

CITY OF HUGHSON
Annual Financial Report
Fiscal Year Ended June 30, 2018

CITY OF HUGHSON
ANNUAL FINANCIAL REPORT
Fiscal Year Ended June 30, 2018

TABLE OF CONTENTS

I. FINANCIAL SECTION

A. Independent Auditor's Report.....	1
B. Management's Discussion and Analysis.....	3
C. Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	15
Statement of Activities	16
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet.....	18
Reconciliation of the Balance Sheet of Governmental Funds	
to the Statement of Net Position.....	21
Statement of Revenues, Expenditures, and Changes in Fund Balances.....	22
Reconciliation of the Statement of Revenues, Expenditures, and	
Changes in Fund Balances of Governmental Funds to the Statement	
of Activities.....	25
Proprietary Funds:	
Statement of Net Position.....	26
Statement of Revenues, Expenses, and Changes in Net Position.....	27
Statement of Cash Flows	28
Fiduciary Funds:	
Statement of Fiduciary Net Position	31
Statement of Changes in Fiduciary Net Position.....	32
Notes to Basic Financial Statements.....	33
D. Required Supplementary Information:	
General Fund – Schedule of Revenues, Expenditures, and Changes in	
Fund Balance – Budget and Actual.....	57
Refuse Special Revenue Fund – Schedule of Revenues, Expenditures,	
and Changes in Fund Balance – Budget and Actual	58
Schedule of the City's Proportionate Share of the Net Pension Liability.....	59
Schedule of Pension Contributions.....	60
E. Other Supplemental Information	
Schedule of Revenues, Expenditures, and Changes in Fund Balance –	
Budget and Actual – Other Major Governmental Funds:	
Public Facilities Capital Projects Fund	61

CITY OF HUGHSON
ANNUAL FINANCIAL REPORT
Fiscal Year Ended June 30, 2018

TABLE OF CONTENTS

I. FINANCIAL SECTION (Continued)

E. Other Supplemental Information (Continued)

Nonmajor Governmental Funds

Description of Nonmajor Governmental Funds.....	63
Combining Balance Sheet.....	66
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances.....	70
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual:	
Gas Tax Special Revenue Fund	74
Vehicle Abatement Special Revenue Fund.....	75
CDBG Rehab Special Revenue Fund.....	76
Community Enhancement Special Revenue Fund	77
Local Transportation Special Revenue Fund	78
Storm Drain Special Revenue Fund	79
SLESF Special Revenue Fund	80
Lighting and Landscaping Special Revenue Fund	81
Benefit Assessment Special Revenue Fund	82
Trench Cut Special Revenue Fund.....	83
IT Reserve Special Revenue Fund	84
Measure L Sales Tax Special Revenue Fund	85
SB-1 Roads Special Revenue Fund.....	86
Transportation Capital Projects Fund.....	87
Municipal Park Capital Projects Fund	88
Parks Development Impact Fees Capital Projects Fund	89

Nonmajor Proprietary Funds

Description of Nonmajor Proprietary Funds	90
Combining Statement of Net Position	91
Combining Statement of Revenues, Expenses, and Changes in Net Position	92
Combining Statement of Cash Flows	93



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INDEPENDENT AUDITOR'S REPORT

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 13, Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual – General Fund, and the Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual – Refuse Special Revenue Fund, Schedule of Changes in the Net Pension Liability and Related Ratios, and Schedule of Pension Contributions on pages 60 through 62 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 Hughson's basic financial statements. The Budgetary Comparison Schedules for the Public Facilities Capital Projects Fund and Nonmajor Governmental Funds; the Combining Financial Statements for the Nonmajor Governmental Funds, and the Nonmajor Enterprise Funds listed in the table of contents are presented for purposes of additional analysis and are not required parts of the basic financial statements.

The Budgetary Comparison Schedules for the Public Facilities Capital Projects Fund and Nonmajor Governmental Funds; the Combining Financial Statements for the Nonmajor Governmental Funds, and the Nonmajor Enterprise Funds are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 12, 2019, on our consideration of the City'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 the City's internal control over financial reporting and compliance.



Moss, Levy & Hartzheim, LLP
Culver City, California
March 12, 2019

CITY OF HUGHSON
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

This discussion and analysis provides an overview of the City of Hughson's financial performance for the fiscal year ended June 30, 2018. This report has been prepared in accordance with Generally Accepted Accounting Principles (GAAP) as established by the Governmental Accounting Standard Board (GASB). We encourage our readers to consider this information in conjunction with the information provided in the accompanying basic financial statements and notes. The City's fiscal highlights are presented below:

FINANCIAL HIGHLIGHTS

Financial highlights of fiscal year ended June 30, 2018 include the following:

Government-wide:

- The City's total net position was \$77,887,966 as of June 30, 2018. Of this total, \$34,545,409 was governmental net position and \$43,342,557 was business-type net position.
- Governmental revenues include program revenues of \$2,612,944 and general revenues and transfers of \$2,028,302, for a total of \$4,641,246.
- Governmental expenses were \$4,197,644.
- Business-type program revenues, transfers and interest were \$5,729,579 while business-type expenses were \$3,596,109.

Fund Level:

- Governmental fund balances *increased* \$717,601 in fiscal year 2018.
- Governmental fund revenues *decreased* \$169,114 in fiscal year 2018. Of this decrease, 39% or \$66,622 relates to a reduction in sales and use taxes, while 41% or \$69,489 relates to a reduction in fines and forfeitures
- Governmental fund expenditures *decreased* \$267,407 in fiscal year 2018.

General Fund:

- General Fund revenues of \$2,872,843 were \$84,863 *lower* than the prior year.
- General Fund expenditures of \$2,719,408 represented an *increase* of \$156,597 over the prior year.
- General Fund fund balance of \$3,483,633 as of June 30, 2018, *increased* by \$196,311 from 2017 fiscal year's fund balance of \$3,287,322.

OVERVIEW OF THE ANNUAL FINANCIAL REPORT

This Annual Financial Report is divided into five parts:

1. Government-wide financial statements
2. Fund financial statements
3. Notes to these financial statements
4. Required supplementary information
5. Other supplemental information

Government-wide Financial Statements

The Government-wide financial statements provide a longer-term view of the City's activities as a whole and comprise the Statement of Net Position and the Statement of Activities. The Statement of Net Position provides information about the financial position of the City as a whole, including all of its capital assets and long-term liabilities on the full accrual basis, similar to that used by corporations.

**CITY OF HUGHSON
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

The Statement of Activities provides information about all the City's revenues and all of its expenses, also on the full accrual basis, with the emphasis on measuring net revenues or expenses of each of the City's programs. The Statement of Activities explains in detail the change in net positions for the fiscal year.

All of the City's activities are grouped into governmental activities and business-type activities, as explained below. The amounts in the Statement of Net Position and the Statement of Activities are separated into governmental activities and business-type activities in order to provide a summary of these two activities for the City as a whole.

Government-wide financial statements are prepared on the accrual basis, which mean they measure the flow of all economic resources of the City as a whole.

The Statement of Net Position and the Statement of Activities present information about the following:

Governmental Activities – All of the City's basic services are considered to be governmental activities. These services are supported by the general City revenues such as taxes, and by specific program revenues such as user fees and charges.

Business-type Activities – The City's enterprise activities of water, and wastewater are reported in this area. Unlike governmental services, these services are supported by charges paid by users based on the amount of service they use.

Fund Financial Statements

The fund financial statements report on the City's operations in more detail than the Government-wide statements and focus primarily on the short-term activities of the City's General Fund and other major funds. The fund financial statements measure only current revenues and expenditures and fund balances; they exclude capital assets, long-term debt and other long-term amounts.

The fund financial statements provide detailed information about each of the City's most significant funds, called major funds. Major funds account for the major financial activities of the City and are presented individually, while the activities of non-major funds are presented in summary, with subordinate schedules presenting the detail for each of these other funds. The concept of major funds, and the determination of which funds are major, was established by the Governmental Accounting Standards Board (GASB) Statement No. 34 and replaces the concept of combining like funds and presenting them in total. Instead, each major fund is presented individually, with all non-major funds summarized and presented only in a single column. Subordinate schedules present detail of these non-major funds. Major funds present the major activities of the City for the fiscal year, and may change from year to year as a result of changes in the pattern of the City's activities.

In the City's case, there are three major governmental funds in addition to the General Fund: Home Loan Special Revenue Fund, Refuse Special Revenue Fund, and Public Facilities Capital Projects Fund.

The City reports 2 major and 2 non-major enterprise funds

Fund financial statements include governmental and proprietary funds as discussed below.

Governmental fund financial statements are prepared on the modified accrual basis, which means they measure only current financial resources and uses. Capital assets and other long-lived assets, along with long-term liabilities, are not presented in the governmental fund financial statements.

Proprietary funds financial statements are prepared on the full accrual basis and includes all of their assets and liabilities, current and long-term.

CITY OF HUGHSON
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

FINANCIAL ACTIVITIES OF THE CITY AS A WHOLE

This analysis focuses on the net positions and changes in net positions of the City as a whole. Tables 1, 2 and 3 focus on the City's Governmental Statement of Net Position and Statements of Activities, while Tables 4, 5 and 6 focuses on the City's Business-type Statement of Net Position and Statement of Activities.

Table 1

	Governmental Activities 2018	Governmental Activities 2017
<u>Assets</u>		
Cash and investments	\$ 8,137,398	\$ 7,589,855
Other assets	2,276,075	2,304,812
Capital assets, net	25,997,065	26,109,025
Total Assets	36,410,538	36,003,692
<u>Deferred Outflows of Resources</u>		
Pension	508,217	419,444
Total Def. Outflows	508,217	419,444
<u>Liabilities</u>		
Long term liabilities	1,781,408	1,539,532
Other liabilities	495,313	663,842
Total Liabilities	2,276,721	2,203,374
<u>Deferred Inflows of Resources</u>		
Pension	96,625	73,735
Total Def. Inflows	96,625	73,735
<u>Net Position</u>		
Net investment in capital assets	25,997,065	26,109,025
Restricted	6,460,854	5,858,030
Unrestricted	2,087,490	2,178,972
Total Net Position	\$ 34,545,409	\$ 34,146,027

The City's governmental net position amounted to \$34,545,409 as of June 30, 2018, an *increase* of \$399,382 over 2017. This increase in the change in net position is reflected in the Governmental Activities column of the Statement of Activities shown in Table 2. The City's net position as of June 30, 2018 comprised the following:

Cash and investments comprised **\$8,137,398**. Substantially all of these amounts were held in short term investments in government securities, as detailed in Note 3 to the financial statements.

Receivables comprised **\$621,226** of current receivables and loans receivable of **\$1,654,849** that is due over longer periods of time as explained the Notes.

Capital assets of **\$25,997,065** net of depreciation charges, which included all the City's capital assets used in governmental activities.

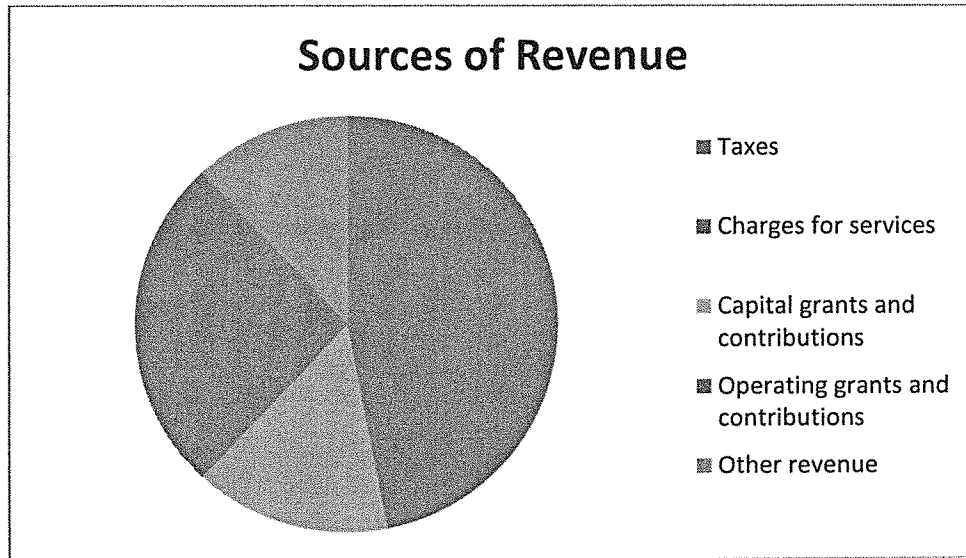
Current liabilities, including accounts payable, claims and other amounts due currently, totaled **\$495,313**.

Long-term liabilities of **\$1,781,408** does not include **\$40,000**, which is the current portion. The debt is related to the City's Net Pension Liability and compensated absences.

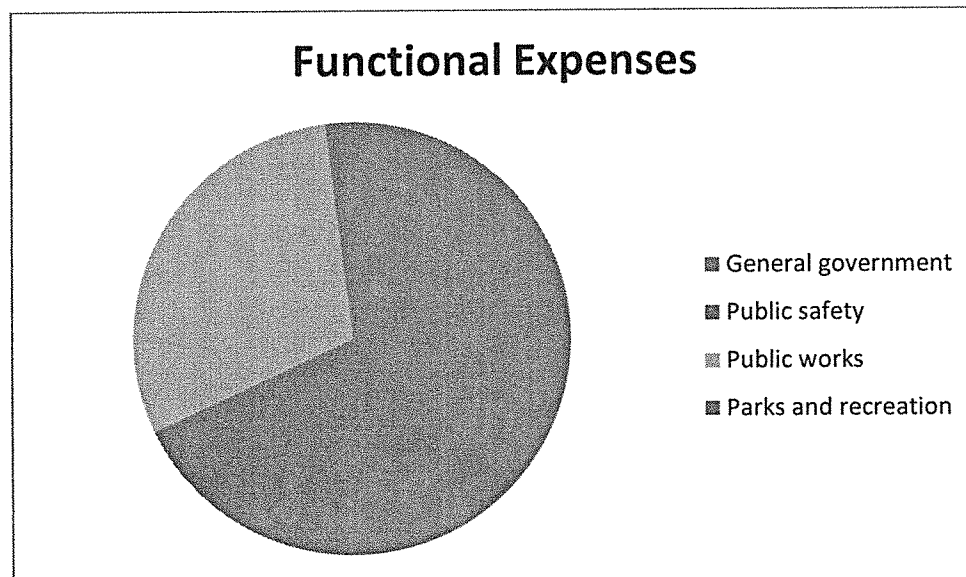
**CITY OF HUGHSON
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Net investment in capital assets of **\$25,997,065**, representing the City's investment in capital assets used in governmental activities, net of accumulated depreciation and amounts borrowed to finance those investments.

Unrestricted net position, the part of net positions that can be used to finance day to day operations without constraints established by debt covenants or other legal requirements or restrictions, was **\$2,087,490** as of June 30, 2018.



