

CITY OF HURON, CALIFORNIA

FINANCIAL STATEMENTS

For The Year Ending June 30, 2018

City of Huron

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June 30, 2018

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Albert & Associates, LLP

Certified Public Accountants

Independent Auditor's Report

The Honorable Mayor and City Council of the
City of Huron, California:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Huron, California, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City of Huron, California's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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, California, as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 38 through 42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in

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an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Huron, California's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 18, 2019, on our consideration of the City of Huron, California's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Huron, California's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Huron, California's internal control over financial reporting and compliance.

Albert & Associates, LLP

Wasco, California
March 18, 2019

City of Huron
STATEMENT OF NET POSITION
June 30, 2018

	Governmental Activities	Business-Type Activities	Total
Assets:			
Current Assets:			
Cash and Investments	\$ 1,741,554	\$ 917,537	\$ 2,659,091
Receivables, net	1,138,343	261,384	1,399,727
Prepaid Expenses	61,247	-	61,247
Internal Balances	(290,039)	290,039	-
Land Held For Resale	924,134	-	924,134
Total Current Assets	3,575,239	1,468,960	5,044,199
Noncurrent Assets:			
Capital Assets:			
Land	260,935	212,547	473,482
Construction In Progress	3,735,047	-	3,735,047
Depreciable Buildings, Property, Equipment and Infrastructure, net of accumulated depreciation	6,825,819	6,995,466	13,821,285
Notes Receivable	6,742,463	-	6,742,463
Total Noncurrent Assets	17,564,264	7,208,013	24,772,277
Total Assets	21,139,503	8,676,973	29,816,476
Liabilities:			
Current Liabilities:			
Accounts Payable	279,982	134,157	414,139
Accrued Wages	19,090	4,005	23,095
Deposits Received	-	14,000	14,000
Accrued Interest Payable	-	15,036	15,036
Due To RDA Successor Private Purpose Trust Fund	4,139	-	4,139
Bonds and Notes Payable Due Within One Year	55,196	82,000	137,196
Total Current Liabilities	358,407	249,198	607,605
Noncurrent Liabilities:			
Bonds and Notes Payable Due in More Than One Year	93,597	1,973,525	2,067,122
Unearned Revenue	1,052,823	-	1,052,823
Compensated Absences	88,986	-	88,986
Total Noncurrent Liabilities	1,235,406	1,973,525	3,208,931
Total Liabilities	1,593,813	2,222,723	3,816,536
Net Position:			
Invested in Capital Assets, net of related debt	10,821,801	5,152,488	15,974,289
Restricted For:			
Transportation and Public Works	1,793,194	-	1,793,194
Housing and Community Redevelopment	6,432,216	-	6,432,216
Debt Service	-	179,048	179,048
Public Safety	-	-	-
Unrestricted (Deficit)	498,479	1,122,714	1,621,193
Net Position	\$ 19,545,690	\$ 6,454,250	\$ 25,999,940

The accompanying notes are an integral part of these financial statements.

City of Huron
STATEMENT OF ACTIVITIES
Year ended June 30, 2018

Functions / Programs	Program Revenues				Net (Expenses) Revenues and Changes in Net Position		
	Expenses	Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General Government	\$ 1,038,421	\$ 342,682	\$ -	\$ 29,145	\$ (666,594)	\$ -	\$ (666,594)
Public Safety	1,263,439	92,555	190,705	2,939,568	1,959,389	-	1,959,389
Public Works	387,735	10,530	77,467	390,305	90,567	-	90,567
Community Development	445,151	99,908	40,813	-	(304,430)	-	(304,430)
Parks and Recreation	50,688	17,057	13,429	-	(20,202)	-	(20,202)
Interest on Long-Term Debt	-	-	-	-	-	-	-
Total Governmental Activities	3,185,434	562,732	322,414	3,359,018	1,058,730	-	1,058,730
Business-Type Activities:							
Water Utility	987,254	992,560	-	-	-	5,306	5,306
Water Reclamation and Sewer	616,591	627,087	-	-	-	10,496	10,496
Refuse Collection and Disposal	608,317	599,218	-	5,000	-	(4,099)	(4,099)
Total Business-Type Activities	2,212,162	2,218,865	-	5,000	-	11,703	11,703
Total	\$ 5,397,596	\$ 2,781,597	\$ 322,414	\$ 3,364,018	\$ 1,058,730	\$ 11,703	\$ 1,070,433
General Revenues:							
Taxes:							
Property Tax					114,744	-	114,744
Sales Tax					550,180	-	550,180
Utility Users Tax					151,155	-	151,155
Franchise Tax					38,777	-	38,777
State Allocation of Gas Tax					144,554	-	144,554
Other Taxes					3,333	-	3,333
Intergovernmental, Unrestricted:							
Motor Vehicle In-lieu Tax					588,924	-	588,924
Total Taxes					1,591,667	-	1,591,667
Unrestricted investment earnings					44,696	-	44,696
Sale of Inventory					-	-	-
Transfers					91,556	(91,556)	-
Total General Revenues and Transfers					1,727,919	(91,556)	1,636,363
Change in Net Position					2,786,649	(79,853)	2,706,796
Net Position - Beginning					16,856,781	6,534,103	23,390,884
Prior Period Adjustment					(97,740)	-	(97,740)
Net Position - Beginning - as restated					16,759,041	6,534,103	23,293,144
Net Position - Ending					\$ 19,545,690	\$ 6,454,250	\$ 25,999,940

The accompanying notes are an integral part of these financial statements.

City of Huron
BALANCE SHEET – GOVERNMENTAL FUNDS
June 30, 2018

	General	HOME Grant	CDBG Grant	Measure C	Street Projects	Non-Major Governmental Funds	Total Government
Assets:							
Cash and Investments	\$ -	\$ 1,200	\$ -	\$ 735,388	\$ 63,973	\$ 940,993	\$ 1,741,554
Receivables, net	159,937	-	669,986	12,159	-	296,261	1,138,343
Prepaid Costs	37,990	-	-	-	23,257	-	61,247
Due from Other Funds	526,844	-	-	-	-	-	526,844
Notes Receivable	-	4,784,847	1,079,957	-	-	877,659	6,742,463
Land Held for Resale	924,134	-	-	-	-	-	924,134
Total Assets	\$ 1,648,905	\$ 4,786,047	\$ 1,749,943	\$ 747,547	\$ 87,230	\$ 2,114,913	\$ 11,134,585
Liabilities:							
Accounts Payable	\$ 197,486	\$ -	\$ 10,176	\$ 49,382	\$ -	\$ 22,938	\$ 279,982
Accrued Wages	16,935	-	-	59	-	2,096	19,090
Due to Other Funds	432,000	46,847	72,783	-	94,122	175,270	821,022
Unearned Revenue	264,953	-	669,986	-	-	117,884	1,052,823
Total Liabilities	911,374	46,847	752,945	49,441	94,122	318,188	2,172,917
Deferred Inflows of Resources:							
Unavailable Revenue	-	4,784,847	1,079,957	-	-	850,111	6,714,915
Total Deferred Inflows of Resources	-	4,784,847	1,079,957	-	-	850,111	6,714,915
Fund Balances:							
Nonspendable:							
Land Held for Resale	924,134	-	-	-	-	-	924,134
Prepaid Costs	37,990	-	-	-	-	-	37,990
Restricted:							
Community Development	-	-	-	-	-	-	-
Streets and Transportation	-	-	-	698,106	-	963,792	1,661,898
Law Enforcement	-	-	-	-	-	-	-
Impact Fees	-	-	-	-	-	138,188	138,188
Unassigned	(224,593)	(45,647)	(82,959)	-	(6,892)	(155,366)	(515,457)
Total Fund Balances (Deficit)	737,531	(45,647)	(82,959)	698,106	(6,892)	946,614	2,246,753
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 1,648,905	\$ 4,786,047	\$ 1,749,943	\$ 747,547	\$ 87,230	\$ 2,114,913	\$ 11,134,585

The accompanying notes are an integral part of these financial statements.

City of Huron
RECONCILIATION OF THE FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
NET POSITION OF GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET POSITION
June 30, 2018

Fund balances of governmental funds	\$	2,246,753
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not current financial resources, and therefore, are not reported in the Governmental Funds Balance Sheet. However, the Statement of Net Position includes those capital assets among the assets of the City as a whole.

Beginning Balance, net of depreciation	\$ 7,424,328	
Current Year Additions	3,684,989	
Transfers to RDA Successor Agency	-	
Current Year Depreciation	<u>(287,516)</u>	
Ending Balance, net of depreciation		10,821,801

Long-term assets that are not available to pay for current-period expenditures are considered deferred revenue for the Government Funds Balance Sheet. However, these assets are included in the Statement of Net Position.		6,714,915
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Long-term liabilities are not due and payable in the current period, and therefore, are not reported as liabilities in the Governmental Funds Balance Sheet. All liabilities, both current and long-term, are reported in the Statement of Net Position.

