

CITY OF HURON

ERIE COUNTY

Audit Report

For the Year Ended December 31, 2009

CHARLES E. HARRIS & ASSOCIATES, INC.
Certified Public Accountants and Government Consultants



Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Report of Independent Accountants* of the City of Huron, Erie County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2009 through December 31, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The City of Huron is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

September 24, 2010

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**CITY OF HURON
 ERIE COUNTY
 AUDIT REPORT
 For the Year Ending December 31, 2009**

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REPORT OF INDEPENDENT ACCOUNTANTS

**City of Huron
Erie County
417 Main Street
Huron, OH 44839**

To the City Council:

We have audited the accompanying basic financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Huron, Erie County (the City), as of and for the year ended December 31, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Huron as of December 31, 2009, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the General Fund and the Fire Levy Fund for the year ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 29, 2010 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, grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Charles E. Harris & Associates, Inc.
June 29, 2010

City of Huron, Ohio

Management's Discussion and Analysis

For the Year Ended December 31, 2009

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, 2009. 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 2009 are as follows:

- For governmental activities, net assets increased \$7,140,414, which represents a significant increase from 2008. This large increase is due to capital contributions in the amount of \$4,980,470. Net assets of business-type related activities increased \$573,885 or 12.3 percent from 2008.
- General revenues, for governmental activities, accounted for \$8,316,664 or 59.15 percent of total governmental activities revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$5,743,854 or 40.85 percent of total governmental revenues of \$14,060,518.
- The City had \$6,923,454 in expenses related to governmental activities; only \$5,743,854 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) and unrestricted grants of \$8,316,664 were adequate to provide for these programs.
- Net assets for enterprise funds increased \$573,885. Total enterprise expenses were \$1,509,741; all of these expenses were offset by program specific charges for services and sales.

Overview of the Financial Statements

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

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

City of Huron, Ohio

Management's Discussion and Analysis

For the Year Ended December 31, 2009

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The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets changed during the recent fiscal year. All changes in net assets 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 enterprise fund.

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

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

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

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

City of Huron, Ohio

Management's Discussion and Analysis

For the Year Ended December 31, 2009

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The City maintains 31 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances, for the general fund the fire levy special revenue fund, and the capital improvement capital project fund which are considered to be major funds. Data from the other 28 governmental funds are combined into single aggregate presentation.

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

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

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

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

Notes to the Basic Financial Statements The notes provide additional information that is essential for a full understanding of the data provided in the government wide and fund financial statements. The notes to the basic financial statements can be found beginning on page 28 of this report.

City of Huron, Ohio

Management's Discussion and Analysis

For the Year Ended December 31, 2009

Unaudited

Government-Wide Financial Analysis

While this document contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole looks at all financial transactions and answers the question, "How did we do financially during 2009?" The statement of net assets 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 assets and the changes in those assets. The change in assets is important because it tells the reader whether, for the City as a whole, the financial position of the City has improved or declined. However, in evaluating the overall position of the City, non-financial information such as changes in the City's tax base and the condition of City capital assets will also need to be evaluated.

The City of Huron as a Whole

Recall that the Statement of Net Assets looks at the City as a whole. Table 1 provides a summary of the City's net assets for 2009 compared to 2008:

Table 1
Net Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Assets:						
Current and other assets	\$ 5,449,651	\$ 4,793,069	\$ 3,325,972	\$ 3,011,859	\$ 8,775,623	\$ 7,804,928
Capital assets	<u>11,342,562</u>	<u>4,301,196</u>	<u>5,700,672</u>	<u>5,882,987</u>	<u>17,043,234</u>	<u>10,184,183</u>
Total assets	<u>16,792,213</u>	<u>9,094,265</u>	<u>9,026,644</u>	<u>8,894,846</u>	<u>25,818,857</u>	<u>17,989,111</u>
Liabilities:						
Current liabilities	2,308,472	1,489,832	89,787	104,335	2,398,259	1,594,167
Long-term liabilities:						
Due within one year	391,420	366,788	509,682	461,206	901,102	827,994
Due in more than one year	<u>2,199,322</u>	<u>2,485,060</u>	<u>3,187,746</u>	<u>3,663,761</u>	<u>5,387,068</u>	<u>6,148,821</u>
Total liabilities	<u>4,899,214</u>	<u>4,341,680</u>	<u>3,787,215</u>	<u>4,229,302</u>	<u>8,686,429</u>	<u>8,570,982</u>
Net Assets:						
Invested in capital assets, net of related debt	9,301,447	2,036,113	2,124,389	1,858,254	11,425,836	3,894,367
Restricted net assets	1,647,006	1,733,710	-	-	1,647,006	1,733,710
Unrestricted net assets	<u>944,546</u>	<u>982,762</u>	<u>3,115,040</u>	<u>2,807,290</u>	<u>4,059,586</u>	<u>3,790,052</u>
Total net assets	<u>\$ 11,892,999</u>	<u>\$ 4,752,585</u>	<u>\$ 5,239,429</u>	<u>\$ 4,665,544</u>	<u>\$ 17,132,428</u>	<u>\$ 9,418,129</u>

City of Huron, Ohio

Management's Discussion and Analysis

For the Year Ended December 31, 2009

Unaudited

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. For the City, total assets exceed total liabilities by \$17,132,428 at the close of the most recent year. This amounts to \$11,892,999 in governmental activities and \$5,239,429 in business-type activities.

Capital assets reported on the government-wide statements represent the largest portion of the City's assets. At year-end, capital assets represented 66.7 percent of total governmental and business-type assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, equipment and furniture and infrastructure. Capital assets, net of related debt to acquire the assets at December 31, 2009, were \$11,425,836. These capital assets are used to provide services to citizens and are not available for future spending.

Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities. As of December 31, 2009, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

A portion of the City's governmental net assets, \$1,647,006 or 13.8 percent, represent resources that are subject to external restrictions on how they may be used. Of the total restricted net assets, \$32,903 is restricted for debt service, \$346,460 is restricted for capital projects and \$1,267,643 is restricted for other purposes. The governmental activities unrestricted net assets of \$944,546 may be used to meet the government's ongoing obligations to citizens and creditors.

City of Huron, Ohio

Management's Discussion and Analysis

For the Year Ended December 31, 2009

Unaudited

Table 2 below shows the changes in net assets for governmental and business-type activities for year 2009 compared to 2008:

Table 2
Changes in Net Assets

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Revenues						
Program revenues:						
Charges for services and sales	\$ 2,104,218	\$ 2,471,261	\$ 2,085,476	\$ 2,138,569	\$ 4,189,694	\$ 4,609,830
Operating grants and contributions	3,639,636	901,710	-	-	3,639,636	901,710
General revenues:						
Income taxes	2,073,361	2,044,712	-	-	2,073,361	2,044,712
Property taxes	898,191	943,932	-	-	898,191	943,932
Payment in lieu of tax	-	1,292	-	-	-	1,292
Intergovernmental	328,929	593,889	-	-	328,929	593,889
Capital contributions	4,980,470	-	-	-	4,980,470	-
Interest	22,658	102,129	1,500	1,500	24,158	103,629
Sale of capital asset	-	5,276	-	-	-	5,276
Miscellaneous	13,055	1,540	-	-	13,055	1,540
Total revenues	<u>14,060,518</u>	<u>7,065,741</u>	<u>2,086,976</u>	<u>2,140,069</u>	<u>16,147,494</u>	<u>9,205,810</u>
Program Expenses						
Governmental Activities:						
General government	1,043,129	1,262,880	-	-	1,043,129	1,262,880
Security of persons and property	3,284,970	3,581,392	-	-	3,284,970	3,581,392
Public works	688,060	572,162	-	-	688,060	572,162
Leisure time activities	733,785	612,644	-	-	733,785	612,644
Transportation	1,032,342	571,771	-	-	1,032,342	571,771
Other	35,804	24,959	-	-	35,804	24,959
Interest and fiscal charges	105,364	111,298	-	-	105,364	111,298
Business-type Activities:						
Water	-	-	1,509,741	1,392,638	1,509,741	1,392,638
Total program expenses	<u>6,923,454</u>	<u>6,737,106</u>	<u>1,509,741</u>	<u>1,392,638</u>	<u>8,433,195</u>	<u>8,129,744</u>
Change in net assets before transfers						
	7,137,064	328,635	577,235	747,431	7,714,299	1,076,066
Transfers						
	<u>3,350</u>	<u>9,467</u>	<u>(3,350)</u>	<u>(9,467)</u>	<u>-</u>	<u>-</u>
Change in net assets	7,140,414	338,102	573,885	737,964	7,714,299	1,076,066
Net assets beginning of year						
	<u>4,752,585</u>	<u>4,414,483</u>	<u>4,665,544</u>	<u>3,927,580</u>	<u>9,418,129</u>	<u>8,342,063</u>
Net assets end of year	<u>\$ 11,892,999</u>	<u>\$ 4,752,585</u>	<u>\$ 5,239,429</u>	<u>\$ 4,665,544</u>	<u>\$ 17,132,428</u>	<u>\$ 9,418,129</u>

City of Huron, Ohio

Management's Discussion and Analysis

For the Year Ended December 31, 2009

Unaudited

Governmental Activities

Security of persons and property, which primarily supports the operations of the City's police, fire and emergency medical services, accounts for \$3,284,970 of expenses, or 47.4 percent of total governmental expenses of the City. These expenses were funded by \$1,539,260 in charges to users of services and operating grants. General government expenses which primarily include support departments of the mayor, council, finance, engineering, law and other adjunct support services not specifically related to a specific function or activity; totaled \$1,043,129 or 15.1 percent of total governmental expenses. General government expenses were partially covered by \$260,089 of direct charges to users and operating grants.

