

CITY OF HURON

**INDEPENDENT AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS
JUNE 30, 2020**

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council
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, (the City) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for 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, 2020, 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

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.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 35 – 38, , 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 an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

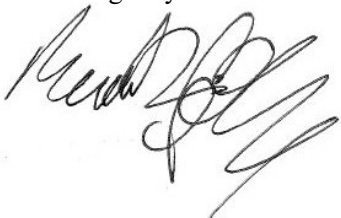
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Huron's basic financial statements. The combining and individual nonmajor financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures and federal awards 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 May 12, 2021, on our consideration of the City of Huron'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 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 City of Huron's internal control over financial reporting and compliance.

A handwritten signature in black ink, appearing to be 'Michael J. [unclear]', written in a cursive style.

May 12, 2021

CITY OF HURON

STATEMENT OF NET POSITION JUNE 30, 2020

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	\$ 2,918,766	\$ 779,822	\$ 3,698,588
Accounts receivable	411,170	255,613	666,783
Due from other governments	684,111	458,715	1,142,826
Internal balances	(1,080,850)	1,080,850	-
Notes receivable	6,635,933	-	6,635,933
Land held for resale	906,043	-	906,043
Capital assets (net of allowance for depreciation)	<u>13,475,710</u>	<u>7,100,167</u>	<u>20,575,877</u>
Total assets	<u>23,950,883</u>	<u>9,675,167</u>	<u>33,626,050</u>
LIABILITIES			
Accounts payable and accrued expenses	357,822	604,218	962,040
Accrued interest	-	5,294	5,294
Deposits	-	12,508	12,508
Long-term liabilities			
Due within one year	73,967	103,000	176,967
Due in more than one year	193,971	1,901,000	2,094,971
Compensated absences	<u>42,587</u>	<u>7,109</u>	<u>49,696</u>
Total liabilities	<u>668,347</u>	<u>2,633,129</u>	<u>3,301,476</u>
NET POSITION			
Net investment in capital assets	13,207,772	5,096,167	18,303,939
Restricted for capital projects	503,337	-	503,337
Restricted for specific projects and programs	3,267,738	-	3,267,738
Unrestricted	<u>6,303,689</u>	<u>1,945,871</u>	<u>8,249,560</u>
Total net position	<u>\$ 23,282,536</u>	<u>\$ 7,042,038</u>	<u>\$ 30,324,574</u>

CITY OF HURON

STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2020

Functions/Programs	Program Revenue				Net Revenue/(Expense) and Changes in Net Position		
	Expense	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Primary Government							
Governmental activities							
General government	\$ 732,590	\$ 11,816	\$ 13,643	\$ -	\$ (707,131)	\$ -	\$ (707,131)
Public safety	1,787,368	94,496	169,914	-	(1,522,958)	-	(1,522,958)
Public works	1,127,916	-	390,960	734,039	(2,917)	-	(2,917)
Parks and recreation	164,908	750	85,897	-	(78,261)	-	(78,261)
Community development	426,099	157,249	706,358	122	437,630	-	437,630
Debt Service							
Interest and other charges	523	-	-	-	(523)	-	(523)
Total governmental activities	<u>4,239,404</u>	<u>264,311</u>	<u>1,366,772</u>	<u>734,161</u>	<u>(1,874,160)</u>	<u>-</u>	<u>(1,874,160)</u>
Business-type activities							
Water	1,521,692	1,327,919	-	662,427	-	468,654	468,654
Sewer	692,539	591,396	75,369	49,479	-	23,705	23,705
Disposal	571,715	630,639	5,000	-	-	63,924	63,924
Total business-type activities	<u>2,785,946</u>	<u>2,549,954</u>	<u>80,369</u>	<u>711,906</u>	<u>-</u>	<u>556,283</u>	<u>556,283</u>
Total primary government	<u>7,025,350</u>	<u>2,814,265</u>	<u>1,447,141</u>	<u>1,446,067</u>	<u>(1,874,160)</u>	<u>556,283</u>	<u>(1,317,877)</u>
General Revenue							
Property taxes, levied for general purposes					726,491	-	726,491
Business licenses					256,063	-	256,063
Sales taxes					748,815	-	748,815
Franchise and other taxes					37,739	-	37,739
Interest and rent					113,343	-	113,343
Other					25,723	250	25,973
Contributed capital					2,190,000	-	2,190,000
Transfers					72,681	(72,681)	-
Total general revenue					<u>4,170,855</u>	<u>(72,431)</u>	<u>4,098,424</u>
Change in Net Position					2,296,695	483,852	2,780,547
Net Position							
Beginning of year, restated					20,985,841	6,558,186	27,544,027
End of year					<u>\$ 23,282,536</u>	<u>\$ 7,042,038</u>	<u>\$ 30,324,574</u>

See accompanying notes.

CITY OF HURON

BALANCE SHEET – GOVERNMENTAL FUNDS JUNE 30, 2020

	<u>General</u>	<u>HOME</u>	<u>CDBG</u>	<u>LTF</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS						
Cash and investments	\$ -	\$ -	\$ 136,923	\$ 863,906	\$ 1,917,937	\$ 2,918,766
Accounts receivable	154,603	-	-	256,567	-	411,170
Due from other governments	-	-	152,788	-	531,323	684,111
Notes receivable	-	5,581,675	1,054,258	-	-	6,635,933
Land held for resale	906,043	-	-	-	-	906,043
Total assets	<u>1,060,646</u>	<u>5,581,675</u>	<u>1,343,969</u>	<u>1,120,473</u>	<u>2,449,260</u>	<u>11,556,023</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE						
Liabilities						
Accounts payable and accrued expenses	174,410	-	1,247	820	181,345	357,822
Due to other funds	336,578	335,978	-	-	408,294	1,080,850
Total liabilities	<u>510,988</u>	<u>335,978</u>	<u>1,247</u>	<u>820</u>	<u>589,639</u>	<u>1,438,672</u>
Deferred inflows of resources						
Deferred notes receivables	-	5,581,675	1,054,258	-	-	6,635,933
Total deferred inflows of resources	<u>-</u>	<u>5,581,675</u>	<u>1,054,258</u>	<u>-</u>	<u>-</u>	<u>6,635,933</u>
Fund Balance						
Nonspendable						
Land held for resale	906,043	-	-	-	-	906,043
Restricted						
Circulation improvements	-	-	-	1,119,653	1,492,424	2,612,077
Capital improvement projects	-	-	288,464	-	214,873	503,337
Landscape maintenance	-	-	-	-	152,324	152,324
Unassigned	(356,385)	(335,978)	-	-	-	(692,363)
Total fund balance	<u>549,658</u>	<u>(335,978)</u>	<u>288,464</u>	<u>1,119,653</u>	<u>1,859,621</u>	<u>3,481,418</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 1,060,646</u>	<u>\$ 5,581,675</u>	<u>\$ 1,343,969</u>	<u>\$ 1,120,473</u>	<u>\$ 2,449,260</u>	<u>\$ 11,556,023</u>

See accompanying notes.

CITY OF HURON

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET POSITION OF GOVERNMENTAL ACTIVITIES JUNE 30, 2020

Total governmental fund balances	\$ 3,481,418
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	13,475,710
Other long-term assets are not available to pay for current period expenditures and, therefore, are not reported in the fund	6,635,933
Compensated absences are not due and payable in the current period and therefore are not reported in the funds	(42,587)
Governmental long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	<u>(267,938)</u>
Net position of governmental activities	<u>\$ 23,282,536</u>

CITY OF HURON

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE – GOVERNMENTAL FUNDS YEAR ENDED JUNE 30, 2020