Long-Term Debt	(148,793)	
Compensated Absences	<u>(88,986)</u>	
Total Long-Term Liabilities		<u>(237,779)</u>

Net position of governmental activities	\$	<u><u>19,545,690</u></u>
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City of Huron
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES (DEFICITS) – GOVERNMENTAL FUNDS
Year ended June 30, 2018

	General	HOME Grant	CDBG Grant	Measure C	Street Projects	Non-Major Governmental Funds	Total Governmental Funds
Revenues:							
Taxes	\$ 820,683	\$ -	\$ -	\$ -	\$ -	\$ 37,505	\$ 858,188
Licenses & Permits	231,664	-	-	-	-	6,107	237,771
Intergovernmental	3,577,865	-	46,613	246,786	143,519	410,184	4,424,967
Charges for Services	91,444	-	-	-	-	-	91,444
Fines, Forfeitures & Assessments	23,497	-	-	-	-	-	23,497
Use of Money or Property	96,429	-	-	-	-	-	96,429
Loan Payments	-	1,200	2,973	-	-	-	4,173
Contributions & Donations	-	-	-	-	-	-	-
Miscellaneous	154,020	-	-	-	-	-	154,020
Total Revenues	4,995,602	1,200	49,586	246,786	143,519	453,796	5,890,489
Expenditures:							
Current:							
General Government	376,351	-	-	-	-	-	376,351
Public Safety	1,027,549	-	-	-	-	188,163	1,215,712
Public Works	28,343	-	-	78,034	-	292,071	398,448
Community Development	273,736	-	75,212	-	-	51,881	400,829
Parks and Recreation	40,430	-	-	-	-	-	40,430
Capital Outlay:							
General Capital Outlay	3,186,566	-	-	-	-	-	3,186,566
Street Improvements	-	-	-	392,763	47,111	-	439,874
Debt Service:							
Principal Retirement	66,359	-	-	-	-	-	66,359
Interest and Finance Charges	8,004	-	-	-	-	-	8,004
Total Expenditures	5,007,338	-	75,212	470,797	47,111	532,115	6,132,573
Excess of Revenues Over (Under) Expenditures	(11,736)	1,200	(25,626)	(224,011)	96,408	(78,319)	(242,084)
Other Financing Sources (Uses):							
Transfers In	91,556	-	-	-	-	-	91,556
Transfers Out	(510,497)	-	-	-	-	-	(510,497)
Loan Proceeds	100,153	-	-	-	-	-	100,153
Total Other Financing Sources (Uses)	(318,788)	-	-	-	-	-	(318,788)
Net Change in Fund Balances	(330,524)	1,200	(25,626)	(224,011)	96,408	(78,319)	(560,872)
Fund Balances - Beginning	1,068,055	(46,847)	(57,333)	922,117	(103,300)	1,024,933	2,807,625
Fund Balances - Ending	\$ 737,531	\$ (45,647)	\$ (82,959)	\$ 698,106	\$ (6,892)	\$ 946,614	\$ 2,246,753

The accompanying notes are an integral part of these financial statements.

City of Huron
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year ended June 30, 2017

Net change in fund balance - total governmental funds	\$ (560,872)
Amounts reported for governmental activities in the statement of activities are different because:	
Government funds report capital outlay as expenditures. However, in the Statement of Activities, the costs of those assets is allocated over their estimated useful lives, and reported as depreciation expense. This is the amount by which capital expenditures (\$3,684,989) exceeded depreciation (\$287,516) in the current period.	3,397,473
The issuance of long-term debt provides current financial resources to governmental funds, but the issuance has no effect on net assets.	(100,153)
Repayment of long-term debt principal is an expenditure in the government funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	49,100
Long-term compensated absence expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in government funds.	11,074
Earned long-term assets not available to pay for current-period expenditures are not recognized as revenue in the government funds. Revenue in the Statement of Activities is not limited by availability. This adjustment is the amount by which unavailable deferred revenue at the beginning of the year (\$6,724,888) is exceeded by unavailable deferred revenue at the end of the year (\$6,714,915).	<u>(9,973)</u>
Change in net position of governmental activities	<u><u>\$ 2,786,649</u></u>

The accompanying notes are an integral part of these financial statements.

City of Huron
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2018

	Water Utility	Water Reclamation and Sewer	Refuse Collection and Disposal	Total Proprietary
Assets:				
Current Assets:				
Cash and Investments	\$ 302,429	\$ 615,108	\$ -	\$ 917,537
Receivables, net	124,419	62,314	74,651	261,384
Due from Other Funds	-	880,113	-	880,113
	<hr/>	<hr/>	<hr/>	<hr/>
Total Current Assets	426,848	1,557,535	74,651	2,059,034
Noncurrent Assets:				
Capital Assets:				
Land	-	212,547	-	212,547
Depreciable Buildings, Property, Equipment and Infrastructure, net of accumulated depreciation	3,731,407	3,264,059	-	6,995,466
	<hr/>	<hr/>	<hr/>	<hr/>
Total Noncurrent Assets	3,731,407	3,476,606	-	7,208,013
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Total Assets	\$ 4,158,255	\$ 5,034,141	\$ 74,651	\$ 9,267,047
	<hr/>	<hr/>	<hr/>	<hr/>
Liabilities:				
Current Liabilities:				
Accounts Payable	\$ 76,037	\$ 10,901	\$ 47,219	\$ 134,157
Accrued Wages	1,172	1,111	1,722	4,005
Customer Deposits	14,000	-	-	14,000
Accrued Interest Payable	11,704	3,332	-	15,036
Current Portion of Long-Term Debt	61,000	21,000	-	82,000
Due to Other Funds	-	-	590,074	590,074
	<hr/>	<hr/>	<hr/>	<hr/>
Total Current Liabilities	163,913	36,344	639,015	839,272
	<hr/>	<hr/>	<hr/>	<hr/>
Noncurrent Liabilities:				
Bonds and Notes Payable	1,116,525	857,000	-	1,973,525
	<hr/>	<hr/>	<hr/>	<hr/>
Total Noncurrent Liabilities	1,116,525	857,000	-	1,973,525
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities	1,280,438	893,344	639,015	2,812,797
	<hr/>	<hr/>	<hr/>	<hr/>
Net Position:				
Invested in Capital Assets, net of related debt	2,553,882	2,598,606	-	5,152,488
Restricted For:				
Debt Service (expendable)	120,738	58,310	-	179,048
Unrestricted	203,197	1,483,881	(564,364)	1,122,714
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Net Position	\$ 2,877,817	\$ 4,140,797	\$ (564,364)	\$ 6,454,250
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The accompanying notes are an integral part of these financial statements.

City of Huron
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
Year ended June 30, 2018

	Water Utility	Water Reclamation and Sewer	Refuse Collection and Disposal	Total Proprietary
Operating Revenues:				
Charges for Services	\$ 984,909	\$ 624,987	\$ 599,218	\$ 2,209,114
Total Operating Revenues	984,909	624,987	599,218	2,209,114
Operating Expenses:				
Contractual Services	259,985	196,860	506,500	963,345
Personnel Services and Benefits	97,643	82,910	88,391	268,944
Operations and Maintenance	124,289	29,863	2,739	156,891
Utilities	112,718	107,329	-	220,047
Water Purchases	70,494	-	-	70,494
Administrative Costs	94,210	35,325	10,687	140,222
Depreciation	171,526	126,129	-	297,655
Total Operating Expenses	930,865	578,416	608,317	2,117,598
Operating Income (Loss)	54,044	46,571	(9,099)	91,516
Nonoperating Revenues (Expenses):				
Interest Income	-	-	-	-
Connection and Impact Fees	7,651	2,100	-	9,751
Intergovernmental	-	-	5,000	5,000
Interest Expense	(56,389)	(38,175)	-	(94,564)
Total Nonoperating Revenues (Expenses)	(48,738)	(36,075)	5,000	(79,813)
Income (Loss) Before Contributions and Transfers	5,306	10,496	(4,099)	11,703
Capital Contributions	-	-	-	-
Transfers In	-	-	-	-
Transfers Out	-	-	(91,556)	(91,556)
Change in Net Position	5,306	10,496	(95,655)	(79,853)
Net Position - Beginning	2,872,511	4,130,301	(468,709)	6,534,103
Net Position - Ending	\$ 2,877,817	\$ 4,140,797	\$ (564,364)	\$ 6,454,250

The accompanying notes are an integral part of these financial statements.