As the Sources of Revenue chart above shows, \$1,432,847 or 31% of the City's fiscal year 2018 governmental activities revenue came from taxes, while \$734,833 or 16% came from charges for services, \$689,794 or 15%, came from capital grants and contributions, \$1,188,317 or 26% came from operating grants and contributions, and the remainder came from a variety of sources.



The Functional Expenses chart above includes only current year expenses; it does not include capital outlays, which are added to the City's capital assets. As the chart shows, general government was \$1,540,525, or 37%, of total governmental expenses, public safety was \$1,293,883, or 31%, public works was \$1,261,418, or 30%, parks and recreation was \$101,818, or 2%.

The Statements of Activities presents program revenues and expenses and general revenues in detail. All of these elements in the changes in governmental net position are summarized below.

CITY OF HUGHSON
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Table 2
CHANGE IN GOVERNMENTAL NET POSITION

	Governmental Activities 2018	Governmental Activities 2017
<u>Expenses</u>		
General government	\$ 1,540,525	\$ 1,596,191
Public safety	1,293,883	1,268,222
Public works	1,261,418	871,052
Parks and recreation	101,818	131,360
Total Expenses	4,197,644	3,866,825
<u>Revenues</u>		
<u>Program revenues</u>		
Charges for services	734,833	1,017,118
Operating grants and contributions	1,188,317	356,577
Capital grants and contributions	689,794	1,020,572
Total program revenues	2,612,944	2,394,267
<u>General revenues and transfers</u>		
Taxes	1,432,847	1,459,594
Use of money and property	358,828	465,014
Other revenue	213,787	468,645
Transfers	(21,380)	9,876
Total general revenues and transfers	1,984,082	2,403,129
Total Revenues and Transfers	4,597,026	4,797,396
Change in Net Position	\$ 399,382	\$ 930,571

As Table 2 above shows, \$2,612,944 or 57%, of the City's fiscal year 2018 governmental revenue, came from program revenues and \$1,984,082, or 43%, came from general revenues such as taxes and interest and transfers. Program revenues were composed of charges for services of \$734,833, which included permit revenues, fees and charges used to fund expenses incurred in providing services; \$1,188,317 of operating grants and contributions, which included gas tax revenues and housing and police grants; and capital grants and contributions of \$689,794, that consisted mainly of street project grants and developer impact fees restricted to capital outlay.

General revenues are not allocable to programs. General revenues are used to pay for the net cost of governmental programs.

Table 3 presents the net expense or revenue of each of the City's governmental activities, including interest on long-term liabilities. Net expense is defined as total program cost less the revenues generated by those specific activities.

CITY OF HUGHSON
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Table 3
GOVERNMENTAL ACTIVITIES

	Net Revenue (Expense) from Services 2018	Net Revenue (Expense) from Services 2017
General government	\$ (463,487)	\$ (1,384,423)
Public safety	(1,145,477)	(1,117,837)
Community development	108,054	168,452
Public works	(32,210)	866,845
Parks and recreation	(50,580)	(5,595)
Total	\$ (1,584,700)	\$ (1,472,588)

BUSINESS-TYPE ACTIVITIES

The Statement of Net Position and Statement of Activities present a summary of the City's Business-type activities that are composed of the City's enterprise funds.

Table 4
BUSINESS-TYPE NET POSITION AT JUNE 30, 2018

	Business-type Activities 2018	Business-type Activities 2017
<u>Assets</u>		
Cash and investments	\$ 10,619,009	\$ 8,765,836
Other assets	151,941	170,575
Capital assets, net	52,546,578	53,707,968
Total Assets	63,317,528	62,644,379
<u>Deferred Outflows of Resources</u>		
Pension	432,739	357,148
Total Def. Outflows	432,739	357,148
<u>Liabilities</u>		
Long term liabilities	20,165,604	21,517,953
Other liabilities	159,830	211,702
Total Liabilities	20,325,434	21,729,655
<u>Deferred Inflows of Resources</u>		
Pension	82,276	62,785
Total Def. Inflows	82,276	62,785
<u>Net Position</u>		
Net investment in capital assets	33,882,712	33,499,491
Unrestricted	9,459,845	7,709,596
Total Net Position	\$ 43,342,557	\$ 41,209,087

The net position of business-type activities increased by \$2,133,470 in fiscal year 2018.

CITY OF HUGHSON
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Table 5
CHANGE IN BUSINESS-TYPE NET POSITION

	Business-type Activities 2018	Business-type Activities 2017
<u>Expenses</u>		
Water	\$ 1,089,280	\$ 1,223,786
Sewer	2,423,399	2,490,916
Community Facilities	83,430	63,847
Total Expenses	3,596,109	3,778,549
<u>Revenues</u>		
<u>Program revenues</u>		
Charges for services	5,685,359	5,438,097
Total program revenues	5,685,359	5,438,097
<u>General revenues and transfers</u>		
Use of money and property	22,840	16,776
Transfers	21,380	(9,876)
Total general revenues and transfers	44,220	6,900
Total Revenues and Transfers	5,729,579	5,444,997
Change in Net Position	\$ 2,133,470	\$ 1,666,448

Table 6
BUSINESS-TYPE ACTIVITIES

	Net Revenue (Expense) from Services 2018	Net Revenue (Expense) from Services 2017
Water	\$ 809,654	\$ 354,092
Sewer	1,328,276	1,341,229
Other	(48,680)	(35,773)
Total	\$ 2,089,250	\$ 1,659,548

ANALYSIS OF MAJOR FUNDS

Governmental Funds

General Fund

General Fund revenues decreased \$84,863 this fiscal year due primarily to a decrease in sales and use taxes, fines and forfeitures and license and permits. Actual revenues were greater than budgeted by \$61,920. Tax revenues decreased \$26,747 during the fiscal year primarily due to decreasing sales tax revenue. Fines and forfeitures as well as licenses and permits decreased by \$117,847.

General Fund expenditures were \$2,719,408, an increase of \$156,597 from the prior year. Expenditure increases are mainly due to increasing expenses in public safety and general government.

CITY OF HUGHSON
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

As of June 30, 2018 the General Fund's fund balance totaled **\$3,483,633**. The unassigned portion of **\$3,483,633** of the fund balances represents available liquid resources.

Home Loan Fund

This fund is utilized to track deferred loans receivable. There was no activity during the fiscal year.

Refuse Fund

This fund accounts for the contracted refuse services within the City. There wasn't significant variance from activities in prior fiscal years.

Public Facilities Capital Projects Fund

This fund accounts for resources and expenditures in construction of public facilities within the City. There weren't any major projects completed or initiated in this fund during the fiscal year.

Proprietary Funds

Water Fund

Operating revenues increased by **\$321,056** in fiscal year 2018 and expenses decreased by **\$145,638** resulting in operating income of **\$855,372**. Charges for water services increased due to an increase in water usage and an increase in water rates due to the Proposition 218 water rate increase in 2015. Expenditures decreased due to materials and supplies as well as maintenance expenses.

The fund's net position increased by **\$808,347** to a new total of **\$9,384,147**. Of this amount, **\$7,981,771** was net investment in capital assets.

Sewer Fund

Operating revenues decreased **\$80,470** in the fiscal year 2018 and operating expenses increased by **\$92,181**. The fund's net position increased by **\$1,342,423** in fiscal year 2018. The customer base for service remained largely unchanged in fiscal year 2018 and there was no Consumer Price Index (CPI) increase to the sewer rates.

As of June 30, 2018, the fund's net position was **\$33,601,637**, of which **\$25,542,019** was net investment in capital assets and **\$8,059,618** was unrestricted.

CAPITAL ASSETS

GASB No. 34 required the City to record all its capital assets including infrastructure, which was not recorded prior to GASB No. 34. Infrastructure includes roads, bridges, signals and similar assets used by the entire population.

In fiscal year 2018, the City reported the cost of all its infrastructure assets and computed the amounts of accumulated depreciation for these assets based on their original acquisition dates. At the end of fiscal year 2018, the cost of infrastructure and other capital assets recorded on the City's financial statements is as shown in Table 7 on the following page.

CITY OF HUGHSON
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Table 7

	Balance at July 1, 2017	Additions	Deletions	Transfers	Balance at June 30, 2018
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 9,197,784	\$ -	\$ -	\$ -	\$ 9,197,784
Rights of ways	2,777,617				2,777,617
Construction in progress	253,293	328,777			582,070
Total capital assets, not being depreciated	12,228,694	328,777			12,557,471
Capital assets, being depreciated:					
Buildings	919,905				919,905
Improvements	5,571,522	38,965			5,610,487
Equipment	464,150	36,507			500,657
Machinery	241,902				241,902
Rolling stock	565,675				565,675
Infrastructure	13,397,859				13,397,859
Total capital assets being depreciated	21,161,013	75,472			21,236,485
Less accumulated depreciation for:					
Buildings	(595,409)	(18,612)			(614,021)
Improvements	(1,139,420)	(180,663)			(1,320,083)
Equipment	(421,615)	(10,634)			(432,249)
Machinery	(241,902)				(241,902)
Rolling stock	(431,252)	(26,885)			(458,137)
Infrastructure	(4,451,084)	(279,415)			(4,730,499)
Total accumulated depreciation	(7,280,682)	(516,209)			(7,796,891)
Total capital assets, being depreciated, net	13,880,331	(440,737)			13,439,594
Governmental activities capital assets, net	\$ 26,109,025	\$ (111,960)	\$ -	\$ -	\$ 25,997,065
Business-type activities:					
Capital assets, not being depreciated:					
Land	\$ 18,108,769	\$ -	\$ -	\$ -	\$ 18,108,769
Construction in progress		30,888			30,888
Total capital assets, not being depreciated	18,108,769	30,888			18,139,657
Capital assets, being depreciated:					
Buildings	28,068,657				28,068,657
Improvements	4,288,696				4,288,696
Equipment	82,806	11,619			94,425
Machinery	235,695				235,695
Infrastructure	19,002,924				19,002,924
Rolling stock	187,921	54,576			242,497
Total capital assets, being depreciated	51,866,699	66,195			51,932,894
Less accumulated depreciation for:					
Buildings	(4,843,350)	(926,694)			(5,770,044)
Improvements	(3,349,861)	(49,963)			(3,399,824)
Equipment	(63,981)	(9,389)			(73,370)
Machinery	(235,695)	(1,694)			(237,389)
Infrastructure	(7,630,900)	(265,307)			(7,896,207)
Rolling stock	(143,714)	(5,425)			(149,139)
Total accumulated depreciation	(16,267,501)	(1,258,472)			(17,525,973)
Total capital assets, being depreciated, net	35,599,198	(1,192,277)			34,406,921
Business-type activities capital assets, net	\$ 53,707,967	\$ (1,161,389)	\$ -	\$ -	\$ 52,546,578

Details on capital assets, current year additions and construction in progress can be found in the Notes.

The City depreciates all its capital assets over their estimated useful lives, as required by GASB No. 34. The purpose of depreciation is to spread the cost of a capital asset over the years of its useful life so that an allocable portion of the cost of the asset is borne by all users. Additional information on depreciable lives may be found in the Notes to the financial statements.

CITY OF HUGHSON
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

DEBT ADMINISTRATION

The City issued no new bonded debt in fiscal year 2018. The City made all scheduled repayments of existing debt. The City's debt issues are discussed in detail in Note 7 of the financial statements. The City's debt balances as of June 30 were as follows:

Table 8
LONG-TERM LIABILITIES

	<u>2018</u>	<u>2017</u>
Governmental activities		
Net pension liability	\$ 1,695,495	\$ 1,487,645
Compensated absences	<u>125,913</u>	<u>61,621</u>
Total governmental activities	<u>\$ 1,821,408</u>	<u>\$ 1,549,266</u>
Business-type activities		
Water		
Compensated absences	\$ 29,070	\$ 19,818
Net pension liability	603,328	529,414
Installment Note Payable	<u>1,221,155</u>	<u>1,335,316</u>
Total for water fund	<u>1,853,607</u>	<u>1,884,548</u>
Sewer		
Compensated absences	28,986	22,956
Net pension liability	840,300	737,288
CSWRCB Revolving Loan	13,406,432	14,519,378
Installment Note Payable	<u>4,021,278</u>	<u>4,353,738</u>
Total for sewer fund	<u>18,296,996</u>	<u>19,633,405</u>
Total business-type activities	<u>\$ 20,150,603</u>	<u>\$ 21,517,953</u>

**CITY OF HUGHSON
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

ECONOMIC CONDITION, OUTLOOK AND ACTIVITY

The City continues to see a mixed economy, with a gradual increase in property tax revenues and decreases in sales and use tax revenues along with increases in operating expenses and PERS unfunded liabilities. Residential building continues at a slow but stable pace within the community. Hughson's diverse land use has helped to continue a growth pattern that has resulted in economic strength for the City and a stable housing market. Overall, the City continues to be in a favorable position to continue attracting jobs and retail establishments. The City continues to reach out to prospective and current business owners to continue to strengthen the City's tax base. With the idling of the Dairy Farmer's of America plant, the City will look for ways to offset the reduction in sewer revenues.

Overall the City's financial position remains in good condition. In the upcoming year, the City estimates the sales tax revenue will see slight declines while property taxes will continue to see a gradual increase with expected increases in operating and personnel costs. The City continues to maintain a fiscally responsible and conservative approach to its fiscal management and will continue to monitor the economic activity of the City.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This Annual Financial Report is intended to provide citizens, taxpayers, and creditors with a general overview of the City's finances. Questions about this report should be directed to the City of Hughson, at PO Box 9, 7018 Pine Street, Hughson, CA 95326.

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CITY OF HUGHSON
Statement of Net Position
June 30, 2018

	Governmental Activities	Business-type Activities	Total
Assets:			
Cash and Investments	\$ 8,137,398	\$ 10,619,009	\$ 18,756,407
Accounts Receivable	416,048	151,941	567,989
Notes Receivable	1,654,849		1,654,849
Interest Receivable	205,178		205,178
Capital Assets, Not Being Depreciated	12,557,471	18,139,657	30,697,128
Capital Assets, Net of Accumulated Depreciation	13,439,594	34,406,921	47,846,515
Total Assets	<u>36,410,538</u>	<u>63,317,528</u>	<u>99,728,066</u>
Deferred Outflows of Resources:			
Pension	508,217	432,739	940,956
Total Deferred Outflows of Resources	<u>508,217</u>	<u>432,739</u>	<u>940,956</u>
Liabilities:			
Accounts Payable	445,332	86,326	531,658
Interest Payable		69,062	69,062
Deposits Payable	9,981	4,442	14,423
Noncurrent Liabilities:			
Due Within One Year	40,000	1,631,571	1,671,571
Due in More Than One Year	1,781,408	18,534,033	20,315,441
Total Liabilities	<u>2,276,721</u>	<u>20,325,434</u>	<u>22,602,155</u>
Deferred Inflow of Resources:			
Pension	96,625	82,276	178,901
Total Deferred Inflow of Resources	<u>96,625</u>	<u>82,276</u>	<u>178,901</u>
Net Position:			
Net Investment in Capital Assets	25,997,065	33,882,712	59,879,777
Restricted for:			
Home Loans	1,498,751		1,498,751
Community Development	947,517		947,517
Streets and Roads	1,109,705		1,109,705
Public Safety	183,858		183,858
Public Facilities	1,186,835		1,186,835
Parks and Recreation	1,115,821		1,115,821
IT Projects	104,177		104,177
Assessment Districts	314,190		314,190
Unrestricted	2,087,490	9,459,845	11,547,335
Total Net Position	<u>\$ 34,545,409</u>	<u>\$ 43,342,557</u>	<u>\$ 77,887,966</u>

The notes to the financial statements are an integral part of this statement.

