability as a percentage of its covered payroll	272.67%	360.06%	295.65%	350.24%
Plan fiduciary net position as a percentage of total pension liability	69.89%	63.07%	70.91%	68.36%

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

(2) Restated during 2015.

<u>2016</u>	<u>2015</u>	<u>2014</u>
0.011173%	0.010859%	0.010859%
\$ 1,935,304	\$ 1,309,717	\$ 1,280,135
\$ 1,192,242	\$ 1,372,800	\$ 1,369,577
162.32%	95.40%	93.47%
81.08%	86.45%	86.36%

<u>2016</u>	<u>2015</u>	<u>2014</u>
0.088247%	0.089316%	0.089316%
\$ 5,677,011	\$ 4,626,946	\$ 4,349,974
\$ 1,797,526	\$ 1,852,083	\$ 1,882,857
315.82%	249.82%	231.03%
66.77%	71.71%	73.00% (2)

City of Huron, Ohio
Required Supplementary Information
Schedule of the City's Contributions - Pension
Last Eight Years (1)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Ohio Public Employees Retirement System - Traditional Plan				
Contractually required contribution	\$ 245,296	\$ 232,167	\$ 240,955	\$ 178,776
Contributions in relation to contractually required contribution	<u>(245,296)</u>	<u>(232,167)</u>	<u>(240,955)</u>	<u>(178,776)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City covered payroll	\$ 1,752,114	\$ 1,658,336	\$ 1,721,107	\$ 1,375,200
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	13.00%
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Ohio Police and Fire Pension Fund				
Contractually required contribution	\$ 442,019	\$ 448,261	\$ 394,402	\$ 354,214
Contributions in relation to contractually required contribution	<u>(442,019)</u>	<u>(448,261)</u>	<u>(394,402)</u>	<u>(354,214)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City covered payroll	\$ 2,080,089	\$ 2,109,464	\$ 1,856,009	\$ 1,666,889
Contributions as a percentage of covered payroll	21.25%	21.25%	21.25%	21.25%

(1) Information prior to 2013 is not available.

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
\$ 154,118	\$ 143,069	\$ 164,736	\$ 178,045
<u>(154,118)</u>	<u>(143,069)</u>	<u>(164,736)</u>	<u>(178,045)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,284,317	\$ 1,192,242	\$ 1,372,800	\$ 1,369,577
12.00%	12.00%	12.00%	13.00%

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
\$ 329,219	\$ 361,123	\$ 377,084	\$ 321,592
<u>(329,219)</u>	<u>(361,123)</u>	<u>(377,084)</u>	<u>(321,592)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,549,266	\$ 1,797,526	\$ 1,852,083	\$ 1,882,857
21.25%	20.09%	20.36%	17.08%

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017 (2)</u>
Ohio Public Employees Retirement System				
City's proportion of the net OPEB liability	0.012339%	0.012767%	0.012092%	0.012420%
City's proportionate share of the net OPEB liability	\$ 1,704,336	\$ 1,664,515	\$ 1,313,102	\$ 1,254,462
City's covered employee payroll	\$ 1,658,336	\$ 1,721,107	\$ 1,511,200	\$ 1,459,450
City's proportionate share of the net OPEB liability as a percentage of its covered payroll	102.77%	96.71%	86.89%	85.95%
Plan fiduciary net position as a percentage of total OPEB liability	47.80%	46.33%	54.14%	54.05%
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017 (2)</u>
Ohio Police and Fire Pension Fund				
City's proportion of the net OPEB liability	0.085382%	0.081870%	0.080296%	0.085667%
City's proportionate share of the net OPEB liability	\$ 843,381	\$ 745,552	\$ 4,549,459	\$ 4,066,439
City's covered employee payroll	\$ 2,097,400	\$ 1,854,200	\$ 1,681,000	\$ 1,567,000
City's proportionate share of the net OPEB liability as a percentage of its covered payroll	40.21%	40.21%	270.64%	259.50%
Plan fiduciary net position as a percentage of total OPEB liability	47.10%	46.57%	14.13%	15.96%

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

(2) Restated during 2017.

Intentionally left blank.