City of Huron
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year ended June 30, 2018

	Water Utility	Water Reclamation and Sewer	Refuse Collection and Disposal	Total Proprietary
Cash flows from operating activities:				
Cash received from:				
Customers, including cash deposits	\$ 973,681	\$ 658,944	\$ 595,879	\$ 2,228,504
Cash paid to:				
Suppliers & Contractors	(601,471)	(388,650)	(514,548)	(1,504,669)
Employees	(97,814)	(83,017)	(87,879)	(268,710)
Net cash provided (used) by operating activities	<u>274,396</u>	<u>187,277</u>	<u>(6,548)</u>	<u>455,125</u>
Net cash provided from noncapital financing activities:				
Cash transferred from other funds	-	-	93,104	93,104
Cash transferred to other funds	-	(452,252)	(91,556)	(543,808)
Connection fees	7,651	2,100	-	9,751
Intergovernmental revenue	-	-	5,000	5,000
Net cash provided (used) by noncapital financing activities	<u>7,651</u>	<u>(450,152)</u>	<u>6,548</u>	<u>(435,953)</u>
Cash flows from capital and related financing activities:				
Principal payments:				
Bonds	(35,000)	(2,000)	-	(37,000)
Certificates of Participation	(24,000)	(18,000)	-	(42,000)
Interest paid	(56,389)	(38,175)	-	(94,564)
Purchase of capital assets	(374,458)	-	-	(374,458)
Net cash provided (used) by capital and related financing activities	<u>(489,847)</u>	<u>(58,175)</u>	<u>-</u>	<u>(548,022)</u>
Cash flows from investing activities:				
Interest received	-	-	-	-
Net cash provided by investing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net increase (decrease) in cash	(207,800)	(321,050)	-	(528,850)
Cash and cash equivalents - Beginning of year	<u>510,229</u>	<u>936,158</u>	<u>-</u>	<u>1,446,387</u>
Cash and cash equivalents - End of year	<u><u>\$ 302,429</u></u>	<u><u>\$ 615,108</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 917,537</u></u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:				
Operating income (loss)	\$ 54,044	\$ 46,571	\$ (9,099)	\$ 91,516
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	171,526	126,129	-	297,655
(Increase) decrease in accounts receivable	(11,328)	33,957	(3,339)	19,290
Increase (decrease) in accounts payable	60,225	(19,273)	5,378	46,330
Increase (decrease) in accrued wages	(171)	(107)	512	234
Increase (decrease) in customer deposits	100	-	-	100
Net cash provided (used) by operating activities	<u><u>\$ 274,396</u></u>	<u><u>\$ 187,277</u></u>	<u><u>\$ (6,548)</u></u>	<u><u>\$ 455,125</u></u>

The accompanying notes are an integral part of these financial statements.

City of Huron
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
June 30, 2018

	Pension Plan Trust Fund	RDA Successor Agency Private Purpose Trust Fund
Assets:		
Cash and Investments	\$ -	\$ 138,125
Cash and Investments with Fiscal Agents	38,661	364,277
Receivables, net	-	-
Due from the City of Huron	-	4,139
	<hr/>	<hr/>
Total Assets	38,661	506,541
	<hr/>	<hr/>
Liabilities:		
Accounts Payable	-	6,356
Accrued Wages	-	1,483
Interest Payable	-	22,279
Unearned Revenue	-	273,173
Long-Term Debt	-	3,300,000
	<hr/>	<hr/>
Total Liabilities	-	3,603,291
	<hr/>	<hr/>
Net Position:		
Held in Trust For:		
Pension Benefits	38,661	
Retirement of Obligations of the Former Huron Redevelopment Agency	<hr/>	<hr/>
		(3,096,750)
Net Position	<hr/> <hr/>	<hr/> <hr/>
	\$ 38,661	\$ (3,096,750)

The accompanying notes are an integral part of these financial statements.

City of Huron
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
For the Five Months Ended June 30, 2018

	Pension Plan Trust Fund	RDA Successor Agency Private Purpose Trust Fund
Additions:		
Taxes	\$ -	\$ 518,891
Write off Debt to City of Huron	-	510,497
Miscellaneous	-	4,790
	<hr/>	<hr/>
Total Additions	-	1,034,178
	<hr/>	<hr/>
Deductions:		
Benefits	21,710	-
Administration	-	118,305
Community Development		
Interest and Finance Charges	-	248,341
	<hr/>	<hr/>
Total Deductions	21,710	366,646
	<hr/>	<hr/>
Change in Net Position	(21,710)	667,532
Net Position - Beginning	60,371	(3,764,282)
	<hr/>	<hr/>
Net Position - Ending	\$ 38,661	\$ (3,096,750)
	<hr/> <hr/>	<hr/> <hr/>

The accompanying notes are an integral part of these financial statements.

City of Huron
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

Note 1 – Summary of Significant Accounting Policies

The accompanying financial statements of the City of Huron (the "City") have been prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). The following summary of the City's more significant accounting policies is presented to assist the reader in interpreting the basic financial statements and other data in this report. These policies should be viewed as an integral part of the accompanying basic financial statements.

A - Reporting Entity

The City of Huron, California was incorporated in 1951. The City is a full-service city and operates under a Council - Manager form of government, providing the following services: general government; public safety; public works; and development and conservation. The City is located in Fresno County approximately 50 miles southwest of Fresno, the county government seat.

The City has defined its reporting entity in accordance with accounting principles generally accepted in the United States of America which provide guidance for determining which governmental activities, organizations, and functions should be included in the reporting entity. The Basic Financial Statements present information on the activities of the reporting entity, including all the fund types of the City (the primary government) and its component units.

Accounting principles generally accepted in the United States of America require that the component units be separated into blended or discretely presented units for reporting purposes. Although legally separate entities, blended component units are, in substance, part of the City's operations. Therefore, they are reported as part of the primary government. Discretely presented component units are reported in a separate column in the basic financial statements to emphasize that they are legally separate from the City. The City has no discretely presented component units.

Blended Component Units

On May 1, 1996, the City and the former Huron Redevelopment Agency entered into a Joint Exercise of Powers Agreement establishing the Huron Public Financing Authority (the "Authority") for the purpose of issuing its bonds to be used to provide financial assistance to the City, the Agency or any other public entity of the State of California. The funds of this component unit report no activity for the year. Separate financial statements are not available for the Authority. The City Council of Huron is the governing body for the Authority.

City of Huron
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

Note 1 – Summary of Significant Accounting Policies, (continued)

B - Basis of Presentation

Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

For the most part, the effect of interfund activity has been removed from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the City's sewer, water and refuse function and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Indirect expenses have been allocated to major functions in order to present a more accurate and complete picture of the cost of services. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Fund Financial Statements

The accounting system of the City is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operation fund of the City or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and

City of Huron
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

Note 1 – Summary of Significant Accounting Policies, (continued)

- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.
- c. The government has determined that a fund is important to the financial statement user.

The major funds are as follows:

Governmental Funds

The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund accounts for the traditional government services of the City such as police, planning, and general administrative services.

The HOME Grant Fund accounts for HOME Grant funds received through the California Department of Housing and Community Development. These grant funds are used for first time home buyer assistance. Qualified applicants can get gap financing under this program for the purchase of their first home. All program income must be accounted for and kept in a reuse fund where it can then be accumulated and lent back out on HOME eligible activities.

The CDBG Grant Fund accounts for funds received through the Community Development Block Grant (CDBG) program. The grant funds are disbursed to homeowners who meet low and moderate income guidelines and qualify for the CDBG program as deferred loans, grants or below market interest rate loans. All program income must be accounted for and kept in a reuse fund where it can then be accumulated and lent back out.

The Measure C Fund accounts for funds received from the County of Fresno for transportation related programs.

The Street Projects Fund accounts for special state grants that are legally restricted to construction and maintenance of local roads within the City limits.

Proprietary Funds

The Water Utility Fund is used to account for the provisions of water service to residents of the City. All activities necessary to provide such service are accounted for in this fund.

The Water Reclamation and Sewer Fund is used to account for the provisions of sewer service to the residents of the City. All activities necessary to provide such service are accounted for in this fund.

The Refuse Collection Fund is used to account for the collection and disposal of refuse within the City. All activities necessary to provide such service are accounted for in this fund.

City of Huron
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

Note 1 – Summary of Significant Accounting Policies, (continued)

Fiduciary Fund

The Pension Plan Trust Fund account for assets held by the City trustee for the City's pension plan.

