

CITY OF HUGHSON
MANAGEMENT REPORT
AND
AUDITOR'S COMMUNICATION LETTER

June 30, 2019

CITY OF HUGHSON
June 30, 2019

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MOSS, LEVY & HARTZHEIM LLP

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

RONALD A LEVY, CPA
CRAIG A HARTZHEIM, CPA
HADLEY Y HUI, CPA
ALEXANDER C HOM, CPA
ADAM V GUISE, CPA
TRAVIS J HOLE, CPA

COMMERCIAL ACCOUNTING & TAX SERVICES

433 N. CAMDEN DRIVE, SUITE 730
BEVERLY HILLS, CA 90210
TEL: 310.273.2745
FAX: 310.670.1689
www.mlhcpas.com

GOVERNMENTAL AUDIT SERVICES

5800 HANNUM AVE., SUITE E
CULVER CITY, CA 90230
TEL: 310.670.2745
FAX: 310.670.1689
www.mlhcpas.com

January 12, 2020

Members of the City Council
City of Hughson
Hughson, California

In planning and performing our audit of the financial statements of the City of Hughson (City), as of and for the fiscal year ended June 30, 2019, 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, we considered the City's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weakness and therefore, there can be no assurance that all such deficiencies have been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses. However, we did identify deficiencies in internal control that we consider to be significant deficiencies.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies presented in the current year recommendations section as findings 2019-1 through 2019-2 to be significant deficiencies in internal control.

The City's written responses to the findings identified in our audit are described in the current year recommendations section. We did not audit the City's responses and, accordingly, we express no opinion on them. In addition, we would be pleased to discuss the recommendations in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing these recommendations.

We have included in this letter a summary of communication with the members of the City Council as required by professional auditing standards. We would like to thank the City's management and staff for the courtesy and cooperation extended to us during the course of our engagement. The accompanying communications and recommendations are intended solely for the information and use of management, the members of the City Council, and others within the City, and is not intended to be and should not be used by anyone other than these specified parties.

Moss, Levy & Hartzheim

MOSS, LEVY & HARTZHEIM, LLP
Culver City, CA



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January 12, 2020

Members of the City Council
City of Hughson
Hughson, California

We have audited the financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining information of the City of Hughson (City) for the fiscal year ended June 30, 2019. Professional standards require that we provide you with the information about our responsibilities under auditing standards generally accepted in the United States of America, *Government Auditing Standards*, and OMB Circular A-133 as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated August 5, 2019. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the City's financial statements were:

Management's estimate of the funding progress for CALPERS is based on CALPERS' estimate. The estimated historical cost of capital assets, annual depreciation and the estimated useful life of the capital assets were based on historical data, industry guidelines, and an outside consultant which was hired by the City in a previous fiscal year. We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. All adjusting entries that were proposed as a result of audit procedures were corrected by management. These included entries to adjust capital assets, long term debt, fund balance, accounts payable and accounts receivable.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated January 12, 2020.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City of Hughson's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City of Hughson's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the information and use of the members of the City Council and Management of the City and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



MOSS, LEVY & HARTZHEIM, LLP
Culver City, CA



MOSS, LEVY & HARTZHEIM LLP

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

Members of the City Council
City of Hughson
Hughson, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hughson (City), as of and for the fiscal year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 12, 2020.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. We did identify deficiencies, presented in the current year recommendations section as findings 2019-1 through 2019-2, that we consider to be significant deficiencies in internal controls. However, material weaknesses or significant deficiencies may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Moss, Levy & Hartzheim

Moss, Levy & Hartzheim, LLP
Culver City, California
January 12, 2020

2019-1

Finding – Lack of segregation of duties over cash receipts:

During the review of internal controls, it was noted that one staff member is responsible for both preparing the bank reconciliations and reconciling daily cash receipts to the general ledger.

Effect:

A lack of segregation of duties increases the risk that errors and irregularities may occur and go undetected. It could adversely affect the City's ability to initiate, authorize, record, process, or report financial data reliably, which could lead to a misappropriation of funds.

Recommendation:

We recommend that the City ensure that the internal control deficiencies mentioned above are rectified with increased segregation of duties and establish a centralized purchasing and receiving position.

Management's response:

While the staff for City of Hughson is small, increased segregation of duties as well as segregated purchasing responsibilities have been accomplished with the implementation of the new Tyler Financial System in February 2018.

Two employees manage the counter activities, including receiving cash, checks, mailed payments. They reconcile their cash drawer daily and prepare deposits. The Management Analyst and Finance Manager provide backup when needed at the front counter.

The direct supervisor, the Finance Manager, verifies all deposits prior to the deposit taken to the bank. In the absence of the Finance Manager, the Finance Director verifies the deposits prior to deposits taken to the bank.

Tyler Financial System contains audit logs of all entries made and the Finance Director can review the audit logs when necessary. In July 2018, the Management Analyst took on the responsibility of reconciling all bank accounts with the general ledger. The Management Analyst prepares any Journal Entries needed for the reconciliation and the Finance Director reviews and approves all journal entries and bank reconciliations.

Purchasing responsibilities have been implemented through the use of the budget module, requisitions, purchase orders, and the accounts payable system. Managers have been trained to enter requisitions in Tyler, each requisition goes through a process to set up a new vendor if needed, insurance, verification of proper fund / account number, verification of budgeted funds, and each requisition requires approval through the Director before a purchase order is created.

2019-2

Finding – Lack of segregation of duties over payroll:

During the review of internal controls, it was noted that one staff member is responsible for entering payroll information into the computer system, preparing payroll checks, distributing payroll checks,

reconciling the payroll bank account and entering payroll changes. It was also noted that multiple users have access to change payroll rates and no log is kept of changes made.

Effect:

A lack of segregation of duties increases the risk that errors and irregularities may occur and go undetected. It could adversely affect the City's ability to initiate, authorize, record, process, or report financial data reliably, which could lead to a misappropriation of funds.

Recommendation:

We recommend that the City ensure that the internal control deficiencies mentioned above are rectified with increased segregation of duties and establish a centralized purchasing and receiving position. Also, the City should restrict access to the payroll module and ensure that a log is kept for all adjustments to wage rates.

Management's response:

With the implementation of Tyler Financial System in February 2018, employees enter their own time in Tyler, and timesheets go through an approval process. Time off requests are also entered in Tyler, prior to the time off, and are reviewed and approved, or denied by the employees' managers and the Department Director. Approved time off automatically downloads into the payroll system and the Finance Manager verifies the payroll system download with approved hard copy exception requests to ensure all time is entered correctly.

Regarding pay rates, when Tyler was implemented, the Monthly Salary Schedule with Ranges up to 200, including Steps A through E, were entered. This information does not change and the Finance Manager who generates Payroll cannot change these ranges and salary rates. When an employee's payrate changes, a Personnel Action Form (PAF) is created and approved by the Finance (HR) Director, Department Director, and the City Manager. Originals are placed in the employee's personnel file and a copy goes to the Finance Manager who ensures the pay rate change is entered accurately in the payroll system by entering the new range / step. Payroll is reviewed and approved by the Finance Director and checks are signed by two signatures one of which is the City Manager. The Finance Director has access to the Payroll Audit Log.