General revenues totaled \$8,316,664, and amounted to 59.15 percent of total revenues. These revenues primarily consist of property and income tax revenue of \$2,971,552, or 35.7 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 2009, these revenues totaled \$328,929 or 4 percent of the total general revenues. During 2009, the City received a capital contribution for land totaling \$4,980,470 or 59.9 percent of the total general revenues.

The net assets for the internal service fund increased \$10,087. This increase was mainly attributable to an increase in charges for services.

Business-type Activities

The water fund represents the City's business-type activities. This program has program revenues of \$2,085,476, and expenses of \$1,509,741, respectively, for the year ended 2009. Business-type activities had an increase in net assets of \$573,885. For this year, the increase in net assets was attributed to operating activities.

Charges for services were the largest program revenue in the business-type activities, accounting for \$2,085,476 or 99.9 percent of the total business-type revenues. The majority of the receipts were used to fund the water operations.

Program Expenses

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for government-wide activities, the total cost of services and the net cost of services for 2009 compared to 2008. That is, it identifies the cost of these services supported by general revenues.

City of Huron, Ohio

Management's Discussion and Analysis

For the Year Ended December 31, 2009

Unaudited

Table 3
Program Expenses

	<u>2009</u>		<u>2008</u>		<u>Net Change</u>	
	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
<i>Governmental Activities:</i>						
General government	\$ 1,043,129	\$ (783,040)	\$ 1,262,880	\$ (1,042,994)	\$ (219,751)	\$ 259,954
Security of persons and property	3,284,970	(1,745,710)	3,581,392	(2,111,972)	(296,422)	366,262
Public works	688,060	(72,290)	572,162	46,281	115,898	(118,571)
Basic utility service	-	46,138	-	4,064	-	42,074
Leisure time activities	733,785	(166,498)	612,644	(230,298)	121,141	63,800
Transportation	1,032,342	1,682,868	571,771	107,006	460,571	1,575,862
Other	35,804	(35,704)	24,959	(24,924)	10,845	(10,780)
Interest and fiscal charges	105,364	(105,364)	111,298	(111,298)	(5,934)	5,934
<i>Business-Type Activities:</i>						
Water	<u>1,509,741</u>	<u>575,735</u>	<u>1,392,638</u>	<u>745,931</u>	<u>117,103</u>	<u>(170,196)</u>
Total expenses	<u>\$ 8,433,195</u>	<u>\$ (603,865)</u>	<u>\$ 8,129,744</u>	<u>\$ (2,618,204)</u>	<u>\$ 303,451</u>	<u>\$ 2,014,339</u>

Financial Analysis of City Funds

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

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

As of December 31, 2009, the City's governmental funds reported a combined ending fund balance of \$2,252,502, a decrease of \$266,662 in comparison with the prior year. \$647,196 is reserved to indicate that it is not available for new spending because it has already been committed to liquidate contracts and purchase orders of the prior year. While some of the governmental fund balances are not reserved in the governmental fund statements, they lead to restricted net assets on the Statement of Net Assets 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 2009, unreserved fund balance was \$712,730 while total fund balance was \$723,606. As a measure of the general fund's liquidity it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. The fund balance of the City's general fund decreased, by \$111,274 during 2009. This decrease was caused not by any specific event, overall the revenues decreased \$464,056 and expenditures decreased \$36,404.

City of Huron, Ohio

Management's Discussion and Analysis

For the Year Ended December 31, 2009

Unaudited

Table 4 below reports year 2009 balances compared to 2008:

Table 4
Change in Fund Balance

	Fund Balance		Increase (Decrease)	Percent Change
	December 31, 2009	December 31, 2008		
General	\$ 723,606	\$ 834,880	\$ (111,274)	-13.3%
Fire Levy	63,417	124,318	(60,901)	-49.0%
Capital Improvement	229,060	418,218	(189,158)	-45.2%
Other Governmental Funds	1,236,419	1,141,748	94,671	8.3%
	<u>\$ 2,252,502</u>	<u>\$ 2,519,164</u>	<u>\$ (266,662)</u>	

Table 5 below assists in illustrating the financial activities for the general fund of year 2009 balances compared to 2008:

Table 5
Change in Financial Activities for the General Fund

	December 31, 2009	December 31, 2008	Increase (Decrease)	Percent Change
<u>Revenues:</u>				
Income tax	\$ 2,001,129	\$ 2,143,428	\$ (142,299)	-6.6%
Property and other taxes	278,171	308,896	(30,725)	-9.9%
Charges for services	642,858	656,640	(13,782)	-2.1%
Licenses and permits	98,940	94,765	4,175	0.0%
Fines and forfeitures	315,403	333,266	(17,863)	-5.4%
Intergovernmental	415,968	647,342	(231,374)	-35.7%
Investment income	19,658	99,129	(79,471)	-80.2%
Other	125,010	77,727	47,283	60.8%
Total revenue	<u>\$ 3,897,137</u>	<u>\$ 4,361,193</u>	<u>\$ (464,056)</u>	
<u>Expenditures:</u>				
Current:				
General government	880,889	973,056	(92,167)	-9.5%
Safety services	1,320,812	1,353,247	(32,435)	-2.4%
Public health and welfare	649,563	568,796	80,767	14.2%
Other	10,204	2,773	7,431	0.0%
Total expenditures	<u>\$ 2,861,468</u>	<u>\$ 2,897,872</u>	<u>\$ (36,404)</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 operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's other programs and activities. The City uses an internal service fund to account for the self-insurance program and employee benefits.

City of Huron, Ohio

Management's Discussion and Analysis

For the Year Ended December 31, 2009

Unaudited

As of December 31, 2009, net assets for the City's enterprise funds were \$5,239,429. Of that total, \$3,115,040 represents unrestricted net assets that are available for spending at the City's discretion. As of December 31, 2009, unrestricted net assets in the self-insurance program were \$(14,119).

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 funds are the general and fire levy funds. During the course of 2009 the City amended its general and fire levy funds budget on various occasions. All recommendations for budget changes come to the Finance Committee of City Council for review before going to the whole Council for ordinance enactment on the change. The City allows small interdepartmental budget changes that modify line items within departments within the same fund. The general fund supports many of the City's major activities such as the Police Department and the Fire Department as well as most legislative and executive activities. The general and fire levy fund are monitored closely, looking for possible revenue shortfalls or overspending by individual departments.

The general fund original and final budgeted revenues were greater than the actual revenue amount by \$474,937 and \$208,390, respectively. This difference was caused mainly due to decrease in income taxes.

The general fund original budgeted expenditures exceeded the final budgeted expenditures by \$116,746. Actual expenditures for the year were \$116,736 less than the final budgeted amounts. There were no individually significant events that led to these differences.

The fire levy fund final budgeted revenues and actual revenues were greater than the original amount by \$41,877 and \$23,737, respectively. This difference was caused mainly due to an increase in charges for services and an increase in property taxes.

The fire levy fund final budgeted expenditures exceeded the original budgeted expenditures by \$35,880. Actual expenditures for the year were \$88,993 less than the final budgeted amounts. There were no individually significant events that led to these differences.

Capital Assets and Debt Administration

Capital Assets - At the end of 2009, the City had \$17,043,234 (net of accumulated depreciation) invested in land, land improvements, buildings, equipment and furniture, vehicles, infrastructure and construction in progress. Of this total \$11,342,562 was reported in governmental activities and \$5,700,672 was reported in business-type activities. Table 4 shows fiscal year 2009 balances compared to 2008.

City of Huron, Ohio

Management's Discussion and Analysis

For the Year Ended December 31, 2009

Unaudited

Table 4
Capital Assets, at December 31
(Net of Depreciation)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Land	\$ 5,505,011	\$ 524,541	\$ 30,000	\$ 30,000	\$ 5,535,011	\$ 554,541
Land improvements	434,360	336,340	66,097	70,993	500,457	407,333
Buildings and improvements	2,344,638	2,320,040	1,818,761	1,870,166	4,163,399	4,190,206
Equipment and furniture	299,603	347,156	31,337	39,384	330,940	386,540
Vehicles	315,948	408,226	41,621	63,299	357,569	471,525
Infrastructure	220,536	225,408	3,688,670	3,785,559	3,909,206	4,010,967
Construction in progress	2,222,466	139,485	24,186	23,586	2,246,652	163,071
Total	<u>\$ 11,342,562</u>	<u>\$ 4,301,196</u>	<u>\$ 5,700,672</u>	<u>\$ 5,882,987</u>	<u>\$ 17,043,234</u>	<u>\$ 10,184,183</u>

During 2009, the City continued construction on the boat ramp project and received a capital contribution in the amount of \$4,980,470. For governmental activities these additions were offset by \$288,050 of accumulated depreciation. Depreciation expense for business-type activities was \$182,915.