The RDA Successor Agency Private Purpose Trust Fund accounts for monies received from the Fresno County Auditor Controller for the repayment of the enforceable obligations of the former Huron Redevelopment Agency. These funds are restricted for the sole purpose of payment of items on an approved Recognized Payment Obligation Schedule (ROPS).

C - Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus. The accounting objectives of the economic measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported.

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets (deferred outflows of resources and deferred inflows of resources are noncurrent). Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary fund utilizes an “economic resources” measurement focus. Proprietary fund equity is classified as net position.
- c. Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

City of Huron
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

Note 1 – Summary of Significant Accounting Policies, (continued)

Basis of Accounting

In the government-wide Statement of Net Position and Statement of Activities, both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when “measurable and available”. Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter to pay current liabilities. Revenues which are susceptible to accrual include property taxes and special assessments that are levied for and due for the fiscal year and collected within 60 days after year-end. Licenses, permits, fines, forfeits, charges for services and miscellaneous revenues are recorded as governmental fund type revenues when received in cash because they are not generally measurable until actually received. Revenue from taxpayer assessed taxes, such as sales taxes, are recognized in the accounting period in which they became both measurable and available to finance expenditures of the fiscal period. Grant funds and reimbursements of expenses under contractual agreements are reported in governmental fund types and are recorded as a receivable when earned rather than when susceptible to accrual. Generally, this occurs when authorized expenditures are made under the grant program or contractual agreement. Expenditures are recognized when the fund liability is incurred, if measurable, except for unmatured interest on long-term debt, which is recognized when due.

The accrual basis of accounting is followed by the proprietary fund and fiduciary funds. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing goods and services in connection with a proprietary fund's principal ongoing operations. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Private-sector standards of accounting and financial reporting issued prior to December 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

D - Assets, Liabilities, Net Position or Equity, and Other Financial Statement Items

Cash and Investments

Cash and investment balances of each of the City's funds, except for funds required to be held by outside fiscal agents under the provisions of bond indentures, are pooled in order to take advantage of an effective investment strategy. Income earned from pooled investments is allocated to each of the funds based on average pooled cash balances during the year. Deficit cash balances are classified as due to other funds and funded by the General Fund or related operating fund.

City of Huron
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

Note 1 – Summary of Significant Accounting Policies, (continued)

California Government Code authorizes the Agency to invest in the following types of investments:

<u>Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Specified % Of Portfolio</u>	<u>Minimum Quality Requirements</u>
Local Agency Bonds	5 Years	None	None
U.S. Treasury Obligations	5 Years	None	None
State Obligations	5 Years	None	None
CA Local Agency Obligations	5 Years	None	None
U.S. Agency Obligations	5 Years	None	None
Bankers' Acceptance	180 Days	40%	None
Commercial Paper - Select Agencies	270 Days	25%	A-1
Commercial Paper - Other Agencies	270 Days	40%	A-1
Negotiable Certificates of Deposit	5 Years	30%	None
CD Placement Service	5 Years	30%	None
Repurchase Agreements	1 Year	None	None
Reverse Repurchase Agreements	92 Days	20%	None
Medium-Term Notes	5 Years	30%	A
Mutual and Money Market Fund	N/A	20%	Multiple
Collateralized Bank Deposits	5 Years	None	None
Mortgage Pass-Through Securities	5 Years	20%	AA
Bank/Time Deposits	5 Years	None	None
County Pooled Investment Funds	N/A	None	None
Joint Powers Authority Pool	N/A	None	Multiple
Local Agency Investment Fund (LAIF)	N/A	None	None

Investment of debt proceeds held by bond trustees are governed by the provisions of the Agency's debt agreement rather than the general provisions of the California Government Code.

For purposes of the Combined Statement of Cash Flows for the Proprietary fund types, cash and cash equivalents includes all pooled cash investments, non-pooled restricted cash and restricted investments with an original maturity of three months or less. The City considers the investments held in LAIF to be a demand deposit account where funds may be withdrawn and deposited at any time without prior notice or penalty.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as interfund receivables/interfund payables (i.e., the current portion of interfund loans) or advances to/from other funds (the noncurrent portion) of interfund loans. All other outstanding balances between funds are reported as interfund receivables/interfund payables. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as internal balances.

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

City of Huron
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

Note 1 – Summary of Significant Accounting Policies, (continued)

All trade and tax receivables are shown net of an allowance for uncollectible accounts and estimated refunds due.

Property Taxes

Secured property taxes are levied during September of each year for the fiscal year beginning with the preceding July 1 and ending the following June 30. They become a lien on real property on January 1 preceding the fiscal year for which taxes are levied. The Kern County Assessor establishes the value of the property on January 1. Taxes are payable in two installments on November 1 and February 1, and are delinquent if not paid by December 10 and April 10, respectively. In 1978, a state constitutional amendment (Proposition 13) provided that the tax rate be limited to 1% of market value, levied only by the County and shared with all other jurisdictions. Such limitation on the rate may only be increased through voter approval. The County collects property taxes and distributes them to taxing jurisdictions on the basis of the taxing jurisdiction's assessed valuations and on the tax rate for voter-approved debt.

Capital Assets and Depreciation

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, traffic signals, drainage systems and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial cost of more than \$5,000 and an estimated life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Property, plant and equipment of the primary government as well as the component units, are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	40
Improvements other than buildings	20
Machinery and Equipment	5 - 8
Infrastructure	20 - 75

Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and comp time, and sick pay benefits. Sick leave must be used in the year it is earned and is not allowed to be carried over to subsequent years. Vacation and comp time pay liabilities are calculated at full value based on the employee's current rate of pay. All compensated absence pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

City of Huron
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

Note 1 – Summary of Significant Accounting Policies, (continued)

Long-Term Obligations

In the government-wide financial statements and in the proprietary fund financial statements, bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed when bonds are issued.

In governmental fund financial statements, bond premiums and discounts, as well as debt issuance costs are recognized in the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are also reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as debt service expenditures.

Net Position

The government-wide and business-type activities fund financial statements utilize a net position presentation. Net position is categorized as follows:

Net Invested In Capital Assets – This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.

Restricted Net Position – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. The government-wide statement of net position reports \$8,225,410 of restricted net position, all of which is restricted externally by grantors, creditors, or laws or regulations of other governments.

Unrestricted Net Position – This category represents net position of the City, not restricted for any project or other purpose.

When both restricted and unrestricted net position are available, it is the City's policy to use restricted net position first, and then unrestricted net position as they are needed.

Fund Balance – Government Funds

Fund balances of the governmental funds are presented in the financial statements based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. Fund balances are classified as follows:

City of Huron
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

Note 1 – Summary of Significant Accounting Policies, (continued)

Nonspendable – Amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation.

Committed – Amounts that can be used only for specific purposes determined by a formal action by Board of Director resolution. This includes the budget reserve account.

Assigned – Amounts the City intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balance. Amounts may be assigned by the City Manager.

Unassigned – All other spendable amounts.

When expenditures are incurred for purposes for which all restricted, committed, assigned, and unassigned fund balances are available, the City's policy is to apply in the following order, except for instances wherein an ordinance specifies the fund balance: Restricted, Committed, Assigned, and Unassigned.

The City does not have a formal minimum fund balance requirements.

Appropriated Budget and Budgetary Control

The City Council is required to adopt an annual budget resolution by July 1 of each fiscal year for the General, Special Revenue, Debt Service and Capital Projects funds. The budgets are presented for reporting purposes on a budgetary basis consistent with accounting principles generally accepted in the United States of America. The City of Huron Public Financing Authority does not adopt a budget for its general fund.

The appropriated budget is prepared by fund, function, and department. The City Manager may make transfers of appropriations within a department. Transfers of appropriations between departments requires the approval of the council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level. Unexpended or unencumbered appropriations lapse at the end of the fiscal year. Encumbered appropriations are reappropriated in the ensuing year's budget.

The City Council adopts budgets for the Enterprise and Internal Service funds. However, all Proprietary fund types are accounted for on a cost of service (net income), or "capital maintenance" measurement focus. As a result, budget comparisons are impractical. Additionally, the City is not legally mandated to report the results of operations for these Proprietary fund types on a budget comparison basis; therefore, budgetary data related to these funds has not been presented.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

City of Huron
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

Note 1 – Summary of Significant Accounting Policies, (continued)

Deferred Compensation Plan

The City offers some employees a deferred compensation plan. The assets, all property and rights purchased with such amounts and all income attributable to such amounts, are held in trust for the exclusive benefit of the participants and the beneficiaries. The plan is administered by independent plan administrators through administrative service agreements. The City does not have fiduciary responsibility for the plan assets.

Note 2 – Cash and Investments

The City pools all of its cash and investments except those funds required to be held by outside fiscal agents under the provisions of bond indentures.