CITY OF HUGHSON
Statement of Activities
For the Fiscal Year Ended June 30, 2018

Functions	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 1,540,525	\$ 28,972	\$ 1,048,066	\$ -
Public Safety	1,293,883	8,155	140,251	
Community Development		108,054		
Public Works	1,261,418	538,414		689,794
Parks and Recreation	101,818	51,238		
Total Governmental Activities	4,197,644	734,833	1,188,317	689,794
Business-type Activities:				
Water	1,089,280	1,898,934		
Sewer	2,423,399	3,751,675		
Community Facilities	83,430	34,750		
Total Business-type Activities	3,596,109	5,685,359		
Total Primary Government	\$ 7,793,753	\$ 6,420,192	\$ 1,188,317	\$ 689,794

General Revenues:

Taxes:

Property Taxes

Sales and Use Taxes

Business License Taxes

Other Taxes

Licenses and Permits

Fines and Forfeitures

Special Assessments

Investment Earnings

Other Revenue

Transfers

Total General Revenues and Transfers

Change in net position

Net Position - Beginning of Fiscal Year

Net Position - End of Fiscal Year

The notes to the financial statements are an integral part of this statement.

Net (Expenses) Revenues and Changes in Net Position		
Governmental Activities	Business- type Activities	Total
\$ (463,487)	\$ -	\$ (463,487)
(1,145,477)		(1,145,477)
108,054		108,054
(33,210)		(33,210)
(50,580)		(50,580)
<u>(1,584,700)</u>		<u>(1,584,700)</u>
	809,654	809,654
	1,328,276	1,328,276
	(48,680)	(48,680)
	<u>2,089,250</u>	<u>2,089,250</u>
<u>(1,584,700)</u>	<u>2,089,250</u>	<u>504,550</u>
358,230		358,230
948,939		948,939
24,350		24,350
101,328		101,328
83,081		83,081
70,292		70,292
194,975		194,975
10,480	22,840	33,320
213,787		213,787
(21,380)	21,380	
<u>1,984,082</u>	<u>44,220</u>	<u>2,028,302</u>
399,382	2,133,470	2,532,852
<u>34,146,027</u>	<u>41,209,087</u>	<u>75,355,114</u>
<u>\$ 34,545,409</u>	<u>\$ 43,342,557</u>	<u>\$ 77,887,966</u>

CITY OF HUGHSON
Balance Sheet
Governmental Funds
June 30, 2018

	<u>Special Revenue</u>		
	<u>General</u>	<u>Home Loan</u>	<u>Refuse</u>
Assets:			
Cash and Investments	\$ 3,258,181	\$ 75,043	\$ 110,160
Accounts Receivable	239,852		23,528
Loans Receivable		1,423,708	
Due from Other Funds	329,388		
Total Assets	<u>\$ 3,827,421</u>	<u>\$ 1,498,751</u>	<u>\$ 133,688</u>
Liabilities and Fund Balances:			
Liabilities:			
Accounts Payable	\$ 333,807	\$ -	\$ 66,909
Deposit Payable	9,981		
Due to Other Funds			
Total Liabilities	<u>343,788</u>		<u>66,909</u>
Fund Balances:			
Restricted for:			
Home loans		1,498,751	
Parks and recreation			
Public Facilities			
Public safety			
Streets and roads			
Community development			66,779
IT Projects			
District Assessments			
Unassigned	3,483,633		
Total Fund Balances	<u>3,483,633</u>	<u>1,498,751</u>	<u>66,779</u>
Total Liabilities and Fund Balances	<u>\$ 3,827,421</u>	<u>\$ 1,498,751</u>	<u>\$ 133,688</u>

The notes to the financial statements are an integral part of this statement.

Capital Projects		
Public Facilities	Nonmajor Governmental Funds	Total Governmental Funds
\$ 1,218,495	\$ 3,402,216	\$ 8,064,095
	152,668	416,048
	231,141	1,654,849
		329,388
<u>\$ 1,218,495</u>	<u>\$ 3,786,025</u>	<u>\$ 10,464,380</u>
\$ 31,660	\$ 12,956	\$ 445,332
		9,981
	329,388	329,388
<u>31,660</u>	<u>342,344</u>	<u>784,701</u>
		1,498,751
	1,115,821	1,115,821
1,186,835		1,186,835
	183,858	183,858
	1,109,705	1,109,705
	880,738	947,517
	104,177	104,177
	314,190	314,190
	(264,808)	3,218,825
<u>1,186,835</u>	<u>3,443,681</u>	<u>9,679,679</u>
<u>\$ 1,218,495</u>	<u>\$ 3,786,025</u>	<u>\$ 10,464,380</u>

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CITY OF HUGHSON
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2018

Total fund balances - governmental funds \$ 9,679,679

In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation.

Capital assets at historical cost	\$	33,793,956	
Accumulated depreciation		(7,796,891)	25,997,065

Deferred outflows and inflows of resources relating to pensions: In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported.

Deferred outflow related to pension	508,217
Deferred inflow related to pension	(96,625)

In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:

Net pension liability	(1,695,495)
Compensated absences payable	(125,913)

Internal service funds are used by management to charge the costs of certain activities, such as self-insurance, to individual funds. The assets and liabilities of the internal service fund must be added to the statement of net position.

73,303

In governmental funds, certain accrued interest receivable on notes receivable is not available to pay for current period expenditures and, therefore, is not reported in the governmental funds.

205,178

Total net position - governmental activities **\$ 34,545,409**

CITY OF HUGHSON
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Fiscal Year Ended June 30, 2018

		<u>Special Revenue</u>	
	<u>General</u>	<u>Home Loan</u>	<u>Refuse</u>
Revenues			
Property Taxes	\$ 358,230	\$ -	\$ -
Sales and Use Taxes	948,939		
Business License Taxes	24,350		
Other Taxes	101,328		
Licenses and Permits	83,081		
Fines and Forfeitures	70,292		
Interest	4,698		19
Charges for Services	28,972		504,002
Intergovernmental	1,048,066		
Special Assessments			
Other	204,887		
Total Revenues	<u>2,872,843</u>	<u></u>	<u>504,021</u>
Expenditures			
Current:			
General Government	1,030,544		
Public Safety	1,242,178		
Public Works	360,039		493,576
Parks and Recreation	86,647		
Capital Outlay			
Total Expenditures	<u>2,719,408</u>	<u></u>	<u>493,576</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>153,435</u>	<u></u>	<u>10,445</u>
Other Financing Sources (Uses):			
Transfers In	86,876		
Transfers Out	(44,000)		
Total Other Financing Sources (Uses)	<u>42,876</u>	<u></u>	<u></u>
Net Change in Fund Balances	196,311		10,445
Fund Balances - July 1, 2017	<u>3,287,322</u>	<u>1,498,751</u>	<u>56,334</u>
Fund Balances - June 30, 2018	<u>\$ 3,483,633</u>	<u>\$ 1,498,751</u>	<u>\$ 66,779</u>

The notes to the financial statements are an integral part of this statement.

<u>Capital Projects</u>		
<u>Public Facilities</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ 358,230
		948,939
		24,350
		101,328
		83,081
		70,292
2,104	3,659	10,480
96,912	104,947	734,833
	830,045	1,878,111
	194,975	194,975
	8,900	213,787
<u>99,016</u>	<u>1,142,526</u>	<u>4,618,406</u>
		1,030,544
	51,705	1,293,883
	186,180	1,039,795
		86,647
<u>158,024</u>	<u>270,532</u>	<u>428,556</u>
<u>158,024</u>	<u>508,417</u>	<u>3,879,425</u>
<u>(59,008)</u>	<u>634,109</u>	<u>738,981</u>
	15,000	101,876
	<u>(79,256)</u>	<u>(123,256)</u>
	<u>(64,256)</u>	<u>(21,380)</u>
<u>(59,008)</u>	<u>569,853</u>	<u>717,601</u>
<u>1,245,843</u>	<u>2,873,828</u>	<u>8,962,078</u>
<u>\$ 1,186,835</u>	<u>\$ 3,443,681</u>	<u>\$ 9,679,679</u>

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CITY OF HUGHSON
Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2018

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

Net change in fund balances - total governmental funds	\$	717,601
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those capital assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay was exceeded by depreciation in the current period.

Capital outlay	\$	404,249	
Depreciation expense		<u>(516,209)</u>	(111,960)

Compensated absence expenditures reported in the statement of activities do not require the use of current financial resources and therefore, are not reported as expenditures in a governmental fund. This is the net change in compensated absences for the current period.

(64,292)

In governmental funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This fiscal year, the difference between accrual-basis pension costs and actual employer contributions was:

(141,967)

Change in net position of governmental activities	\$	<u>399,382</u>
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The notes to the financial statements are an integral part of this statement.

CITY OF HUGHSON
Statement of Net Position
Proprietary Funds
June 30, 2018

	Business-type Activities-Enterprise Funds				Governmental Activities
	Sewer Fund	Water Fund	Nonmajor Enterprise Funds	Total	Internal Service Fund
Assets					
Current Assets:					
Cash and Investments	\$ 8,716,685	\$ 1,896,578	\$ 5,746	\$ 10,619,009	\$ 73,303
Accounts Receivable	96,355	55,586		151,941	
Total Current Assets	<u>8,813,040</u>	<u>1,952,164</u>	<u>5,746</u>	<u>10,770,950</u>	<u>73,303</u>
Noncurrent Assets:					
Capital Assets:					
Land	15,075,537	2,928,159	105,073	18,108,769	
Buildings	25,215,708	2,127,666	725,283	28,068,657	
Machinery and Equipment	478,666	93,951		572,617	
Improvements Other Than Buildings	114,514	4,174,182		4,288,696	
Infrastructure	12,900,415	6,102,509		19,002,924	
Construction In Progress		30,888		30,888	
Less:					
Accumulated Depreciation	(10,800,110)	(6,254,429)	(471,434)	(17,525,973)	
Total Noncurrent Assets	<u>42,984,730</u>	<u>9,202,926</u>	<u>358,922</u>	<u>52,546,578</u>	
Deferred Outflow of Resources:					
Pension	251,877	180,862		432,739	
Total Deferred Outflow of Resources	<u>251,877</u>	<u>180,862</u>		<u>432,739</u>	
Total Assets and Deferred Outflows of Resources	<u>52,049,647</u>	<u>11,335,952</u>	<u>364,668</u>	<u>63,750,267</u>	<u>73,303</u>
Liabilities					
Current Liabilities:					
Accounts Payable	30,536	52,337	3,453	86,326	
Interest Payable	57,589	11,473		69,062	
Deposits Payable			4,442	4,442	
Total Current Liabilities	<u>88,125</u>	<u>63,810</u>	<u>7,895</u>	<u>159,830</u>	
Noncurrent Liabilities:					
Compensated Absences	28,986	29,070		58,056	
Net Pension Liability	840,300	603,382		1,443,682	
Due within One Year	1,482,981	148,590		1,631,571	
Due in More Than One Year	15,959,730	1,072,565		17,032,295	
Total Noncurrent Liabilities	<u>18,311,997</u>	<u>1,853,607</u>		<u>20,165,604</u>	
Deferred Inflows of Resources:					
Pension	47,888	34,388		82,276	
Total Deferred Inflows of Resources	<u>47,888</u>	<u>34,388</u>		<u>82,276</u>	
Total Liabilities and Deferred Inflows of Resources	<u>18,448,010</u>	<u>1,951,805</u>	<u>7,895</u>	<u>20,407,710</u>	
Net Position					
Net Investment in Capital Assets	25,542,019	7,981,771	358,922	33,882,712	
Unrestricted	8,059,618	1,402,376	(2,149)	9,459,845	73,303
Total Net Position	<u>\$ 33,601,637</u>	<u>\$ 9,384,147</u>	<u>\$ 356,773</u>	<u>\$ 43,342,557</u>	<u>\$ 73,303</u>

The notes to the financial statements are an integral part of this statement.

CITY OF HUGHSON
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2018

	Business-type Activities - Enterprise funds				Governmental Activities
	Sewer Fund	Water Fund	Nonmajor Enterprise Funds	Total	Internal Service Fund
Operating Revenues:					
Charges for Services	\$ 3,751,675	\$ 1,898,934	\$ 34,750	\$ 5,685,359	\$ -
Total Operating Revenues	<u>3,751,675</u>	<u>1,898,934</u>	<u>34,750</u>	<u>5,685,359</u>	
Operating Expenses:					
Personnel	446,798	404,898		851,696	
Administrative	238,000	164,000	27,161	429,161	
Materials and Supplies	465,120	249,637		714,757	
Maintenance	111,483	18,521	32,093	162,097	
Depreciation	1,027,790	206,506	24,176	1,258,472	
Total Operating Expenses	<u>2,289,191</u>	<u>1,043,562</u>	<u>83,430</u>	<u>3,416,183</u>	
Operating Income (loss)	<u>1,462,484</u>	<u>855,372</u>	<u>(48,680)</u>	<u>2,269,176</u>	
Non-operating Revenues (Expenses):					
Interest Revenue	19,147	3,693		22,840	
Interest Expense	(134,208)	(45,718)		(179,926)	
Total Non-Operating Revenue (Expenses)	<u>(115,061)</u>	<u>(42,025)</u>		<u>(157,086)</u>	
Income (Loss) before transfers	<u>1,347,423</u>	<u>813,347</u>	<u>(48,680)</u>	<u>2,112,090</u>	
Transfers					
Transfers In	2,217,092	154,597	39,000	2,410,689	
Transfers Out	(2,222,092)	(159,597)	(7,620)	(2,389,309)	
Total Transfers	<u>(5,000)</u>	<u>(5,000)</u>	<u>31,380</u>	<u>21,380</u>	
Change in Net Position	<u>1,342,423</u>	<u>808,347</u>	<u>(17,300)</u>	<u>2,133,470</u>	
Net Position - Beginning of Fiscal Year	<u>32,259,214</u>	<u>8,575,800</u>	<u>374,073</u>	<u>41,209,087</u>	<u>73,303</u>
Net Position - End of Fiscal Year	<u>\$ 33,601,637</u>	<u>\$ 9,384,147</u>	<u>\$ 356,773</u>	<u>\$ 43,342,557</u>	<u>\$ 73,303</u>

The notes to the financial statements are an integral part of this statement.