	General	HOME	CDBG	LTF	Other Governmental Funds	Total Governmental Funds
Revenue						
Taxes	\$ 1,480,652	\$ -	\$ -	\$ -	\$ 32,393	\$ 1,513,045
Licenses, permits and impact fees	339,963	-	-	-	90,248	430,211
Intergovernmental	55,733	-	704,558	296,837	951,755	2,008,883
Charges for services	71,142	-	-	-	-	71,142
Fines and forfeitures	109,269	-	-	-	-	109,269
Use of money or property	114,987	-	25	-	131	115,143
Loan repayments	-	5,100	15,200	-	-	20,300
Other	24,723	-	1,000	-	-	25,723
Total revenue	<u>2,196,469</u>	<u>5,100</u>	<u>720,783</u>	<u>296,837</u>	<u>1,074,527</u>	<u>4,293,716</u>
Expenditures						
Current						
General government	521,678	-	-	-	-	521,678
Public works	45,324	-	-	88,354	819,281	952,959
Public safety	1,493,828	-	-	-	100,000	1,593,828
Parks and recreation	56,962	-	-	-	62,401	119,363
Community development	396,380	7,448	1,691	-	20,327	425,846
Capital outlay	-	-	600,445	274,998	-	875,443
Debt service						
Principal	190,470	-	-	29,334	-	219,804
Interest and other charges	523	-	-	6,738	-	7,261
Total expenditures	<u>2,705,165</u>	<u>7,448</u>	<u>602,136</u>	<u>399,424</u>	<u>1,002,009</u>	<u>4,716,182</u>
Revenue over/(under) expenditures	(508,696)	(2,348)	118,647	(102,587)	72,518	(422,466)
Other Financing Sources/(Uses)						
Loan proceeds	-	-	-	274,998	-	274,998
Transfers in/(out)	(6,516)	-	184,073	-	(106,938)	70,619
	<u>(6,516)</u>	<u>-</u>	<u>184,073</u>	<u>274,998</u>	<u>(106,938)</u>	<u>345,619</u>
Change in Fund Balance	(515,212)	(2,348)	302,720	172,411	(34,420)	(76,849)
Fund Balance						
Beginning of year	1,064,870	(333,630)	(14,256)	947,242	1,894,041	3,558,267
End of year	<u>\$ 549,658</u>	<u>\$ (335,978)</u>	<u>\$ 288,464</u>	<u>\$ 1,119,653</u>	<u>\$ 1,859,621</u>	<u>\$ 3,481,418</u>

See accompany notes

CITY OF HURON

RECONCILIATION OF STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2020

Net change in fund balance - total governmental funds \$ (76,849)

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

Depreciation expense on capital assets is reported in the Statement of Activities, but it does not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in Governmental Funds (436,058)

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities and Changes in Net Position the cost of those assets are capitalized as an asset and depreciated over the period of service 3,065,443

Loan repayments are reported as revenues in the Governmental Funds. However, in the Statement of Net Position, those payments reduce long-term assets (20,300)

Compensated absences costs in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in Governmental Funds 19,683

Repayment of long-term debt is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. Proceeds of long-term debt produces an opposite effect. (255,224)

Change in net position of governmental activities \$ 2,296,695

CITY OF HURON

STATEMENT OF NET POSITION – PROPRIETARY FUNDS JUNE 30, 2020

	Business-Type Activities - Enterprise Funds			Total Business-Type Funds
	Water	Sewer	Disposal	
ASSETS				
Current assets				
Cash and investments	\$ 629,613	\$ 150,209	\$ -	\$ 779,822
Accounts receivable	110,893	69,965	74,755	255,613
Due from other funds	-	1,470,021	-	1,470,021
Total current assets	<u>764,997</u>	<u>2,124,419</u>	<u>74,755</u>	<u>2,964,171</u>
Non-current assets				
Property, plant and equipment (net of allowance for depreciation)	<u>3,342,588</u>	<u>3,757,579</u>	<u>-</u>	<u>7,100,167</u>
Total noncurrent assets	<u>3,342,588</u>	<u>3,757,579</u>	<u>-</u>	<u>7,100,167</u>
Total assets	<u>4,107,585</u>	<u>5,881,998</u>	<u>74,755</u>	<u>10,064,338</u>
LIABILITIES				
Current liabilities				
Accounts payable and accrued expenses	70,585	481,002	52,631	604,218
Interest payable	2,956	2,338	-	5,294
Deposits	12,508	-	-	12,508
Due to other funds	-	-	389,171	389,171
Compensated absences	3,601	3,508	-	7,109
Current portion of long-term debt	<u>75,000</u>	<u>28,000</u>	<u>-</u>	<u>103,000</u>
Total current liabilities	<u>164,650</u>	<u>514,848</u>	<u>441,802</u>	<u>1,121,300</u>
Non-current liabilities				
Long-term debt	<u>1,044,000</u>	<u>857,000</u>	<u>-</u>	<u>1,901,000</u>
Total noncurrent liabilities	<u>1,044,000</u>	<u>857,000</u>	<u>-</u>	<u>1,901,000</u>
Total liabilities	<u>1,208,650</u>	<u>1,371,848</u>	<u>441,802</u>	<u>3,022,300</u>
NET POSITION				
Net investment in capital assets	2,223,588	2,872,579	-	5,096,167
Unrestricted/(deficit)	<u>675,347</u>	<u>1,637,571</u>	<u>(367,047)</u>	<u>1,945,871</u>
Total net position	<u>2,898,935</u>	<u>4,510,150</u>	<u>(367,047)</u>	<u>7,042,038</u>

CITY OF HURON

STATEMENT OF REVENUE, EXPENSE, AND CHANGES IN FUND NET POSITION – PROPRIETARY FUNDS YEAR ENDED JUNE 30, 2020

	Business-Type Activities - Enterprise Funds			Total Business-Type Funds
	Water	Sewer	Disposal	
Operating Revenue				
Charges for services	\$ 1,327,919	\$ 591,396	\$ 630,639	\$ 2,549,954
Connection and impact fees	-	49,479	-	49,479
Total operating revenue	<u>1,327,919</u>	<u>640,875</u>	<u>630,639</u>	<u>2,599,433</u>
Operating Expense				
Personnel	102,369	98,567	25,627	226,563
Contractual services and utilities	846,951	304,583	533,213	1,684,747
Supplies and materials	186,716	98,024	9,577	294,317
Other	149,749	32,854	3,298	185,901
Depreciation	<u>194,410</u>	<u>126,128</u>	<u>-</u>	<u>320,538</u>
Total operating expense	<u>1,480,195</u>	<u>660,156</u>	<u>571,715</u>	<u>2,712,066</u>
Operating income/(loss)	<u>(152,276)</u>	<u>(19,281)</u>	<u>58,924</u>	<u>(112,633)</u>
Nonoperating Revenue/(Expense)				
Intergovernmental	168,339	569,457	5,000	742,796
Other income	250	-	-	250
Interest expense	<u>(41,497)</u>	<u>(32,383)</u>	<u>-</u>	<u>(73,880)</u>
Total nonoperating revenue/(expense)	<u>127,092</u>	<u>537,074</u>	<u>5,000</u>	<u>669,166</u>
Net income/(loss) before transfers	(25,184)	517,793	63,924	556,533
Operating Transfers In/(Out)	<u>-</u>	<u>-</u>	<u>(72,681)</u>	<u>(72,681)</u>
Net Income/(Loss)	<u>(25,184)</u>	<u>517,793</u>	<u>(8,757)</u>	<u>483,852</u>
Net Position				
Beginning of year	<u>2,924,119</u>	<u>3,992,357</u>	<u>(358,290)</u>	<u>6,558,186</u>
End of year	<u>\$ 2,898,935</u>	<u>\$ 4,510,150</u>	<u>\$ (367,047)</u>	<u>\$ 7,042,038</u>