Additional information concerning the City's capital assets can be found in Note 6 of the basic financial statements.

Long Term Debt - At December 31, 2009 the City had total long-term debt outstanding of \$5,617,398. Of this total, \$713,799 is due within one year and \$4,903,599 is due in more than one year. Table 5 below summarizes the bonds and loans outstanding:

Table 5
Outstanding Debt, at December 31

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
General obligation bonds	\$ 1,542,288	\$ 1,712,696	\$ 2,125,333	\$ 2,427,177	\$ 3,667,621	\$ 4,139,873
Notes	465,000	490,000	-	-	465,000	490,000
OWDA loan	-	-	1,450,950	1,597,556	1,450,950	1,597,556
Capital leases	33,827	62,387	-	-	33,827	62,387
Total	<u>\$ 2,041,115</u>	<u>\$ 2,265,083</u>	<u>\$ 3,576,283</u>	<u>\$ 4,024,733</u>	<u>\$ 5,617,398</u>	<u>\$ 6,289,816</u>

Additional information concerning the City's capital leases and debt can be found in Notes 8, 9, and 10 of the basic financial statements.

City of Huron, Ohio

Management's Discussion and Analysis

For the Year Ended December 31, 2009

Unaudited

Economic Factors

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

Requests for Information

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

City of Huron, Ohio

Statement of Net Assets

December 31, 2009

	Governmental Activities	Business-Type Activities	Total
<u>Assets:</u>			
Equity in pooled cash and cash equivalents	\$ 2,011,944	\$ 2,562,870	\$ 4,574,814
Receivables:			
Property and other taxes	1,012,409	-	1,012,409
Income tax	431,009	-	431,009
Accounts	77,128	571,919	649,047
Due from other governments	1,136,743	-	1,136,743
Special assessments	315,005	-	315,005
Accrued interest	6,152	-	6,152
Prepaid items	9,121	10,556	19,677
Materials and supplies inventory	2,913	180,627	183,540
Loans receivable	286,087	-	286,087
Land held for resale	161,140	-	161,140
Nondepreciable capital assets	7,727,477	54,186	7,781,663
Depreciable capital assets, net	3,615,085	5,646,486	9,261,571
Total assets	<u>16,792,213</u>	<u>9,026,644</u>	<u>25,818,857</u>
<u>Liabilities:</u>			
Accounts payable	847,383	22,292	869,675
Accrued wages and benefits	137,577	27,163	164,740
Compensated absences payable	20,736	-	20,736
Due to other governments	126,948	24,494	151,442
Pension obligation payable	120,806	7,802	128,608
Deferred revenue	799,040	-	799,040
Income tax refunds payable	46,353	-	46,353
Accrued interest payable	8,318	8,036	16,354
Claims payable	40,171	-	40,171
Notes payable	161,140	-	161,140
Long-term liabilities:			
Due within one year	391,420	509,682	901,102
Due in more than one year	2,199,322	3,187,746	5,387,068
Total liabilities	<u>4,899,214</u>	<u>3,787,215</u>	<u>8,686,429</u>
<u>Net assets:</u>			
Invested in capital assets, net of related debt	9,301,447	2,124,389	11,425,836
Restricted for:			
Capital projects	346,460	-	346,460
Debt service	32,903	-	32,903
Other purposes	1,267,643	-	1,267,643
Unrestricted	944,546	3,115,040	4,059,586
Total net assets	<u>\$ 11,892,999</u>	<u>\$ 5,239,429</u>	<u>\$ 17,132,428</u>

See accompanying notes to the basic financial statements.

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City of Huron, Ohio

Statement of Activities

For the Year Ended December 31, 2009

	Expenses	Program Revenues		
		Charges for Services and sales	Operating Grants, Contributions and Interest	Capital Grants and Contributions
<u>Governmental Activities:</u>				
General government	\$ 1,043,129	\$ 259,964	\$ 125	\$ -
Security of persons and property	3,284,970	834,459	704,801	-
Public works	688,060	615,770	-	-
Leisure time activities	733,785	339,280	228,007	-
Transportation	1,032,342	8,507	2,706,703	-
Basic utility services	-	46,138	-	-
Other	35,804	100	-	-
Interest and fiscal charges	105,364	-	-	-
Total governmental activities	<u>6,923,454</u>	<u>2,104,218</u>	<u>3,639,636</u>	<u>-</u>
<u>Business-Type Activities:</u>				
Water	<u>1,509,741</u>	<u>2,085,476</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 8,433,195</u>	<u>\$ 4,189,694</u>	<u>\$ 3,639,636</u>	<u>\$ -</u>

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

Transfers

Change in net assets
 Net assets at beginning of year
 Net assets at end of year

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and Changes in Net Assets

Primary Government

Governmental Activities	Business-Type Activities	Total
\$ (783,040)	\$ -	\$ (783,040)
(1,745,710)	-	(1,745,710)
(72,290)	-	(72,290)
(166,498)	-	(166,498)
1,682,868	-	1,682,868
46,138	-	46,138
(35,704)	-	(35,704)
(105,364)	-	(105,364)
<u>(1,179,600)</u>	<u>-</u>	<u>(1,179,600)</u>
-	575,735	575,735
<u>\$ (1,179,600)</u>	<u>\$ 575,735</u>	<u>\$ (603,865)</u>
287,584	-	287,584
610,607	-	610,607
2,073,361	-	2,073,361
328,929	-	328,929
4,980,470	-	4,980,470
22,658	1,500	24,158
13,055	-	13,055
<u>8,316,664</u>	<u>1,500</u>	<u>8,318,164</u>
<u>3,350</u>	<u>(3,350)</u>	<u>-</u>
7,140,414	573,885	7,714,299
<u>4,752,585</u>	<u>4,665,544</u>	<u>9,418,129</u>
<u>\$ 11,892,999</u>	<u>\$ 5,239,429</u>	<u>\$ 17,132,428</u>

City of Huron, Ohio

Balance Sheet

Governmental Funds

December 31, 2009

	General	Fire Levy	Capital Improvement	Other Governmental Funds	Total Governmental Funds
<u>Assets:</u>					
Equity in pooled cash and cash equivalents	\$ 571,529	\$ 118,932	\$ 249,715	\$ 1,041,102	\$ 1,981,278
Receivables:					
Income tax	431,009	-	-	-	431,009
Property and other taxes	344,962	563,363	-	104,084	1,012,409
Accounts	40,611	34,737	-	1,780	77,128
Special assessments	114	-	25,162	289,729	315,005
Accrued interest	5,629	-	-	523	6,152
Due from other governments	142,341	49,085	721,846	223,471	1,136,743
Materials and supplies inventory	-	-	-	2,913	2,913
Loans receivable	-	-	-	286,087	286,087
Prepaid items	-	6,142	-	2,979	9,121
Land held for resale	-	-	-	161,140	161,140
Total assets	<u>\$ 1,536,195</u>	<u>\$ 772,259</u>	<u>\$ 996,723</u>	<u>\$ 2,113,808</u>	<u>\$ 5,418,985</u>
<u>Liabilities:</u>					
Accounts payable	\$ 59,200	\$ 8,448	\$ 742,501	\$ 32,620	\$ 842,769
Accrued wages and benefits	67,205	46,892	-	23,480	137,577
Compensated absences payable	-	20,000	-	736	20,736
Pension obligation payable	13,573	9,000	-	98,233	120,806
Due to other governments	62,470	43,497	-	20,981	126,948
Deferred revenue	563,788	581,005	25,162	540,199	1,710,154
Income tax refunds payable	46,353	-	-	-	46,353
Notes payable	-	-	-	161,140	161,140
Total liabilities	<u>812,589</u>	<u>708,842</u>	<u>767,663</u>	<u>877,389</u>	<u>3,166,483</u>
<u>Fund balances:</u>					
Reserved for encumbrances	10,876	44,262	100,266	44,565	199,969
Reserved for assets held for resale	-	-	-	161,140	161,140
Reserved for loans receivable	-	-	-	286,087	286,087
Unreserved:					
Designated for employee benefits	-	-	-	36,597	36,597
Unreserved, undesignated,					
Reported in:					
General fund	712,730	-	-	-	712,730
Special revenue funds	-	19,155	128,794	668,059	816,008
Debt service fund	-	-	-	34,483	34,483
Capital projects fund	-	-	-	5,488	5,488
Total fund balances	<u>723,606</u>	<u>63,417</u>	<u>229,060</u>	<u>1,236,419</u>	<u>2,252,502</u>
Total liabilities and fund balances	<u>\$ 1,536,195</u>	<u>\$ 772,259</u>	<u>\$ 996,723</u>	<u>\$ 2,113,808</u>	<u>\$ 5,418,985</u>

See accompanying notes to the basic financial statements.