City of Huron, Ohio
Required Supplementary Information
Schedule of the City's Contributions - OPEB
Last Eight Years (1)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Ohio Public Employees Retirement System				
Contractually required contribution	\$ -	\$ -	\$ -	\$ 15,112
Contributions in relation to contractually required contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>(15,112)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City covered payroll	\$ 1,752,114	\$ 1,658,336	\$ 1,721,107	\$ 1,511,200
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	1.00%

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Ohio Police and Fire Pension Fund				
Contractually required contribution	\$ 10,288	\$ 10,487	\$ 9,271	\$ 8,405
Contributions in relation to contractually required contribution	<u>(10,288)</u>	<u>(10,487)</u>	<u>(9,271)</u>	<u>(8,405)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City covered payroll	\$ 2,057,600	\$ 2,097,400	\$ 1,854,200	\$ 1,681,000
Contributions as a percentage of covered payroll	0.50%	0.50%	0.50%	0.50%

(1) Information prior to 2013 is not available.

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

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
\$ 7,835	\$ 8,455	\$ 8,837	\$ 66,507
<u>(7,835)</u>	<u>(8,455)</u>	<u>(8,837)</u>	<u>(66,507)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,567,000	\$ 1,691,000	\$ 1,767,400	\$ 1,764,111
0.50%	0.50%	0.50%	3.77%

City of Huron, Ohio
Notes to Required Supplementary Information
For the Year Ended December 31, 2020

Pension

Ohio Public Employees Retirement System (OPERS) - Traditional Plan

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

Changes in assumptions: There was a change in methods and assumptions used in the calculation of actuarial determined contributions for 2020. See the notes to the basic financial statements for the methods and assumptions in this calculation.

Ohio Police and Fire Pension Fund

Changes in benefit terms: There were no significant changes in benefit terms during 2020.

Changes in assumptions: There was a change in methods and assumptions used in the calculation of actuarial determined contributions for 2020. See the notes to the basic financial statements for the methods and assumptions in this calculation.

OPEB

Ohio Public Employees Retirement System (OPERS)

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

Changes in assumptions: There was no change in methods and assumptions used in the calculation of actuarial determined contributions for 2020. See the notes to the basic financial statements for the methods and assumptions in this calculation.

Ohio Police and Fire Pension Fund

Changes in benefit terms: There were no significant changes in benefit terms during 2020.

Changes in assumptions: There was no change in methods and assumptions used in the calculation of actuarial determined contributions for 2020. See the notes to the basic financial statements for the methods and assumptions in this calculation.

**CITY OF HURON
ERIE COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2020**

FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Total Federal Expenditures
U.S. DEPARTMENT OF TRANSPORTATION			
<i>Passed Through Ohio Department of Transportation</i>			
<u>Highway Planning and Construction Cluster:</u>			
Highway Planning and Construction	20.205	PID 100421	\$ 642,284
Highway Planning and Construction	20.205	PID 103735	42,220
Total Highway Planning and Construction Cluster			<u>684,504</u>
Total U.S. Department of Transportation			<u>684,504</u>
U.S. DEPARTMENT OF TREASURY			
<i>Passed Through Erie County</i>			
COVID-19 Coronavirus Relief Fund	21.019	HB481-CRF-Local	<u>462,114</u>
Total U.S. Department of Treasury			<u>462,114</u>
U.S. DEPARTMENT OF HOMELAND SECURITY			
<i>Direct Program</i>			
Assistance to Firefighters Grant	97.044	N/A	<u>146,971</u>
Total U.S. Department of Homeland Security			<u>146,971</u>
Total Expenditures of Federal Awards			<u>\$ 1,293,589</u>

The accompanying notes are an integral part of this schedule.

**CITY OF HURON
ERIE COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED DECEMBER 31, 2020**

NOTE A - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the City of Huron, Erie County, Ohio (the City) under programs of the federal government for the year ended December 31, 2020. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

NOTE C - INDIRECT COST RATE

The City has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE D - MATCHING REQUIREMENTS

Certain federal programs require the City to contribute non-federal funds (matching funds) to support the federally-funded programs. The City has met its matching requirements. The Schedule does not include the expenditure of non-federal matching funds.