CITY OF HURON

STATEMENT OF CASH FLOW - PROPRIETARY FUNDS YEAR ENDED JUNE 30, 2020

	Business-Type Activities - Enterprise Funds			Total Business-Type Funds
	Water	Sewer	Disposal	
Operating Activities				
Receipts from customers and users	\$ 1,330,483	\$ 199,187	\$ 625,727	\$ 2,155,397
Payments for contractual services and utilities	(988,343)	115,163	(530,879)	(1,404,059)
Payments to employees	(103,346)	(99,579)	(29,181)	(232,106)
Payments to suppliers	(186,716)	(98,024)	(9,577)	(294,317)
Net cash provided by (used in) operating activities	<u>52,078</u>	<u>116,747</u>	<u>56,090</u>	<u>224,915</u>
Non-capital Financial Activities				
Payments received from other governments	144,098	569,457	5,000	718,555
Payments received from (paid to) other funds	-	(235,075)	(61,090)	(296,165)
Net cash provided by (used in) noncapital financing activities	<u>144,098</u>	<u>334,382</u>	<u>(56,090)</u>	<u>422,390</u>
Capital and Related Financing Activities				
Loan proceeds	1,168,000	925,000	-	2,093,000
Purchase of property, plant and equipment	-	(530,885)	-	(530,885)
Principal paid on long-term debt	(1,165,525)	(897,000)	-	(2,062,525)
Interest paid on long-term debt	(48,398)	(32,383)	-	(80,781)
Net cash provided by (used in) capital and related financing activities	<u>(45,923)</u>	<u>(535,268)</u>	<u>-</u>	<u>(581,191)</u>
Net Increase (Decrease) in Cash and Investments	150,253	(84,139)	-	66,114
Cash and Investments				
Beginning of year	<u>479,360</u>	<u>234,348</u>	<u>-</u>	<u>713,708</u>
End of year	<u>\$ 629,613</u>	<u>\$ 150,209</u>	<u>\$ -</u>	<u>\$ 779,822</u>
Cash Flows from Operating Activities				
Operating income (loss)	\$ (152,276)	\$ (19,281)	\$ 58,924	\$ (112,633)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	194,410	126,128	-	320,538
(Increase) Decrease in Accounts Receivable	396	(7,064)	(4,912)	(11,580)
Increase (Decrease) in Compensated absences	(977)	(1,012)	(3,554)	(5,543)
Increase (Decrease) in Deposits	2,168	-	-	2,168
Increase (Decrease) in Accounts Payable and Accrued Liabilities	8,357	452,600	5,632	466,589
Increase (Decrease) in Interest Payable	-	(400)	-	(400)
Net Cash Provided by (Used in) Operating Activities	<u>\$ 52,078</u>	<u>\$ 116,747</u>	<u>\$ 56,090</u>	<u>\$ 224,915</u>

CITY OF HURON

STATEMENT OF FIDUCIARY NET POSITION PRIVATE-PURPOSE TRUST FUND – SUCCESSOR AGENCY JUNE 30, 2020

	<u>Pension Plan Trust Fund</u>	<u>Successor Agency Private Purpose Trust Fund</u>
Assets		
Cash and investments	\$ 33,480	\$ 288,167
Cash with fiscal agent	<u>-</u>	<u>440</u>
Total assets	<u>33,480</u>	<u>288,607</u>
Liabilities		
Accounts payable and accrued liabilities	-	1,476
Interest payable	-	10,988
Long-term debt, net of bond premiums	<u>-</u>	<u>3,375,263</u>
Total liabilities	<u>-</u>	<u>3,387,727</u>
Net Position		
Held in trust for other governments	<u>\$ 33,480</u>	<u>\$ (3,099,120)</u>

CITY OF HURON

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION PRIVATE-PURPOSE TRUST FUND – SUCCESSOR AGENCY JUNE 30, 2020

	<u>Pension Plan Trust Fund</u>	<u>Successor Agency Private Purpose Trust Fund</u>
Additions		
Property taxes	\$ -	\$ 248,657
Contributions from the City	<u>2,063</u>	<u>168,578</u>
Total additions	<u>2,063</u>	<u>417,235</u>
Deductions		
Administrative costs	-	48,224
Interest expense	-	<u>283,153</u>
Total deductions	<u>-</u>	<u>331,377</u>
Change In Net Position	2,063	85,858
Net Position		
Beginning of year, restated	<u>31,417</u>	<u>(3,184,978)</u>
End of year	<u>\$ 33,480</u>	<u>\$ (3,099,120)</u>

CITY OF HURON

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

Note 1 – Summary of Significant Accounting Policies

The financial statements of the City of Huron (the City) have been prepared in conformity with Accounting Principles Generally Accepted in the United States of America (GAAP) as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

These financial statements present the government and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the government's operations and data from these units is combined with data of the primary government. Each blended component unit has a June 30 fiscal year end. There are no discretely presented component units included in these financial statements. The following sections further describe the significant accounting policies of the City.

Reporting Entity

The City of Huron, State of California (the "City"), was incorporated February 14, 1920. The City operates under a Council-Manager form of government. The City's major operations include public safety; highways and streets; water, sewer and refuse collection; parks and recreation; building inspection; public improvements; planning and zoning, and general administrative services.

Basis of Presentation – Fund Accounting

Government-Wide Financial Statements - The Government-Wide Financial Statements (the Statement of Net Position and the Statement of Activities and Changes in Net Position) report information of all of the nonfiduciary activities of the primary government and its component units. For the most part, eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the City and between the City and its discretely presented component unit. Governmental activities, which normally are supported by taxes and inter-governmental revenues, are reported separately from business-type activities, which rely significantly on fees charged to external parties.

The Statement of Activities and Changes in Net Position presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and are clearly identifiable to a particular function. Program revenues include 1) charges paid by the recipients of goods or services offered by the programs and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Net position are restricted when constraints placed on them are either externally imposed or are imposed by constitutional provisions or enabling legislation. Internally imposed designations of resources are not presented as restricted Net position. When both restricted and unrestricted resources are available for use, generally, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

CITY OF HURON

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

Note 1 – Summary of Significant Accounting Policies (Continued)

Governmental Fund Financial Statements - The Governmental Fund Financial Statements provide information about the City's funds, including fiduciary funds and the blended component unit. Separate statements for each fund category - governmental, proprietary and fiduciary - are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are separately aggregated and reported as non-major funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

The City reports the following major governmental funds:

General Fund – The General Fund is the general operating fund of the City. It is used for all financial resources except those required legally, or by sound financial management to be accounted for in another fund. Generally, the General Fund is used to account for those traditional governmental services of the City, such as police and fire protection, planning and general administrative services.

HOME Fund – The HOME Fund was established to account for the monies received from various sources which are to be used for down payment loans for home buyers that meet certain requirements.

CDBG Fund – The CDBG Fund was established to account for the monies received from various sources which are to be used for down payment loans for home buyers that meet certain requirements.

LTF Fund – The LTF Fund was established to account for the monies received from the County of Fresno which are to be used for street projects.

The City reports the following major enterprise funds:

Water Fund – The Water Fund accounts for the operation and maintenance of the City's water treatment and water transmission and distribution systems.

Sewer Fund – The Sewer Fund accounts for the operation and maintenance of the City's sewer system.

Disposal Fund – The Disposal Fund accounts for the operation and maintenance of the City's sanitation system.

CITY OF HURON

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

Note 1 – Summary of Significant Accounting Policies (Continued)

The City reports the following additional fund types:

Agency Funds - The Agency Funds account for assets held by the City as an agent for various local governments or other entities. These funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Private-Purpose Trust Funds - The Private-Purpose Trust Fund accounts for assets held by the City as trustee for the Successor Agency.

Basis of Accounting

The Government-Wide and Proprietary Fund Financial Statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property and sales taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from sales tax are recognized when the underlying transactions take place. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligible requirements have been satisfied.

Governmental Funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Property and sales taxes, interest, certain state and federal grants and charges for services are accrued when their receipt occurs within sixty days after the end of the accounting period so as to be both measurable and available. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and capital leases are reported as other financing sources.

Proprietary Funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a Proprietary Fund's principal ongoing operations. Revenues and expenses not meeting this definition are reported as non-operating.

CITY OF HURON

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

Note 1 – Summary of Significant Accounting Policies (Continued)

Financial Statement Amounts

Cash and Investments – Cash and investments represent the City's cash bank accounts including but not limited to certificates of deposit, money market funds and cash management pools for reporting purposes in the Statement of Cash Flows. Additionally, investments with maturities of three months or less when purchased are included as cash equivalents in the Statement of Cash Flows.

The City maintains a cash and investment pool that is available for use by all funds. Interest earnings as a result of this pooling are distributed to the appropriate funds based on month end cash balances in each fund.

Investments of the pool include only those investments authorized by the California Government Code such as, United States Treasury securities, agencies guaranteed by the United States Government, registered state warrants, and other investments. Investments primarily consist of deposits in the State of California Local Agency Investment Fund. Investments are stated at approximate fair value.

Accounts Receivable – Billed but unpaid services provided to individuals or non-governmental entities are recorded as accounts receivable. The Proprietary Funds include a year-end accrual for services through June 30, 2020, which have not yet been billed.

Fresno County is responsible for the assessment, collection and apportionment of property taxes for all taxing jurisdictions. Property taxes are levied in equal installments on November 1 and February 1. They become delinquent on December 10 and April 10, respectively. The lien date is March 1 of each year. Property taxes are accounted for in the General Fund. Property tax revenues are recognized when they become measurable and available to finance current liabilities. The City considers property taxes as available if they are collected within 60 days after year end. Property tax on the unsecured roll are due on the March 1 lien date and become delinquent if unpaid on August 31. However, unsecured property taxes are not susceptible to year end accrual.