STATUS OF PRIOR YEAR RECOMMENDATIONS

Significant Deficiencies

2018-1 Finding – Lack of segregation of duties over cash receipts:

During the review of internal controls, it was noted that one staff member is responsible for both preparing the bank reconciliations and reconciling daily cash receipts to the general ledger.

Effect:

A lack of segregation of duties increases the risk that errors and irregularities may occur and go undetected. It could adversely affect the City's ability to initiate, authorize, record, process, or report financial data reliably, which could lead to a misappropriation of funds.

Recommendation:

We recommend that the City ensure that the internal control deficiencies mentioned above are rectified with increased segregation of duties and establish a centralized purchasing and receiving position.

Status:

Not implemented, see Finding 2019-1.

2018-2 Finding – Lack of segregation of duties over payroll:

During the review of internal controls, it was noted that one staff member is responsible for entering payroll information into the computer system, preparing payroll checks, distributing payroll checks, reconciling the payroll bank account, and entering payroll changes. It was also noted that multiple users have access to change payroll rates and no log is kept of changes made.

Effect:

A lack of segregation of duties increases the risk that errors and irregularities may occur and go undetected. It could adversely affect the City's ability to initiate, authorize, record, process or report financial data reliably, which could lead to a misappropriation of funds.

Recommendation:

We recommend that the City ensure that the internal control deficiencies mentioned above are rectified with increased segregation of duties and establish a centralized purchasing and receiving position. Also, the City should restrict access to the payroll module and ensure that a log is kept for all adjustments to wage rates.

Status:

Not implemented, see Finding 2019-2.

CITY OF HUGHSON
Annual Financial Report
Fiscal Year Ended June 30, 2019

CITY OF HUGHSON
ANNUAL FINANCIAL REPORT
Fiscal Year Ended June 30, 2019

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FINANCIAL SECTION



MOSS, LEVY & HARTZHEIM LLP

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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, 2019, 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, 2019, 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 57 through 60 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 January 12, 2020, 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
January 12, 2020

CITY OF HUGHSON
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

This discussion and analysis provides an overview of the City of Hughson's financial performance for the fiscal year ended June 30, 2019. 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, 2019 include the following:

Government-wide:

- The City's total net position was \$80,308,906 as of June 30, 2019. Of this total, \$35,341,946 was governmental net position and \$44,966,960 was business-type net position.
- Governmental revenues include program revenues of \$2,481,481 and general revenues and transfers of \$2,375,258, for a total of \$4,856,739.
- Governmental expenses were \$4,060,202.
- Business-type program revenues, transfers and interest were \$5,283,900 while business-type expenses were \$3,659,497.

Fund Level:

- Governmental fund balances *increased* \$156,912 in fiscal year 2019.
- Governmental fund revenues *increased* \$199,202 in fiscal year 2019. Although the functional revenue is largely unchanged from the previous fiscal year, the increase in the current fiscal year can be attributed mainly to miscellaneous revenue but is consistent with previous fiscal years due to the nature of the revenue.
- Governmental fund expenditures increased by \$855,397 mainly due to increased spending on capital projects.

General Fund:

- General Fund revenues of \$2,822,479 is largely consistent with the previous fiscal year.
- General Fund expenditures of \$2,697,598 was also consistent with the previous fiscal year.
- General Fund fund balance of \$3,669,122 as of June 30, 2019, *increased* by \$185,489 from 2018 fiscal year's fund balance of \$3,483,633.

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 private industry.

CITY OF HUGHSON
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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, 2019

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 Net Position at June 30,

	Governmental Activities 2019	Governmental Activities 2018
<u>Assets</u>		
Cash and investments	\$ 8,642,801	\$ 8,137,398
Other assets	2,093,297	2,276,075
Capital assets, net	26,655,356	25,997,065
Total Assets	37,391,454	36,410,538
<u>Deferred Outflows of Resources</u>		
Pension	434,998	508,217
Total Def. Outflows	434,998	508,217
<u>Liabilities</u>		
Long term liabilities	1,701,196	1,781,408
Other liabilities	651,026	495,313
Total Liabilities	2,352,222	2,276,721
<u>Deferred Outflows of Resources</u>		
Pension	132,284	96,625
Total Def. Outflows	132,284	96,625
<u>Net Position</u>		
Net investment in capital assets	26,655,356	25,997,065
Restricted	6,401,746	6,460,854
Unrestricted	2,284,844	2,087,490
Total Net Position	\$ 35,341,946	\$ 34,545,409

The City's governmental net position amounted to \$35,341,946 as of June 30, 2019, an *increase* of \$796,537 over 2018. 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, 2019 comprised the following:

Cash and investments comprised **\$8,642,801**. 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 **\$438,150** 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 **\$26,655,356** net of depreciation charges, which included all the City's capital assets used in governmental activities.

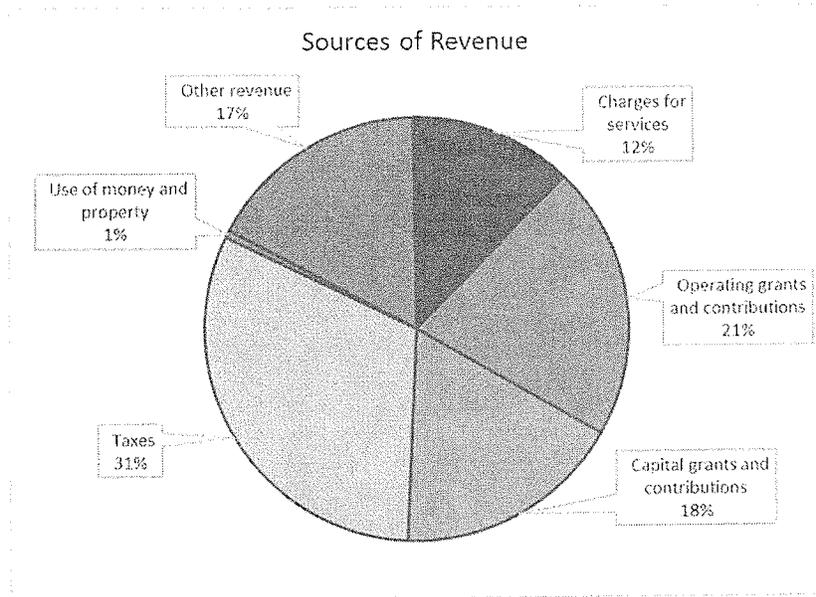
Current liabilities, including accounts payable, claims and other amounts due currently, totaled **\$621,026**.

Long-term liabilities of **\$1,701,196** does not include **\$30,000**, which is the current portion. The debt is related to the City's Net Pension Liability and compensated absences.