OHIO AUDITOR OF STATE KEITH FABER



88 East Broad Street
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(800) 282-0370

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 44839-1652

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, Ohio, (the City) as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated July 15, 2022, wherein we noted the City adopted Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. We also noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the City.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the City's internal control over financial reporting (internal control) as a basis for designing 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. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2020-001 to be a material weakness.

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 financial statements. 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*.

City's Response to Finding

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and corrective action plan. We did not subject the City's response to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

July 15, 2022

OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

City of Huron
Erie County
417 Main Street
Huron, Ohio 44839-1652

To the City Council:

Report on Compliance for the Major Federal Program

We have audited the City of Huron, Erie County, Ohio's (the City) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the City of Huron's major federal program for the year ended December 31, 2020. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the City's major federal program.

Management's Responsibility

The City's management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

Auditor's Responsibility

Our responsibility is to opine on the City's compliance for the City's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the City's major program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on the Major Federal Program

In our opinion, the City of Huron complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended December 31, 2020.

Report on Internal Control Over Compliance

The City's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the City's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on the major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program's compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

July 15, 2022

**CITY OF HURON
ERIE COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2020**

1. SUMMARY OF AUDITOR'S RESULTS
--

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material weaknesses in internal control reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Program's Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	No
(d)(1)(vii)	Major Program (list):	Highway Planning and Construction Cluster
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR § 200.520?	No

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

FINDING NUMBER 2020-001

Material Weakness - Financial Reporting

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16. Governmental Accounting Standards Board (GASB) Cod. 1100 paragraph .101 states a governmental accounting system must make it possible both: (a) to present fairly and with full disclosure the funds and activities of the governmental unit in conformity with generally accepted accounting principles, and (b) to determine and demonstrate compliance with finance-related legal and contractual provisions.

The following errors requiring adjustments to the basic financial statements were identified:

- Governmental Activities capital grants and contributions program revenues and transportation expenses were both overstated in the amount of \$305,944 on the Statement of Activities; and
- Capital Improvement Fund intergovernmental revenues and transportation expenditures were both overstated in the amount of \$305,944 on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.

These errors were due to the former Finance Director recording on-behalf-of Ohio Department of Transportation (ODOT) grant transactions related to the year ended December 31, 2019 in the City's accounting records for the year ended December 31, 2020. These errors were not identified and corrected prior to the City filing its basic financial statements due to deficiencies in the City's internal controls over financial statement monitoring and review of annual financial reports prior to filing in the Hinkle System. The failure to adequately monitor and review basic financial statements could allow for misstatements to occur and go undetected. The accompanying basic financial statements have been adjusted to reflect these changes. In addition to the adjustments noted above, we also identified additional misstatements ranging from \$11,078 to \$157,825 that we have brought to the City's attention.

To help ensure the City's basic financial statements and notes to the basic financial statements are complete and accurate, the City should adopt policies and procedures, including a review of the accounting records as well as a final review of the basic financial statements and notes to the basic financial statements by the Finance Director and City Council to help identify and correct errors and omissions.

Officials' Response:

The capital grant misstatement of \$305,944 was from grant money paid directly from the State to a contractor for an Ohio Department of Transportation (ODOT) project near the end of 2019. The payment and equal receipt were identified from the City's internal controls and included as a manual adjustment in the financial statements for 2019. Since the grant activity was missing from the City's ledgers in 2019, a correction posting was made in 2020. The 2020 ledger postings should have been reversed with a manual adjustment during the preparation of the 2020 financial statements because the activity was already reported in 2019.

This was an isolated incident and unlikely to happen again.

3. FINDINGS FOR FEDERAL AWARDS

None



CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
DECEMBER 31, 2020

Finding Number: 2020-001
Planned Corrective Action: The Finance Director and City Manager will ensure a review of the financial statements is completed in the future to identify and correct errors and omissions in GAAP conversion reporting.
Anticipated Completion Date: April 27, 2022
Responsible Contact Person: Jeff Hall, Finance Director

OHIO AUDITOR OF STATE KEITH FABER



CITY OF HURON

ERIE COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 7/28/2022

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

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