The City is permitted by Article XIII A of the State of California Constitution (known as Proposition 13) to levy a maximum tax of \$1.00 per \$100 of full cash value.

Interfund Receivables/Payables – Items classified as interfund receivable/payable represent short-term lending/borrowing transactions between funds. This classification also includes the current portion of an advance to or from another fund.

CITY OF HURON

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2017

Note 1 – Summary of Significant Accounting Policies (Continued)

Capital Assets - Capital outlays are recorded as expenditures of the General, Special Revenue, and Capital Projects Funds and as assets in the Government-Wide Financial Statements to the extent the City's capitalization threshold are met.

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the Government-Wide Financial Statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful 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 costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Betterments and major improvements which significantly increase values, change capacities or extend useful lives are capitalized. Upon sale or retirement of fixed assets, the cost and related accumulated depreciation are removed from the respective accounts and any resulting gain or loss is included in the results of operations.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

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:

	<u>Years</u>
Buildings	40
Improvements other than buildings	40
Utility plant	40
Furniture and equipment	7
Automobiles and trucks	5

CITY OF HURON

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

Note 1 – Summary of Significant Accounting Policies (Continued)

Compensated Absences – It is the City's policy to permit all employees to accumulate earned but unused vacation, sick leave and compensatory time benefits. Those employees on shift work schedules may also accumulate hours for holiday time benefits.

Vested or accumulated vacation, holiday, sick leave and any compensation time on the Governmental Funds are not expected to be paid with expendable available financial resources and are reported in the Government-Wide Financial Statements.

Vested leave of Proprietary Funds are recorded as an expense and liability as the benefits accrue.

Long-Term Obligations - In the Government-Wide Financial Statements, and Proprietary Fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or Proprietary Fund Type Statement of Net Position. Debt principal payments of both government and business-type activities are reported as decreases in the balance of the liability on the Statement of Net Position. Bond premiums and discounts, as well as issuance costs, 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 reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, however, debt principal payments of Governmental Funds are recognized as expenditures when paid. Governmental Fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Non-Current Governmental Assets/Liabilities - GASB Statement No. 34 eliminates the presentation of account groups, but provides for these records to be maintained and incorporates the information into the Governmental Activities column in the Government-Wide Statement of Net Position.

CITY OF HURON

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

Note 1 – Summary of Significant Accounting Policies (Continued)

Net Position/Fund Balance – The government-wide and business-type activities fund financial statements utilize a net position presentation. Net positions are categorized as net investment in capital assets, restricted and unrestricted.

- Net Investment 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 on net position imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Position – This category represents net position of the City, not restricted for any project or other purpose.

Fund Balance – In the fund financial statements, governmental fund balance is made up of the following components:

- Nonspendable fund balance typically includes inventories, prepaid items, and other items that must be maintained intact pursuant to legal or contractual requirements, such as endowments.
- Restricted fund balance category includes amounts that can be spent only for specific purposes imposed by creditors, grantors, contributors, or laws or regulations of other governments or through enabling legislations.
- Committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City Council. The City Council has the authority to establish, modify, or rescind a fund balance commitment.
- Assigned fund balance are amounts designated by the City Council for specific purposes and do not meet the criteria to be classified as restricted or committed.
- Unassigned fund balance is the residual classification that includes all spendable amounts in the General Fund not contained in other classifications.

When expenditures are incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) fund balances are available, the City’s policy is to apply restricted first. When expenditures are incurred for purposes for which committed, assigned, or unassigned fund balances are available, the City’s policy is to apply committed fund balance first, then assigned fund balance, and finally unassigned fund balance.

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 BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

Note 2 – Stewardship, Compliance and Accountability

California law authorizes the City to invest in obligations of the United States Treasury, agencies and instrumentalities, certificates of deposit or time deposits in banks and savings and loan associations which are insured by the Federal Deposit Insurance Corporation.

In accordance with applicable sections of the California Government Code and the Huron Municipal Code, the City prepares and legally adopts an annual balanced budget on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the General Fund, specific Special Revenue Funds, and specific Capital Projects Funds. Budget plans are adopted for Proprietary Funds. A proposed budget is presented to the City Council during June of each year for review. The Council holds public hearings and may add to, subtract from, or change appropriations within the revenues and reserves estimated as available. Expenditures may not legally exceed budgeted appropriations at the fund level. Supplementary appropriations which alter the total expenditures of any fund, or expenditures in excess of total budgeted fund appropriations, must be approved by the City Council.

All annual appropriations lapse at fiscal year end to the extent they have not been expended or encumbered.

CITY OF HURON

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

Note 3 – 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. Interest income earned on pooled cash is allocated to the various funds on average cash balances. Interest income from cash investments held with fiscal agents is credited directly to the related funds.

Cash and investments as of June 30, 2020 are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and Investments	\$ 3,698,588
Fiduciary Funds:	
Cash and Investments	<u>322,087</u>
Total Cash and Investments	<u>\$ 4,020,675</u>

Cash and investments as of June 30, 2020 consist of the following:

Cash on hand	\$ 790
Deposits with Financial Institutions	4,017,127
Local Agency Investment Fund	2,318
Held by Fiscal Agent:	
Cash	<u>440</u>
Total Cash and Investments	<u>\$ 4,020,675</u>

Fair Value Measurements

The framework for measuring fair value provides a fair value hierarchy that categorizes the inputs to valuation techniques used to measure fair value into three levels. The fair value hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described as follows:

- Level 1: Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.
- Level 2: Inputs to valuation methodology include inputs – other than quoted prices included within Level 1 – that are observable for an asset or liability, either directly or indirectly.
- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within a fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

CITY OF HURON

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

Note 3 – Cash and Investments (Continued)

Following is a description of the valuation methodologies used for assets measured at fair value.

LAIF is valued based on the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (Level 2 input).

Investments Authorized by the California Government Code and the City's Investment Policy

The table below identifies the investment types that are authorized for the City by the California Government Code (or the City's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the City's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. The City's investment policy does not contain any specific provisions intended to limit the City's exposure to interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the City, rather than the general provisions of the California Government Code or the City's investment policy.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment In One Issuer</u>
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptances	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Medium-Term Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None

CITY OF HURON

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

Note 3 – Cash and Investments (Continued)

Investments Authorized by Debt Agreements

Investments of debt proceeds held by bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy. The table below identifies the investment types that are authorized for investments held by the bond trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment In One Issuer</u>
U.S. Treasury Obligations	None	None	None
U.S. Agency Securities	None	None	None
Banker's Acceptances	180 days	None	None
Commercial Paper	270 days	None	None
Money Market Mutual Funds	N/A	None	None
Investment Contracts	None	None	None
Certificates of Deposits	1 year	None	None
Repurchase Agreements	30 days	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Municipal Bonds	None	None	None

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. As of June 30, 2020 the City had the following investments.

<u>Investment Type</u>		<u>Maturity Date</u>
Local Agency Investment Fund	\$ 2,318	N/A
Total	<u>\$ 2,318</u>	

CITY OF HURON

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

Note 3 – Cash and Investments (Continued)

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the City’s investment policy, or debt agreements, and the actual rating as of year-end for each investment type.

<u>Investment Type</u>		<u>Minimum Legal Rating</u>	<u>Rating as of Year End Not Rated</u>
Local Agency Investment Fund	<u>\$ 2,318</u>	N/A	<u>\$ 2,318</u>
Total	<u><u>\$ 2,318</u></u>		<u><u>\$ 2,318</u></u>

Concentration of Credit Risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. There are no investments in any one issuer that represent 5% or more of total City investments.

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the City’s investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: 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 City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

CITY OF HURON

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

Note 3 – Cash and Investments (Continued)

\$3,767,121 of the City’s deposits with financial institutions was in excess of federal depository insurance limits.

The custodial risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City’s investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. 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).

Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the City’s investment in this pool is reported in the accompanying financial statements at amounts based upon the City’s pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

Note 4 – Notes Receivables

The City is the recipient of Community Development Block Grant and Home Program Funds. The funds are provided to use for housing and business loans to qualified recipients at various below market interest rates ranging from 0 to 4%. The terms of the loans range between fifteen and thirty years. All loans are secured by deeds of trust. The amount outstanding as of June 30, 2020 is \$6,635,933.

Note 5 – Interfund Receivables and Payables

Interfund receivables and payables consist of short-term loans resulting from regular transactions. These loans are expected to be repaid as soon as the borrowing fund has cash, and carry an interest rate equal to the rate earned on pooled cash.