The following is a summary of the City's cash and investments as classified in the accompanying financial statements:

Pooled Cash and Investments - Governmental Funds	\$ 1,741,554
Pooled Cash and Investments - Proprietary Funds	917,537
Cash and Investments - Fiduciary Funds	138,125
Cash and Investments with Fiscal Agents - Fiduciary Funds	<u>402,938</u>
Total	<u><u>\$ 3,200,154</u></u>

Cash and investments at June 30, 2018 consist of the following:

Cash on Hand	\$ 750
Demand Deposits	2,793,727
Investments	<u>405,677</u>
Total	<u><u>\$ 3,200,154</u></u>

Deposits:

Custodial credit risk – In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City has no deposit policy for custodial credit risk.

City of Huron
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

Note 2 – Cash and Investments, (continued)

The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure public agency deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. As of June 30, 2018, all of the City's deposits with financial institutions in excess of federal depository insurance limits were held in fully collateralized accounts, as permitted by the California Government Code.

Under Government Code Section 53655, the placement of securities by a bank or savings and loan association with an Agent of Depository has the effect of perfecting the security interest in the name of the local governmental agency. Accordingly, all collateral held by California Agents of Depository is considered to be held for, and in the name of, the local governmental agency.

Investments:

The City had the following investments at June 30, 2018:

Investment Type	Fair Value	Maturity Date
State Treasurer's Investment Pool (LAIF)	\$ 2,739	N/A
Held by Trustees:		
Cash and Short Term Investments	364,277	N/A
Mutual Funds	38,661	N/A
Total Investments	<u>\$ 405,677</u>	

LAIF is a special fund of the California State Treasury through which local governments may pool investments. Investments in LAIF are highly liquid, as deposits can be converted to cash within 24 hours without loss of interest. Included in LAIF's investment portfolio are certain derivative securities or similar products, such as structured notes and asset backed securities. LAIF's and the City's exposure to credit, market, or legal risk is not available. The fair value of the City's position in the pool is the same as the value of the pool shares. LAIF is regulated by the California Government Code.

Interest rate risk – The City's exposure to interest rate risk is identified by the above weighted average maturities. The City has no investment policy for interest rate risk.

Credit rating risk – The City is required to disclose the credit quality ratings of investments in debt securities as issued by nationally recognized statistical rating organizations (NRSROs). At June 30, 2018, the Credit ratings for the money market funds, mutual funds and investments in LAIF were unavailable. The City has no investment policy for credit risk.

City of Huron
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

Note 2 – Cash and Investments, (continued)

Concentration of credit risk – The City is required to disclose any investment in any one issuer that represents 5% or more of total investments. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement. As such, the City has no concentration of credit risk that exceeds 5%. The City has no investment policy for concentration of credit risk.

Custodial credit risk – For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF). The City has no investment policy for custodial credit risk.

Restricted Investments with Fiscal Agents

Fiduciary Fund Activities:

Pension Plan Trust Fund – All pension plan investments are required to be held in a reserve account.

\$ 38,661

RDA Successor Private Purpose Trust Fund:

Tax Allocation Bonds – The trustee is required to hold, in a reserve account, funds necessary to secure bonds until 2036.

\$ 162,000

Revenue Bonds – The trustee is required to hold, in a reserve account, funds necessary to secure bonds until 2036 and to hold unexpended funds for future expenditures within the RDA project area.

202,277

Total

\$ 364,277

City of Huron
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

Note 3 – Receivables

Receivables at June 30, 2018 consist of the following:

	General Fund	CDBG Grant	Measure C	Street Projects	Non-Major Governmental Funds	Total Governmental
Governmental Activities:						
Accounts receivable, net	\$ 4,085	\$ -	\$ -	\$ -	\$ -	\$ 4,085
Due from governments	155,852	669,986	12,159	-	296,261	1,134,258
Allowance for doubtful accounts	-	-	-	-	-	-
Total	\$ 159,937	\$ 669,986	\$ 12,159	\$ -	\$ 296,261	\$ 1,138,343

	Water Utility	Water Reclamation And Sewer	Refuse Collection And Disposal	Total Business-Type
Business-Type Activities:				
Accounts receivable, net	\$ 124,419	\$ 62,314	\$ 74,651	\$ 261,384
Due from governments	-	-	-	-
Allowance for doubtful accounts	-	-	-	-
Total	\$ 124,419	\$ 62,314	\$ 74,651	\$ 261,384

Note 4 – Interfund Receivables, Payables, Advances and Transfers

Interfund balances at June 30, 2018 consisted of the following:

Fund	Due From Other Funds	Due To Other Funds
Government Funds:		
General Fund	\$ 526,844	\$ 432,000
HOME Grant	-	46,847
CDBG Grant	-	72,783
Street Projects	-	94,122
Non-Major Funds	-	175,270
Total Governmental Funds	526,844	821,022
Proprietary Funds:		
Water Utility	-	-
Water Reclamation and Sewer	880,113	-
Refuse Collection and Disposal	-	590,074
Total Proprietary Funds	880,113	590,074
Fiduciary Funds:		
RDA Successor Private Purpose Trust Fund	4,139	-
Total Fiduciary Funds	4,139	-
Total Due From/To	\$ 1,411,096	\$ 1,411,096

The above balances represent money advanced for cash shortages or expenditures to be reimbursed.

City of Huron
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

Note 4 – Interfund Receivables, Payables, Advances and Transfers, (continued)

Interfund transfers at June 30, 2018 consisted of the following:

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Funds:		
General Fund	\$ 91,556	\$ 510,497
Proprietary Funds:		
Refuse Collection and Disposal	-	91,556
Fiduciary Funds:		
RDA Successor Private Purpose Trust Fund	<u>510,497</u>	
Total Transfers	<u>\$ 602,053</u>	<u>\$ 602,053</u>

Composition and purpose of interfund transfers is as follows:

General fund transfers in of \$91,556 consist of \$91,556 transferred from the Refuse Collection and Disposal fund representing a franchise fee payment.

RDA Successor fund transfers in of \$510,497 represents the write off of loan payable to the General Fund that was not approved by the state oversight.

Note 5 – Land Held for Resale

At June 30, 2018, inventory consisted of 96 acres of land in the General fund valued at original cost of \$906,043.

City of Huron
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

Note 6 – Capital Assets

Capital asset activity for the year ended June 30, 2018 is as follows:

Governmental Activities	Balance June 30, 2017	Additions	Deletions	Transfers	Balance June 30, 2018
Capital Assets Not Being Depreciated:					
Land	\$ 260,935	\$ -	\$ -	\$ -	\$ 260,935
Construction in Progress	795,479	2,939,568	-	-	3,735,047
Total Capital Assets Not Being Depreciated	1,056,414	2,939,568	-	-	3,995,982
Capital Assets Being Depreciated:					
Buildings and Improvements	7,704,188	427,538	-	-	8,131,726
Machinery and Equipment	689,959	317,883	-	-	1,007,842
Total Capital Assets Being Depreciated	8,394,147	745,421	-	-	9,139,568
Less Accumulated Depreciation For:					
Buildings and Improvements	1,454,937	205,894	-	-	1,660,831
Machinery and Equipment	571,296	81,622	-	-	652,918
Total Accumulated Depreciation	2,026,233	287,516	-	-	2,313,749
Total Capital Assets Being Depreciated, net	6,367,914	457,905	-	-	6,825,819
Governmental Activities Capital Assets, net	\$ 7,424,328	\$ 3,397,473	\$ -	\$ -	\$ 10,821,801

Depreciation charged to governmental functions on the Statement of Activities during the year is as follows: \$203,844 to General Government, \$81,622 to Public Safety, and \$2,050 to Public Works. No interest was capitalized during the year.

City of Huron
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

Note 6 – Capital Assets, (continued)

Proprietary fund type property, plant and equipment are as follows:

Business-Type Activities	Balance June 30, 2017	Additions	Deletions	Transfers	Balance June 30, 2018
Capital Assets Not Being Depreciated:					
Land	\$ 212,547	\$ -	\$ -	\$ -	\$ 212,547
Construction in Progress	-	-	-	-	-
Total Capital Assets Not Being Depreciated	212,547	-	-	-	212,547
Capital Assets Being Depreciated:					
Buildings	285,984	-	-	-	285,984
Improvements Other Than Buildings	12,772,148	374,458	-	-	13,146,606
Machinery and Equipment	494,380	-	-	-	494,380
Total Capital Assets Being Depreciated:	13,552,512	374,458	-	-	13,926,970
Less Accumulated Depreciation For:					
Buildings	122,777	6,821	-	-	129,598
Improvements Other Than Buildings	6,302,203	290,834	-	-	6,593,037
Machinery and Equipment	208,869	-	-	-	208,869
Total Accumulated Depreciation	6,633,849	297,655	-	-	6,931,504
Total Capital Assets Being Depreciated, net	6,918,663	76,803	-	-	6,995,466
Business-Type Activities Capital Assets, net	\$ 7,131,210	\$ 76,803	\$ -	\$ -	\$ 7,208,013

Depreciation charged to business-type activities on the Statement of Activities during the year is as follows: \$171,526 to Water Utility and \$126,129 to Water Reclamation and Sewer. No interest was capitalized during the year.