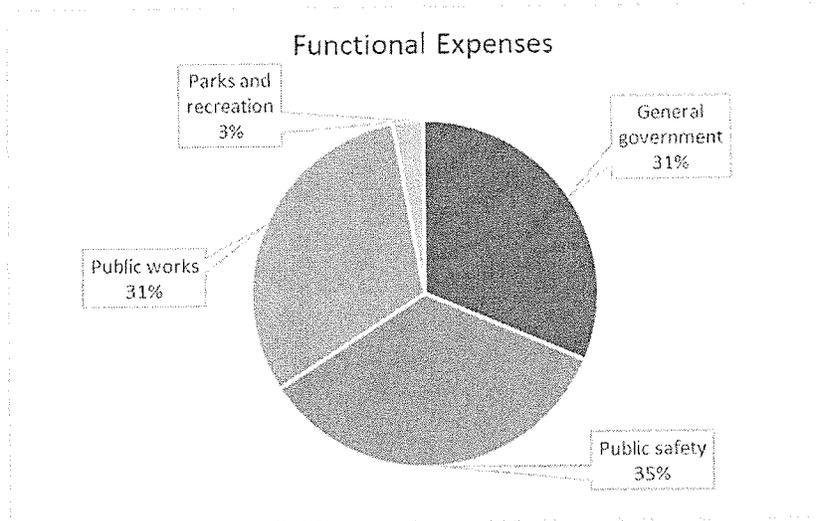
**CITY OF HUGHSON
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Net investment in capital assets of **\$26,655,356**, 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 position that can be used to finance day to day operations without constraints established by debt covenants or other legal requirements or restrictions, was **\$2,284,844** as of June 30, 2019.



As the Sources of Revenue chart above shows, **\$1,516,303** or **31%** of the City's fiscal year 2019 governmental activities revenue came from taxes, while **\$594,837** or **12%** came from charges for services, **\$842,118** or **18%**, came from capital grants and contributions, **\$1,044,526** or **21%** 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 **\$1,287,555**, or **31%**, of total governmental expenses, public safety was **\$1,410,895**, or **35%**, public works was **\$1,244,190**, or **31%**, parks and recreation was **\$117,562**, or **3%**.

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, 2019

Table 2
Change in Governmental Net Position

	Governmental Activities 2019	Governmental Activities 2018
<u>Expenses</u>		
General government	\$ 1,287,555	\$ 1,540,525
Public safety	1,410,895	1,293,883
Public works	1,244,190	1,261,418
Parks and recreation	117,562	101,818
Total Expenses	4,060,202	4,197,644
<u>Revenues</u>		
<u>Program revenues</u>		
Charges for services	594,837	734,833
Operating grants and contributions	1,044,526	1,188,317
Capital grants and contributions	842,118	689,794
Total program revenues	2,481,481	2,612,944
<u>General revenues and transfers</u>		
Taxes	1,516,303	1,432,847
Use of money and property	28,996	10,480
Other revenue	820,608	562,135
Transfers	9,351	(21,380)
Total general revenues and transfers	2,375,258	1,984,082
Total Revenues and Transfers	4,856,739	4,597,026
Change in Net Position	\$ 796,537	\$ 399,382

As Table 2 above shows, \$2,481,481 or 51%, of the City's fiscal year 2019 governmental revenue, came from program revenues and \$2,375,258, or 49%, came from general revenues such as taxes and interest and transfers. Program revenues were composed of charges for services of \$594,837, which included permit revenues, fees and charges used to fund expenses incurred in providing services; \$1,044,526 of operating grants and contributions, which included gas tax revenues and housing and police grants; and capital grants and contributions of \$842,118, 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, 2019

Table 3
Governmental Activities

	Net Revenue (Expense) from Services 2019	Net Revenue (Expense) from Services 2018
General government	\$ (596,111)	\$ (463,487)
Public safety	(1,262,148)	(1,145,477)
Community development	35,713	108,054
Public works	352,071	(32,210)
Parks and recreation	(108,246)	(50,580)
Total	\$ (1,578,721)	\$ (1,583,700)

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 Activities Net Position at June 30, 2019

	Business-type Activities 2019	Business-type Activities 2018
<u>Assets</u>		
Cash and investments	\$ 11,664,496	\$ 10,619,009
Other assets	134,339	151,941
Capital assets, net	52,039,125	52,546,578
Total Assets	63,837,960	63,317,528
<u>Deferred Outflows of Resources</u>		
Pension	370,394	432,739
Total Def. Outflows	370,394	432,739
<u>Liabilities</u>		
Long term liabilities	18,535,043	20,165,604
Other liabilities	593,712	159,830
Total Liabilities	19,128,755	20,325,434
<u>Deferred Outflows of Resources</u>		
Pension	112,639	82,276
Total Def. Outflows	112,639	82,276
<u>Net Position</u>		
Net investment in capital assets	35,036,829	33,882,712
Unrestricted	9,930,131	9,459,845
Total Net Position	\$ 44,966,960	\$ 43,342,557

The net position of business-type activities increased by **\$1,624,403** in fiscal year 2019.

CITY OF HUGHSON
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Table 5
Change in Business-type Net Position

	Business-type Activities 2019	Business-type Activities 2018
<u>Expenses</u>		
Water	\$ 1,161,713	\$ 1,089,280
Sewer	2,436,197	2,423,399
Community Facilities	61,587	83,430
Total Expenses	3,659,497	3,596,109
<u>Revenues</u>		
<u>Program revenues</u>		
Charges for services	5,187,356	5,685,359
Total program revenues	5,187,356	5,685,359
<u>General revenues and transfers</u>		
Use of money and property	105,895	22,840
Transfers	(9,351)	21,380
Total general revenues and transfers	96,544	44,220
Total Revenues and Transfers	5,283,900	5,729,579
Change in Net Position	\$ 1,624,403	\$ 2,133,470

Table 6
Business-type Activities

	Net Revenue (Expense) from Services 2019	Net Revenue (Expense) from Services 2018
Water	\$ 788,007	\$ 809,654
Sewer	763,299	1,328,276
Other	(23,447)	(48,680)
Total	\$ 1,527,859	\$ 2,089,250

ANALYSIS OF MAJOR FUNDS

Governmental Funds

General Fund

General Fund revenues decreased **\$50,364** this fiscal year. While this variance is not substantial, there were larger fluctuations in individual categories that offset each other. Actual revenues were greater than budgeted by **\$187,259**. Tax revenues increased **\$83,456** during the fiscal year while fines and forfeitures as well as licenses and permits decreased by **\$81,038**.

General Fund expenditures were **\$2,697,598**, a decrease of **\$21,810** from the prior fiscal year. Public safety expense rose while expenditure across all over functional categories dropped.

CITY OF HUGHSON
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

As of June 30, 2019 the General Fund's fund balance totaled **\$3,669,122**. The unassigned portion of **\$3,669,122** 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 **\$50,786** in fiscal year 2019 and expenses increased by **\$77,424** resulting in operating income of **\$828,734**. There were no significant changes in rates or activity during the fiscal year and as a result, operating results remained largely consistent with the previous fiscal year.

The fund's net position increased by **\$793,242** to a new total of **\$10,177,389**. Of this amount, **\$8,701,810** was net investment in capital assets.

Sewer Fund

Operating revenues decreased **\$552,179** in the fiscal year 2019 and operating expenses increased by **\$19,003**. The fund's net position increased by **\$853,959** in fiscal year 2019. The decrease in revenue was the result of a drop in customer base, due to an industrial customer closing the plant.