Individual fund interfund receivables and payables balances as of June 30, 2020 are as follows:

	<u>Due From</u>	<u>Due To</u>
General Fund	\$ -	\$ 336,578
HOME	-	335,978
Streets	-	289,044
Public Safety Fund	-	56,727
Park Fund	-	122
Cares Act	-	62,401
Sewer Fund	1,470,021	-
Disposal Fund	-	389,171
	<u>\$ 1,470,021</u>	<u>\$ 1,470,021</u>

CITY OF HURON

**NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020**

Note 6 – Capital Assets

Capital asset activity for the year ended June 30, 2020, was as follows:

	<u>Balance July 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2020</u>
<u>Governmental Activities</u>				
Capital assets, not being depreciated				
Land	\$ 580,935	\$ 2,190,000	\$ -	\$ 2,770,935
Total capital assets, not being depreciated	<u>580,935</u>	<u>2,190,000</u>	<u>-</u>	<u>2,770,935</u>
Capital assets, being depreciated				
Buildings and improvements	12,004,804	600,445	-	12,605,249
Machinery and equipment	983,759	274,998	-	1,258,757
Total capital assets, being depreciated	<u>12,988,563</u>	<u>875,443</u>	<u>-</u>	<u>13,864,006</u>
Less accumulated depreciation for:				
Buildings and improvements	(1,989,573)	(338,867)	-	(2,328,440)
Machinery and equipment	(733,600)	(97,191)	-	(830,791)
Total accumulated depreciation	<u>(2,723,173)</u>	<u>(436,058)</u>	<u>-</u>	<u>(3,159,231)</u>
Total capital assets, being depreciated, net	<u>10,265,390</u>	<u>439,385</u>	<u>-</u>	<u>10,704,775</u>
Governmental activities capital assets, net	<u>\$ 10,846,325</u>	<u>\$ 2,629,385</u>	<u>\$ -</u>	<u>\$ 13,475,710</u>

Depreciation expense was charged to the following functions in the Statement of Activities:

Governmental Functions:

General Government	\$ 28,505
Public Safety	193,740
Public Works	168,268
Parks and recreation	45,545
	<u>\$ 436,058</u>

CITY OF HURON

**NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020**

Note 6 – Capital Assets (Continued)

	<u>Balance July 1, 2019</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2020</u>
<u>Business-Type Activities</u>				
Capital assets, not being depreciated				
Land	\$ 212,547	\$ -	\$ -	\$ 212,547
Construction in progress	<u>-</u>	<u>530,885</u>	<u>-</u>	<u>530,885</u>
Total capital assets, not being depreciated	<u>212,547</u>	<u>530,885</u>	<u>-</u>	<u>743,432</u>
Capital assets, being depreciated				
Buildings	297,513	-	-	297,513
Improvements Other Than Buildings	12,917,017	-	-	12,917,017
Machinery and Equipment	<u>712,440</u>	<u>-</u>	<u>-</u>	<u>712,440</u>
Total capital assets, being depreciated	<u>13,926,970</u>	<u>-</u>	<u>-</u>	<u>13,926,970</u>
Less: accumulated depreciation				
Buildings	(155,170)	(7,314)	-	(162,484)
Improvements Other Than Buildings	(6,572,458)	(286,440)	-	(6,858,898)
Machinery and Equipment	<u>(522,069)</u>	<u>(26,784)</u>	<u>-</u>	<u>(548,853)</u>
Total accumulated depreciation	<u>(7,249,697)</u>	<u>(320,538)</u>	<u>-</u>	<u>(7,570,235)</u>
Total capital assets, being depreciated, net	<u>6,677,273</u>	<u>(320,538)</u>	<u>-</u>	<u>6,356,735</u>
Business-type activities capital assets, net	<u>\$ 6,889,820</u>	<u>\$ 210,347</u>	<u>\$ -</u>	<u>\$ 7,100,167</u>

Depreciation expense was charged to the following functions in the Statement of Activities:

Business-Type Functions:

Water	\$ 194,410
Sewer	<u>126,128</u>
	<u>\$ 320,538</u>

CITY OF HURON

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

Note 7 – Long-Term Debt

	<u>Restated Balance July 1, 2019</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2020</u>	<u>Current Portion</u>
<u>Governmental Activity Long Term Debt</u>					
2016 Capital Lease	\$ 63,182	\$ -	\$ (55,340)	\$ 7,842	\$ 7,842
2017 Capital Lease	49,547	-	(35,114)	14,433	14,331
Line of credit	100,015	-	(100,015)	-	-
Street Sweeper Loan	-	274,998	(29,335)	245,663	51,794
	<u>\$ 212,744</u>	<u>\$ 274,998</u>	<u>\$ (219,804)</u>	<u>\$ 267,938</u>	<u>\$ 73,967</u>
<u>Business-Type Activity Long Term Debt</u>					
2001 USDA	\$ 755,000	\$ -	\$ (755,000)	\$ -	\$ -
1980 Water Revenue Bonds	23,000	-	(23,000)	-	-
Sewer Revenue Bonds	4,000	-	(4,000)	-	-
1991 Water COP	338,525	-	(338,525)	-	-
Sewer COP	853,000	-	(853,000)	-	-
2019 Water Refunding	-	1,168,000	(49,000)	1,119,000	75,000
2019 Sewer Refunding	-	925,000	(40,000)	885,000	28,000
	<u>\$ 1,973,525</u>	<u>\$ 2,093,000</u>	<u>\$ (2,062,525)</u>	<u>\$ 2,004,000</u>	<u>\$ 103,000</u>
<u>Compensated Absences</u>					
Government Activities	<u>\$ 62,270</u>	<u>\$ -</u>	<u>\$ (19,683)</u>	<u>\$ 42,587</u>	
Business-Type Activities	<u>\$ 12,652</u>	<u>\$ -</u>	<u>\$ (5,543)</u>	<u>\$ 7,109</u>	

2016 Capital Lease - In 2016 the City entered into several capital lease agreements totaling \$197,904 for the purchase of 5 police vehicles. The agreement bears interest at 3.5% with monthly payments of \$4,429 thru August 2020.

2017 Capital Lease - In 2017 the City entered into a capital lease agreement for the purchase of 3 police vehicles. The agreement is for \$100,151 and bears interest at 4.25% with monthly payments of \$2,280 until August 2021.

Street Sweeper Loan - In 2019 the City entered into a loan agreement for the purchase of a street sweeper. The agreement is for \$274,998 and bears interest at 4.25% with monthly payments of \$5,503 until August 2021.

2001 USDA Water Loan Payable - USDA water plant revenue bonds in the amount of \$986,000 were issued in 2002. Interest in the amount of 4.5% is due semiannually. Principal is paid annually. This bond was refinanced and consolidated with the 2019 Water Refunding.

1980 Water Revenue Bonds - 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. This bond was refinanced and consolidated with the 2019 Water Refunding.

CITY OF HURON

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

Note 7 – Long-Term Debt (continued)

1980 Sewer Revenue Bonds - 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. This bond was refinanced and consolidated with the 2019 Sewer Refunding.

1991 Water COP Payable - 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. This bond was refinanced and consolidated with the 2019 Water Refunding.

1991 Sewer COP Payable - 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. This bond was refinanced and consolidated with the 2019 Sewer Refunding.

2019 Water Refunding – Refunding in the amount of \$1,168,000 were issued in 2019. Interest in the amount of 3.17% is due semi-annually commencing December 2019 thru June 2041. Principal is paid annually. The City refunded the above debts to reduce its total debt service over 22 years by \$49,654 and to obtain an economic gain (difference between the present values of debt service payments on the old and new debt) of \$54,235.

2019 Sewer Refunding - Refunding in the amount of \$925,000 were issued in 2019. Interest in the amount of 3.17% is due semi-annually commencing June 2020 thru June 2044.. Principal is paid annually. The City refunded the above debts to reduce its total debt service over 25 years by \$72,940 and to obtain an economic gain (difference between the present values of debt service payments on the old and new debt) of \$48,609.