City of Huron, Ohio

Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
December 31, 2009

Total governmental fund balances		\$	2,252,502
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds			11,342,562
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:			
Property and other taxes	\$	88,639	
Municipal income taxes		199,719	
Payment in lieu of tax		88,979	
Intergovernmental		281,003	
Special assessments		226,026	
Charges for services		26,748	
Total			911,114
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds			(8,318)
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.			(14,119)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:			
General obligation bonds	\$	(1,542,288)	
Various purpose notes		(465,000)	
Capital leases payable		(33,827)	
Compensated absences		(549,627)	
Total			(2,590,742)
Net assets of governmental activities		\$	<u>11,892,999</u>

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, 2009

	General	Fire Levy	Capital Improvement	Other Governmental Funds	Total Governmental Funds
Revenues:					
Income tax	\$ 2,001,129	\$ -	\$ -	\$ 1,700	\$ 2,002,829
Property and other taxes	278,171	499,121	-	92,616	869,908
Charges for services	642,858	270,133	-	345,749	1,258,740
Licenses and permits	98,940	90	-	-	99,030
Fines and forfeitures	315,403	-	-	46,386	361,789
Intergovernmental	415,968	544,412	2,277,198	725,175	3,962,753
Special assessments	-	-	-	186,023	186,023
Investment income	19,658	-	1,500	8,711	29,869
Payment in lieu of tax	-	-	-	18,997	18,997
Other	125,010	-	12,500	58,785	196,295
Total revenue	3,897,137	1,313,756	2,291,198	1,484,142	8,986,233
Expenditures:					
Current:					
General government	880,889	-	97,955	88,378	1,067,222
Security of persons and property	1,320,812	1,295,657	3,592	536,582	3,156,643
Transportation	-	-	573,067	430,109	1,003,176
Public works	649,563	-	-	38,497	688,060
Leisure time activities	-	-	40,548	585,812	626,360
Other	10,204	-	-	25,600	35,804
Capital outlay	-	-	2,259,673	89,273	2,348,946
Debt service:					
Principal retirement	-	-	28,560	195,408	223,968
Interest and fiscal charges	-	-	3,351	102,715	106,066
Total expenditures	2,861,468	1,295,657	3,006,746	2,092,374	9,256,245
Excess of revenues over (under) expenditures	1,035,669	18,099	(715,548)	(608,232)	(270,012)
Other financing sources (uses):					
Transfers - in	-	100,000	526,390	729,903	1,356,293
Transfers - out	(1,146,943)	(179,000)	-	(27,000)	(1,352,943)
Total other financing sources (uses)	(1,146,943)	(79,000)	526,390	702,903	3,350
Net change in fund balance	(111,274)	(60,901)	(189,158)	94,671	(266,662)
Fund balances at beginning of year	834,880	124,318	418,218	1,141,748	2,519,164
Fund balances at end of year	\$ 723,606	\$ 63,417	\$ 229,060	\$ 1,236,419	\$ 2,252,502

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, 2009

Net change in fund balances - Total governmental funds \$ (266,662)

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

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

In the current period, these amounts are:

Net capital asset additions	\$ 2,348,946	
Capital contributions	4,980,470	
Depreciation expense	<u>(288,050)</u>	
Excess of net capital asset additions over depreciation expense		7,041,366

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	\$ 28,283	
Municipal income taxes	70,531	
Payment in lieu of tax	(18,997)	
Intergovernmental revenue	(1,399)	
Special assessments	523	
Miscellaneous	(1,537)	
Charges for services	<u>16,411</u>	
Net change in deferred revenues during the year		93,815

Repayment of bond principal is an expenditure in the governmental funds, but the repayment
reduces long-term liabilities in the statement of net assets. 195,408

Payment of capital lease principal is an expenditure in the governmental funds, but the
repayment reduces long-term liabilities in the statement of net assets. 28,560

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

Decrease in compensated absences	\$ 37,138	
Decrease in accrued interest	<u>702</u>	
Total additional expenditures		37,840

The internal service fund used by management to charge the costs of medical, prescription
drug, dental and vision claims to individual funds are not reported in the statement of
activities. Governmental fund expenditures and related internal service fund revenues
are eliminated. 10,087

Change in net assets of governmental activities \$ 7,140,414

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, 2009

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<u>Revenues:</u>				
Property and other taxes	\$ 272,621	\$ 274,320	\$ 270,492	\$ (3,828)
Municipal income taxes	2,383,000	2,114,922	1,994,000	(120,922)
Charges for services	645,300	659,300	642,851	(16,449)
Licenses and permits	96,000	98,355	97,881	(474)
Fines and forfeitures	329,620	317,220	315,403	(1,817)
Intergovernmental	419,379	432,207	407,475	(24,732)
Investment income	120,000	65,000	42,978	(22,022)
Other	95,000	133,049	114,903	(18,146)
Total revenues	<u>4,360,920</u>	<u>4,094,373</u>	<u>3,885,983</u>	<u>(208,390)</u>
<u>Expenditures:</u>				
Current:				
General government	974,273	866,258	866,258	-
Security of persons and property	1,406,108	1,397,377	1,304,813	92,564
Public works	632,200	632,200	608,028	24,172
Total expenditures	<u>3,012,581</u>	<u>2,895,835</u>	<u>2,779,099</u>	<u>116,736</u>
Excess of revenues over expenditures	<u>1,348,339</u>	<u>1,198,538</u>	<u>1,106,884</u>	<u>(91,654)</u>
<u>Other financing uses:</u>				
Transfers out	<u>(1,469,800)</u>	<u>(1,189,178)</u>	<u>(1,161,943)</u>	<u>27,235</u>
Net change in fund balances	(121,461)	9,360	(55,059)	(64,419)
Fund balances at beginning of year	513,654	513,654	513,654	-
Prior year encumbrances appropriated	122,272	122,272	122,272	-
Fund balances at end of year	<u>\$ 514,465</u>	<u>\$ 645,286</u>	<u>\$ 580,867</u>	<u>\$ (64,419)</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, 2009

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<u>Revenues:</u>				
Property and other taxes	\$ 518,960	\$ 525,535	\$ 517,066	\$ (8,469)
Charges for services	260,000	275,000	265,435	(9,565)
Licenses and permits	-	100	90	(10)
Intergovernmental	510,848	531,050	530,954	(96)
Total revenues	<u>1,289,808</u>	<u>1,331,685</u>	<u>1,313,545</u>	<u>(18,140)</u>
<u>Expenditures:</u>				
Current:				
Security of persons and property	<u>1,350,633</u>	<u>1,386,513</u>	<u>1,297,520</u>	<u>88,993</u>
Excess of revenues under expenditures	<u>(60,825)</u>	<u>(54,828)</u>	<u>16,025</u>	<u>70,853</u>
<u>Other financing sources (uses):</u>				
Transfers in	200,000	100,000	100,000	-
Transfers out	<u>(179,000)</u>	<u>(179,000)</u>	<u>(179,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>21,000</u>	<u>(79,000)</u>	<u>(79,000)</u>	<u>-</u>
Net change in fund balances	(39,825)	(133,828)	(62,975)	70,853
Fund balances at beginning of year	89,403	89,403	89,403	-
Prior year encumbrances appropriated	40,480	40,480	40,480	-
Fund balances at end of year	<u>\$ 90,058</u>	<u>\$ (3,945)</u>	<u>\$ 66,908</u>	<u>\$ 70,853</u>

See accompanying notes to the basic financial statements.

City of Huron, Ohio

Statement of Fund Net Assets

Proprietary Funds

December 31, 2009

	Business Type Activities - Water	Governmental Activities - Internal Service Funds
<u>Assets:</u>		
Current assets:		
Equity in pooled cash and cash equivalents	\$ 2,562,870	\$ 30,666
Receivables:		
Accounts	571,919	-
Materials and supplies inventory	180,627	-
Prepaid items	10,556	-
Total current assets	<u>3,325,972</u>	<u>30,666</u>
Non-current assets:		
Land	30,000	-
Construction in progress	24,186	-
Depreciable capital assets, net	5,646,486	-
Total non-current assets	<u>5,700,672</u>	<u>-</u>
Total assets	<u>9,026,644</u>	<u>30,666</u>
<u>Liabilities:</u>		
Current liabilities:		
Accounts payable	22,292	4,614
Accrued wages and benefits	27,163	-
Compensated absences payable	30,456	-
Pension obligation payable	7,802	-
Due to other governments	24,494	-
Accrued interest payable	8,036	-
Claims payable	-	40,171
OWDA loans payable	153,426	-
General obligation bonds payable	325,800	-
Total current liabilities	<u>599,469</u>	<u>44,785</u>
Long-term liabilities:		
Compensated absences payable	90,689	-
OWDA loans payable, net of current portion	1,297,524	-
General obligation bonds payable, net of current portion	1,799,533	-
Total long-term liabilities	<u>3,187,746</u>	<u>-</u>
Total liabilities	<u>3,787,215</u>	<u>44,785</u>
<u>Net assets:</u>		
Invested in capital assets, net of related debt	2,124,389	-
Unrestricted	3,115,040	(14,119)
Total net assets	<u>\$ 5,239,429</u>	<u>\$ (14,119)</u>

See accompanying notes to the basic financial statements.