As of June 30, 2018, the fund's net position was **\$34,455,596**, of which **\$26,000,273** was net investment in capital assets and **\$8,455,323** 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 2019, 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 2019, 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, 2019

Table 7

	Balance at July 1, 2018	Additions	Deletions	Transfers	Balance at June 30, 2019
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 9,197,784	\$ 299,828	\$ -	\$ -	\$ 9,497,612
Rights of ways	2,777,617				2,777,617
Construction in progress	582,070	835,896		(948,582)	469,384
Total capital assets, not being depreciated	<u>12,557,471</u>	<u>1,135,724</u>		<u>(948,582)</u>	<u>12,744,613</u>
Capital assets, being depreciated:					
Buildings	919,905				919,905
Improvements	5,610,487			948,582	6,559,069
Equipment	500,657	43,935			544,592
Machinery	241,902				241,902
Rolling stock	565,675				565,675
Infrastructure	13,397,859				13,397,859
Total capital assets being depreciated	<u>21,236,485</u>	<u>43,935</u>		<u>948,582</u>	<u>22,229,002</u>
Less accumulated depreciation for:					
Buildings	(614,021)	(15,172)			(629,193)
Improvements	(1,320,083)	(181,961)			(1,502,044)
Equipment	(432,249)	(17,935)			(450,184)
Machinery	(241,902)				(241,902)
Rolling stock	(458,137)	(26,885)			(485,022)
Infrastructure	(4,730,499)	(279,415)			(5,009,914)
Total accumulated depreciation	<u>(7,796,891)</u>	<u>(521,368)</u>			<u>(8,318,259)</u>
Total capital assets, being depreciated, net	<u>13,439,594</u>	<u>(477,433)</u>		<u>948,582</u>	<u>13,910,743</u>
Governmental activities capital assets, net	<u>\$ 25,997,065</u>	<u>\$ 658,291</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,655,356</u>
Business-type activities:					
Capital assets, not being depreciated:					
Land	\$ 18,108,769	\$ -	\$ -	\$ -	\$ 18,108,769
Construction in progress	30,888	771,051			801,939
Total capital assets, not being depreciated	<u>18,139,657</u>	<u>771,051</u>			<u>18,910,708</u>
Capital assets, being depreciated:					
Buildings	28,068,657				28,068,657
Improvements	4,288,696				4,288,696
Equipment	94,425				94,425
Machinery	235,695				235,695
Infrastructure	19,002,924				19,002,924
Rolling stock	242,497				242,497
Total capital assets, being depreciated	<u>51,932,894</u>				<u>51,932,894</u>
Less accumulated depreciation for:					
Buildings	(5,770,044)	(926,694)			(6,696,738)
Improvements	(3,399,824)	(49,129)			(3,448,953)
Equipment	(75,064)	(13,406)			(88,470)
Machinery	(235,695)				(235,695)
Infrastructure	(7,896,207)	(265,307)			(8,161,514)
Rolling stock	(149,140)	(23,967)			(173,107)
Total accumulated depreciation	<u>(17,525,974)</u>	<u>(1,278,503)</u>			<u>(18,804,477)</u>
Total capital assets, being depreciated, net	<u>34,406,920</u>	<u>(1,278,503)</u>			<u>33,128,417</u>
Business-type activities capital assets, net	<u>\$ 52,546,577</u>	<u>\$ (507,452)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 52,039,125</u>

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, 2019

DEBT ADMINISTRATION

The City issued no new bonded debt in fiscal year 2019. 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

	2019	2018
Governmental activities		
Net pension liability	\$ 1,661,448	\$ 1,695,495
Compensated absences	69,748	125,913
Total governmental activities	1,731,196	1,821,408
Business-type activities		
Water		
Compensated absences	\$ 44,070	\$ 44,070
Net pension liability	591,265	603,382
Installment Note Payable	1,072,566	1,206,156
Total for water fund	1,707,901	1,853,608
Sewer		
Compensated absences	43,986	43,986
Net pension liability	823,426	840,300
CSWRCB Revolving Loan	12,282,358	13,406,432
Installment Note Payable	3,677,371	4,021,278
Total for sewer fund	16,827,141	18,311,996
Total business-type activities	\$ 18,535,042	\$ 20,165,604

**CITY OF HUGHSON
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

ECONOMIC CONDITION, OUTLOOK AND ACTIVITY

The City continues to see a mixed economy, with a gradual increase in property tax revenues and 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 a large industrial business, 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, 2019

	Governmental Activities	Business-type Activities	Total
Assets:			
Cash and Investments	\$ 8,642,801	\$ 11,664,496	\$ 20,307,297
Accounts Receivable	232,972	134,637	367,609
Notes Receivable	1,654,849		1,654,849
Interest Receivable	205,178		205,178
Internal Balances	298	(298)	
Capital Assets, Not Being Depreciated	12,744,613	18,910,708	31,655,321
Capital Assets, Net of Accumulated Depreciation	13,910,743	33,128,417	47,039,160
Total Assets	37,391,454	63,837,960	101,229,414
 Deferred Outflows of Resources:			
Pension related	434,998	370,394	805,392
Total Deferred Outflows of Resources	434,998	370,394	805,392
 Liabilities:			
Accounts Payable	401,269	519,758	921,027
Interest Payable		69,062	69,062
Deposits Payable	219,757	4,892	224,649
Noncurrent Liabilities:			
Due Within One Year	30,000	1,659,184	1,689,184
Due in More Than One Year	1,701,196	16,875,859	18,577,055
Total Liabilities	2,352,222	19,128,755	21,480,977
 Deferred Inflow of Resources:			
Pension related	132,284	112,639	244,923
Total Deferred Inflow of Resources	132,284	112,639	244,923
 Net Position:			
Net Investment in Capital Assets	26,655,356	35,036,829	61,692,185
Restricted for:			
Home Loans	1,498,751		1,498,751
Community Development	946,736		946,736
Streets and Roads	1,141,725		1,141,725
Public Safety	274,049		274,049
Public Facilities	1,218,365		1,218,365
Parks and Recreation	826,398		826,398
IT Projects	112,053		112,053
Assessment Districts	383,669		383,669
Unrestricted	2,284,844	9,930,131	12,214,975
Total Net Position	\$ 35,341,946	\$ 44,966,960	\$ 80,308,906

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, 2019

<u>Functions</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government:				
Governmental Activities:				
General Government	\$ 1,287,555	\$ 10,027	\$ 681,417	\$ -
Public Safety	1,410,895		148,747	
Community Development		35,713		
Public Works	1,244,190	539,781	214,362	842,118
Parks and Recreation	117,562	9,316		
Total Governmental Activities	<u>4,060,202</u>	<u>594,837</u>	<u>1,044,526</u>	<u>842,118</u>
Business-type Activities:				
Water	1,161,713	1,949,720		
Sewer	2,436,197	3,199,496		
Community Facilities	61,587	38,140		
Total Business-type Activities	<u>3,659,497</u>	<u>5,187,356</u>		
Total Primary Government	<u>\$ 7,719,699</u>	<u>\$ 5,782,193</u>	<u>\$ 1,044,526</u>	<u>\$ 842,118</u>