The annual requirement to amortize the principal and interest on all long-term debt at June 30, 2020 are as follows:

Years ending June 30,	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 73,967	\$ 9,694	\$ 103,000	\$ 63,527
2022	54,141	19,013	93,000	60,262
2023	56,381	18,065	97,000	57,314
2024	58,824	17,911	97,000	54,239
2025	24,626	17,756	100,000	51,164
2026-2030	-	-	499,000	207,064
2031-2035	-	-	372,000	137,800
2036-2040	-	-	410,000	76,048
2041-2044	-	-	233,000	17,023
	<u>\$ 267,939</u>	<u>\$ 82,439</u>	<u>\$ 2,004,000</u>	<u>\$ 724,441</u>

CITY OF HURON

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

Note 8 – Interfund Transfers

In general, the City uses interfund transfers to (1) move revenues from the funds that collect them to the funds that statute or budget requires to expend them, (2) use unrestricted revenues collected in the General Fund to help finance various programs and capital projects accounted for in other funds in accordance with budgetary authorization, and (3) move cash to debt service funds from the funds responsible for payment as debt service payments become due. In general, the effect of the interfund activity has been eliminated from the government-wide financial statements.

	<u>Transfers In</u>	<u>Transfers Out</u>
Major Governmental Funds:		
General Fund	\$ -	\$ (6,516)
CDBG	184,073	-
Public Safety	-	(106,938)
Major Enterprise Funds:		
Water	-	-
Sewer	-	-
Disposal Fund	-	(72,681)
Successor Agency	2,062	-
Nonmajor Governmental Funds:		
Gas Tax	-	(191,862)
Streets	191,862	-
	<u>\$ 377,997</u>	<u>\$ (377,997)</u>

Note 9 – Deficit Fund Balances

The following funds had a deficit fund balance at June 30, 2020, which will be covered with future income:

Governmental Funds:	
HOME	\$ (335,978)
Enterprise Funds:	
Disposal	\$ (367,047)

Note 10 – Deferred Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represent an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City reports the following deferred inflows related to unavailable deferred note receivable in the Balance Sheet – Governmental Funds:

Deferred note receivables	\$ 6,635,933
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CITY OF HURON

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

Note 11 – Risk Management

The City participates with other public entities in a joint venture under a joint powers agreement which establishes the Central Huron Valley Risk Management Authority (CSJVRMA). The relationship between the City and CSJVRMA is such that CSJVRMA is not a component unit of the City for financial reporting purposes.

The City is covered for the first \$1,000,000 of each general liability claim through the CSJVRMA. The City has the right to receive dividends or the obligation to pay assessments based on a formula which, among other expenses, charges the City's account for liability losses under \$50,000. The CSJVRMA purchases excess reinsurance from \$1,000,000 to \$15,000,000.

The CSJVRMA is a consortium of 55 cities in Huron Valley, California. It was established under the provisions of California Government Code Section 6500, et. seq. The CSJVRMA is governed by a Board of Directors, which meets three to four times each year, consisting of one member appointed by each member city. The day-to-day business is handled by a management group employed by the CSJVRMA. The financial statements of CSJVRMA can be obtained at 1831 K Street, Sacramento, CA 95814.

The latest audited financial information and the most current information available for CSJVRMA for fiscal year ended June 30, 2020 is as follows:

Total assets	\$ 128,442,162
Total liabilities	<u>109,661,346</u>
Net position	<u>\$ 18,780,816</u>
Total revenues	\$ 53,005,963
Total expenses	<u>52,250,549</u>
Increase/(decrease) in net position	<u>\$ 755,414</u>

Note 12 – Contingencies

Federal and State Government Programs - The City participates in several federal and state grant programs. These programs have been audited, as needed, in accordance with the provisions of the federal Single Audit Act of 1984 and applicable state requirements. No cost disallowances were proposed as a result of these audits. However, these programs are still subject to further examination by the grantors and the amount, if any, of expenditures, which may be disallowed by the granting agencies, cannot be determined at this time. The City expects such amounts, if any, to be immaterial.

Note 13 – Subsequent Events

The City evaluated subsequent events for recognition and disclosure through May 12, 2021, the date which these financial statements were available to be issued. Management concluded that no material subsequent events have occurred since June 30, 2020 that required recognition or disclosure in such financial statements.

CITY OF HURON

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

Note 14 – Prior Period Adjustments

The beginning net position of the Governmental Activities has been restated to record prior period adjustments to correct errors in accounting for the line of credit.

Reconciliations of the prior period ending net position to the current year beginning net position of the Governmental Activities are as follows:

	<u>Government-wide</u> <u>Statement of Activities</u>
	<u>Governmental Activities</u>
Net position at June 30, 2019, as previously reported:	\$ 20,885,826
Understatement of line of credit	<u>(100,015)</u>
Net position at June 30, 2019, re-stated:	<u>\$ 20,785,811</u>

Note 15 – Stewardship, Compliance and Accountability

Excess of expenditures over appropriations – The following funds incurred expenditures in excess of appropriations in the following amounts for the year ended June 30, 2020:

General Fund:

Current	
Parks and recreation	\$ (19,044)
Debt Service	
Principal	\$ (108,470)
Other Financing Sources/Uses	
Transfer in/(out)	\$ (76,516)

HOME Fund:

Current	
Community Development	\$ (7,448)

CITY OF HURON

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

Note 15 – Stewardship, Compliance and Accountability (continued)

CDBG Fund:

Current

Community Development	\$ (1,691)
Capital Outlay	\$ (602,445)

LTF Fund:

Capital Outlay	\$ (274,998)
Debt Service	
Principal	\$ (29,334)
Interest	\$ (6,738)

Public Safety Fund:

Other Financing Sources/Uses	
Transfer in/(out) – net	\$ (106,938)

The excess expenditures were covered by excess revenues during the fiscal year.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF HURON

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2020**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive/ (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenue				
Taxes	\$ 1,477,978	\$ 1,477,978	\$ 1,480,652	\$ 2,674
Licenses, permits and impact fees	500,100	500,100	55,733	(444,367)
Intergovernmental	109,269	109,269	339,963	230,694
Charges for services	89,344	89,344	71,142	(18,202)
Fines and forfeitures	580,900	580,900	109,269	(471,631)
Use of money or property	89,344	89,344	114,987	25,643
Other	55,000	55,000	24,723	(30,277)
Total revenue	<u>2,901,935</u>	<u>2,901,935</u>	<u>2,196,469</u>	<u>(705,466)</u>
Expenditures				
Current				
General government	513,981	513,981	521,678	(7,697)
Public safety	1,545,879	1,545,879	45,324	1,500,555
Public works	1,029,840	1,029,840	1,493,828	(463,988)
Parks and recreation	74,182	74,182	56,962	17,220
Community development	360,825	360,825	396,380	(35,555)
Debt service				
Principal	82,000	82,000	190,470	(108,470)
Interest and other charges	5,300	5,300	523	4,777
Total expenditures	<u>3,612,007</u>	<u>3,612,007</u>	<u>2,705,165</u>	<u>906,842</u>
Revenue over (under)expenditures	(710,072)	(710,072)	(508,696)	201,376
Other Financing Sources/(Uses)				
Sale of assets	370,000	-	-	-
Transfers in/(out)	70,000	70,000	(6,516)	(76,516)
Total other financing sources/(uses)	<u>440,000</u>	<u>70,000</u>	<u>(6,516)</u>	<u>(76,516)</u>
Net Change in Fund Balance	<u>\$ (270,072)</u>	<u>\$ (640,072)</u>	(515,212)	<u>\$ 124,860</u>
Fund Balance				
Beginning of year			1,064,870	
End of year			<u>\$ 549,658</u>	

CITY OF HURON

**BUDGETARY COMPARISON SCHEDULE
HOME FUND
YEAR ENDED JUNE 30, 2020**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Revenue				
Loan repayments	\$ -	\$ -	\$ 5,100	\$ 5,100
Total revenue	<u>-</u>	<u>-</u>	<u>5,100</u>	<u>5,100</u>
Expenditures				
Current				
Community development	-	-	7,448	(7,448)
Total expenditures	<u>-</u>	<u>-</u>	<u>7,448</u>	<u>(7,448)</u>
Revenue over (under)expenditures	-	-	(2,348)	(2,348)
Other Financing Sources/(Uses)				
Transfers in/(out) - net	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>(2,348)</u>	<u>\$ (2,348)</u>
Fund Balance				
Beginning of year			<u>(333,630)</u>	
End of year			<u>\$ (335,978)</u>	