CITY OF HUGHSON
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2018

	Business-type Activities - Enterprise Funds				Governmental Activities
	Sewer Fund	Water Fund	Nonmajor Enterprise Funds	Totals	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash Received from Users	\$ 3,714,448	\$ 1,954,795	\$ 35,600	\$ 5,704,843	\$ -
Cash Payments to Suppliers and Contractors	(839,551)	(456,676)	(62,510)	(1,358,737)	
Cash Payments to Employees	(355,410)	(330,124)		(685,534)	
Net Cash Provided (Used) By Operating Activities	2,519,487	1,167,995	(26,910)	3,660,572	
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Transfers In	2,217,092	154,597	39,000	2,410,689	
Transfers Out	(2,222,092)	(159,597)	(7,620)	(2,389,309)	
Net Cash Provided (Used) By Noncapital Financing Activities	(5,000)	(5,000)	31,380	21,380	
CASH FLOWS FROM INVESTING ACTIVITIES:					
Interest Received	19,147	3,693		22,840	
Net Cash Provided (Used) in Investing Activities	19,147	3,693		22,840	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Acquisition of Property, Plant, and Equipment	(36,384)	(60,699)		(97,083)	
Principal Payments on Debt Borrowings	(1,445,452)	(129,160)		(1,574,612)	
Interest Paid	(134,206)	(45,718)		(179,924)	
Net Cash Provided (Used) In Capital and Related Financing Activities	(1,616,042)	(235,577)		(1,851,619)	
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	917,592	931,111	4,470	1,853,173	
CASH AND CASH EQUIVALENTS, BEGINNING OF FISCAL YEAR	7,799,093	965,467	1,276	8,765,836	73,303
CASH AND CASH EQUIVALENTS, END OF FISCAL YEAR	\$ 8,716,685	\$ 1,896,578	\$ 5,746	\$ 10,619,009	\$ 73,303
Reconciliation to Statement of Net Position:					
Cash and Investments	\$ 8,716,685	\$ 1,896,578	\$ 5,746	\$ 10,619,009	\$ 73,303
	\$ 8,716,685	\$ 1,896,578	\$ 5,746	\$ 10,619,009	\$ 73,303
CASH FLOWS FROM OPERATING ACTIVITIES:					
Operating Income (Loss)	\$ 1,462,484	\$ 855,372	(48,680)	\$ 2,269,176	\$ -
Adjustment to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Depreciation	1,027,790	206,506	24,176	1,258,472	
Changes in Assets and Liabilities:					
(Increase) Decrease in Accounts Receivable	(37,227)	55,861		18,634	
Increase (Decrease) in Accounts Payable	(24,948)	(24,518)	(3,256)	(52,722)	
Increase (Decrease) in Compensated Absences	21,030	24,252		45,282	
Increase (Decrease) in Net Pension Liability	70,358	50,522		120,880	
Increase (Decrease) in Deposits Payable			850	850	
Total Adjustments	1,057,003	312,623	21,770	1,391,396	
Net Cash Provided (Used) By Operating Activities	\$ 2,519,487	\$ 1,167,995	\$ (26,910)	\$ 3,660,572	\$ -

The notes to the financial statements are an integral part of this statement.

FIDUCIARY FUNDS

Agency Funds and Private Purpose Trust Funds are used to account for the receipt and disbursement of various taxes, deposits, deductions, and property collected by the City, acting in the capacity of an agent for distribution to other governmental units or other organizations. The agency fund and private purpose trust fund maintained by the City is presented below.

Water/Sewer Deposits - This fund collects deposits for water and sewer services.

RDA Successor Agency - This fund accounts for the former redevelopment agency.

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CITY OF HUGHSON
FIDUCIARY FUNDS
STATEMENT OF NET POSITION
June 30, 2018

	<u>Private Purpose Trust Fund</u>	<u>Agency Fund</u>
	<u>RDA</u>	
	<u>Successor Agency</u>	<u>Water Deposits</u>
ASSETS		
Cash and investments	\$ 300,045	\$ 53,455
Loans receivable	67,028	
Capital assets, net of accumulated depreciation	<u>602,457</u>	
Total Assets	<u>969,530</u>	<u>\$ 53,455</u>
LIABILITIES		
Accounts payable	\$ -	\$ 666
Interest payable	21,738	
Deposits payable		52,789
Long-term debt, due within one year	97,628	
Long-term debt, due in more than one year	<u>2,342,303</u>	
Total Liabilities	<u>2,461,669</u>	<u>\$ 53,455</u>
NET POSITION		
Held in trust for others	<u>(1,492,139)</u>	
Total Net Position	<u>\$ (1,492,139)</u>	

The notes to the financial statements are an integral part of this statement.

CITY OF HUGHSON
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN NET POSITION
For the Fiscal Year Ended June 30, 2018

	<u>Private Purpose Trust Fund RDA Successor Agency</u>
Additions:	
Intergovernmental	\$ 316,643
Interest	<u>576</u>
Total additions	<u>317,219</u>
Deductions:	
Community Development	7,345
Depreciation	27,490
Interest Expense	89,768
Contribution to City	<u>82,452</u>
Total deductions	<u>207,055</u>
Change in net position	110,164
Net Position - July 1, 2017	<u>(1,602,303)</u>
Net Position - June 30, 2018	<u><u>\$ (1,492,139)</u></u>

The notes to the financial statements are an integral part of this statement.

NOTES TO BASIC FINANCIAL STATEMENTS

CITY OF HUGHSON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Hughson (City) was incorporated in December 1972. The City is a general law city operating under the Council-Manager form of government, with a five member City Council elected for four-year overlapping terms. The City Manager is appointed by the City Council to serve as administrator of the staff and to carry out the Council's policies.

As required by accounting principles generally accepted in the United States of America (USGAAP), these basic financial statements present the City of Hughson (the primary government) and any component units.

Individual Component Unit Disclosures

There are no entities which meet the Governmental Accounting Standards Board (GASB) Statement No.14 as amended by GASB Statement No.39, GASB Statement No. 61, and GASB Statement No. 80 criteria for disclosure within these financial statements.

B. Basis of Presentation

Government-wide Financial Statements

The statement of net position and statement of activities display information about the primary government (the City). These statements include the financial activities of the overall government, except for fiduciary activities. 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. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent, on fees charged to external parties.

The statement of activities 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; therefore, 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 instead as general revenues.

When both restricted and unrestricted net positions are available, unrestricted resources are used only after the restricted resources are depleted.

CITY OF HUGHSON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation (Continued)

Fund Financial Statements

The fund financial statements provide information about the City's funds, including fiduciary funds. 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 and enterprise funds are separately aggregated and reported as nonmajor funds.

Proprietary funds distinguish *operating* revenues, such as charges for services, and 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. *Nonoperating* revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The City reports four major governmental funds:

- The *General Fund* is used to account for all revenues and expenditures necessary to carry out basic governmental activities of the City that are not accounted for through other funds. For the City, the General Fund includes activities such as public protection, public works and facilities, parks and recreation, and community development.
- The *Home Loan Special Revenue Fund* was established to account for all proceeds of grant revenues from the federal government under the First Time Home Buyer federal grant program and from the State of California's CalHome grant program. The expenditures relate to payments made to eligible recipients for buying homes subject to fulfillment of conditions.
- The *Refuse Special Revenue Fund* was established to account for monies collected on behalf of a franchise garbage collection company.
- The *Public Facilities Capital Projects Fund* was established to account for all proceeds from traffic mitigation fees, whose purpose is to defray the actual costs of constructing improvements to mitigate traffic and circulation impacts resulting from proposed new development.

The City reports the following two major enterprise funds:

- The *Sewer Fund* was established to account for the financial activity for the purpose of operation and maintenance of the City's sewer system including the wastewater treatment plant. The costs of providing these services to the general public are financed or recovered through user charges.
- The *Water Fund* was established to account for the financial activity for the purpose of operation and maintenance of City's water utility. The costs of providing these services to the general public are financed or recovered through user charges.

CITY OF HUGHSON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation (Continued)

The City reports the following additional fund types:

Internal Service Fund account for operations that provide services to other departments or agencies of the City, or to other governments, on a cost-reimbursement basis for insurance.

Fiduciary Funds

Agency Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other government units, and/or other funds.

Private Purpose Trust Fund accounts for the operations of the former redevelopment agency.

C. Basis of Accounting and Measurement Focus

The government-wide, proprietary, and fiduciary funds financial statements except for Agency Funds (that have no measurement focus) 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 the 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 susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers all revenues available if they are collected within 60 days after fiscal year-end. Expenditures are recorded when the related fund liability is incurred, except for debt service expenditures which are recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds from long-term debt and capital leases are reported as other financing sources.

Property taxes, transient occupancy taxes, and interest are susceptible to accrual. Sales taxes collected and held by the state at fiscal year-end on behalf of the City are also recognized as revenue. Other receipts and taxes become measurable and available when cash is received by the City and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

CITY OF HUGHSON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Equity

1. Deposits and Investments

In order to maximize the flexibility of its investment program and to aid in cash budgeting, the City pools the cash of all funds, except for monies deposited with fiscal agents in accordance with related bond indentures. The cash and investments balance in each fund represents that fund's equity share of the City's cash and investment pool. As the City places no restrictions on the deposit or withdrawal of a particular fund's equity in the pool, the pool operates like a demand deposit account for the participating funds.

Interest income earned on pooled cash and investments is allocated monthly to the various funds based on month-end balances and is adjusted at fiscal year-end. Interest income on restricted cash and investments with fiscal agents is credited directly to the related fund.

In accordance with the State of California Government Code, the City adopts an investment policy annually that, among other things, authorizes types and concentrations of investments and maximum investment terms.

The City's investments are carried at fair value. The fair value of equity and debt securities is determined based on sales prices or bid-and-asked quotations from SEC-registered securities exchanges or NASDAQ dealers. LAIF determines the fair value of its portfolio quarterly and reports a factor to the City; the City applies that factor to convert its share of LAIF from amortized cost to fair value. Changes in fair value are allocated to each participating fund.

For purposes of the statement of cash flows, the City has defined cash and cash equivalents to be change and petty cash funds, equity in the City's cash and investment pool, and restricted non-pooled investments with initial maturities of three months or less.

Investments are stated at fair value in accordance with GASB Statement No.31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Short-term investments are reported at cost, which approximates fair value. The fair values are based on quoted market prices, if available, or estimated using quoted market prices for similar securities. Securities traded on national or international exchanges are valued at the last reported sales price at current exchange rates. Interest, dividends, and realized and unrealized gains and losses, based on the specific identification method, are included in interest revenue when earned.

2. Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances." Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

CITY OF HUGHSON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Equity (Continued)

2. Receivables and Payables (Continued)

The City's property taxes are levied on the first day of January by the County assessor, and are payable to the County tax collector in two installments. The first installment is due November 1st, and is delinquent after December 10th; the second installment is due February 1st and is delinquent after April 10th. Taxes become a lien on the property on January 1st, and on the date of the transfer of the title, and the date of new construction. Article 13A of the California Constitution states: "The maximum amount of any ad valorem tax on real property shall not exceed one percent (1%) of the full cash value of such property. The one percent tax is to be collected by the Counties and apportioned according to law to the districts within the counties." The City has elected under State law (TEETER) to receive all of the annual property assessments in three installments as follows: 55% in December, 40% in April and 5% in June.

3. Inventories and Prepaid Items

Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

4. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. As a phase 3 government under GASB Statement 34, the City has elected to restate its capital assets as of July 1, 2008, to report infrastructure assets acquired prior to June 30, 2003. The City has determined that it is preferable to report all City infrastructure to provide for more accurate reporting. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are valued at the fair value of the assets on the date on which they were contributed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives are not capitalized. The City utilizes a capitalization threshold of \$5,000.

Depreciation is charged to operations using the straight-line method over the estimated useful lives of the assets as follows:

Buildings and improvements	30 years
Vehicles	5 years
Machinery and equipment	5 to 15 years
Infrastructure	50 to 80 years

5. Compensated Absences

Depending upon length of employment, City employees earn vacation leave, sick leave, accrued holiday and compensated time which may be either used or accumulated until paid upon termination or retirement. Upon termination, the City is obligated to compensate employees for all earned but unused vacation days. Unused sick leave may be accumulated to 125 days. The earned but unused sick leave benefits are not payable in the event of employee termination but 25% of the unused accumulated sick leave is paid upon retirement of employees with more than twenty years of continued service.

CITY OF HUGHSON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Equity (Continued)

5. Compensated Absences (Continued)

A liability is accrued for all earned but unused leave benefits in the government-wide and enterprise fund statements. This liability will be liquidated as either additional cash payments in the event of employee termination or as part of budgeted salary expenditures if used by employees as compensated leave time while still employed by the City. In the fund financial statements governmental funds accrue current liabilities for material vacation leave benefits due on demand to governmental fund employees that have terminated prior to year-end. Non-current amounts will be recorded as fund expenditures in the year in which they are paid or become due on demand to terminated employees.

6. 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 statements of net position. Debt premiums and discounts are deferred and amortized over the life of the indebtedness using the straight line method. Notes payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize debt premiums and discounts 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.

7. Net Position

The government-wide financial statements utilize a net position presentation. Net position is 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 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.

When an expense is incurred for purposes for which both restricted and unrestricted resources are available, the City's policy is to apply restricted resources first.

E. 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 disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CITY OF HUGHSON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Fund Balance

In the fund financial statements, governmental funds report fund balance as nonspendable, restricted, committed, assigned, or unassigned based primarily on the extent to which the City is bound to honor constraints on how specific amounts can be spent.

- Nonspendable fund balance – amounts that cannot be spent because they are either (a) not spendable in form or (b) legally or contractually required to be maintained intact.
- Restricted fund balance – amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
- Committed fund balance – amounts that can only be used for specific purposes determined by formal action of the City's highest level of decision-making authority (the City Council) and that remain binding unless removed in the same manner. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.
- Assigned fund balance – amounts that are constrained by the City's intent to be used for specific purposes. The intent can be established at either the highest level of decision making, or by a body or an official designated for that purpose.
- Unassigned fund balance – the residual classification for the City's funds that include amounts not contained in the other classifications.

The City Council establishes, modifies or rescinds fund balance commitments and assignments by passage of an ordinance or resolution.

G. Future Accounting Pronouncements

GASB Statements listed below will be implemented in future financial statements.