City of Huron, Ohio

Statement of Revenues, Expenses and Changes in Fund Net Assets

Proprietary Funds

For the Year Ended December 31, 2009

	Business Type Activities - Water	Governmental Activities - Internal Service
<u>Operating revenues:</u>		
Charges for services	\$ 2,085,476	\$ 747,522
<u>Operating expenses:</u>		
Personal services	458,192	-
Fringe benefits	279,250	-
Contractual services	202,977	213,936
Supplies and materials	184,093	-
Claims	-	523,499
Other operating costs	3,069	-
Depreciation	182,915	-
Total operating expenses	1,310,496	737,435
Operating income	774,980	10,087
<u>Non-operating revenues (expenses):</u>		
Interest	1,500	-
Interest and fiscal charges	(199,245)	-
Total non-operating revenues (expenses):	(197,745)	-
Income before transfers	577,235	10,087
Transfers - out	(3,350)	-
Change in net assets	573,885	10,087
Net assets at beginning of year	4,665,544	(24,206)
Net assets at end of year	\$ 5,239,429	\$ (14,119)

See accompanying notes to the basic financial statements.

City of Huron, Ohio

Statement of Cash Flows

Proprietary Funds

For the Year Ended December 31, 2009

	Business Type Activities - Water	Governmental Activities - Internal Service Funds
Cash flows from operating activities:		
Cash received from customers	\$ 2,087,223	\$ 747,522
Cash payments for employee services and benefits	(737,948)	-
Cash payments to suppliers for goods and services	(396,601)	(215,376)
Cash payments for claims	-	(528,070)
Net cash provided by operating activities	<u>952,674</u>	<u>4,076</u>
Cash flows from noncapital financing activities:		
Transfers to other funds	<u>(3,350)</u>	-
Net cash used for noncapital financing activities	<u>(3,350)</u>	-
Cash flows from capital and related financing activities:		
Interest paid on debt	(187,593)	-
Principal payment on bonds and loans	(461,206)	-
Acquisition of capital assets	<u>(600)</u>	-
Net cash used for capital and related financing activities	<u>(649,399)</u>	-
Cash flows from investing activities:		
Investment income	<u>1,500</u>	-
Net cash provided by investing activities	<u>1,500</u>	-
Net increase in cash and cash equivalents	301,425	4,076
Cash and cash equivalents at beginning of year	<u>2,261,445</u>	<u>26,590</u>
Cash and cash equivalents at end of year	<u>\$ 2,562,870</u>	<u>\$ 30,666</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	774,980	10,087
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	182,915	-
Change in assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable	1,747	-
Materials and supplies inventory	(10,721)	-
Prepaid items	(3,714)	-
Increase (decrease) in liabilities:		
Accounts payable	5,351	1,492
Claims payable	-	(7,503)
Accrued wages and benefits	5,885	-
Compensated absences	(11,423)	-
Pension obligations	(128)	-
Due to other governments	7,782	-
Net cash provided by operating activities	<u>\$ 952,674</u>	<u>\$ 4,076</u>

See accompanying notes to the basic financial statements.

City of Huron, Ohio

Statement of Fiduciary Net Assets

Agency Funds

December 31, 2009

	<u>Agency</u>
<u>Assets:</u>	
Equity in pooled cash and cash equivalents	\$ 37,216
Accounts receivable	<u>215</u>
Total assets	<u><u>\$ 37,431</u></u>
<u>Liabilities:</u>	
Accounts payable	\$ 806
Due to other governments	5,405
Undistributed monies	<u>31,220</u>
Total liabilities	<u><u>\$ 37,431</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, 2009

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 City also applies Financial Accounting Standard Board (“FASB”) Statements and Interpretations issued after November 30, 1989, to its governmental activities and proprietary activities provided they do not conflict with or contradict GASB pronouncements. The most significant of the City’s accounting policies are described below.

A. Reporting Entity

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

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

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

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

B. Basis of Presentation

The City’s basic financial statements consist of government-wide financial statements, including a statement of net assets 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, 2009

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

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

C. Fund Accounting

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

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

City of Huron, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2009

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

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

Capital Improvement Fund This fund is used to 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 fund is the City’s major proprietary fund. This fund accounts for the revenues and expenses of the City owned water system.

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

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

D. Measurement Focus

Government-wide Financial Statements – The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the City are included on the Statement of Net Assets. The Statement of Activities presents increase (e.g. revenues) and decrease (e.g. expenses) in the total net assets.

City of Huron, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2009

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

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

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

E. Basis of Accounting

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

Revenue – Exchange and Non-exchange 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.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, including income taxes, estate taxes, motel-hotel taxes, property taxes, estate taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes, estate taxes is recognized in the period in which the income is earned. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied (Note 4). 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 non-exchange transactions must also be available before it can be recognized.

City of Huron, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2009

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 Revenue – Deferred revenue arises when assets are recognized before the revenue recognition criteria have been satisfied.

Delinquent property taxes and property taxes for which there is an enforcement legal claim as of December 31, 2009, but which were levied to finance year 2010 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have been reported as deferred revenue.

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

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

F. Budgetary Data

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

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

City of Huron, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2009

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 2009.

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

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

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

G. Cash and Cash Equivalents

To improve cash management, cash received by the City is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through City records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the balance sheet.

City of Huron, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2009

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

H. Materials and Supplies Inventory

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

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 assets 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 assets and in the respective funds.

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

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

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

City of Huron, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2009

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 2009, interest costs incurred on construction projects were not material.

J. Compensated Absences

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

In accordance with the provision of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if 1) employees' rights to receive 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, 2009. 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 non-current portion of the liability is not reported. For enterprise funds, the entire amount of compensated absences is reported as a fund liability.

K. Accrued Liabilities and Long-Term Obligations

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

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

City of Huron, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2009

L. Interfund Transactions

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

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

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 non-current portion of interfund loans. These amounts are eliminated in the Statement of Net Assets, 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 fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

M. Fund Balance Reserves and Designations

Reserved or designated fund balances indicate that portion of fund balance that is not available for current appropriation or use. The unreserved or undesignated portions of fund balance reflected in the governmental funds are available for use within the specific purposes of funds. The City reports amounts representing the value of assets held for resale, loans receivable and encumbrances outstanding in the governmental funds.

O. Operating Revenues and Expenses

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

P. Capital Contributions

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

City of Huron, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2009

Q. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net accumulated depreciation, reduced by outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are 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 law or regulations of other governments.

R. Estimates

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

S. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2009, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the in the year in which it was consumed.

NOTE 2 – Budgetary Basis of Accounting

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

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

The following table summarizes the adjustments necessary to reconcile the GAAP basis financial statements to the budgetary basis financial statements for the major governmental funds.

City of Huron, Ohio

Notes to the Basic Financial Statements
For the Year Ended December 31, 2009

Net Change in Fund Balances

	General <u>Fund</u>	Fire Levy <u>Fund</u>
GAAP basis	\$ (111,274)	\$ (60,901)
Revenue accruals	(11,154)	(211)
Expense accruals	81,307	50,163
Encumbrances (budget basis) outstanding at year end	<u>(13,938)</u>	<u>(52,026)</u>
Budget basis	<u>\$ (55,059)</u>	<u>\$ (62,975)</u>

NOTE 3 – 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.

City of Huron, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2009

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

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

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

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

Investments in stripped principal or interest obligations reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short-selling are also prohibited. 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.

City of Huron, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2009

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

During 2009, investments were limited to certificate of deposits.

A. Undeposited Cash

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

B. Deposits

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

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

As of December 31, the carrying amount of the City's deposits was \$2,981,079. The City's bank balance of \$3,029,425 was not subject to credit risk.

C. Investments

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

Investment Type	Fair Value	Maturity < 1 year
Investments included within pooled funds:		
Negotiable certificates of deposit	\$ 1,627,816	1,627,816

All of the City's negotiable CDs are covered by FDIC insurance.

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 2009 amounted to \$19,658, which includes \$15,166 assigned from other City funds.

City of Huron, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2009

NOTE 4 – Taxes

A. Property Taxes

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Taxes collected on real property (other than public utility) in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of that preceding year, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be revalued every six years. Real property taxes are payable annually or semi-annually. The first payment is due January 20, with the remainder payable by June 20.