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
\$ (596,111)	\$ -	\$ (596,111)
(1,262,148)		(1,262,148)
35,713		35,713
352,071		352,071
(108,246)		(108,246)
<u>(1,578,721)</u>		<u>(1,578,721)</u>
	788,007	788,007
	763,299	763,299
	(23,447)	(23,447)
	<u>1,527,859</u>	<u>1,527,859</u>
<u>(1,578,721)</u>	<u>1,527,859</u>	<u>(50,862)</u>
345,300		345,300
1,021,317		1,021,317
26,979		26,979
122,707		122,707
34,947		34,947
37,388		37,388
217,073		217,073
28,996	105,895	134,891
531,200		531,200
9,351	(9,351)	
<u>2,375,258</u>	<u>96,544</u>	<u>2,471,802</u>
796,537	1,624,403	2,420,940
<u>34,545,409</u>	<u>43,342,557</u>	<u>77,887,966</u>
<u>\$ 35,341,946</u>	<u>\$ 44,966,960</u>	<u>\$ 80,308,906</u>

CITY OF HUGHSON
Balance Sheet
Governmental Funds
June 30, 2019

	Special Revenue		
	General	Home Loan	Refuse
Assets:			
Cash and Investments	\$ 3,716,562	\$ 75,043	\$ 126,510
Accounts Receivable	185,545		16,380
Loans Receivable		1,423,708	
Due from Other Funds	234,575		
Total Assets	\$ 4,136,682	\$ 1,498,751	\$ 142,890
Liabilities and Fund Balances:			
Liabilities:			
Accounts Payable	\$ 247,803	\$ -	\$ 82,991
Deposit Payable	219,757		
Due to Other Funds			
Total Liabilities	467,560		82,991
Fund Balances:			
Restricted for:			
Home loans		1,498,751	
Parks and recreation			
Public Facilities			
Public safety			
Streets and roads			
Community development			59,899
IT Projects			
District Assessments			
Unassigned	3,669,122		
Total Fund Balances	3,669,122	1,498,751	59,899
Total Liabilities and Fund Balances	\$ 4,136,682	\$ 1,498,751	\$ 142,890

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>
\$ 1,220,721	\$ 3,430,662	\$ 8,569,498
	31,047	232,972
	231,141	1,654,849
		234,575
<u>\$ 1,220,721</u>	<u>\$ 3,692,850</u>	<u>\$ 10,691,894</u>
\$ 2,356	\$ 68,119	\$ 401,269
		219,757
	234,277	234,277
<u>2,356</u>	<u>302,396</u>	<u>855,303</u>
		1,498,751
	826,398	826,398
1,218,365		1,218,365
	274,049	274,049
	1,141,725	1,141,725
	886,837	946,736
	112,053	112,053
	383,669	383,669
	(234,277)	3,434,845
<u>1,218,365</u>	<u>3,390,454</u>	<u>9,836,591</u>
<u>\$ 1,220,721</u>	<u>\$ 3,692,850</u>	<u>\$ 10,691,894</u>

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CITY OF HUGHSON
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2019

Total fund balances - governmental funds \$ 9,836,591

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	\$ 34,973,615	
Accumulated depreciation	<u>(8,318,259)</u>	26,655,356

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	434,998
Deferred inflow related to pension	(132,284)

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	(1,661,448)
Compensated absences payable	(69,748)

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 \$ 35,341,946

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

CITY OF HUGHSON
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Fiscal Year Ended June 30, 2019

	<u>Special Revenue</u>		
	<u>General</u>	<u>Home Loan</u>	<u>Refuse</u>
Revenues			
Property Taxes	\$ 345,300	\$ -	\$ -
Sales and Use Taxes	1,021,317		
Business License Taxes	26,979		
Other Taxes	122,707		
Licenses and Permits	34,947		
Fines and Forfeitures	37,388		
Interest	13,159		421
Charges for Services	10,027		531,469
Intergovernmental	681,417		
Special Assessments			
Other	529,238		
Total Revenues	<u>2,822,479</u>		<u>531,890</u>
Expenditures			
Current:			
General Government	987,120		
Public Safety	1,394,746		
Public Works	220,856		538,770
Parks and Recreation	94,876		
Capital Outlay			
Total Expenditures	<u>2,697,598</u>		<u>538,770</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>124,881</u>		<u>(6,880)</u>
Other Financing Sources (Uses):			
Transfers In	73,877		
Transfers Out	(13,269)		
Total Other Financing Sources (Uses)	<u>60,608</u>		
Net Change in Fund Balances	185,489		(6,880)
Fund Balances - July 1, 2018	<u>3,483,633</u>	<u>1,498,751</u>	<u>66,779</u>
Fund Balances - June 30, 2019	<u>\$ 3,669,122</u>	<u>\$ 1,498,751</u>	<u>\$ 59,899</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>
\$ -	\$ -	\$ 345,300
		1,021,317
		26,979
		122,707
		34,947
		37,388
4,950	10,466	28,996
32,553	20,788	594,837
	1,205,227	1,886,644
	217,073	217,073
	1,962	531,200
<u>37,503</u>	<u>1,455,516</u>	<u>4,847,388</u>
2,354		989,474
	16,149	1,410,895
	251,824	1,011,450
	2,356	97,232
<u>3,619</u>	<u>1,187,157</u>	<u>1,190,776</u>
<u>5,973</u>	<u>1,457,486</u>	<u>4,699,827</u>
<u>31,530</u>	<u>(1,970)</u>	<u>147,561</u>
	15,000	88,877
	(66,257)	(79,526)
	<u>(51,257)</u>	<u>9,351</u>
31,530	(53,227)	156,912
<u>1,186,835</u>	<u>3,443,681</u>	<u>9,679,679</u>
<u>\$ 1,218,365</u>	<u>\$ 3,390,454</u>	<u>\$ 9,836,591</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, 2019

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

Net change in fund balances - total governmental funds	\$	156,912
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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 depreciation in the current period.

	\$	1,179,659	
Capital outlay			
Depreciation expense		(521,368)	658,291

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.		56,165
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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:		(74,831)
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Change in net position of governmental activities	\$	796,537
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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, 2019