Statement No. 83	"Certain Asset Retirement Obligations"	The provisions of this statement are effective for fiscal years beginning after June 15, 2018.
Statement No. 84	"Fiduciary Activities"	The provisions of this statement are effective for fiscal years beginning after December 15, 2018.
Statement No. 87	"Leases"	The provisions of this statement are effective for fiscal years beginning after December 15, 2019.
Statement No. 88	"Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements"	The provisions of this statement are effective for fiscal years beginning after June 15, 2018.
Statement No. 89	"Accounting for Interest Cost Incurred before the End of a Construction Period"	The provisions of this statement are effective for fiscal years beginning after December 15, 2019.
Statement No. 90	"Majority Equity Interest-an Amendment of GASB Statements No. 14 and No. 61"	The provisions of this statement are effective for fiscal years beginning after December 15, 2018.

CITY OF HUGHSON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

The City Council adopts an Annual Budget no later than the second meeting of June of each year for the fiscal year commencing the following July 1. The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. During May of each year, the City Manager submits to the City Council a proposed operating budget for the next following fiscal year. The operating budget includes proposed revenues and expenditures.
2. After a review by the City Council, a public hearing is conducted and further comment is received from the City Council and the general public.
3. Upon completion of the hearings and modifications, if any, to the proposed budget, it is adopted by the City Council through passage of an appropriate resolution.
4. Generally, the budget is amended in the middle of the year and at the end of the year. All approved additional appropriations are added to the adopted budget and an amended budget is presented to the City Council, which adopts it after due review.
5. The City Manager is authorized to make transfers between operational expenditure categories within certain departments and funds.
6. City Council approval is required for all fund to fund transfers, department to department transfers, fund reserve to appropriations transfers, transfers for new revenue sources with offsetting appropriations, and for transfer to/from the capital expenditure category.

B. Budget/USGAAP Reconciliation

No funds adopted project-length or budgetary basis budgets and, therefore, no schedule reconciling the amounts on the Combined Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget to Actual to the amounts on the Combined Statement of Revenues, Expenditures, and Changes in Fund Balances has been prepared.

C. Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2018, no fund had an excess of expenditures over appropriations. The Asset Forfeiture, CDBG Grants, Public Safety Augmentation, IT Reserve, and Disability Access funds do not adopt a budget.

D. Deficit Fund Equity

At June 30, 2018, the following funds had an accumulated deficit:

Fund	Amount
<u>Nonmajor Governmental Fund:</u>	
Transportation Capital Projects Fund	\$ 264,808
<u>Nonmajor Proprietary Fund:</u>	
USF Community Center Fund	553
<u>Private Purpose Trust Fund:</u>	
RDA Successor Agency	1,492,139

CITY OF HUGHSON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 3 – CASH AND INVESTMENTS

Cash and investments as of June 30, 2018 are classified in the accompanying financial statements as follows:

Statement of net position:	
Cash and investments	\$ 18,756,407
Fiduciary funds:	
Cash and investments	<u>353,500</u>
Total cash and investments	<u><u>\$ 19,109,907</u></u>

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

Cash on hand	\$ 450
Deposits with financial institutions	1,031,648
Investments	<u>18,077,809</u>
Total cash and investments	<u><u>\$ 19,109,907</u></u>

A. 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 of Hughson (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. 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>
Bonds issued by the City	N/A	None	None
US Treasury Obligations	5 years	None	None
Federal Agency Issues	5 years	None	None
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Bankers' Acceptances	180 days	40%	30%
Medium Term Notes	5 years	30%	None
Money Market Mutual Funds	N/A	None	10%
Commercial Paper	270 days	25%	None
County Pool Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	\$65 Million
Collateralized Bank Deposits	N/A	None	None
Mortgage Pass-through Securities	5 years	20%	None
Shares of Beneficial Interest by a JPA	N/A	None	None

The investment policy allows for the above investments which have equal safety and liquidity as all other allowed investments. Maturity depends on the cash needs of the City.

CITY OF HUGHSON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 3 – CASH AND INVESTMENTS (Continued)

B. Investments Authorized by Debt Agreements

Investment of debt proceeds held by bond trustees 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 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>
Local Agency Bonds	N/A	None	None
U.S. Treasury Obligations	N/A	None	None
State Obligations	N/A	None	None
U.S. Government Agency Issues	N/A	None	None
Money Market Mutual Fund	N/A	None	None
Bankers Acceptances	N/A	None	None
Commercial Paper	270 days	None	None
Certificates of Deposit	N/A	None	None
Repurchase Agreements	N/A	None	None
Investment Agreements	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None

The investment policy allows for the above investments which have equal safety and liquidity as all other allowed investments. Maturity depends on the cash needs of the City.

C. 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. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the City's investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity:

<u>Investment Type</u>	<u>Totals</u>	<u>Remaining maturity (in Months)</u>			
		<u>12 Months or Less</u>	<u>13 to 24 Months</u>	<u>25-60 Months</u>	<u>More Than 60 Months</u>
State Investment Pool (LAIF)	\$ 80,454	\$ 80,454	\$ -	\$ -	\$ -
Money Market Funds	15,430,769	15,430,769			
Certificates of Deposit	2,566,586	567,442	653,122	1,346,022	
	<u>\$ 18,077,809</u>	<u>\$ 16,078,665</u>	<u>\$ 653,122</u>	<u>\$ 1,346,022</u>	<u>\$ -</u>

CITY OF HUGHSON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 3 – CASH AND INVESTMENTS (Continued)

D. Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

The City has no investments (including investments held by bond trustees) that are highly sensitive to interest rate fluctuations (to a greater degree than already indicated in the information provided above).

E. 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 fiscal year end for each investment type.

Investment Type	Amount	Minimum Legal Rating	Exempt From Disclosure	Rating as of Fiscal Year End			
				AAA	AA	A	Not Rated
State Investment Pool	\$ 80,454	N/A	\$ -	\$ -	\$ -	\$ -	\$ 80,454
Money Market Funds	15,430,769	N/A					15,430,769
Certificates of Deposit	2,566,586	N/A					2,566,586
Total	<u>\$ 18,077,809</u>		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,077,809</u>

F. Concentration of Credit Risk

The investment policy of the City contains 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 (other than money market) that represent 5% or more of total City's investments.

G. 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 custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) 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 deposits or investments, 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 fair 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.

As of June 30, 2018, all of the City's deposits with financial institutions in excess of federal depository insurance limits were held in collateralized accounts.

CITY OF HUGHSON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 3 – CASH AND INVESTMENTS (Continued)

H. 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.

I. Fair Value Measurements

The City categorizes its fair value measurements within the fair value hierarchy establish by generally accepted accounting principles. These principles recognize a three tiered fair value hierarchy as follows: Level 1 – Investments reflect prices quoted in active markets; Level 2 – Investments reflect prices that are based on similar observable asset either directly or indirectly, which may include inputs in markets that are not considered active; and Level 3 – Investments reflect prices based upon unobservable sources. The City did not have any investments applicable to recurring fair value measurements as of June 30, 2018.

NOTE 4 – INTERFUND TRANSACTIONS

A. Interfund Receivables and Payables

During the course of normal operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds." The following presents a summary of current interfund balances at June 30, 2018:

Receivable Fund	Amount	Payable Fund	Amount
Major Governmental Fund:		Nonmajor Governmental Fund:	
General Fund	\$ 329,388	Transportation Capital Projects Fund	\$ 329,388
Totals	<u>\$ 329,388</u>	Totals	<u>\$ 329,388</u>

B. Transfers between Funds

Transfers are indicative of funding for capital projects, lease payments or debt service, subsidies of various City operations, and re-allocations of special revenues. All inter-fund transfers between individual government funds have been eliminated on the government-wide statements. The following schedule briefly summarizes the City's transfer activity for the fiscal year ended June 30, 2018:

Fund	Transfers-in	Transfers-out
Major Governmental Funds:		
General Fund	\$ 86,876	\$ 44,000
Major Enterprise Funds:		
Water Fund	154,597	159,597
Sewer Fund	2,217,092	2,222,092
Nonmajor Governmental Funds:		
Gas Tax Special Revenue Fund		59,600
Vehicle Abatement Special Revenue Fund		9,000
Traffic Special Revenue Fund		
Lighting and Landscaping Special Revenue Fund		8,520
Benefit Assessment Special Revenue Fund		2,136
IT Reserve Special Revenue Fund	15,000	
Transportation Special Revenue Fund		
Nonmajor Enterprise Funds:		
Community Center Operations Fund	39,000	
USF Community Center Fund		7,620
Totals	<u>\$ 2,512,565</u>	<u>\$ 2,512,565</u>

CITY OF HUGHSON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 5 – CAPITAL ASSETS

Capital Asset activity for the fiscal year ended June 30, 2018 was as follows:

	Balance at July 1, 2017	Additions	Deletions	Transfers	Balance at June 30, 2018
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 9,197,784	\$ -	\$ -	\$ -	\$ 9,197,784
Rights of ways	2,777,617				2,777,617
Construction in progress	253,293	328,777			582,070
Total capital assets, not being depreciated	12,228,694	328,777			12,557,471
Capital assets, being depreciated:					
Buildings	919,905				919,905
Improvements	5,571,522	38,965			5,610,487
Equipment	464,150	36,507			500,657
Machinery	241,902				241,902
Rolling stock	565,675				565,675
Infrastructure	13,397,859				13,397,859
Total capital assets being depreciated	21,161,013	75,472			21,236,485
Less accumulated depreciation for:					
Buildings	(595,409)	(18,612)			(614,021)
Improvements	(1,139,420)	(180,663)			(1,320,083)
Equipment	(421,615)	(10,634)			(432,249)
Machinery	(241,902)				(241,902)
Rolling stock	(431,252)	(26,885)			(458,137)
Infrastructure	(4,451,084)	(279,415)			(4,730,499)
Total accumulated depreciation	(7,280,682)	(516,209)			(7,796,891)
Total capital assets, being depreciated, net	13,880,331	(440,737)			13,439,594
Governmental activities capital assets, net	\$ 26,109,025	\$ (111,960)	\$ -	\$ -	\$ 25,997,065
Business-type activities:					
Capital assets, not being depreciated:					
Land	\$ 18,108,769	\$ -	\$ -	\$ -	\$ 18,108,769
Construction in progress		30,888			30,888
Total capital assets, not being depreciated	18,108,769	30,888			18,139,657
Capital assets, being depreciated:					
Buildings	28,068,657				28,068,657
Improvements	4,288,696				4,288,696
Equipment	82,806	11,619			94,425
Machinery	235,695				235,695
Infrastructure	19,002,924				19,002,924
Rolling stock	187,921	54,576			242,497
Total capital assets, being depreciated	51,866,699	66,195			51,932,894
Less accumulated depreciation for:					
Buildings	(4,843,350)	(926,694)			(5,770,044)
Improvements	(3,349,861)	(49,963)			(3,399,824)
Equipment	(63,981)	(9,389)			(73,370)
Machinery	(235,695)	(1,694)			(237,389)
Infrastructure	(7,630,900)	(265,307)			(7,896,207)
Rolling stock	(143,714)	(5,425)			(149,139)
Total accumulated depreciation	(16,267,501)	(1,258,472)			(17,525,973)
Total capital assets, being depreciated, net	35,599,198	(1,192,277)			34,406,921
Business-type activities capital assets, net	\$ 53,707,967	\$ (1,161,389)	\$ -	\$ -	\$ 52,546,578

CITY OF HUGHSON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 5 – CAPITAL ASSETS (Continued)

Depreciation

Depreciation expense was charged to governmental functions as follows:

General Government	\$ 279,415
Public Works	221,623
Parks and Recreation	<u>15,171</u>
Total depreciation expense – governmental functions	<u>\$ 516,209</u>

Depreciation expense was charged to business-type functions as follows:

Sewer	\$ 1,032,450
Water	209,473
Community Facilities	<u>24,176</u>
Total depreciation expense – business-type functions	<u>\$ 1,266,099</u>

NOTE 6 – NOTES RECEIVABLE

The City has established a number of housing assistance loan programs using HOME Investment Partnerships Program grant funds. These loans consist of several loans for first-time home buyers assistance and home rehabilitation assistance loans for qualified persons. The City also utilizes Community Development Block Grant (CDBG) to provide business assistance loans and home rehabilitation loans to qualified persons.

NOTE 7 – LONG-TERM LIABILITIES

The following is a schedule of long-term liabilities for Governmental Activities and Business-type Activities for the fiscal year ended June 30, 2018:

	Balance at June 30, 2017	Additions	Repayments	Balance at June 30, 2018	Due Within One Year
Governmental Activities:					
Compensated absences	\$ 61,621	\$ 87,413	\$ (23,121)	\$ 125,913	\$ 40,000
Net pension liability	1,487,645	207,850		1,695,495	
Total	<u>\$ 1,549,266</u>	<u>\$ 295,263</u>	<u>\$ (23,121)</u>	<u>\$ 1,821,408</u>	<u>\$ 40,000</u>
Business-type Activities:					
Compensated absences	\$ 42,774	\$ 60,527	\$ (15,245)	\$ 88,056	\$ 30,000
Installment note payable - Water	1,335,316		(129,160)	1,206,156	133,590
Installment note payable - Sewer	4,353,784		(332,506)	4,021,278	343,907
Net pension liability	1,266,702	176,980		1,443,682	
CSWRCB Revolving Loan	14,519,378		(1,112,946)	13,406,432	1,124,074
Total	<u>\$ 21,517,954</u>	<u>\$ 237,507</u>	<u>\$ (1,589,857)</u>	<u>\$ 20,165,604</u>	<u>\$ 1,631,571</u>

CITY OF HUGHSON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 7 – LONG-TERM LIABILITIES (Continued)

1. Business -type Activities – Installment Notes Payable

On February 27, 2006 the City executed an installment note agreement with Municipal Finance Corporation for the acquisition and construction of a 750,000 gallon water storage tank to meet fire flow requirements. The note bears interest at 3.4%, with principal payments varying from \$37,010 to \$85,287, payable semi-annually beginning September 29, 2006, and continuing until March 29, 2026. The balance outstanding at June 30, 2018 is \$1,206,156.

On March 7, 2008, the City executed an installment note agreement with Municipal Finance Corporation for the acquisition and construction for a wastewater treatment plant in the amount of \$6,750,000, later amended to \$6,780,000. The note bears interest at 3.4%, with principal payments varying from \$126,472 to \$234,873, payable semi-annually beginning September 7, 2008, and continuing until March 7, 2028. The balance outstanding at June 30, 2018 is \$4,021,278.