Taxes collected from tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of that calendar year, and at the tax rates determined in the preceding year. Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 25 percent of its true value. The tangible personal property tax is being phased out, the assessment percentage for all property including inventory for 2009 was 0% for most taxpayer. The tax will temporarily continue to apply to telephone companies and inter-exchange telecommunications companies which is being phased out according to a different schedule. For these companies the assessment percentage will fall to zero in the 2011 tax year. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30 with the remainder payable by September 20.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the year preceding the tax collection year, the lien date. Certain public utility tangible personal property currently is assessed at 88 percent of its true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

City of Huron, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2009

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, 2009 was \$4.8 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2009 property tax receipts were based are as follows:

<u>Property Category</u>	<u>Assessed Value</u>	<u>Percent</u>
<u>Real property</u>		
Residential and agricultural	\$ 178,740,650	87.4%
Commercial and industrial	22,627,330	11.1%
Public Utilities	159,930	0.1%
<u>Tangible personal property</u>		
General	401,530	0.2%
Public Utilities	<u>2,561,590</u>	<u>1.3%</u>
Total	<u>\$ 204,491,030</u>	<u>100.0%</u>

B. Income Taxes

The City levies a municipal income tax of one percent on substantially all income earned within the City: in addition, residents are required to pay tax on income earned outside of the City. The City allows a credit of fifty percent for income tax paid to another municipality. Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City either monthly or quarterly. Corporations and other individual tax payers are required to pay their estimated tax quarterly and file a declaration annually. Income tax proceeds are to be used for the purpose of general municipal operations, maintenance, new equipment, extension, and enlargement of municipal services and facilities and capital improvements of the City. In 2009, the proceeds were allocated to the general fund.

NOTE 5 - Receivables

Receivables at December 31, 2009 consisted of taxes, accounts (billing for user charged services), intergovernmental receivables, entitlements or shared revenues, special assessments and interest on investments. All receivables are considered fully collectible in full due to the ability to foreclose for the nonpayment of taxes.

A summary of the principal items of receivables follows:

City of Huron, Ohio

Notes to the Basic Financial Statements
For the Year Ended December 31, 2009

	Governmental Activities	Business-Type Activities
Receivables:		
Property and other taxes	\$ 1,012,409	\$ -
Income taxes	431,009	-
Accounts	77,128	571,919
Due from other governments	1,136,743	-
Special assessments	315,005	-
Accrued interest	6,152	-
Loans	286,087	-
	<u>\$ 3,264,533</u>	<u>\$ 571,919</u>

NOTE 6 – Capital Assets

Governmental Activities A summary of the governmental activities' capital asset activity as of December 31, 2009 are as follows:

<u>Governmental activities</u>	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
Capital assets, not being depreciated:				
Land	\$ 524,541	\$ 4,980,470	\$ -	\$ 5,505,011
Construction in progress	<u>139,485</u>	<u>2,082,981</u>	<u>-</u>	<u>2,222,466</u>
Total capital assets, not being depreciated	<u>664,026</u>	<u>7,063,451</u>	<u>-</u>	<u>7,727,477</u>
Capital assets, being depreciated:				
Land improvements	1,749,458	176,692	-	1,926,150
Buildings and improvements	3,148,936	89,273	-	3,238,209
Equipment and furniture	997,487	-	-	997,487
Vehicles	1,530,883	-	-	1,530,883
Infrastructure	<u>243,579</u>	<u>-</u>	<u>-</u>	<u>243,579</u>
Total capital assets, being depreciated	<u>7,670,343</u>	<u>265,965</u>	<u>-</u>	<u>7,936,308</u>
Less accumulated depreciation:				
Land improvements	(1,413,118)	(78,672)	-	(1,491,790)
Buildings and improvements	(828,896)	(64,675)	-	(893,571)
Equipment and furniture	(650,331)	(47,553)	-	(697,884)
Vehicles	(1,122,657)	(92,278)	-	(1,214,935)
Infrastructure	<u>(18,171)</u>	<u>(4,872)</u>	<u>-</u>	<u>(23,043)</u>
Total accumulated depreciation	<u>(4,033,173)</u>	<u>(288,050)</u>	<u>-</u>	<u>(4,321,223)</u>
Total capital assets being depreciated, net	<u>3,637,170</u>	<u>(22,085)</u>	<u>-</u>	<u>3,615,085</u>
Governmental activities capital assets, net	<u>\$ 4,301,196</u>	<u>\$ 7,041,366</u>	<u>\$ -</u>	<u>\$ 11,342,562</u>

City of Huron, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2009

Depreciation Expense Depreciation expense charged to governmental functions for the year ending December 31, 2009 is as follows:

	<u>Amount</u>
General government	\$ 32,185
Security of persons and property	119,250
Leisure time activities	101,896
Transportation	<u>34,719</u>
Total governmental activities depreciation expense	<u>\$ 288,050</u>

Business-Type Activities A summary of the business-type activities' capital assets as of December 31, 2009 are as follows:

<u>Business-type activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 30,000	\$ -	\$ -	\$ 30,000
Construction in progress	<u>23,586</u>	<u>600</u>	<u>-</u>	<u>24,186</u>
Total capital assets, not being depreciated	<u>53,586</u>	<u>600</u>	<u>-</u>	<u>54,186</u>
Capital assets, being depreciated:				
Land improvements	97,921	-	-	97,921
Buildings and improvements	2,570,266	-	-	2,570,266
Equipment and furniture	175,872	-	-	175,872
Vehicles	302,449	-	-	302,449
Infrastructure	<u>4,844,468</u>	<u>-</u>	<u>-</u>	<u>4,844,468</u>
Total capital assets, being depreciated	<u>7,990,976</u>	<u>-</u>	<u>-</u>	<u>7,990,976</u>
Less accumulated depreciation:				
Land improvements	(26,928)	(4,896)	-	(31,824)
Buildings and improvements	(700,100)	(51,405)	-	(751,505)
Equipment and furniture	(136,488)	(8,047)	-	(144,535)
Vehicles	(239,150)	(21,678)	-	(260,828)
Infrastructure	<u>(1,058,909)</u>	<u>(96,889)</u>	<u>-</u>	<u>(1,155,798)</u>
Total accumulated depreciation	<u>(2,161,575)</u>	<u>(182,915)</u>	<u>-</u>	<u>(2,344,490)</u>
Total capital assets being depreciated, net	<u>5,829,401</u>	<u>(182,915)</u>	<u>-</u>	<u>5,646,486</u>
Business-type activities capital assets, net	<u>\$ 5,882,987</u>	<u>\$ (182,315)</u>	<u>\$ -</u>	<u>\$ 5,700,672</u>

City of Huron, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2009

NOTE 7 – 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 and sixty days. All accumulated unused vacation time is paid upon termination of employment. Employees earn sick leave at the rate of 1.25 workdays with pay for each month of completed service. Sick leave is paid upon retirement based on accumulated hours with the restriction of a maximum of 1,750 hours.

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

As of December 31, 2009 the liability for long-term unpaid compensated absences was \$549,627 for the governmental activities, which would be paid from the general fund, and parks, recreation, boat basin, street maintenance and state highway, special fire levy, police grants and employee benefit special revenue funds; and liability for long-term unpaid compensated absences for business-type activities was \$121,145, which would be paid from water fund.

NOTE 8 – Long-term Obligations

Governmental Activities A summary of the governmental activities' debt and other long-term obligations as of December 31, 2009 are as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due within One Year
<u>Governmental Activities:</u>					
<u>General obligation bonds</u>					
2002 Improvement	\$ 825,000	\$ -	\$ (42,000)	\$ 783,000	\$ 44,000
1996 City Hall addition	305,000	-	(30,000)	275,000	35,000
1999 Municipal boat refunding	214,200	-	(50,400)	163,800	52,200
1999 Service center	222,768	-	(19,040)	203,728	19,040
1999 Sewer line	104,832	-	(8,960)	95,872	8,960
2005 Ambulance acquisition	40,896	-	(20,008)	20,888	20,888
Total general obligation bonds	<u>1,712,696</u>	<u>-</u>	<u>(170,408)</u>	<u>1,542,288</u>	<u>180,088</u>
<u>Long-term notes</u>					
2006 Various Purpose Notes	<u>490,000</u>	<u>-</u>	<u>(25,000)</u>	<u>465,000</u>	<u>30,000</u>
Total long-term notes	<u>490,000</u>	<u>-</u>	<u>(25,000)</u>	<u>465,000</u>	<u>30,000</u>
<u>Other obligations</u>					
Compensated absences	586,765	121,417	(158,555)	549,627	156,847
Capital leases	<u>62,387</u>	<u>-</u>	<u>(28,560)</u>	<u>33,827</u>	<u>24,485</u>
Total governmental activities	<u>\$2,851,848</u>	<u>\$ 121,417</u>	<u>\$ (382,523)</u>	<u>\$2,590,742</u>	<u>\$ 391,420</u>

City of Huron, Ohio

Notes to the Basic Financial Statements
For the Year Ended December 31, 2009

<u>Governmental Activities:</u>	Interest	
	<u>Rates</u>	<u>Maturity</u>
<u>General obligation bonds</u>		
2002 Improvement	4.40%	2023
1996 City Hall addition	6.15%	2016
1999 Municipal boat refunding	4.20%	2012
1999 Service center	4.50%	2018
1999 Sewer line	4.50%	2018
2005 Ambulance acquisition	4.40%	2010
 <u>Long-term notes</u>		
2006 Various Purpose notes	5.00%	2022

Business-type Activities A summary of the business-type activities' debt and other long-term obligations as of December 31, 2009 are as follows:

<u>Business-type activities</u>	Beginning			Ending	Amount
	<u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u>	<u>Due in</u>
					<u>One Year</u>
<u>General obligation bonds</u>					
2002 Improvement	\$ 1,245,000	\$ -	\$ (63,000)	\$ 1,182,000	\$ 66,000
1999 Water project	100,386	-	(8,580)	91,806	8,580
1999 Water Line	61,776	-	(5,280)	56,496	5,280
1999 New service center	95,238	-	(8,140)	87,098	8,140
1999 Water system refunding	975,800	-	(229,600)	746,200	237,800
Unamortized accounting loss on refunding	(51,023)	-	12,756	(38,267)	-
Total general obligation bonds	<u>2,427,177</u>	<u>-</u>	<u>(301,844)</u>	<u>2,125,333</u>	<u>325,800</u>
 Ohio Water Development Authority Loan					
Chaska Beach	387,841	-	(35,900)	351,941	38,169
Industrial Park	578,812	-	(65,039)	513,773	67,005
Various water projects	630,903	-	(45,667)	585,236	48,252
Total loans	<u>1,597,556</u>	<u>-</u>	<u>(146,606)</u>	<u>1,450,950</u>	<u>153,426</u>
Compensated absences	<u>132,568</u>	<u>20,911</u>	<u>(32,334)</u>	<u>121,145</u>	<u>30,456</u>
Total business-type activities	<u>\$ 4,157,301</u>	<u>\$ 20,911</u>	<u>\$ (480,784)</u>	<u>\$ 3,697,428</u>	<u>\$ 509,682</u>

City of Huron, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2009

<u>Business-type activities</u>	Interest	
	<u>Rates</u>	<u>Maturity</u>
<u>General obligation bonds</u>		
2002 Improvement	4.40%	2023
1999 Water project	4.20%	2018
1999 Water Line	4.20%	2018
1999 New service center	4.20%	2018
1999 Water system refunding	4.20%	2012
 <u>Ohio Water Development Authority Loan</u>		
Chaska Beach	6.32%	2017
Industrial Park	3.00%	2016
Various water projects	5.66%	2019

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 OWDA loans will be paid partly with special assessments levied against the benefited property owners, as well as user charges from the appropriate enterprise fund. In the event that a property owner would fail to pay the assessment, payment would be made by the City. The various purpose long term notes will be paid from the capital improvement fund.

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

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

Governmental activities principal and interest requirements to retire long-term obligations outstanding at December 31, 2009 are as follows:

	All General		Various	
	<u>Obligation Bonds</u>		<u>Purpose Notes</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 180,088	\$ 73,986	\$ 30,000	\$ 26,750
2011	163,900	65,596	30,000	25,250
2012	168,500	57,841	35,000	23,750
2013	118,800	49,839	35,000	22,000
2014	123,600	43,846	35,000	82,250
2015-2019	518,400	128,032	210,000	72,250
2020-2023	269,000	32,296	90,000	16,500
	<u>\$ 1,542,288</u>	<u>\$ 451,436</u>	<u>\$ 465,000</u>	<u>\$ 268,750</u>

City of Huron, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2009

Business-type activities principal and interest requirements to retire long-term obligations outstanding at December 31, 2009 are as follows:

	<u>All General Obligation Bonds</u>		<u>All OWDA Loans</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 325,800	\$ 96,431	\$ 153,426	\$ 70,281
2011	341,100	82,454	160,595	63,113
2012	351,500	67,549	168,132	55,576
2013	96,200	52,046	176,057	47,651
2014	101,400	47,812	184,392	39,315
2015-2019	539,600	167,764	608,348	72,717
2020-2023	408,000	49,154	-	-
	<u>\$ 2,163,600</u>	<u>\$ 563,210</u>	<u>\$ 1,450,950</u>	<u>\$ 348,653</u>

NOTE 9 – Note Debt

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
<u>Governmental activities</u>				
Industrial Park	\$ 180,870	\$ -	\$ (19,730)	\$ 161,140

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

NOTE 10 - Capital Lease

In a prior year, the City entered into a capital lease for the acquisition of capital equipment and vehicles. These leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, “Accounting for Leases”, which defines a capital lease generally as one which transfers all benefits and risks of ownership to the lessee. Capital lease payments are reflected as debt service payments in the basic financial statements for the governmental funds. These expenditures are reflected as function expenditures on a budgetary basis.

City of Huron, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2009

During a previous year, governmental activities capital assets consisting of machinery, equipment, and vehicles were capitalized in the amount of \$93,263. The capitalized amounts are equal to the present value of the future minimum lease payments and the down payment respectively, at the time of acquisition.

The following is a schedule of future minimum lease payments under this capital lease and the present value of the net minimum lease payments at December 31, 2009:

<u>Year</u>	<u>Payments</u>
2010	\$ 26,031
2011	<u>9,573</u>
Total minimum lease payments	35,604
Less: Amount representing interest	<u>(1,777)</u>
Present value of minimum lease payments	<u>\$ 33,827</u>

NOTE 11 – Defined Benefit Pension Plan

Ohio Public Employees Retirement System

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

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

Member and employer contributions rates were consistent across all three plans (TP, MD and CP). For the year ended December 31, 2009, City employees were required to contribute 10% of their annual covered salary. The City's contribution rate for 2009 was 14%, of which 7.00% was used to fund the pension benefits from January 1 to March 31, 2009 and 8.5% was used for the remainder of the year. The Ohio Revised Code provides statutory authority for member and employer contributions.

City of Huron, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2009

The City's required contributions for pension obligations to the traditional plan for the years ended December 31, 2009, 2008 and 2007 were \$110,407, \$103,731 and \$144,610 respectively; 89.93% has been contributed for 2009 and 100% for 2008 and 2007.

Ohio Police and Fire Pension Fund

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

Plan members are required to contribute 10% of their annual covered salary to fund pension obligations while the City is required to contribute 19.5% for police officers and 24% for firefighters, of which 12.75% for police officers and 17.25% for firefighters was used to fund pension plans. Contributions are authorized by State statute. The City's contributions to the Fund for the years ended December 31, 2009, 2008 and 2007 were \$230,344, \$244,370 and \$346,835 respectively, equal to the required contributions for each year. The full amount has been contributed for 2008 and 2007. 68.6% has been contributed for 2009 with the remainder being reported as a liability.

NOTE 12 – Post Employment Benefits

Ohio Public Employees Retirement System

In addition to the pension benefits described in Note 11, the Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage, commonly referred to as OPEB (other postemployment benefits). OPERS administers three separate pension plans, the Traditional Pension Plan (TP), the Member-Directed Plan (MD) and the Combined Plan (CP), all of which are described in Note 11.

OPERS provides retirement, disability, and survivor benefits as well as maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the TP and CP plans. Members of the MD plan do not qualify for ancillary benefits, including post-employment health care coverage. Health care coverage for disability recipients and qualified survivor recipients is available.

The Ohio Revised Code provides statutory authority for employer contributions. The 2009 local government employer contribution rate was 14% of covered payroll; 7% of covered payroll was the portion that was used to fund health care from January 1 to March 31, 2009 and 5.5% the remainder of the year. The Ohio Revised Code provides statutory authority requiring public employers to fund postretirement health care through their contributions to OPERS.

City of Huron, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2009

The assumptions and calculations below are based on OPERS' latest actuarial review performed as of December 31, 2008. An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25% of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12% corridor. The investment assumption rate for 2008 was 6.5%. An annual increase of 4.00%, compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4% base increase, were assumed to range from .50% to 6.3%.

Health care premiums were assumed to increase at the projected wage inflation rate plus an additional factor ranging from .5% to 4% for the next 6 years. In subsequent years (7 and beyond) health care costs were assumed to increase at 4.00% (the projected wage inflation rate).

OPEBs are advanced-funded on an actuarial determined basis. The number of active contributing participants in the TP and CP was 356,388 for 2008. Actual employer contributions for 2009, 2008 and 2007 which were used to fund postemployment benefits were \$110,407, \$103,731 and \$57,426. The full amounts has been contributed for 2008 and 2007. Approximately 89.93% has been contributed for 2009. The actual contribution and the actuarially required contribution amounts are the same.

OPERS's net assets available for payment of benefits at December 31, 2008, (the latest available information) were \$10.7 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.6 billion and \$18.9 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. As an additional component of the HCPP, member and employer contribution rates increases as of January 1, 2006, and January 1, 2007 and January 1, 2008, which will allowed additional funds to be allocated to the health care plan.

Ohio Police and Firemen's Disability and Pension Fund

The Ohio Police and Fire Pension Fund (OP&F) provides postretirement health care coverage to any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school full-time or on a 2/3 basis.

City of Huron, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2009

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the funds of OP&F shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution rate is 19.5% of covered payroll and the total firefighter employer contribution rate is 24% of covered payroll, of which 6.75% of covered payroll was applied to the postemployment health care program during 2009. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The City's actual contributions for 2009, 2008 and 2007 that were used to fund postemployment benefits were \$55,997, \$55,097 and \$55,613 for police and \$48,745, \$54,899 and \$52,361 for firefighters. The OP&F's total health care expense for the year ended December 31, 2008; (the latest information available) was \$96,472,398, which was net of member contributions of \$56,948,977. The number of OP&F participants eligible to receive health care benefits as of December 31, 2008, was 14,567 for police and 10,750 for firefighters.