	Business-type Activities-Enterprise Funds			Governmental	
	Sewer Fund	Water Fund	Nonmajor Enterprise Funds	Total	Internal Service Fund
Assets					
Current Assets:					
Cash and Investments	\$ 9,186,268	\$ 2,468,254	\$ 9,974	\$ 11,664,496	\$ 73,303
Accounts Receivable	82,127	52,510		134,637	
Total Current Assets	<u>9,268,395</u>	<u>2,520,764</u>	<u>9,974</u>	<u>11,799,133</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	4,174,181		4,288,695	
Infrastructure	12,900,415	6,102,509		19,002,924	
Construction In Progress		801,939		801,939	
Less:					
Accumulated Depreciation	<u>(11,839,837)</u>	<u>(6,469,029)</u>	<u>(495,610)</u>	<u>(18,804,476)</u>	
Total Noncurrent Assets	<u>41,945,003</u>	<u>9,759,376</u>	<u>334,746</u>	<u>52,039,125</u>	
Deferred Outflow of Resources:					
Pension related	215,589	154,805		370,394	
Total Deferred Outflow of Resources	<u>215,589</u>	<u>154,805</u>		<u>370,394</u>	
Total Assets and Deferred Outflows of Resources	<u>51,428,987</u>	<u>12,434,945</u>	<u>344,720</u>	<u>64,208,652</u>	<u>73,303</u>
Liabilities					
Current Liabilities:					
Accounts Payable	23,098	491,105	5,555	519,758	
Interest Payable	57,589	11,473		69,062	
Due to Other Funds			298	298	
Deposits Payable			4,892	4,892	
Total Current Liabilities	<u>80,687</u>	<u>502,578</u>	<u>10,745</u>	<u>594,010</u>	
Noncurrent Liabilities:					
Compensated Absences	28,986	29,070		58,056	
Net Pension Liability	823,426	591,265		1,414,691	
Due within One Year	1,506,014	153,170		1,659,184	
Due in More Than One Year	14,468,716	934,396		15,403,112	
Total Noncurrent Liabilities	<u>16,827,142</u>	<u>1,707,901</u>		<u>18,535,043</u>	
Deferred Inflows of Resources:					
Pension related	65,562	47,077		112,639	
Total Deferred Inflows of Resources	<u>65,562</u>	<u>47,077</u>		<u>112,639</u>	
Total Liabilities and Deferred Inflows of Resources	<u>16,973,391</u>	<u>2,257,556</u>	<u>10,745</u>	<u>19,241,692</u>	
Net Position					
Net Investment in Capital Assets	26,000,273	8,701,810	334,746	35,036,829	
Unrestricted	8,455,323	1,475,579	(771)	9,930,131	73,303
Total Net Position	<u>\$ 34,455,596</u>	<u>\$ 10,177,389</u>	<u>\$ 333,975</u>	<u>\$ 44,966,960</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, 2019

	<u>Business-type Activities - Enterprise funds</u>				<u>Governmental Activities</u>
	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Nonmajor Enterprise Funds</u>	<u>Total</u>	<u>Internal Service Fund</u>
Operating Revenues:					
Charges for Services	\$ 3,199,496	\$ 1,949,720	\$ 38,140	\$ 5,187,356	\$ -
Total Operating Revenues	<u>3,199,496</u>	<u>1,949,720</u>	<u>38,140</u>	<u>5,187,356</u>	
Operating Expenses:					
Personnel	467,371	337,924		805,295	
Administrative	238,000	164,000	27,248	429,248	
Materials and Supplies	523,917	368,098		892,015	
Maintenance	39,179	36,364	10,163	85,706	
Depreciation	1,039,727	214,600	24,176	1,278,503	
Total Operating Expenses	<u>2,308,194</u>	<u>1,120,986</u>	<u>61,587</u>	<u>3,490,767</u>	
Operating Income (loss)	<u>891,302</u>	<u>828,734</u>	<u>(23,447)</u>	<u>1,696,589</u>	
Non-operating Revenues (Expenses):					
Interest Revenue	95,660	10,235		105,895	
Interest Expense	(128,003)	(40,727)		(168,730)	
Total Non-Operating Revenue (Expenses)	<u>(32,343)</u>	<u>(30,492)</u>		<u>(62,835)</u>	
Income (Loss) before transfers	<u>858,959</u>	<u>798,242</u>	<u>(23,447)</u>	<u>1,633,754</u>	
Transfers					
Transfers In	2,015,720	185,482	8,269	2,209,471	
Transfers Out	(2,020,720)	(190,482)	(7,620)	(2,218,822)	
Total Transfers	<u>(5,000)</u>	<u>(5,000)</u>	<u>649</u>	<u>(9,351)</u>	
Change in Net Position	<u>853,959</u>	<u>793,242</u>	<u>(22,798)</u>	<u>1,624,403</u>	
Net Position - Beginning 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>
Net Position - End of Fiscal Year	<u>\$ 34,455,596</u>	<u>\$ 10,177,389</u>	<u>\$ 333,975</u>	<u>\$ 44,966,960</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, 2019

	<u>Business-type Activities - Enterprise Funds</u>				<u>Governmental</u>
	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Nonmajor Enterprise Funds</u>	<u>Totals</u>	<u>Internal Service Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash Received from Users	\$ 3,213,724	\$ 1,952,796	\$ 38,590	\$ 5,205,110	\$ -
Cash Payments to Suppliers and Contractors	(808,534)	(129,694)	(35,309)	(973,537)	
Cash Payments to Employees	(430,283)	(311,295)		(741,578)	
Net Cash Provided (Used) By Operating Activities	<u>1,974,907</u>	<u>1,511,807</u>	<u>3,281</u>	<u>3,489,995</u>	
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Transfers In	2,015,720	185,482	8,269	2,209,471	
Transfers Out	(2,020,720)	(190,482)	(7,620)	(2,218,822)	
Interfund Borrowing			241	241	
Net Cash Provided (Used) By Noncapital Financing Activities	<u>(5,000)</u>	<u>(5,000)</u>	<u>890</u>	<u>(9,110)</u>	
CASH FLOWS FROM INVESTING ACTIVITIES:					
Interest Received	95,660	10,235		105,895	
Net Cash Provided (Used) in Investing Activities	<u>95,660</u>	<u>10,235</u>		<u>105,895</u>	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Acquisition of Property, Plant, and Equipment		(771,051)		(771,051)	
Principal Payments on Debt Borrowings	(1,467,981)	(133,590)		(1,601,571)	
Interest Paid	(128,003)	(40,725)		(168,728)	
Net Cash Provided (Used) In Capital and Related Financing Activities	<u>(1,595,984)</u>	<u>(945,366)</u>		<u>(2,541,350)</u>	
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>469,583</u>	<u>571,676</u>	<u>4,171</u>	<u>1,045,430</u>	
CASH AND CASH EQUIVALENTS, BEGINNING OF FISCAL YEAR	<u>8,716,685</u>	<u>1,896,578</u>	<u>5,803</u>	<u>10,619,066</u>	<u>73,303</u>
CASH AND CASH EQUIVALENTS, END OF FISCAL YEAR	<u>\$ 9,186,268</u>	<u>\$ 2,468,254</u>	<u>\$ 9,974</u>	<u>\$ 11,664,496</u>	<u>\$ 73,303</u>
Reconciliation to Statement of Net Position:					
Cash and Investments	\$ 9,186,268	\$ 2,468,254	\$ 9,974	\$ 11,664,496	\$ 73,303
	<u>\$ 9,186,268</u>	<u>\$ 2,468,254</u>	<u>\$ 9,974</u>	<u>\$ 11,664,496</u>	<u>\$ 73,303</u>
CASH FLOWS FROM OPERATING ACTIVITIES:					
Operating Income (Loss)	\$ 891,302	\$ 828,734	(23,447)	\$ 1,696,589	\$ -
Adjustment to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Depreciation	1,039,727	214,600	24,176	1,278,503	
Changes in Assets and Liabilities:					
(Increase) Decrease in Accounts Receivable	14,228	3,076		17,304	
Increase (Decrease) in Accounts Payable	(7,438)	438,768	2,102	433,432	
Increase (Decrease) in Net Pension Liability	37,088	26,629		63,717	
Increase (Decrease) in Deposits Payable			450	450	
Total Adjustments	<u>1,083,605</u>	<u>683,073</u>	<u>26,728</u>	<u>1,793,406</u>	
Net Cash Provided (Used) By Operating Activities	<u>\$ 1,974,907</u>	<u>\$ 1,511,807</u>	<u>\$ 3,281</u>	<u>\$ 3,489,995</u>	<u>\$ -</u>

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.