Annual debt service requirements for the Installment Notes Payable are shown below:

Fiscal Year Ended June 30,	Installment Notes Payable - Water		
	Principal	Interest	Total
2019	133,590	39,884	\$ 173,474
2020	138,170	35,303	173,473
2021	142,908	30,565	173,473
2022	147,808	25,664	173,472
2023	152,876	20,597	173,473
2024-2026	490,804	29,614	520,418
	<u>\$ 1,206,156</u>	<u>\$ 181,627</u>	<u>\$ 1,387,783</u>

Fiscal Year Ended June 30,	Installment Notes Payable - Sewer		
	Principal	Interest	Total
2019	343,907	167,312	\$ 511,219
2020	355,699	153,100	508,799
2021	367,896	138,284	506,180
2022	380,511	122,838	503,349
2023	393,558	106,739	500,297
2024-2028	2,179,707	267,228	2,446,935
	<u>\$ 4,021,278</u>	<u>\$ 955,501</u>	<u>\$ 4,976,779</u>

CITY OF HUGHSON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 7 – LONG-TERM LIABILITIES (Continued)

3. Business -type Activities – California State Water Resources Control Board Revolving Loan

On September 10, 2009, the City entered into a project finance agreement with the California State Water Resource Control Board (Water Control Board). Through the use of ARRA funds, the Water Control Board provided funding assistance in the amount of \$23,100,000 for the rehabilitation and upgrade of the wastewater treatment plant. The City must repay the project funds at an interest rate of 1% per annum. The term of the agreement is June 16, 2009, to June 7, 2031. The balance outstanding at June 30, 2018 is \$13,406,432. Annual debt service requirements for the CSWRCB Loan are shown below:

Fiscal Year Ended June 30,	CSWRCB Loan		
	Principal	Interest	Total
2019	\$ 1,124,074	\$ 134,064	\$ 1,258,138
2020	1,135,315	122,823	1,258,138
2021	1,146,668	111,470	1,258,138
2022	1,158,134	100,004	1,258,138
2023	1,169,716	88,422	1,258,138
2024-2028	6,026,393	264,297	6,290,690
2029-2030	1,646,132	20,505	1,666,637
	<u>\$ 13,406,432</u>	<u>\$ 841,585</u>	<u>\$ 14,248,017</u>

4. Compensated Absences

The City's policy relating to compensated absences is described in Note (1). Compensated absences are liquidated primarily by the general fund and proprietary funds. The total amount outstanding at June 30, 2018, was \$125,913 for governmental activities and \$88,056 for business-type activities.

NOTE 8 – RISK MANAGEMENT

Central San Joaquin Valley Risk Management Authority

The City participates with other public entities in a joint exercise of powers agreement which establishes the Central San Joaquin 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 and \$500,000 of each workers' compensation 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 \$10,000 and worker's compensation losses under \$10,000. The CSJVRMA participates in an excess pool which provides general liability coverage from \$1,000,000 to \$10,000,000. The CSJVRMA participates in an excess pool which provides workers' compensation coverage from \$350,000 to \$500,000 and purchases excess insurance above the \$500,000 to the statutory limit. The CSJVRMA is a consortium of fifty-five (55) cities in the San Joaquin Valley of 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 3-4 times per 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.

CITY OF HUGHSON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 7 – LONG-TERM LIABILITIES (Continued)

1. Business -type Activities – Installment Notes Payable

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2021	142,908	30,565	173,473
2022	147,808	25,664	173,472
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CITY OF HUGHSON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 7 – LONG-TERM LIABILITIES (Continued)

3. Business -type Activities – California State Water Resources Control Board Revolving Loan

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NOTE 8 – RISK MANAGEMENT

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CITY OF HUGHSON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 9 – PROPRIETARY FUNDS INFORMATION

The City maintains four enterprise funds. The Water and Sewer funds account for the provision of basic utility services to all citizens. The Community Center Operations fund and USF Community Center fund are utilized to maintain the operations and maintenance of the City's community center.

NOTE 10 – CONTINGENT LIABILITIES

The City is subject to litigation arising in the normal course of business. In the opinion of the City's management, there is no pending litigation that is likely to have a material adverse effect on the financial position of the City.

NOTE 11 – OTHER POST EMPLOYMENT BENEFITS

The City does not offer any other post-employment benefits.

NOTE 12 – PENSION PLAN

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

A. General Information about the Pension Plan

Plan Descriptions - All qualified employees are eligible to participate in the City's separate Safety (police and fire) and Miscellaneous (all other) Plans, cost sharing defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plans are established by State statute and Local Government resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided - CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

CITY OF HUGHSON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 12 – PENSION PLAN (Continued)

A. General Information about the Pension Plan (Continued)

The Plans' provisions and benefits in effect at June 30, 2018, are summarized as follows:

	City Misc Plan		City Safety Plan
	Prior to January 1, 2013	On or after January 1, 2013	Prior to January 1, 2013
Hire date			
Benefit formula	2.7% @ 55	2% @ 62	3.0% @ 50
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	55	62	50
Monthly benefits, as a % of eligible compensation	2% to 2.7%	2.00%	3.0%
Required employee contribution rates	8%*	6.25%	n/a
Required employer contribution rates	11.634%	6.555%	n/a

* City made 2% contribution on behalf of employees

Contributions - Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2018, the City reported net pension liabilities for its proportionate share of the net pension liability of the Plan as follows:

Proportionate Share of Net Pension Liability	
Misc. Plan	Safety Plan
\$ 2,348,102	\$ 791,075

CITY OF HUGHSON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 12 – PENSION PLAN (Continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

The City's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2017, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The City's proportionate share of the net pension liability for the Plan as of June 30, 2016 and 2017 was as follows:

	City Miscellaneous Plan	City Safety Plan
Proportion - June 30, 2016	0.05926%	0.01343%
Proportion - June 30, 2017	0.05957%	0.01324%
Change - Increase (Decrease)	0.00031%	-0.00019%

For the fiscal year ended June 30, 2018, the City recognized pension expense of \$250,403. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 270,473	\$ -
Net differences between projected and actual earnings on pension plan investments	104,001	
Differences based on actual experience	10,626	(42,540)
Differences based on change of assumptions	463,918	(35,428)
Differences between actual vs proportionate contribution	9,612	(60,264)
Adjustment due to differences in proportions	82,326	(40,669)
Total	<u>\$ 940,956</u>	<u>\$ (178,901)</u>

\$270,473 reported as deferred outflows of resources related to contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and will be recognized as pension expense as follows:

Fiscal Year Ended June 30,	
2019	\$ 133,418
2020	263,866
2021	155,832
2022	(61,534)
Total	<u>\$ 491,582</u>

CITY OF HUGHSON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 12 – PENSION PLAN (Continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

The City's net pension liability for each Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of each of the Plans is measured as of June 30, 2017, using an annual actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

Actuarial Assumptions - The total pension liabilities in the June 30, 2017 actuarial valuations were determined using the following actuarial assumptions:

	<u>Miscellaneous</u>	<u>Safety</u>
Valuation Date	June 30, 2016	June 30, 2016
Measurement Date	June 30, 2017	June 30, 2017
Actuarial Cost Method	Entry-Age Normal Cost Method	
Actuarial Assumptions:		
Discount Rate	7.15%	7.15%
Inflation	2.75%	2.75%
Payroll Growth	3.00%	3.00%
Projected Salary Increase	3.30%-14.20% (1)	3.30%-14.20% (1)
Investment Rate of Return	7.50% (2)	7.50% (2)
Mortality	Derived using CalPERS' Membership Data for all Funds	

(1) Depending on age, service and type of employment

(2) Net of pension plan investment expenses, including inflation

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2016 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can found on the CalPERS website.

Discount Rate - The discount rate used to measure the total pension liability was 7.15% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

CITY OF HUGHSON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 12 – PENSION PLAN (Continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as we have changed our methodology.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Year 1 - 10(a)	Real Return Years 11+(b)
Global Equity	51.00%	5.25%	5.71%
Global Fixed Income	20.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	10.00%	6.83%	6.95%
Real Estate	10.00%	4.50%	5.13%
Infrastructure and Forestland	2.00%	4.50%	5.09%
Liquidity	1.00%	-0.55%	-1.05%
Total	100.00%		

CITY OF HUGHSON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 12 – PENSION PLAN (Continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate -The following presents the net pension liability of the Local Government for each Plan, calculated using the discount rate for each Plan, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	<u>Miscellaneous</u>	<u>Safety</u>
1% Decrease	6.15%	6.15%
Net Pension Liability	\$3,504,470	\$1,164,736
Current Discount Rate	7.15%	7.15%
Net Pension Liability	\$2,348,102	\$791,075
1% Increase	8.15%	8.15%
Net Pension Liability	\$1,390,376	\$485,626

Pension Plan Fiduciary Net Position - Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

NOTE 13 - SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY

On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X 26 (“the Bill”) that provides for the dissolution of all redevelopment agencies in the State of California. This action impacted the reporting entity of the City of Hughson (City) that previously had reported a redevelopment agency within the reporting entity of the City as a blended component unit.

The Bill provides that upon dissolution of a redevelopment agency, either the city or other unit of local government will agree to serve as the “successor agency” to hold the assets units until they are distributed to other units of state and local government. On January 10, 2012, the City Council elected to become the Successor Agency for the former redevelopment agency in accordance with the Bill as part of the City resolution number 2012-04.

After enactment of the law, which occurred on June 28, 2011, redevelopment agencies in the State of California cannot enter into new projects, obligations or commitments. Subject to the control of a newly established oversight board, remaining assets can only be used to pay enforceable obligations in existence as of the date of the dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).

Successor agencies will only be allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.

CITY OF HUGHSON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 13 - SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY (CONTINUED)

A. Capital assets of the Successor Agency as of June 30, 2018 consisted of the following:

	July 1, 2017 Balance	Additions	Deletions	June 30, 2018 Balance
Capital assets, being depreciated:				
Buildings and Improvements	\$ 795,929	\$ -	\$ -	\$ 795,929
Infrastructure	47,930			47,930
Total capital assets, being depreciated	843,859			843,859
Less accumulated depreciation for:				
Buildings and Improvements	(204,322)	(26,531)		(230,853)
Infrastructure	(9,590)	(959)		(10,549)
Total accumulated depreciation, net	(213,912)	(27,490)		(241,402)
Total capital assets, net	\$ 629,947	\$ (27,490)	\$ -	\$ 602,457

B. Long-term debt of the Successor Agency as of June 30, 2018, consisted of the following:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018	Due within one year
Tax Allocation Bonds	\$ 2,580,000	\$ -	\$ (95,000)	\$ 2,485,000	\$ 100,000
Original Issuance Discount	(47,441)		2,372	(45,069)	(2,372)
Totals	\$ 2,532,559	\$ -	\$ (92,628)	\$ 2,439,931	\$ 97,628

Tax Allocation Bonds – Series 2006

The former redevelopment agency issued \$3,200,000 of tax allocation refunding bonds on February 1, 2006. The principal balance outstanding at June 30, 2018 was \$2,485,000. The remaining annual debt service requirements as of June 30, 2018 are as follows:

Fiscal Year Ended June 30,	2006 Tax Allocation Bonds		
	Principal	Interest	Total
2019	\$ 100,000	\$ 85,500	\$ 185,500
2020	100,000	83,500	183,500
2021	105,000	81,450	186,450
2022	105,000	78,825	183,825
2023	110,000	75,600	185,600
2024-2028	590,000	325,925	915,925
2029-2033	705,000	206,900	911,900
2034-2037	670,000	55,200	725,200
	<u>\$ 2,485,000</u>	<u>\$ 992,900</u>	<u>\$ 3,477,900</u>

REQUIRED SUPPLEMENTAL INFORMATION

OTHER SUPPLEMENTAL INFORMATION

FINANCIAL SECTION

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CITY OF HUGHSON
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Revenues				
Property Taxes	\$ 301,500	\$ 301,500	\$ 358,230	\$ 56,730
Sales and Use Taxes	895,496	895,396	948,939	53,543
Business License Taxes	21,000	21,000	24,350	3,350
Other Taxes	4,500	4,500	101,328	96,828
Licenses and Permits	79,299	79,299	83,081	3,782
Fines and Forfeitures	123,500	123,500	70,292	(53,208)
Interest	2,100	2,100	4,698	2,598
Charges for Services	39,000	39,000	28,972	(10,028)
Intergovernmental	796,728	796,728	1,048,066	251,338
Other	547,900	547,900	204,887	(343,013)
Total Revenues	2,811,023	2,810,923	2,872,843	61,920
Expenditures				
Current				
General Government	2,592,858	2,592,858	1,030,544	1,562,314
Public Safety	75,511	75,511	1,242,178	(1,166,667)
Public Works	53,725	53,725	360,039	(306,314)
Parks and Recreation	39,600	39,600	86,647	(47,047)
Total Expenditures	2,761,694	2,761,694	2,719,408	42,286
Excess (Deficiency) of Revenues Over (Under) Expenditures	49,329	49,229	153,435	104,206
Other Financing Sources (uses):				
Transfers In			86,876	86,876
Transfers Out	(39,000)	(39,000)	(44,000)	(5,000)
Total Other Financing Sources (Uses)	(39,000)	(39,000)	42,876	81,876
Net Change in Fund Balance	10,329	10,229	196,311	186,082
Fund Balance - July 1, 2017	3,287,322	3,287,322	3,287,322	
Fund Balance - June 30, 2018	\$ 3,297,651	\$ 3,297,551	\$ 3,483,633	\$ 186,082

CITY OF HUGHSON
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
REFUSE SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Interest	\$ -	\$ -	\$ 19	\$ 19
Charges for Services	<u>495,000</u>	<u>495,000</u>	<u>504,002</u>	<u>9,002</u>
Total Revenues	<u>495,000</u>	<u>495,000</u>	<u>504,021</u>	<u>9,021</u>
Expenditures				
Current:				
Public Works	<u>495,155</u>	<u>495,155</u>	<u>493,576</u>	<u>1,579</u>
Total Expenditures	<u>495,155</u>	<u>495,155</u>	<u>493,576</u>	<u>1,579</u>
Net Change in Fund Balance	(155)	(155)	10,445	10,600
Fund Balance - July 1, 2017	<u>56,334</u>	<u>56,334</u>	<u>56,334</u>	
Fund Balance - June 30, 2018	<u>\$ 56,179</u>	<u>\$ 56,179</u>	<u>\$ 66,779</u>	<u>\$ 10,600</u>

CITY OF HUGHSON
REQUIRED SUPPLEMENTAL INFORMATION
JUNE 30, 2018

Cost Sharing Defined Benefit Pension Plans

Schedule of the City's Proportionate Share of the Net Pension Liability – Last 10 Years*

	June 30, 2018		June 30, 2017		June 30, 2016		June 30, 2015	
	Misc Plan	Safety Plan	Misc Plan	Safety Plan	Misc Plan	Safety Plan	Misc Plan	Safety Plan
Proportion of the net pension liability	0.05957%	0.01324%	0.05926%	0.01343%	0.06043%	0.01375%	0.05317%	0.01233%
Proportionate share of the net pension liability	\$ 2,348,102	\$ 791,075	\$ 2,058,690	\$ 695,657	\$ 1,657,967	\$ 566,466	\$ 1,313,993	\$ 462,568
Covered-employee payroll	\$ 915,771	n/a	\$ 920,504	n/a	\$ 819,730	n/a	\$ 838,193	n/a
Proportionate Share of the net pension liability as a percentage of covered-employee payroll	256.41%	n/a	223.65%	n/a	202.26%	n/a	156.76%	n/a
Plan's fiduciary net position	\$ 6,192,955	\$ 2,008,496	\$ 5,495,601	\$ 1,704,840	\$ 5,367,605	\$ 1,778,871	\$ 5,521,563	\$ 1,959,516
Plan's total pension liability	\$ 8,541,057	\$ 2,799,571	\$ 7,554,291	\$ 2,400,497	\$ 7,025,572	\$ 2,345,337	\$ 6,835,556	\$ 2,422,084
Plan fiduciary net position as a percentage of total pension liability	72.51%	71.74%	72.75%	71.02%	76.40%	75.85%	80.78%	80.90%

Notes to Schedule

Change in Benefit Terms: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2013 as they have minimal cost impact. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a Golden Handshakes).