NOTE 13 – Risk Management

The City of Huron is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disaster. During 2009, the City contracted with several companies for various types of insurance as follows:

The City participates with other cities in the Buckeye Ohio Risk Management Association, Inc. (BORMA) in a jointly funded risk financing programs administered by Arthur J. Allagher & Co., which include two separate pools which provide separate and distinct coverages. The City participates in the pool in the following areas of risks: Property (Building and Contents), Commercial Automobile Liability, automobile Physical Damage, Comprehensive General Liability, Crime and Property Liability, and Public Officials Liability. This program includes the following municipalities: Bowling Green, Defiance, Huron, Napoleon, Sandusky, and Willard. A third party administrator, reviews all claims, which are then paid by the Pool. Member contributions are calculated to annually produce a sufficient sum of money within the pool to fund administrative expenses and to create reserves for claims. As of December 31, 2009, the Pool has cash reserves, which in the opinion of BORMA management, is adequate for any claims against the Pool. The City contributed \$50,217 towards the reserve, premium and administration costs of the Pool and \$-0- towards claims for which the City is directly liable. Settled claims have not exceeded this coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

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

City of Huron, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2009

The City is self-insured for health and dental benefits. The health and dental programs are administrated by Anthem Benefit Administrators, Inc., which provides claims review and processing services. Because the City is self-insured for its health and dental programs, it has a potential liability for incurred but not yet reported claims (IBNR). IBNR claims are claims for insured events that have occurred but were not reported to the third party administrator as of December 31, 2009. These claims include known loss events that are expected to be represented as claims, unknown loss events that are expected to become claims, and expected future developments on claims already reported. The City accounts for claims activity in the internal service fund.

<u>Year</u>	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claim Payments</u>	<u>Balance at End of Year</u>
2008	\$ 32,749	\$ 464,341	\$ (449,416)	\$ 47,674
2009	47,674	523,499	(531,002)	40,171

NOTE 14 – Interfund Transfers

Interfund transfers for the year ended December 31, 2009 consisted of the following:

Transfers from general fund to:	
Fire levy fund	\$ 100,000
Capital improvement fund	526,390
Nonmajor governmental funds	520,553
	<u>\$ 1,146,943</u>
Transfers from fire levy fund to:	
Nonmajor governmental funds	\$ 179,000
Transfers from nonmajor governmental funds to:	
Other nonmajor governmental funds	\$ 27,000
Transfers from water business-type fund to:	
Other nonmajor governmental funds	\$ 3,350

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

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

City of Huron, Ohio

Notes to the Basic Financial Statements
For the Year Ended December 31, 2009

NOTE 15 – Accountability and Compliance

A. Fund Deficits

The following funds had a deficit fund balance or deficit net assets as of December 31, 2009.

<u>Fund</u>	<u>Amount</u>
Nonmajor governmental funds:	
Fire pension	\$ 30,658
Police pension	33,261
Internal service fund:	
Health care	14,119

The deficits are largely the result of the recognition of liabilities in accordance with general accepted accounting principles.

B. Compliance

During the year the City had the following violations:

Expenditures and Encumbrances Exceeding Appropriation: Section 5705.41(B), Revised Code, prohibits the City from making expenditure unless it has been properly appropriated. The City had several funds that were in violation of this code.

Appropriations Exceeding Estimated Resources: Section 5705.39, Revised Code, prohibits appropriations from exceeding estimated resources. The City had several funds that were found to have appropriations exceeding estimated resources.

Contrary to Ohio Revised Code 5705.36 (A)(4), the City did not always obtain a new amended certificate of estimated resources when it was determined that the revenue to be collected would be less than previous certificates and the resulting deficiency would reduce available resources below the level of appropriations.

NOTE 16 – Contingency

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

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

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

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

To the City Council:

We have audited the financial statements of the governmental activities, 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, 2009, and have issued our report thereon dated June 29, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the City's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the City's internal control over financial reporting.

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 more than a reasonable possibility that a material misstatement of the City's financial statements will not be prevented or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

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 grants agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2009-CHEC-01 through 2009-CHEC-03.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the City's responses and, accordingly, we express no opinion on them.

We noted certain matters that we have reported to management of the City in a separate letter dated June 29, 2010.

We intend this report solely for the information and use of management, the City Council and others within the City. We intend it for no one other than these specified parties.

Charles E. Harris and Associates, Inc.

June 29, 2010

**CITY OF HURON
ERIE COUNTY
SCHEDULE OF FINDINGS
December 31, 2009**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2009-CHEC-01 Noncompliance Citation

Ohio Revised Code Section 5705.41 (B) states that no subdivision or taxing authority shall make any expenditure of money unless it has been appropriated and unless it has been appropriated as provided in such chapter. Furthermore, Ohio Administrative Code 117-2-02 states that all local public offices should integrate the budgetary accounts, at the legal level of control which is the object level for all funds.

At December 31, 2009, the Special Revenue Fund – Revolving Loan Fund (\$18,580) and Health Care BAC Fund – Internal Service Fund (\$128,661) had expenditures plus encumbrances exceeding total appropriations.

At December 31, 2009, the following line item tested had expenditures plus encumbrances exceeded total appropriations at the object level:

Fire Levy Fund:

Security of Persons & Property – Fire Department – Fringe Benefits (\$24,013)

We recommend that the City monitor expenditures versus appropriations more closely to avoid overspending and negative cash balances.

Management Response:

Management has reviewed and is taking the necessary steps to correct the issue in the future.

**CITY OF HURON
 ERIE COUNTY
 SCHEDULE OF FINDINGS (continued)
 December 31, 2009**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - continued

FINDING NUMBER 2009-CHEC-02 Noncompliance Citation

Ohio Revised Code Section 5705.36(A)(4) requires that upon a determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be less than the amount included in an official certificate and that the amount of the deficiency will reduce available resources below the level of current appropriations, the fiscal officer shall certify the amount of the deficiency to the commission, and the commission shall certify an amended certificate reflecting the deficiency. The following funds had actual receipts below estimated receipts, which the deficiency reduced the estimated resources below the level of appropriations.

Fund	Estimated Receipts	Actual Receipts	Variance
Fire Levy Fund – Special Revenue Fund	\$1,431,685	\$1,413,545	(\$18,140)
Court Computer Fund – Special Revenue Fund	15,750	11,710	(4,040)
Indigent Alcohol Treatment Fund – Special Revenue Fund	6,000	3,142	(2,858)
Electric Fund – Enterprise Fund	95,000	46,271	(48,729)

Management Response:

Management has reviewed the items and noted the largest variance is the result of a new business in the City of Huron corporate park not operational in 2009 as expected. Management will take the necessary steps needed to avoid this in the future.

**CITY OF HURON
ERIE COUNTY
SCHEDULE OF FINDINGS (continued)
December 31, 2009**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - continued
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FINDING NUMBER 2009-CHEC-03 Noncompliance Citation

Ohio Rev. Code Section 5705.39 requires that total appropriations from each fund not exceed total estimated fund resources from each fund as certified by the county budget commission. This section also provides that no appropriation measure shall become effective until the City obtains the County Auditor's certificate that total appropriations from each fund do not exceed the total official estimate or amended official estimate when amending estimated resources.

At December 31, 2009, the Fire Levy Fund – Special Revenue Fund (\$3,945), Court Computer Fund – Special Revenue Fund (\$7,290), Shade Tree Fund – Special Revenue Fund (\$774) and the Enterprise Capital Improvement Fund – Enterprise Fund (\$187,790) had appropriations exceeded total estimated resources.

The City Council should monitor appropriations versus estimated resources to help avoid overspending.

Management Response:

Management and City Council will continue to monitor appropriations to ensure no future issues.

**CITY OF HURON
ERIE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2009**

FINDING NUMBER	FUNDING SUMMARY	FULLY CORRECTED?	Not Corrected. Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2008-CHEC-01	Contrary to Ohio Rev. Code Section 5705.41(D)(1), the City made expenditures before encumbering the funds.	Yes	No Longer Valid
2008-CHEC-02	The City had an adequate capital asset management system.	Yes	No Longer Valid
2008-CHEC-03	Contrary to Ohio Rev. Code Section 5705.41(B), the City had expenditures plus encumbrances exceeding total appropriations	No	Repeated as 2009-CHEC-01
2008-CHEC-04	Contrary to Ohio Rev. Code Section 5705.36(A)(4), amending certificates of estimated resources	No	Repeated as 2009-CHEC-02
2008-CHEC-05	Contrary to Ohio Rev. Code Section 5705.39, the City had appropriations exceeding estimated resources.	No	Repeated as 2009-CHEC-03
2008-CHEC-06	Theft in the Police Department	Yes	No Longer Valid



Mary Taylor, CPA
Auditor of State

CITY OF HURON

ERIE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
OCTOBER 7, 2010**