CITY OF HURON

BUDGETARY COMPARISON SCHEDULE

CDBG FUND

YEAR ENDED JUNE 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		<u>Positive/ (Negative)</u>
Revenue				
Intergovernmental	\$ -	\$ -	\$ 704,558	\$ 704,558
Use of money and property	-	-	25	25
Loan repayments	-	-	15,200	15,200
Other	-	-	1,000	1,000
Total revenue	<u>-</u>	<u>-</u>	<u>720,783</u>	<u>720,783</u>
Expenditures				
Current				
Community development	-	-	1,691	(1,691)
Capital outlay	-	-	600,445	(600,445)
Total expenditures	<u>-</u>	<u>-</u>	<u>602,136</u>	<u>(602,136)</u>
Revenue over (under)expenditures	-	-	118,647	118,647
Other Financing Sources/(Uses)				
Transfers in/(out)	-	-	184,073	184,073
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	302,720	<u>\$ 302,720</u>
Fund Balance				
Beginning of year			<u>(14,256)</u>	
End of year			<u>\$ 288,464</u>	

CITY OF HURON

BUDGETARY COMPARISON SCHEDULE

LTF FUND

YEAR ENDED JUNE 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive/ (Negative)
	<u>Original</u>	<u>Final</u>		
Revenue				
Intergovernmental	\$ 100,000	\$ 100,000	\$ 296,837	\$ 196,837
Total revenue	<u>100,000</u>	<u>100,000</u>	<u>296,837</u>	<u>196,837</u>
Expenditures				
Current				
Public works	105,143	105,143	88,354	16,789
Capital outlay	-	-	274,998	(274,998)
Principal	-	-	29,334	(29,334)
Interest	-	-	6,738	(6,738)
Total expenditures	<u>105,143</u>	<u>105,143</u>	<u>399,424</u>	<u>(258,209)</u>
Revenue over (under)expenditures	(5,143)	(5,143)	(102,587)	(97,444)
Other Financing Sources/(Uses)				
Loan proceeds	-	-	274,998	274,998
Net Change in Fund Balance	<u>\$ (5,143)</u>	<u>\$ (5,143)</u>	172,411	<u>\$ 177,554</u>
Fund Balance				
Beginning of year			<u>947,242</u>	
End of year			<u>\$ 1,119,653</u>	

SUPPLEMENTAL ONLY INFORMATION

CITY OF HURON

**COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2020**

	Special Revenue Funds				
	Gas Tax	Measure C	Public Safety	Streets	Park Grant
ASSETS					
Cash and investments	\$ 377,612	\$ 952,053	\$ -	\$ -	\$ -
Due from other governments	-	11,863	56,727	380,882	122
Total assets	<u>\$ 377,612</u>	<u>\$ 963,916</u>	<u>\$ 56,727</u>	<u>\$ 380,882</u>	<u>\$ 122</u>
LIABILITIES AND FUND BALANCE					
Liabilities					
Accounts payable	4,554	116,537	-	59,683	-
Due to other funds	-	-	56,727	289,044	122
Total liabilities	<u>4,554</u>	<u>116,537</u>	<u>56,727</u>	<u>348,727</u>	<u>122</u>
Fund Balance					
Restricted					
Circulation improvements	373,058	847,379	-	32,155	-
Capital projects	-	-	-	-	-
Landscape maintenance	-	-	-	-	-
Total fund balance	<u>373,058</u>	<u>847,379</u>	<u>-</u>	<u>32,155</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 377,612</u>	<u>\$ 963,916</u>	<u>\$ 56,727</u>	<u>\$ 380,882</u>	<u>\$ 122</u>

CITY OF HURON

**COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2020**

	<u>Special Revenue Funds</u>			<u>Capital Projects Fund</u>	<u>Total Non-major Governmental Funds</u>
	<u>Landscape District</u>	<u>CARES Act</u>	<u>SB1</u>	<u>Public Impact Fees</u>	
ASSETS					
Cash and investments	\$ 152,895	\$ -	\$ 220,504	\$ 214,873	\$ 1,917,937
Due from other governments	-	62,401	19,328	-	531,323
Total assets	<u>\$ 152,895</u>	<u>\$ 62,401</u>	<u>\$ 239,832</u>	<u>\$ 214,873</u>	<u>\$ 2,449,260</u>
LIABILITIES AND FUND BALANCE					
Liabilities					
Accounts payable	571	-	-	-	181,345
Due to other funds	-	62,401	-	-	408,294
Total liabilities	<u>571</u>	<u>62,401</u>	<u>-</u>	<u>-</u>	<u>589,639</u>
Fund Balance					
Restricted					
Circulation improvements	-	-	239,832	-	1,492,424
Capital projects	-	-	-	214,873	214,873
Landscape maintenance	152,324	-	-	-	152,324
Total fund balance	<u>152,324</u>	<u>-</u>	<u>239,832</u>	<u>214,873</u>	<u>1,859,621</u>
Total liabilities and fund balance	<u>\$ 152,895</u>	<u>\$ 62,401</u>	<u>\$ 239,832</u>	<u>\$ 214,873</u>	<u>\$ 2,449,260</u>

CITY OF HURON

COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE NON-MAJOR GOVERNMENTAL FUNDS YEAR ENDED JUNE 30, 2020

	Special Revenue Funds				
	Gas Tax	Measure C	Public Safety	Streets	Park Grant
Revenue					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses, permits and fees	-	-	-	-	-
Intergovernmental	160,093	250,764	156,726	195,075	122
Use of money and property	47	64	-	-	-
Total revenue	<u>160,140</u>	<u>250,828</u>	<u>156,726</u>	<u>195,075</u>	<u>122</u>
Expenditures					
Current					
Public works	191,515	198,870	-	350,096	250
Public safety	-	-	100,000	-	-
Parks and recreation	-	-	-	-	-
Community development	-	-	-	-	53
Capital outlay	-	-	-	-	-
Total expenditures	<u>191,515</u>	<u>198,870</u>	<u>100,000</u>	<u>350,096</u>	<u>303</u>
Revenue over (under) expenditures	(31,375)	51,958	56,726	(155,021)	(181)
Other financing sources/(uses)					
Operating transfers in/(out) - net	(191,862)	-	(106,938)	191,862	-
	<u>(191,862)</u>	<u>-</u>	<u>(106,938)</u>	<u>191,862</u>	<u>-</u>
Change in Fund Balance	(223,237)	51,958	(50,212)	36,841	(181)
Fund Balance					
Beginning of year	<u>596,295</u>	<u>795,421</u>	<u>50,212</u>	<u>(4,686)</u>	<u>181</u>
End of year	<u>\$ 373,058</u>	<u>\$ 847,379</u>	<u>\$ -</u>	<u>\$ 32,155</u>	<u>\$ -</u>

CITY OF HURON

COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE NON-MAJOR GOVERNMENTAL FUNDS YEAR ENDED JUNE 30, 2020

	Special Revenue Funds			Capital	Total
	Landscape District	CARES Act	SB1	Projects Fund Public Impact Fees	Non-major Governmental Funds
Revenue					
Taxes	\$ 32,393	\$ -	\$ -	\$ -	\$ 32,393
Licenses, permits and fees	-	-	-	90,248	90,248
Intergovernmental	-	62,401	126,574	-	951,755
Use of money and property	-	-	20	-	131
Total revenue	<u>32,393</u>	<u>62,401</u>	<u>126,594</u>	<u>90,248</u>	<u>1,074,527</u>
Expenditures					
Current					
Public works	15,776	-	62,774	-	819,281
Public safety	-	-	-	-	100,000
Parks and recreation	-	62,401	-	-	62,401
Community development	-	-	-	20,274	20,327
Total expenditures	<u>15,776</u>	<u>62,401</u>	<u>62,774</u>	<u>20,274</u>	<u>1,002,009</u>
Revenue over (under) expenditures	16,617	-	63,820	69,974	72,518
Other financing sources/(uses)					
Operating transfers in/(out) - net	-	-	-	-	(106,938)
	-	-	-	-	(106,938)
Change in Fund Balance	16,617	-	63,820	69,974	(34,420)
Fund Balance					
Beginning of year	<u>135,707</u>	-	<u>176,012</u>	<u>144,899</u>	<u>1,894,041</u>
End of year	<u>\$ 152,324</u>	<u>\$ -</u>	<u>\$ 239,832</u>	<u>\$ 214,873</u>	<u>\$ 1,859,621</u>

See accompanying notes.

**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***

To the Honorable Mayor and City Council
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, (the "City") as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 12, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) 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's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a material weakness: 2020-001.