Change in Assumptions: In 2017, the accounting discount rate reduced from 7.65% to 7.15%.

*Fiscal year 2015 was the 1st year of implementation, therefore only four years are shown.

CITY OF HUGHSON
REQUIRED SUPPLEMENTAL INFORMATION
JUNE 30, 2018

Cost Sharing Defined Benefit Pension Plans

Schedule of Contributions – Last 10 Years*

	June 30, 2018		June 30, 2017		June 30, 2016		June 30, 2015	
	Misc Plan	Safety Plan	Misc Plan	Safety Plan	Misc Plan	Safety Plan	Misc Plan	Safety Plan
Contractual required contribution (actuarially determined)	\$ 218,712	\$ 31,691	\$ 192,328	\$ 26,718	\$ 149,103	\$ 29,542	\$ 127,295	\$ 22,606
Contributions in relation to the actuarially determined contributions	(218,712)	(31,691)	(192,328)	(26,718)	(149,103)	(29,542)	(127,295)	(22,606)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$ 915,771	n/a	\$ 920,504	n/a	\$ 819,730	n/a	\$ 838,193	n/a
Contributions as a percentage of covered employee payroll	23.88%	n/a	20.89%	n/a	18.19%	n/a	15.19%	n/a

Notes to Schedule

Actuarial Cost Method	Entry Age Normal
Amortization Method/Period	For detail, see June 30, 2012 Funding Valuation Report
Assets Valuation Method	Actuarial Value of Assets. For details, see June 30, 2012 Funding Valuation Report.
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Payroll Growth	3.00%
Investment Rate of Return	7.50% Net of Pension Plan Investment and Administrative Expenses; includes Inflation.
Retirement Age	The probabilities of Retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007.
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates included 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

***Fiscal year 2015 was the 1st year of implementation, therefore only four years are shown.**

CITY OF HUGHSON
PUBLIC FACILITIES CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2018

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Revenues:			
Interest	\$ 500	\$ 2,104	\$ 1,604
Charges for Services	<u>85,812</u>	<u>96,912</u>	<u>11,100</u>
Total Revenues	<u>86,312</u>	<u>99,016</u>	<u>12,704</u>
Expenditures:			
Capital Outlay	<u>223,256</u>	<u>158,024</u>	<u>65,232</u>
Total Expenditures	<u>223,256</u>	<u>158,024</u>	<u>65,232</u>
Net Change in Fund Balance	(136,944)	(59,008)	77,936
Fund Balance - July 1, 2017	<u>1,245,843</u>	<u>1,245,843</u>	<u></u>
Fund Balance - June 30, 2018	<u>\$ 1,108,899</u>	<u>\$ 1,186,835</u>	<u>\$ 77,936</u>

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NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

The Asset Forfeiture Fund was established to account for monies received from asset seizures in the City's jurisdiction. The monies are to be spent on police protection and enforcement.

The Gas Tax Fund was established to account for state gas tax revenues based on population. The revenues may be expended only for street and road repair, maintenance, design, construction, and traffic signal design and installation.

The Vehicle Abatement Fund was established to account for vehicle abatement fees, revenues, and expenditures.

The CDBG Rehab Fund was established to account for federal grants under the Housing and Community Development Act, to assist low and moderate income groups in obtaining loans to rehabilitate or revitalize their homes.

The CDBG Grants Fund was established to account for federal planning grants under the Housing and Community Development Act.

The Community Enhancement Fund was established to bridge the gap between old development and new development where Landscaping and Lighting Districts are not set up.

The Local Transportation Fund was established to account for revenues received and expenditures made for traffic improvements.

The Storm Drain Fund was established to account for storm drain revenues.

The SLESF Fund established to account for revenues received and expenditures made for Special Law Enforcement Services.

The Lighting and Landscaping Fund was established to account for the lighting and landscaping of specified zones in the City.

The Benefit Assessment Fund was established to account for assessments applied to certain districts within the City.

The Trench Cut Fund was established to account for trench cutting costs to be paid with specified charges designed for that specific use.

The Public Safety Realignment Fund was established to account for public safety costs to be paid from a special intergovernmental funding source.

The IT Reserve Fund was established to account for amounts set aside and transferred from all City funds for future IT upgrades.

The Measure L Sales Tax Fund was established to account for Measure L sales tax revenues and expenditures.

The SB-1 Roads Fund was established to account for SB-1 roads funds received from the State.

The Disability Access and Education Fund was established to account for fees per SB 1186 that are applied to the sale of business licenses and renewals.

CAPITAL PROJECTS FUNDS

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

The Transportation Fund was established to account for street reconstruction.

The Municipal Park Fund was established to account for future expansion of City parks.

The Parks Development Impact Fees Fund was established to account for developer assessments on new home construction, with the monies to be used for construction of parks.

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CITY OF HUGHSON
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2018

	Special Revenue Funds				
	Asset Forfeiture	Gas Tax	Vehicle Abatement	CDBG Rehab	CDBG Grants
Assets					
Cash and Investments	\$ 1,660	\$ 196,608	\$ 16,261	\$ 431,050	\$ 93,999
Accounts Receivable					
Loans Receivable				231,141	
Total Assets	<u><u>\$ 1,660</u></u>	<u><u>\$ 196,608</u></u>	<u><u>\$ 16,261</u></u>	<u><u>\$ 662,191</u></u>	<u><u>\$ 93,999</u></u>
Liabilities					
Accounts Payable	\$ -	\$ 7,788	\$ -	\$ -	\$ -
Due To Other Funds					
Total Liabilities		<u>7,788</u>			
Fund Balances (Deficits)					
Restricted	1,660	188,820	16,261	662,191	93,999
Unassigned					
Total Fund Balances (Deficits)	<u>1,660</u>	<u>188,820</u>	<u>16,261</u>	<u>662,191</u>	<u>93,999</u>
Total Liabilities and Fund Balances	<u><u>\$ 1,660</u></u>	<u><u>\$ 196,608</u></u>	<u><u>\$ 16,261</u></u>	<u><u>\$ 662,191</u></u>	<u><u>\$ 93,999</u></u>

Special Revenue Funds

Community Enhancement	Local Transportation	Storm Drain	SLESF	Lighting and Landscaping	Benefit Assessment	Trench Cut
\$ 124,494	\$ 94,877	\$ 405,853	\$ 130,566	\$ 121,882 1,114	\$ 193,539 606	\$ 77,400
<u>\$ 124,494</u>	<u>\$ 94,877</u>	<u>\$ 405,853</u>	<u>\$ 130,566</u>	<u>\$ 122,996</u>	<u>\$ 194,145</u>	<u>\$ 77,400</u>
\$ -	\$ -	\$ -	\$ 351	\$ 2,951	\$ -	\$ -
			351	2,951		
124,494	94,877	405,853	130,215	120,045	194,145	77,400
<u>124,494</u>	<u>94,877</u>	<u>405,853</u>	<u>130,215</u>	<u>120,045</u>	<u>194,145</u>	<u>77,400</u>
<u>\$ 124,494</u>	<u>\$ 94,877</u>	<u>\$ 405,853</u>	<u>\$ 130,566</u>	<u>\$ 122,996</u>	<u>\$ 194,145</u>	<u>\$ 77,400</u>

Continued

CITY OF HUGHSON
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2018
(CONTINUED)

	Special Revenue Funds				
	Public Safety Realignment	IT Reserve	Measure L Sales Tax	SB-1 Roads	Disability Access and Education
Assets					
Cash and Investments	\$ 35,722	\$ 104,177	\$ 230,828	\$ 27,418	\$ 61
Accounts Receivable			61,784	22,725	
Loans Receivable					
Total Assets	<u>\$ 35,722</u>	<u>\$ 104,177</u>	<u>\$ 292,612</u>	<u>\$ 50,143</u>	<u>\$ 61</u>
Liabilities					
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ 7
Due to Other Funds					
Total Liabilities					<u>7</u>
Fund Balances (Deficits)					
Restricted	35,722	104,177	292,612	50,143	54
Unassigned					
Total Fund Balances (Deficits)	<u>35,722</u>	<u>104,177</u>	<u>292,612</u>	<u>50,143</u>	<u>54</u>
Total Liabilities and Fund Balances	<u>\$ 35,722</u>	<u>\$ 104,177</u>	<u>\$ 292,612</u>	<u>\$ 50,143</u>	<u>\$ 61</u>

Capital Projects Funds			Total
Transportation	Municipal Park	Parks Development Impact Fees	Nonmajor Governmental Funds
\$ - 66,439	\$ 657,323	\$ 458,498	\$ 3,402,216 152,668 231,141
<u>\$ 66,439</u>	<u>\$ 657,323</u>	<u>\$ 458,498</u>	<u>\$ 3,786,025</u>
\$ 1,859 329,388	\$ -	\$ -	\$ 12,956 329,388
<u>331,247</u>			<u>342,344</u>
(264,808)	657,323	458,498	3,708,489 (264,808)
<u>(264,808)</u>	<u>657,323</u>	<u>458,498</u>	<u>3,443,681</u>
<u>\$ 66,439</u>	<u>\$ 657,323</u>	<u>\$ 458,498</u>	<u>\$ 3,786,025</u>

CITY OF HUGHSON
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2018

	Special Revenue Funds				
	Asset Forfeiture	Gas Tax	Vehicle Abatement	CDBG Rehab	CDBG Grants
Revenues:					
Interest	\$ -	\$ 62	\$ -	\$ 652	\$ -
Charges for Services			8,155		
Intergovernmental		158,713			
Special Assessments					
Other				8,900	
Total Revenues		158,775	8,155	9,552	
Expenditures:					
Current:					
Public Safety					
Public Works		62,065			
Capital Outlay					
Total Expenditures		62,065			
Excess (Deficiency) of Revenues over (Under) Expenditures		96,710	8,155	9,552	
Other Financing Sources (Uses):					
Transfers In					
Transfers Out		(59,600)	(9,000)		
Total Other Financing Sources (Uses)		(59,600)	(9,000)		
Net Change in Fund Balances		37,110	(845)	9,552	
Fund Balances - July 1, 2017	1,660	151,710	17,106	652,639	93,999
Fund Balances - June 30, 2018	\$ 1,660	\$ 188,820	\$ 16,261	\$ 662,191	\$ 93,999

Special Revenue Funds						
Community Enhancement	Local Transportation Fund	Storm Drain	SLESF	Lighting and Landscaping	Benefit Assessment	Trench Cut
\$ 181 11,088	\$ 116	\$ 594 33,638	\$ 200 140,251	\$ - 135,834	\$ - 59,141	\$ - 774
11,269	116	34,232	140,451	135,834	59,141	774
	15,600		51,705			
	19,413		36,507	85,423	23,092	
	35,013		88,212	85,423	23,092	
11,269	(34,897)	34,232	52,239	50,411	36,049	774
				(8,520)	(2,136)	
				(8,520)	(2,136)	
11,269	(34,897)	34,232	52,239	41,891	33,913	774
113,225	129,774	371,621	77,976	78,154	160,232	76,626
\$ 124,494	\$ 94,877	\$ 405,853	\$ 130,215	\$ 120,045	\$ 194,145	\$ 77,400

Continued

CITY OF HUGHSON
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2018
(CONTINUED)

	Special Revenue Funds				
	Public Safety Realignment	IT Reserve	Measure L Sales Tax	SB-1 Roads	Disability Access and Education
Revenues:					
Interest	\$ -	\$ 40	\$ 141	\$ -	\$ -
Charges for Services					54
Intergovernmental			362,204	50,143	
Special Assessments					
Other					
Total Revenues		40	362,345	50,143	54
Expenditures:					
Current:					
Public Safety					
Public Works					
Capital Outlay		23,063	69,733		
Total Expenditures		23,063	69,733		
Excess (Deficiency) of Revenues over (Under) Expenditures		(23,023)	292,612	50,143	54
Other Financing Sources (Uses):					
Transfers In		15,000			
Transfers Out					
Total Other Financing Sources (Uses)		15,000			
Net Change in Fund Balances		(8,023)	292,612	50,143	54
Fund Balances - July 1, 2017	35,722	112,200			
Fund Balances - June 30, 2018	\$ 35,722	\$ 104,177	\$ 292,612	\$ 50,143	\$ 54

Capital Project Funds			Total Nonmajor Governmental Funds
Transportation	Municipal Park	Parks Development Impact Fees	
\$ -	\$ 994	\$ 679	\$ 3,659
	21,901	29,337	104,947
118,734			830,045
			194,975
			8,900
118,734	22,895	30,016	1,142,526
			51,705
			186,180
121,816			270,532
121,816			508,417
(3,082)	22,895	30,016	634,109
			15,000
			(79,256)
			(64,256)
(3,082)	22,895	30,016	569,853
(261,726)	634,428	428,482	2,873,828
\$ (264,808)	\$ 657,323	\$ 458,498	\$ 3,443,681

CITY OF HUGHSON
GAS TAX SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2018

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Revenues:			
Interest	\$ 50	\$ 62	\$ 12
Intergovernmental	<u>155,770</u>	<u>158,713</u>	<u>2,943</u>
Total Revenues	<u>155,820</u>	<u>158,775</u>	<u>2,955</u>
Expenditures:			
Current:			
Public Works	42,000	62,065	(20,065)
Capital Outlay	<u>59,000</u>	<u></u>	<u>59,000</u>
Total Expenditures	<u>101,000</u>	<u>62,065</u>	<u>38,935</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>54,820</u>	<u>96,710</u>	<u>41,890</u>
Other Financing Sources (Uses):			
Transfers Out	<u>(59,600)</u>	<u>(59,600)</u>	<u></u>
Total Other Financing Sources (Uses)	<u>(59,600)</u>	<u>(59,600)</u>	<u></u>
Net Change in Fund Balance	<u>(4,780)</u>	<u>37,110</u>	<u>41,890</u>
Fund Balance - July 1, 2017	<u>151,710</u>	<u>151,710</u>	<u></u>
Fund Balance - June 30, 2018	<u><u>\$ 146,930</u></u>	<u><u>\$ 188,820</u></u>	<u><u>\$ 41,890</u></u>

CITY OF HUGHSON
VEHICLE ABATEMENT SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2018