City of Huron
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

Note 7 – Long-Term Liabilities

	Balance June 30, 2017	Additions	Reductions	Balance June 30, 2018	Due Within One Year
Governmental Activities:					
Promissory Notes	\$ 97,740	\$ 100,153	\$ (49,100)	\$ 148,793	\$ 55,196
Compensated Absences	100,060	-	(11,074)	88,986	-
Total Governmental Activities	197,800	100,153	(60,174)	237,779	55,196
Business-Type Activities:					
Revenue Bonds	857,000	-	(37,000)	820,000	38,000
Certificates of Participation	1,277,525	-	(42,000)	1,235,525	44,000
Total Business-Type Activities	2,134,525	-	(79,000)	2,055,525	82,000
Total Statement of Net Assets Long-Term Activities	\$ 2,332,325	\$ 100,153	\$ (139,174)	\$ 2,293,304	\$ 137,196
RDA Successor Agency Private Purpose Trust:					
Tax Allocation Bonds	\$ 1,900,000	\$ -	\$ (65,000)	\$ 1,835,000	\$ 70,000
Revenue Bonds	1,490,000	-	(25,000)	1,465,000	30,000
Total Fiduciary Fund Long-Term Activities	\$ 3,390,000	\$ -	\$ (90,000)	\$ 3,300,000	\$ 100,000

The compensated absences for governmental and business-type activities will be paid by the respective funds in which the expense was accrued. Compensated absences for governmental activities are typically paid from the General Fund.

Governmental Activities:

Line of Credit:

Line of credit established at Westamerica Bank with a promissory note dated January 22, 2018, in the amount of \$300,000 at 5.5% interest. The loan is due on demand or January 31, 2019 and is secured by a certificate of deposit held at Westamerica Bank. At June 30, 2018, no advances had been made under this line of credit.

\$ 0

Promissory Notes:

Westamerica Bank \$121,745 promissory note dated August 31, 2016, secured by three Ford vehicles, payable on demand or in forty-eight monthly installments of \$2,724 including interest at 3.5%. All due and payable August 31, 2020.

67,995

Westamerica Bank \$100,153 promissory note dated August 14, 2017, secured by three Ford vehicles, payable on demand or in forty-eight monthly installments of \$2,280 including interest at 4.25%. All due and payable August 31, 2021.

80,798

Total Promissory Notes

\$ 148,793

City of Huron
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

Note 7 – Long-Term Liabilities, (continued)

Compensated Absences	<u>88,986</u>
Total Governmental Activities	<u>\$ 237,779</u>

Business-Type Activities:

Revenue Bonds:

USDA water plant revenue bonds in the amount of \$986,000 were issued in 2002. Interest in the amount of 4.5% is due semi-annually. Principal is paid annually. \$ 780,000

Water revenue bonds in the amount of \$199,000 were issued in 1980. Interest in the amount of 5% is due semi-annually. Principal is paid annually. 34,000

Sewer revenue bonds in the amount of \$44,000 were issued in 1980. Interest in the amount of 5% is due semi-annually. Principal is paid annually. 6,000

Total Revenue Bonds \$ 820,000

Certificates of Participation:

Water COP payable to U.S. Department of Agriculture dated December 1, 1991 in the original amount of \$848,000 at 5.0% interest; payable semi-annually commencing December 1, 1992. Principal is due annually commencing December 1, 1993, with final payment due December 1, 2031. Proceeds used to construct water treatment plant and storage tank. Secured by water revenues. \$ 363,525

Sewer COP in the amount of \$1,058,500 were issued in 2005. Interest in the amount of 4.25% is due semi-annually. Principal is paid annually. 872,000

Total Certificates of Participation \$ 1,235,525

Total Business-Type Activities \$ 2,055,525

City of Huron
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

Note 7 – Long-Term Liabilities, (continued)

RDA Successor Private Purpose Trust Fund:

Tax Allocation Bonds:

Tax Allocation Bonds dated July 1, 2007, in the original amount of \$2,445,000 at 3.65% to 4.75% interest; payable semi-annually commencing December 1, 2007. Principal is due annually commencing June 1, 2008, with final payment due June 1, 2036. Secured by tax revenues of the Redevelopment Agency.

\$ 1,835,000

Revenue Bonds:

Tax Revenue Bonds dated March 1, 2011 in the original amount of \$1,600,000 at 11.0% interest; payable semi-annually commencing June 1, 2011. Principal is due annually commencing December 1, 2011, with final payment due December 1, 2035. Secured by tax revenues of the Redevelopment Agency.

1,465,000

Total RDA Successor Private Purpose Trust Fund

\$ 3,300,000

The annual requirements to amortize all bonded indebtedness and other long-term liabilities outstanding at June 30, 2018, are as follows:

Year Ending	Governmental Activities	
	Promissory Notes	
	Principal	Interest
June 30		
2019	\$ 55,196	\$ 4,851
2020	57,350	2,698
2021	31,850	825
2022	4,397	23
	<u>148,793</u>	<u>8,397</u>
Total	\$ 148,793	\$ 8,397

City of Huron
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

Note 7 – Long-Term Liabilities, (continued)

Year Ending June 30	Business-Type Activities			
	Revenue Bonds		Certificates of Participation	
	Principal	Interest	Principal	Interest
2019	\$ 38,000	\$ 36,488	\$ 44,000	\$ 60,560
2020	38,000	34,713	47,000	58,402
2021	39,000	32,940	49,000	56,153
2022	30,000	31,051	50,000	53,810
2023	30,000	29,701	54,000	51,367
2024-2028	155,000	128,142	304,000	215,880
2029-2033	175,000	90,565	203,525	137,370
2034-2038	195,000	49,388	194,000	87,125
2039-2043	120,000	8,100	236,000	42,500
2044	-	-	54,000	2,295
Total	\$ 820,000	\$ 441,088	\$ 1,235,525	\$ 765,462

RDA Successor Agency Private Purpose Trust				
Year Ending June 30	Tax Allocation Bonds		Revenue Bonds	
	Principal	Interest	Principal	Interest
2019	\$ 70,000	\$ 83,031	\$ 30,000	\$ 161,150
2020	70,000	80,144	30,000	157,850
2021	75,000	77,050	35,000	154,550
2022	75,000	73,713	40,000	150,700
2023	80,000	70,225	45,000	146,300
2024-2028	465,000	291,389	305,000	646,250
2029-2033	580,000	171,475	515,000	437,250
2034-2036	420,000	30,401	465,000	105,600
Total	\$ 1,835,000	\$ 877,428	\$ 1,465,000	\$ 1,959,650

Note 8 – Unearned Revenue / Deferred Inflows of Resources

Unearned Revenue consists of moneys received where the City has not yet incurred the qualifying expenditures as follows:

	Governmental Activities	Fiduciary Activities
LTF Revenues	\$ 117,884	\$ -
Police Building Grant	264,953	-
CDBG	669,986	
RDA Successor - ROPS	-	273,173
	<u>\$ 1,052,823</u>	<u>\$ 273,173</u>

City of Huron
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

Note 8 – Unearned Revenue / Deferred Inflows of Resources, (continued)

Deferred inflows of resources represents an acquisition of net position or fund balance that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The City has one transaction type that qualifies for reporting under this category; unavailable revenue is only reported in the governmental funds balance sheet under the modified accrual basis of accounting. The detail of unavailable revenue is as follows:

Governmental Activities

	<u>Unavailable</u>
HOME Grants	\$ 4,784,847
CDBG Grants	1,079,957
CalHome Grants	<u>850,111</u>
Total	<u>\$ 6,714,915</u>

Note 9 – Public Entity Risk Pools

The City maintains self-insurance programs for workers' compensation, general public liability, auto liability and property coverage through its membership in the Central San Joaquin Valley Risk Management Authority (CSJVRMA). The CSJVRMA is comprised of 55 member cities and special districts and is organized under a Joint Powers Agreement pursuant to the California Government Code. The purpose of the CSJVRMA is to arrange and administer programs of insurance for the pooling of self-insured losses and to purchase excess insurance coverage. Each member has a representative on the Board of Directors with officers of the CSJVRMA being elected annually by the Board Members.