Compliance and Other Matters

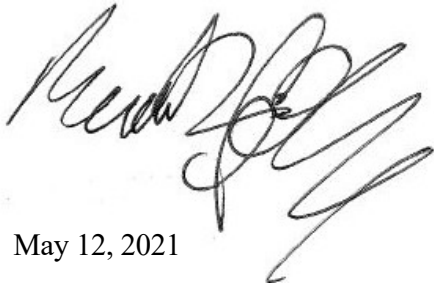
As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2020-002.

City of Huron, California's Response to Findings

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

A handwritten signature in black ink, appearing to be "Kevin J. [unclear]", written over a faint circular stamp.

May 12, 2021

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

To the Honorable Mayor and City Council
City of Huron, California

Report on Compliance for Each Major Federal Program

We have audited the City of Huron's (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the City's major federal program for the year ended June 30, 2020. The City's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2020-002. Our opinion on each major federal program is not modified with respect to these matters.

The City's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink, appearing to be 'Meredith J. [unclear]', written in a cursive style.

May 12, 2021

CITY OF HURON

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2020**

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Housing and Urban Development</u>			
Passed through State Department of Housing and Community Development:			
Community Development Block Grant/State's Program	14.228	16-CDBG-1141	\$ 528,741
Total U.S. Department of Housing and Urban Development			<u>528,741</u>
<u>U.S. Department of Transportation</u>			
Passed through the California Department of Transportation:			
Congestion Mitigation and Air Quality Agreement	20.205	CML-5305(18)	172,247
State Transportation Program	20.205	STPL-5305(017)	14,613
Total U.S. Department of Transportation			<u>186,860</u>
<u>U.S. Department of Homeland Security</u>			
FEMA - CARES ACT	97.036		62,401
Total U.S. Department of Homeland Security			<u>62,401</u>
<u>U.S. Department of Agriculture</u>			
Emergency Community Water Assistant Grant	97.030	1010044-001C	73,674
Total U.S. Department of Agriculture			<u>73,674</u>
<u>U.S. Department of Health and Human Services</u>			
Passed through the Fresno-Madera Agency on Aging:			
Special Programs for the Aging, Title III Part C, Nutrition Services	93.045	19-0065	13,600
Total U.S. Department of Health and Human Services			<u>13,600</u>
<i>Total Federal Expenditures</i>			<u>\$ 865,276</u>

CITY OF HURON

NOTES SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2020

Note 1 – Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards (SEFA) presents the activity of all federal award programs of the City of Huron, California (the City). Federal awards received directly from federal agencies as well as federal awards passed through other nonfederal agencies, primarily the State of California, are included in the SEFA. The City's reporting entity is defined in Note 1 to the City's basic financial statements.

Note 2 – Basis of Accounting

The accompanying SEFA is presented using the modified accrual basis of accounting for grants accounted for in the governmental fund types and the accrual basis of accounting for grants accounted for in the proprietary fund types, as described in Note 1 to the City's basic financial statements. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in, or used in the preparation of, the SEFA may differ from amounts presented in the basic financial statements.

Note 3 – Catalog of Federal Domestic Assistance (CFDA) Numbers

The CFDA numbers included in the accompanying SEFA were determined based on program name, review of grant contract information, and the Office of Management and Budget's Catalog of Federal Domestic Assistance.

Note 4 – Relationship to the Financial Statements

Expenditures of federal awards are reported in the City's basic financial statements as expenditures/expenses in the General Fund, nonmajor special revenue funds, nonmajor capital project funds, and the enterprise funds.

Note 5 – Indirect Cost Rate

The City did not elect to use the 10% de minimus cost rate as covered in 2 CFR §200.414.

CITY OF HURON

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2020**

A. Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

- Material weaknesses identified? Yes No
- Significant deficiencies identified that are not considered to be material weaknesses? Yes None reported
- Non-compliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

- Material weaknesses identified? Yes No
- Significant deficiencies identified that are not considered to be material weaknesses? Yes None reported

Type of auditor’s report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes No

Identification of Major Programs

CFDA Number	Name of Federal Program or Cluster
14.228	Community Development Block Grant
20.205	Highway Planning and Construction

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes No

CITY OF HURON

SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 2020

B. Findings – Financial Statements Audit

2020-001 Internal Controls over Financial Reporting (Material Weakness)

Criteria: A strong system of internal controls and management review requires that general ledger account balances be properly reconciled to a subsidiary ledger or other adequate supporting documentation on a periodic basis, as well as during the year-end financial close process in order to accurately and completely close the current year general ledger in a timely manner. Management is responsible for maintaining its accounting records in accordance with account principles generally accepted in the United States of America (U.S. GAAP).

Condition:

During the audit of the City’s financial statements, we identified misstatements in the City’s general ledger account balance which necessitated the proposal of audit adjustments.

Cause:

COVID-19 caused unforeseen delays as City Staff had to work remotely and/or quarantine at various points over the last year which resulted in a delay of closing the books.

Effect:

Various areas of the financial statements were misstated, which required journal entries to be posted subsequent to receiving the City’s final trial balance.

Repeat Finding:

This is a repeat finding from fiscal year June 30, 2019.

Recommendation: We recommend that the City perform the following steps in order to address the matters described above.

- Create a closing checklist to assist with the preparation of audit schedules that are complete, accurate, and reconciled to the City’s general ledger account balances. Additionally, ensure that a system is in place to allow the City to perform this in a timely matter.
- Provide additional training in accounting specific to governmental entities to Finance Department staff in order to ensure that they are current with all financial accounting and reporting requirements as directed by the Governmental Accounting Standards Board.

CITY OF HURON

SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 2020

C. Findings and Questioned Costs – Major Federal Award Programs Audit

2020-002 Schedule of Expenditures of Federal Awards (Other Matter)

Criteria:

2 CFR Part 200, Subpart F (Uniform Guidance) Section 200.502 requires the auditee to prepare an accurate Schedule of Expenditure of Federal Awards for the period covered by the auditee's financial statements.

Condition:

The City did not initially prepare a complete and accurate Schedule of Expenditures of Federal Awards (SEFA). Once the City was made aware of the requirement, assistance was provided to City personnel with the preparation of a complete and accurate schedule.

Cause:

Lack of internal control procedures over preparation of the Schedule of Federal Awards.

Effect:

The City's Schedule of Federal Awards was initially materially misstated and therefore not in compliance with Federal regulations. This noncompliance could impact the City's eligibility to receive federal awards.

Repeat Finding:

This is a repeat finding from fiscal year ended June 30, 2019.

Recommendation:

We recommend that the City develop and implement a system for the preparation of the SEFA for financial reporting purposes and compliance with auditee requirements identified in the Uniform Guidance.

CITY OF HURON

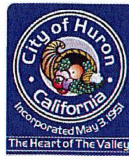
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS YEAR ENDED JUNE 30, 2020

Summary Schedule of Prior Audit Findings

2019-01 Preparation of Financial Statement – See current year finding 2020-001

2019-02 Schedule of Expenditures of Federal Awards - See current year finding 2020-002

2019-03 Procurement - Implemented



City of Huron

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RESPONSE TO FY 19-20 AUDIT FINDINGS

Finding Number	Finding	Corrective Action Plan	Anticipated Completion Date	Responsible Contract Person(s)
2020-001	Internal Controls over Financial Reporting (Material Weakness)	<p>COVID-19 caused various unforeseen delays. Staff shortage coupled with staff having to work remotely and/or quarantine at various points over the last fiscal year, resulted in a delay of closing the books with previously established processes.</p> <p>Continue utilizing previously established FYE Close-Out Process to prepare reconciliation tables and schedules in accordance with auditor recommendations prior to the start of auditor field work and reconcile schedules to audited financials to ensure all transactions were accurately entered.</p>	In Progress	Jack Castro
2020-002	Schedule of Expenditures of Federal Awards (Other Matter)	<p>COVID-19 caused various unforeseen delays. Staff shortage coupled with staff having to work remotely and/or quarantine at various points over the last fiscal year, resulted in a delay of implementing the new standard form for financial reporting purposes for fiscal year-end.</p> <p>Continue implementing the new standard form at fiscal year-end to meet auditor requirements for all staff working with Federal & State Awards to identify Federal Granter Information, Federal CFDA Number, Agency or Pass Through Number, and Federal Expenditures to comply with the Schedule of Expenditures of Federal Awards.</p>	In Progress	Jack Castro

Jack Castro
City Manager