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Revenues:			
Charges For Services	\$ 9,000	\$ 8,155	\$ (845)
Total Revenues	<u>9,000</u>	<u>8,155</u>	<u>(845)</u>
Other Financing Sources (Uses):			
Transfers Out	<u>(9,000)</u>	<u>(9,000)</u>	
Total Other Financing Sources (Uses)	<u>(9,000)</u>	<u>(9,000)</u>	
Net Change in Fund Balance		(845)	(845)
Fund Balance - July 1, 2017	<u>17,106</u>	<u>17,106</u>	
Fund Balance - June 30, 2018	<u>\$ 17,106</u>	<u>\$ 16,261</u>	<u>\$ (845)</u>

CITY OF HUGHSON
CDBG REHAB SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2018

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Revenues:			
Interest	\$ 350	\$ 652	\$ 302
Other Revenue	<u>3,000</u>	<u>8,900</u>	<u>5,900</u>
Total Revenues	<u>3,350</u>	<u>9,552</u>	<u>6,202</u>
Net Change in Fund Balance	3,350	9,552	6,202
Fund Balance - July 1, 2017	<u>652,639</u>	<u>652,639</u>	<u></u>
Fund Balance - June 30, 2018	<u>\$ 655,989</u>	<u>\$ 662,191</u>	<u>\$ 6,202</u>

CITY OF HUGHSON
COMMUNITY ENHANCEMENT SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2018

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Revenues:			
Interest	\$ 50	\$ 181	\$ 131
Charges For Services	<u>12,096</u>	<u>11,088</u>	<u>(1,008)</u>
Total Revenues	<u>12,146</u>	<u>11,269</u>	<u>(877)</u>
Net Change in Fund Balance	12,146	11,269	(877)
Fund Balance - July 1, 2017	<u>113,225</u>	<u>113,225</u>	<u></u>
Fund Balance - June 30, 2018	<u><u>\$ 125,371</u></u>	<u><u>\$ 124,494</u></u>	<u><u>\$ (877)</u></u>

CITY OF HUGHSON
 LOCAL TRANSPORTATION SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL
 For the Fiscal Year Ended June 30, 2018

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Interest	\$ -	\$ 116	\$ 116
Other	5,311		(5,311)
Total Revenues	<u>5,311</u>	<u>116</u>	<u>(5,195)</u>
Expenditures:			
Current:			
Public Works	25,000	15,600	9,400
Capital Outlay	19,414	19,413	1
Total Expenditures	<u>44,414</u>	<u>35,013</u>	<u>9,401</u>
Net Change in Fund Balance	(39,103)	(34,897)	4,206
Fund Balance - July 1, 2017	<u>129,774</u>	<u>129,774</u>	
Fund Balance - June 30, 2018	<u>\$ 90,671</u>	<u>\$ 94,877</u>	<u>\$ 4,206</u>

CITY OF HUGHSON
STORM DRAIN SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2018

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Revenues:			
Interest	\$ 150	\$ 594	\$ 444
Charges for Services	<u>33,768</u>	<u>33,638</u>	<u>(130)</u>
Total Revenues	<u>33,918</u>	<u>34,232</u>	<u>314</u>
Net Change in Fund Balance	33,918	34,232	314
Fund Balance - July 1, 2017	<u>371,621</u>	<u>371,621</u>	<u></u>
Fund Balance - June 30, 2018	<u>\$ 405,539</u>	<u>\$ 405,853</u>	<u>\$ 314</u>

CITY OF HUGHSON
SLESF SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2018

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Revenues:			
Interest	\$ -	\$ 200	\$ 200
Intergovernmental	<u>100,000</u>	<u>140,251</u>	<u>40,251</u>
Total Revenues	<u>100,000</u>	<u>140,451</u>	<u>40,451</u>
Expenditures:			
Current:			
Public Safety	65,093	51,705	13,388
Capital Outlay	<u>36,507</u>	<u>36,507</u>	<u></u>
Total Expenditures	<u>101,600</u>	<u>88,212</u>	<u>13,388</u>
Net Change in Fund Balance	(1,600)	52,239	53,839
Fund Balance - July 1, 2017	<u>77,976</u>	<u>77,976</u>	<u></u>
Fund Balance - June 30, 2018	<u>\$ 76,376</u>	<u>\$ 130,215</u>	<u>\$ 53,839</u>

CITY OF HUGHSON
LIGHTING AND LANDSCAPING SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2018

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Revenues:			
Special Assessments	\$ 132,287	\$ 135,834	\$ 3,547
Total Revenue	<u>132,287</u>	<u>135,834</u>	<u>3,547</u>
Expenditures:			
Current:			
Public works	<u>123,398</u>	<u>85,423</u>	<u>37,975</u>
Total Expenditures	<u>123,398</u>	<u>85,423</u>	<u>37,975</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>8,889</u>	<u>50,411</u>	<u>41,522</u>
Other Financing Sources (Uses)			
Transfers Out	<u>(8,520)</u>	<u>(8,520)</u>	<u></u>
Total Other financing Sources (Uses)	<u>(8,520)</u>	<u>(8,520)</u>	<u></u>
Net Change in Fund Balance	369	41,891	41,522
Fund Balance - July 1, 2017	<u>78,154</u>	<u>78,154</u>	<u></u>
Fund Balance - June 30, 2018	<u>\$ 78,523</u>	<u>\$ 120,045</u>	<u>\$ 41,522</u>

CITY OF HUGHSON
 BENEFIT ASSESSMENT SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL
 For the Fiscal Year Ended June 30, 2018

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Revenues:			
Special Assessments	\$ 58,550	\$ 59,141	\$ 591
Total Revenue	<u>58,550</u>	<u>59,141</u>	<u>591</u>
Expenditures:			
Current:			
Public Works	27,820	23,092	4,728
Total Expenditures	<u>27,820</u>	<u>23,092</u>	<u>4,728</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>30,730</u>	<u>36,049</u>	<u>5,319</u>
Other Financing Sources (Uses)			
Transfers Out	<u>(2,137)</u>	<u>(2,136)</u>	<u>1</u>
Total Other financing Sources (Uses)	<u>(2,137)</u>	<u>(2,136)</u>	<u>1</u>
Net Change in Fund Balance	28,593	33,913	5,320
Fund Balance - July 1, 2017	<u>160,232</u>	<u>160,232</u>	<u></u>
Fund Balance - June 30, 2018	<u><u>\$ 188,825</u></u>	<u><u>\$ 194,145</u></u>	<u><u>\$ 5,320</u></u>

CITY OF HUGHSON
TRENCH CUT SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2018

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Revenues:			
Charges for Services	\$ 200	\$ 774	\$ 574
Total Revenue	<u>200</u>	<u>774</u>	<u>574</u>
Net Change in Fund Balance	200	774	574
Fund Balance - July 1, 2017	<u>76,626</u>	<u>76,626</u>	<u></u>
Fund Balance - June 30, 2018	<u>\$ 76,826</u>	<u>\$ 77,400</u>	<u>\$ 574</u>

CITY OF HUGHSON
 MEASURE L SALES TAX SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL
 For the Fiscal Year Ended June 30, 2018

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Revenues:			
Interest	\$ -	\$ 141	\$ 141
Intergovernmental	316,232	362,204	45,972
Total Revenues	<u>316,232</u>	<u>362,345</u>	<u>46,113</u>
Expenditures:			
Capital Outlay	316,232	69,733	246,499
Total Expenditures	<u>316,232</u>	<u>69,733</u>	<u>246,499</u>
Net Change in Fund Balance		292,612	292,612
Fund Balance - July 1, 2017	<u> </u>	<u> </u>	<u> </u>
Fund Balance - June 30, 2018	<u>\$ -</u>	<u>\$ 292,612</u>	<u>\$ 292,612</u>

CITY OF HUGHSON
 SB-1 ROADS SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL
 For the Fiscal Year Ended June 30, 2018

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental	\$ 41,232	\$ 50,143	\$ 8,911
Total Revenues	<u>41,232</u>	<u>50,143</u>	<u>8,911</u>
Expenditures:			
Capital Outlay	<u>41,232</u>	<u></u>	<u>41,232</u>
Total Expenditures	<u>41,232</u>	<u></u>	<u>41,232</u>
Net Change in Fund Balance		50,143	50,143
Fund Balance - July 1, 2017	<u></u>	<u></u>	<u></u>
Fund Balance - June 30, 2018	<u>\$ -</u>	<u>\$ 50,143</u>	<u>\$ 50,143</u>

CITY OF HUGHSON
TRANSPORTATION CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2018

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental	\$ 542,974	\$ 118,734	\$ (424,240)
Total Revenues	<u>542,974</u>	<u>118,734</u>	<u>(424,240)</u>
Expenditures:			
Capital Outlay	474,552	121,816	352,736
Total Expenditures	<u>474,552</u>	<u>121,816</u>	<u>352,736</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>68,422</u>	<u>(3,082)</u>	<u>(71,504)</u>
Net Change in Fund Balance	68,422	(3,082)	(71,504)
Fund Balance (Deficit) - July 1, 2017	<u>(261,726)</u>	<u>(261,726)</u>	<u></u>
Fund Balance (Deficit) - June 30, 2018	<u><u>\$ (193,304)</u></u>	<u><u>\$ (264,808)</u></u>	<u><u>\$ (71,504)</u></u>

CITY OF HUGHSON
MUNICIPAL PARK CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2018

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Revenues:			
Interest	\$ 500	\$ 994	\$ 494
Charges for Services	<u>23,892</u>	<u>21,901</u>	<u>(1,991)</u>
Total Revenues	<u>24,392</u>	<u>22,895</u>	<u>(1,497)</u>
Net Change in Fund Balance	24,392	22,895	(1,497)
Fund Balance - July 1, 2017	<u>634,428</u>	<u>634,428</u>	<u></u>
Fund Balance - June 30, 2018	<u><u>\$ 658,820</u></u>	<u><u>\$ 657,323</u></u>	<u><u>\$ (1,497)</u></u>

CITY OF HUGHSON
PARKS DEVELOPMENT IMPACT FEES CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2018

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Revenues:			
Interest	\$ 200	\$ 679	\$ 479
Charges for Services	<u>32,004</u>	<u>29,337</u>	<u>(2,667)</u>
Total Revenues	<u>32,204</u>	<u>30,016</u>	<u>(2,188)</u>
Net Change in Fund Balance	32,204	30,016	(2,188)
Fund Balance - July 1, 2017	<u>428,482</u>	<u>428,482</u>	<u> </u>
Fund Balance - June 30, 2018	<u>\$ 460,686</u>	<u>\$ 458,498</u>	<u>\$ (2,188)</u>

NONMAJOR PROPRIETARY FUNDS

PROPRIETARY FUNDS

Proprietary funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - for these funds, it is the intent of the City Council that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Community Center Operations - This fund is used to account for revenues and expenses associated with the maintenance and operations of the City's Community Centers.

USF Community Center - This fund is used to account for funds designated for maintenance and operations of the City's Community Centers.

CITY OF HUGHSON
NONMAJOR PROPRIETARY FUNDS
COMBINING STATEMENT OF NET POSITION
June 30, 2018

	Enterprise Funds		
	Community Center Operations Fund	USF Community Center Fund	Total Nonmajor Enterprise Funds
Assets			
Current Assets:			
Cash and Investments	\$ 5,803	\$ (57)	\$ 5,746
Total Current Assets	5,803	(57)	5,746
Noncurrent Assets:			
Capital Assets:			
Land	105,073		105,073
Buildings	725,283		725,283
Less:			
Accumulated Depreciation	(471,434)		(471,434)
Total Noncurrent Assets	358,922		358,922
Total Assets	364,725	(57)	364,668
Liabilities			
Current Liabilities:			
Accounts Payable	2,977	476	3,453
Deposits Payable	4,442		4,442
Total Current Liabilities	7,419	476	7,895
Total Liabilities	7,419	476	7,895
Net Position			
Net Investment in Capital Assets	358,922		358,922
Unrestricted	(1,616)	(533)	(2,149)
Total Net Position	\$ 357,306	\$ (533)	\$ 356,773

CITY OF HUGHSON
NONMAJOR PROPRIETARY FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Enterprise Funds		
	Community Center Operations Fund	USF Community Center Fund	Total Nonmajor Enterprise Funds
Operating Revenues			
Charges for Services	\$ 19,958	\$ 14,792	\$ 34,750
Total Operating Revenues	<u>19,958</u>	<u>14,792</u>	<u>34,750</u>
Operating Expenses			
Administrative	20,997	6,164	27,161
Maintenance	30,291	1,802	32,093
Depreciation	<u>24,176</u>		<u>24,176</u>
Total Operating Expenses	<u>75,464</u>	<u>7,966</u>	<u>83,430</u>
Operating Income (Loss)	<u>(55,506)</u>	<u>6,826</u>	<u>(48,680)</u>
Income (Loss) Before Transfers	(55,506)	6,826	(48,680)
Transfers			
Transfers In	39,000		39,000
Transfers Out		<u>(7,620)</u>	<u>(7,620)</u>
Changes in Net Position	(16,506)	(794)	(17,300)
Net Position - Beginning of Fiscal Year	<u>373,812</u>	<u>261</u>	<u>374,073</u>
Net Position - End of Fiscal Year	<u>\$ 357,306</u>	<u>\$ (533)</u>	<u>\$ 356,773</u>

**CITY OF HUGHSON
NONMAJOR PROPRIETARY FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	Enterprise Funds		Total
	Community Center Operations Fund	USF Community Center Fund	Nonmajor Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash Received from Users	\$ 20,808	\$ 14,792	\$ 35,600
Cash Payments to Suppliers and Contractors	(52,786)	(9,724)	(62,510)
Net Cash Provided (Used) By Operating Activities	(31,978)	5,068	(26,910)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers in (out)	39,000	(7,620)	31,380
Interfund Borrowing	(1,219)	1,219	
Net Cash Provided (Used) By Noncapital Financing Activities	37,781	(6,401)	31,380
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	5,803	(1,333)	4,470
CASH AND CASH EQUIVALENTS, BEGINNING OF FISCAL YEAR		1,276	1,276
CASH AND CASH EQUIVALENTS, END OF FISCAL YEAR	\$ 5,803	\$ (57)	\$ 5,746
Reconciliation to Statement of Net Position:			
Cash and Cash Equivalents	\$ 5,803	\$ (57)	\$ 5,746
CASH FLOWS FROM OPERATING ACTIVITIES:			
Operating Income (Loss)	\$ (55,506)	\$ 6,826	\$ (48,680)
Adjustment to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	24,176		24,176
Changes in Assets and Liabilities:			
Increase (Decrease) in Accounts Payable	(1,498)	(1,758)	(3,256)
Increase (Decrease) in Deposits Payable	850		850
Total Adjustments	23,528	(1,758)	21,770
Net Cash Provided (Used) By Operating Activities	\$ (31,978)	\$ 5,068	\$ (26,910)