Liability Program: The program provides \$28 million of coverage per occurrence for general & automobile liability and public officials errors & omission coverage. CSJVRMA members self-fund the first \$1 million of exposure; losses above \$1 million to \$28 million are covered through CSJVRMA's participation in the California Affiliated Risk Management Authority's (CARMA) excess pool. The California Affiliated Risk Management Authority (CARMA) is comprised of six member Joint Power Authorities and is organized under a Joint Powers Agreement pursuant to the California Government Code. Losses exceeding \$1 million up to \$28 million are covered through reinsurance. Within CSJVRMA's \$1 million retention, the City of Huron selected a self-insured retention of \$10,000. The pool shares all losses exceeding a member's self-insured retention.

Employment Practices Liability (EPL): This program from CSJVRMA covers the EPL exposures through the Employment Risk Management Authority (ERMA). ERMA is comprised of eight members Joint Power Authorities and is organized under a Joint Powers Agreement pursuant to the California Government Code. ERMA covers \$1 million for each occurrence less the members' retained limit. The City of Huron's retained limit is \$25,000.

Workers' Compensation: The program is a risk sharing pool. The City self insures for the first \$500,000 of liability. Losses in excess of \$500,000, up to \$5 million are covered through CSJVRMA's participation in the Local Agency Workers' Compensation Excess JPA (LAWCX) which is comprised of 32 different Joint Power Authorities. For excess coverage, LAWCX is a member of the California State Association of Counties Excess Insurance Authority which provides coverage up to the statutory limit.

City of Huron
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

Note 9 – Public Entity Risk Pools, (continued)

Property Insurance: The City, through its membership in CSJVRMA participates in the Public Entity Property Insurance Program (PEPIP) along with other California public entities. PEPIP is a national property insurance program with several hundred members including the City of Huron. The PEPIP policy is an all-risk, replacement cost policy that covers: tax interruption; municipal bond revenue interruption; service interruption from public and private utilities for gas, electric, water and telecommunication; and vehicle comprehensive and collision. The CSJVRMA's deductible through PEPIP's is \$25,000. The City of Huron's deductible is \$1,000 per occurrence. The program has a \$1,000,000,000 loss limit per occurrence, with various sub limits.

The latest audited financial information available from CSJVRMA is for the year ended June 30, 2018 as follows:

Total Assets	\$ 110,234,633
Total Liabilities	<u>92,209,231</u>
Net Position	<u>\$ 18,025,402</u>
Total Revenue	\$ 47,044,121
Total Expenses	<u>46,993,290</u>
Change in Net Position	<u>\$ 50,831</u>

Note 10 – Pension Plan

The City contributes to and acts as plan administrator to the City of Huron Profit Sharing Plan (the Plan), a defined contribution pension plan. All permanent full-time employees with one year of service may participate. The plan provides that the City's rate of contribution is at the discretion of the City, with a maximum of 15%. The plan is independently administered by Hicks Pension Services and all investments are directed by the administrator. During the current fiscal year the City contributed \$0 to the plan. All plan assets are stated at market value as determined by the administrator. Employees are immediately vested in their own contributions and earnings on those contributions. Employees become vested in City contributions and earnings on City contributions as follows:

- 0% in the first year, then
- 20% per year thereafter

Nonvested contributions are forfeited upon termination of employment. For the year ended June 30, 2018, there were no forfeitures. The City had no liability to the Plan at June 30, 2018.

Note 11 – Other Disclosures

Pledged Revenues

The City of Huron has pledged certain water, sewer and tax revenues for the repayment of long-term debt obligations.

Economic Dependency

The City is dependent upon taxes and user fees received from the residents of the Huron area.

City of Huron
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

Note 11 – Other Disclosures, (continued)

Date of Management Evaluation

Management has evaluated subsequent events through March 18, 2019, the date on which the financial statements were available to be issued.

Excess of Expenditures over Appropriations

For the year ended June 30, 2018, some expenditures exceeded appropriations. The over expenditures were funded from current tax revenue and charges for services. All City expenditures were approved by the City Council.

Fund Deficits

The City had accumulated fund deficits in the following individual funds:

Governmental Funds:	
HOME Grant Fund	\$ (45,647)
CDBG Grant Fund	(82,959)
Street Projects	(6,892)
Non-Major Funds	<u>(155,366)</u>
 Total Governmental Funds	 <u>\$ (290,864)</u>
 Proprietary Funds:	
Refuse Collection and Disposal	<u>\$ (564,364)</u>

The HOME, CDBG and Street Projects deficits are a result of expenditures prior to grant reimbursement.

For the Refuse Collection and Disposal deficit, the City is attempting to increasing rates and improving operational efficiency.

Prior Period Adjustment

A prior period adjustment of \$97,740 was made to decrease beginning net position of the governmental activities. The adjustment was made to include the June 30, 2017 balance of Westamerica Bank promissory note dated August 31, 2016 as further described in Note 7.

City of Huron
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

Note 11 – Other Disclosures, (continued)

Contingencies

Federal and State Government Programs – The City participates in several federal and state grant programs. These programs are subject to audit and review by the grantor pursuant to grant provisions. Expenditures may be disallowed by the granting agencies that cannot be determined at this time. The City expects such amounts, if any, to be immaterial.

California Department of Housing and Community Development Grant - The City was awarded a \$1,500,000 grant by the California Department of Housing and Community Development (HCD) for development of an affordable home subdivision. Under the grant agreement, the City was required to repay the grant funds, with 6% interest, in the event the homes were not developed and sold on or before the January 1, 2017 expiration date of the grant. A development agreement was entered into with a developer who expended approximately \$1,300,000 of the grant funds under a promissory note. The City holds a \$1,500,000 Deed of Trust against the subdivision property securing the promissory note executed by the developer.

For various reasons, including the death of the developer, the January 1, 2017 deadline was not met. The City subsequently applied for a one year extension of time to January 1, 2018. HCD deferred making a decision on that request. With HCD's consent, the City obtained an order foreclosing on the Deed of Trust. The City has now proposed to HCD that it renew and extend the original grant agreement, extend the time for completing the affordable homes and allow for the City's acquisition of the property by foreclosure sale so that the \$1,500,000 loan can be converted to a grant as originally intended. HCD is currently evaluating this request. Whether the City will be required to repay the \$1,500,000 is uncertain. The City's position is that under the circumstances, there is little likelihood that this money will have to be repaid to HCD.

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REQUIRED SUPPLEMENTARY INFORMATION

City of Huron
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
Year ended June 30, 2018

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
Revenues:				
Taxes	\$ 448,200	\$ 450,232	\$ 820,683	\$ 370,451
Licenses & Permits	276,483	312,101	231,664	(80,437)
Intergovernmental	935,792	976,970	3,577,865	2,600,895
Charges for Services	183,355	222,573	91,444	(131,129)
Fines, Forfeitures & Assessments	66,400	48,037	23,497	(24,540)
Use of Money or Property	36,000	48,038	96,429	48,391
Contributions & Donations	-	-	-	-
Miscellaneous	27,000	115,531	154,020	38,489
Total Revenues	1,973,230	2,173,482	4,995,602	2,822,120
Expenditures:				
Current:				
General Government	276,915	337,159	376,351	39,192
Public Safety	1,038,010	1,159,950	1,027,549	(132,401)
Public Works	30,920	31,915	28,343	(3,572)
Community Development	123,460	198,099	273,736	75,637
Parks and Recreation	49,709	53,137	40,430	(12,707)
Capital Outlay:				
General Capital Outlay	292,000	356,420	3,186,566	2,830,146
Debt Service:				
Principal Retirement	-	-	66,359	66,359
Interest and Finance Charges	-	-	8,004	8,004
Total Expenditures	1,811,014	2,136,680	5,007,338	2,870,658
Excess of Revenues Over (Under) Expenditures	162,216	36,802	(11,736)	(48,538)
Other Financing Sources (Uses):				
Transfers In	70,000	70,000	91,556	21,556
Transfers Out	-	-	(510,497)	(510,497)
Loan Proceeds	-	-	100,153	100,153
Total Other Financing Sources (Uses)	70,000	70,000	(318,788)	(388,788)
Net Change in Fund Balances	\$ 232,216	\$ 106,802	(330,524)	\$ (437,326)
Fund Balances - Beginning			1,068,055	
Fund Balances - Ending			\$ 737,531	

City of Huron
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
HOME GRANT
Year ended June 30, 2018

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
Revenues:				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Miscellaneous	-	-	1,200	1,200
Total Revenues	-	-	1,200	1,200
Expenditures:				
Current:				
Community Development	-	-	-	-
Capital Outlay:				
General Capital Outlay	-	-	-	-
Debt Service:				
Principal Retirement	-	-	-	-
Interest and Finance Charges	-	-	-	-
Total Expenditures	-	-	-	-
Excess of Revenues Over (Under) Expenditures	-	-	1,200	1,200
Other Financing Sources (Uses):				
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	\$ -	\$ -	1,200	\$ 1,200
Fund Balances - Beginning			(46,847)	
Fund Balances - Ending			\$ (45,647)	

City of Huron
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
CDBG GRANT
Year ended June 30, 2018

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
Revenues:				
Intergovernmental	\$ -	\$ -	\$ 46,613	\$ 46,613
Use of Money or Property	-	-	-	-
Loan Payments	-	-	2,973	2,973
Total Revenues	-	-	49,586	49,586
Expenditures:				
Current:				
Community Development	-	-	75,212	75,212
Capital Outlay:				
General Capital Outlay	-	-	-	-
Total Expenditures	-	-	75,212	75,212
Excess of Revenues Over (Under) Expenditures	-	-	(25,626)	(25,626)
Other Financing Sources (Uses):				
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	<u>\$ -</u>	<u>\$ -</u>	(25,626)	<u>\$ (25,626)</u>
Fund Balances - Beginning			<u>(57,333)</u>	
Fund Balances - Ending			<u>\$ (82,959)</u>	

City of Huron
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
MEASURE C
Year ended June 30, 2018

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
Revenues:				
Intergovernmental	\$ 240,000	\$ 240,000	\$ 246,786	\$ 6,786
Use of Money or Property	-	-	-	-
Total Revenues	240,000	240,000	246,786	6,786
Expenditures:				
Current:				
Public Works	12,600	31,560	78,034	46,474
Capital Outlay:				
General Capital Outlay	-	-	-	-
Street Improvements	550,000	550,000	392,763	(157,237)
Total Expenditures	562,600	581,560	470,797	(110,763)
Excess of Revenues Over (Under) Expenditures	(322,600)	(341,560)	(224,011)	117,549
Other Financing Sources (Uses):				
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	<u>\$ (322,600)</u>	<u>\$ (341,560)</u>	(224,011)	<u>\$ 117,549</u>
Fund Balances - Beginning			922,117	
Fund Balances - Ending			<u>\$ 698,106</u>	

City of Huron
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
STREET PROJECTS
Year ended June 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues:				
Intergovernmental	\$ -	\$ -	\$ 143,519	\$ 143,519
Use of Money or Property	-	-	-	-
Total Revenues	-	-	143,519	143,519
Expenditures:				
Current:				
Public Works	-	-	-	-
Capital Outlay:				
Street Improvements	-	-	47,111	47,111
Total Expenditures	-	-	47,111	47,111
Excess of Revenues Over (Under) Expenditures	-	-	96,408	96,408
Other Financing Sources (Uses):				
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>96,408</u>	<u>\$ 96,408</u>
Fund Balances - Beginning			<u>(103,300)</u>	
Fund Balances - Ending			<u>\$ (6,892)</u>	

COMBINING AND INDIVIDUAL FUND STATEMENTS

City of Huron
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2018

	Special Revenue Funds					Capital Projects Fund	Total Non-Major Governmental Funds
	Cal HOME Grant	Gas Tax	Local Transportation	Public Safety	Landscape District	Public Impact Fees	
Assets:							
Cash and Investments	\$ -	\$ 626,168	\$ 49,495	\$ -	\$ 127,142	\$ 138,188	\$ 940,993
Receivables, net	-	-	286,261	10,000	-	-	296,261
Prepaid Costs	-	-	-	-	-	-	-
Due from Other Funds	-	-	-	-	-	-	-
Notes Receivable	877,659	-	-	-	-	-	877,659
Total Assets	\$ 877,659	\$ 626,168	\$ 335,756	\$ 10,000	\$ 127,142	\$ 138,188	\$ 2,114,913
Liabilities:							
Accounts Payable	\$ 15,548	\$ 921	\$ 6,119	\$ -	\$ 350	\$ -	\$ 22,938
Accrued Liabilities	-	-	-	2,096	-	-	2,096
Unearned Revenue	-	-	117,884	-	-	-	117,884
Due to Other Funds	166,093	-	-	9,177	-	-	175,270
Total Liabilities	181,641	921	124,003	11,273	350	-	318,188
Deferred Inflows of Resources:							
Unavailable Revenue	850,111	-	-	-	-	-	850,111
Total Deferred Inflows of Resources	850,111	-	-	-	-	-	850,111
Fund Balances:							
Nonspendable:							
Prepaid Costs	-	-	-	-	-	-	-
Restricted:							
Community Development	-	-	-	-	-	-	-
Streets and Transportation	-	625,247	211,753	-	126,792	-	963,792
Law Enforcement	-	-	-	-	-	-	-
Impact Fees	-	-	-	-	-	138,188	138,188
Unassigned	(154,093)	-	-	(1,273)	-	-	(155,366)
Total Fund Balances (Deficit)	(154,093)	625,247	211,753	(1,273)	126,792	138,188	946,614
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 877,659	\$ 626,168	\$ 335,756	\$ 10,000	\$ 127,142	\$ 138,188	\$ 2,114,913

City of Huron
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES (DEFICITS)
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2018

	Special Revenue Funds					Capital Projects Fund	Total Non-Major Governmental Funds
	Cal HOME Grant	Gas Tax	Local Transportation	Public Safety	Landscape District	Public Impact Fees	
Revenues:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 37,505	\$ -	\$ 37,505
Licenses & Permits	-	-	-	-	-	6,107	6,107
Intergovernmental	-	144,554	77,467	188,163	-	-	410,184
Fines, Forfeitures & Assessments	-	-	-	-	-	-	-
Use of Money or Property	-	-	-	-	-	-	-
Loan Payments	-	-	-	-	-	-	-
Total Revenues	-	144,554	77,467	188,163	37,505	6,107	453,796
Expenditures:							
Current:							
Public Safety	-	-	-	188,163	-	-	188,163
Public Works	-	180,452	81,159	-	17,540	12,920	292,071
Community Development	51,881	-	-	-	-	-	51,881
Capital Outlay:							
General Capital Outlay	-	-	-	-	-	-	-
Street Improvements	-	-	-	-	-	-	-
Total Expenditures	51,881	180,452	81,159	188,163	17,540	12,920	532,115
Excess of Revenues Over Expenditures	(51,881)	(35,898)	(3,692)	-	19,965	(6,813)	(78,319)
Other Financing Sources (Uses):							
Transfers In	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-	-	-
Net Change in Fund Balances	(51,881)	(35,898)	(3,692)	-	19,965	(6,813)	(78,319)
Fund Balances - Beginning	(102,212)	661,145	215,445	(1,273)	106,827	145,001	1,024,933
Fund Balances - Ending	\$ (154,093)	\$ 625,247	\$ 211,753	\$ (1,273)	\$ 126,792	\$ 138,188	\$ 946,614

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**ADDITIONAL REPORTING REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

The Honorable Mayor and City Council of the
City of Huron, California:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Huron, California, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City of Huron, California's basic financial statements, and have issued our report thereon dated March 18, 2019.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider to be significant deficiencies (Item 2018-1 and 2018-2).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Huron, California's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Albert & Associates, LLP

Wasco, California
March 18, 2019

City of Huron
SCHEDULE OF FINDINGS
Year ended June 30, 2018

2018-1 Preparation of Financial Statement

Criteria and Condition: The City should be able to produce its own financial statements in conformity with U.S. generally accepted accounting principles.

Context: The City is not able to produce its own financial statements.

Cause: The City's size and budget capacity does not justify the cost to hire an employee trained in government accounting and reporting.

Effect: There is an increased risk that reporting errors could go unnoticed

Recommendation: Staff levels should be maintained to enable preparation of financial statements

Management Response: The City acknowledges that it uses the services of its audit firm to prepare the end of the year financial statements. The City does not believe it is cost effective to hire the necessary staff in order to achieve this competency.

2018-2 Segregation of Duties

Criteria and Condition: The City should have adequate segregation of accounting duties.

Context: The City does not have adequate segregation of duties.

Cause: The City's size and budget capacity limit the number of office accounting employees.

Effect: There is an increased risk that accounting errors could go unnoticed.

Recommendation: Systems should be designed so employees do not oversee their own work. We recommend the City design and implement policies and procedures to help mitigate the lack of segregation of duties.

Management Response: The City's small size does not allow for the allocation of necessary funds that would be required to properly staff an office to adequately segregate accounting duties.

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