Deposits - This fund collects various deposits.

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, 2019**

	Private Purpose Trust Fund	Agency Fund
	RDA	
	Successor	
	Agency	Deposits
ASSETS		
Cash and investments	\$ 327,073	\$ 70,484
Loans receivable	67,028	
Capital assets, net of accumulated depreciation	574,967	
Total Assets	969,068	\$ 70,484
LIABILITIES		
Accounts payable	\$ -	\$ 14,643
Interest payable	21,738	
Deposits payable		55,841
Long-term debt, due within one year	97,628	
Long-term debt, due in more than one year	2,244,675	
Total Liabilities	2,364,041	\$ 70,484
NET POSITION		
Held in trust for others	(1,394,973)	
Total Net Position	\$ (1,394,973)	

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, 2019

	Private Purpose Trust Fund
	RDA Successor Agency
Additions:	
Intergovernmental	\$ 315,761
Interest	1,897
Total additions	317,658
Deductions:	
Community Development	9,294
Depreciation	27,490
Interest Expense	87,708
Contribution to City	96,000
Total deductions	220,492
Change in net position	97,166
Net Position - July 1, 2018	(1,492,139)
Net Position - June 30, 2019	\$ (1,394,973)

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, 2019

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, 2019

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, 2019

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, 2019

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, 2019

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, 2019

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 fiscal 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.

In March of 2018, the GASB issued Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements. This statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. Additional essential information related to debt required to be disclosed includes unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Note 7 provides separate disclosure of the required information for direct borrowings and direct placements of debt.

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.

CITY OF HUGHSON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Equity (Continued)

7. Net Position (Continued)

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.

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.

CITY OF HUGHSON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Future Accounting Pronouncements

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

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. 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.
Statement No. 91	"Conduit Debt Obligations"	The provisions of this Statement are effective for fiscal years beginning after December 15, 2020.

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 fiscal 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 fiscal 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.

CITY OF HUGHSON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

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, 2019, the following funds had an excess of expenditures over appropriations.

Fund	Final Budget	Actual Amount	Excess
<u>Major Governmental Fund:</u>			
Refuse Special Revenue Fund	\$ 510,155	\$ 538,770	\$ 28,615
<u>Nonmajor Governmental Funds:</u>			
Measure L Sales Tax Special Revenue Fund	255,104	481,090	225,986
Municipal Park Capital Projects Fund	296,863	301,006	4,143

The Asset Forfeiture, CDBG Grants, and Public Safety Augmentation funds do not adopt a budget.

D. Deficit Fund Equity

At June 30, 2019, the following funds had an accumulated deficit:

Fund	Amount
<u>Nonmajor Governmental Fund:</u>	
Transportation Capital Projects Fund	\$ 234,277
<u>Nonmajor Proprietary Fund:</u>	
USF Community Center Fund	693
<u>Private Purpose Trust Fund:</u>	
RDA Successor Agency	1,394,973

CITY OF HUGHSON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

NOTE 3 – CASH AND INVESTMENTS

Cash and investments as of June 30, 2019 are classified in the accompanying financial statements as follows:

Statement of net position:	
Cash and investments	\$ 20,307,297
Fiduciary funds:	
Cash and investments	<u>397,557</u>
Total cash and investments	<u><u>\$ 20,704,854</u></u>

Cash and investments as of June 30, 2019 consist of the following:

Cash on hand	\$ 450
Deposits with financial institutions	286,284
Investments	<u>20,418,120</u>
Total cash and investments	<u><u>\$ 20,704,854</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, 2019

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)	\$ 82,279	\$ 82,279	\$ -	\$ -	\$ -
Money Market Funds	17,667,916	17,667,916			
Certificates of Deposit	2,667,925	567,442	653,122	1,447,361	
	<u>\$ 20,418,120</u>	<u>\$ 18,317,637</u>	<u>\$ 653,122</u>	<u>\$ 1,447,361</u>	<u>\$ -</u>

CITY OF HUGHSON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

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.

<u>Investment Type</u>	<u>Amount</u>	<u>Minimum Legal Rating</u>	<u>Exempt From Disclosure</u>	<u>Rating as of Fiscal Year End</u>			
				<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>Not Rated</u>
State Investment Pool	\$ 82,279	N/A	\$ -	\$ -	\$ -	\$ -	\$ 82,279
Money Market Funds	17,667,916	N/A					17,667,916
Certificates of Deposit	2,667,925	N/A					2,667,925
Total	\$ 20,418,120		\$ -	\$ -	\$ -	\$ -	\$ 20,418,120

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 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, 2019, 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, 2019

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 established 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, 2019.

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, 2019:

Receivable Fund	Amount	Payable Fund	Amount
Major Governmental Fund:		Nonmajor Governmental Fund:	
General Fund	\$ 234,575	Transportation Capital Projects Fund	\$ 234,277
		Nonmajor Enterprise Fund:	
		USF Community Center Fund	298
Totals	<u>\$ 234,575</u>	Totals	<u>\$ 234,575</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 interfund 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, 2019:

Fund	Transfers-in	Transfers-out
Major Governmental Funds:		
General Fund	\$ 73,877	\$ 13,269
Major Enterprise Funds:		
Water Fund	185,482	190,482
Sewer Fund	2,015,720	2,020,720
Nonmajor Governmental Funds:		
Gas Tax Special Revenue Fund		46,600
Vehicle Abatement Special Revenue Fund		9,000
Lighting and Landscaping Special Revenue Fund		8,520
Benefit Assessment Special Revenue Fund		2,137
IT Reserve Special Revenue Fund	15,000	
Nonmajor Enterprise Funds:		
Community Center Operations Fund	8,269	
USF Community Center Fund		7,620
Totals	<u>\$ 2,298,348</u>	<u>\$ 2,298,348</u>

CITY OF HUGHSON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

NOTE 5 – CAPITAL ASSETS

Capital Asset activity for the fiscal year ended June 30, 2019 was as follows:

	Balance at July 1, 2018	Additions	Deletions	Transfers	Balance at June 30, 2019
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 9,197,784	\$ 299,828	\$ -	\$ -	\$ 9,497,612
Rights of ways	2,777,617				2,777,617
Construction in progress	582,070	835,896		(948,582)	469,384
Total capital assets, not being depreciated	<u>12,557,471</u>	<u>1,135,724</u>		<u>(948,582)</u>	<u>12,744,613</u>
Capital assets, being depreciated:					
Buildings	919,905				919,905
Improvements	5,610,487			948,582	6,559,069
Equipment	500,657	43,935			544,592
Machinery	241,902				241,902
Rolling stock	565,675				565,675
Infrastructure	13,397,859				13,397,859
Total capital assets being depreciated	<u>21,236,485</u>	<u>43,935</u>		<u>948,582</u>	<u>22,229,002</u>
Less accumulated depreciation for:					
Buildings	(614,021)	(15,172)			(629,193)
Improvements	(1,320,083)	(181,961)			(1,502,044)
Equipment	(432,249)	(17,935)			(450,184)
Machinery	(241,902)				(241,902)
Rolling stock	(458,137)	(26,885)			(485,022)
Infrastructure	(4,730,499)	(279,415)			(5,009,914)
Total accumulated depreciation	<u>(7,796,891)</u>	<u>(521,368)</u>			<u>(8,318,259)</u>
Total capital assets, being depreciated, net	<u>13,439,594</u>	<u>(477,433)</u>		<u>948,582</u>	<u>13,910,743</u>
Governmental activities capital assets, net	<u>\$ 25,997,065</u>	<u>\$ 658,291</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,655,356</u>
Business-type activities:					
Capital assets, not being depreciated:					
Land	\$ 18,108,769	\$ -	\$ -	\$ -	\$ 18,108,769
Construction in progress	30,888	771,051			801,939
Total capital assets, not being depreciated	<u>18,139,657</u>	<u>771,051</u>			<u>18,910,708</u>
Capital assets, being depreciated:					
Buildings	28,068,657				28,068,657
Improvements	4,288,696				4,288,696
Equipment	94,425				94,425
Machinery	235,695				235,695
Infrastructure	19,002,924				19,002,924
Rolling stock	242,497				242,497
Total capital assets, being depreciated	<u>51,932,894</u>				<u>51,932,894</u>
Less accumulated depreciation for:					
Buildings	(5,770,044)	(926,694)			(6,696,738)
Improvements	(3,399,824)	(49,129)			(3,448,953)
Equipment	(75,064)	(13,406)			(88,470)
Machinery	(235,695)				(235,695)
Infrastructure	(7,896,207)	(265,307)			(8,161,514)
Rolling stock	(149,140)	(23,967)			(173,107)
Total accumulated depreciation	<u>(17,525,974)</u>	<u>(1,278,503)</u>			<u>(18,804,477)</u>
Total capital assets, being depreciated, net	<u>34,406,920</u>	<u>(1,278,503)</u>			<u>33,128,417</u>
Business-type activities capital assets, net	<u>\$ 52,546,577</u>	<u>\$ (507,452)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 52,039,125</u>

CITY OF HUGHSON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

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>20,330</u>
Total depreciation expense – governmental functions	<u>\$ 521,368</u>

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

Sewer	\$ 1,039,727
Water	214,600
Community Facilities	<u>24,176</u>
Total depreciation expense – business-type functions	<u>\$ 1,278,503</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, 2019:

	Balance at June 30, 2018	Additions	Repayments	Balance at June 30, 2019	Due Within One Year
Governmental Activities:					
Compensated absences	\$ 125,913	\$ 23,124	\$ (79,289)	\$ 69,748	\$ 30,000
Net pension liability	1,695,495	207,850	(241,897)	1,661,448	
Total	<u>\$ 1,821,408</u>	<u>\$ 230,974</u>	<u>\$ (321,186)</u>	<u>\$ 1,731,196</u>	<u>\$ 30,000</u>
Business-type Activities:					
Compensated absences	\$ 88,056	\$ 45,251	\$ (45,251)	\$ 88,056	\$ 30,000
Debt from direct borrowings and direct placements					
Installment note payable - Water	1,206,156		(133,590)	1,072,566	138,170
Installment note payable - Sewer	4,021,278		(343,907)	3,677,371	355,699
CSWRCB Revolving Loan	13,406,432		(1,124,074)	12,282,358	1,135,315
Net pension liability	1,443,682	195,478	(224,469)	1,414,691	
Total	<u>\$ 20,165,604</u>	<u>\$ 240,729</u>	<u>\$ (1,871,291)</u>	<u>\$ 18,535,042</u>	<u>\$ 1,659,184</u>

CITY OF HUGHSON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

NOTE 7 – LONG-TERM LIABILITIES (Continued)

1. Business -type Activities – Direct Borrowings and Placements of Debt - 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 and pledged the City’s Water Fund as the specific revenue source for the repayment of the note. 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, 2019 is \$1,072,566.

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, and pledged the City’s Sewer Fund as the specific revenue source for the repayment of the note. 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, 2019 is \$3,677,371.

In the event of a default the full outstanding balance of both notes immediately becomes due and payable.

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

Fiscal Year Ended June 30,	Installment Notes Payable - Water		
	Principal	Interest	Total
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	158,118	15,355	173,473
2025-2026	332,686	14,259	346,945
	<u>\$ 1,072,566</u>	<u>\$ 141,743</u>	<u>\$ 1,214,309</u>

Fiscal Year Ended June 30,	Installment Notes Payable - Sewer		
	Principal	Interest	Total
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	407,053	89,954	497,007
2025-2028	1,772,654	177,274	1,949,928
	<u>\$ 3,677,371</u>	<u>\$ 788,189</u>	<u>\$ 4,465,560</u>

CITY OF HUGHSON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

NOTE 7 – LONG-TERM LIABILITIES (Continued)

2. Business -type Activities - Direct Borrowings and Placements of Debt - 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) and pledged the City’s Water Fund as the specific revenue source for the repayment of the loan. 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, 2019 is \$12,282,358.

In the event of a default, the full outstanding balance of the loan immediately becomes due and payable.

Annual debt service requirements for the CSWRCB Loan are shown below:

Fiscal Year Ended June 30,	CSWRCB Loan		
	Principal	Interest	Total
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	1,181,413	76,725	1,258,138
2025-2029	6,086,657	204,033	6,290,690
2030-2031	404,455	4,044	408,499
	<u>\$ 12,282,358</u>	<u>\$ 707,521</u>	<u>\$ 12,989,879</u>

3. 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, 2019, was \$69,748 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, 2019

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, 2019

NOTE 12 – PENSION PLAN (Continued)

A. General Information about the Pension Plan (Continued)

The Plans' provisions and benefits in effect at June 30, 2019, 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

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, 2019, 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
\$ 2,279,469	\$ 796,670

CITY OF HUGHSON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

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, 2018, 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, 2017 rolled forward to June 30, 2018 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, 2017 and 2018 was as follows:

	City Miscellaneous Plan	City Safety Plan
Proportion - June 30, 2017	0.05957%	0.01324%
Proportion - June 30, 2018	0.06048%	0.01358%
Change - Increase (Decrease)	0.00091%	0.00034%

For the fiscal year ended June 30, 2019, the City recognized pension expense of \$270,473. At June 30, 2019, 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	\$ 320,617	\$ -
Net differences between projected and actual earnings on pension plan investments	16,663	
Differences based on actual experience	104,577	(29,827)
Differences based on change of assumptions	338,033	(74,234)
Differences between actual vs proportionate contribution		(74,869)
Adjustment due to differences in proportions	25,503	(65,994)
Total	\$ 805,393	\$ (244,924)

\$320,617 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, 2020. 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,		
2020	\$	247,344
2021		131,045
2022		(112,516)
2023		(26,021)
Total	\$	239,852

CITY OF HUGHSON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

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, 2018, using an annual actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 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:

	Miscellaneous	Safety
Valuation Date	June 30, 2017	June 30, 2017
Measurement Date	June 30, 2018	June 30, 2018
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, 2017 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, 2019

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.

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return Year 1-10(a)</u>	<u>Real Return Years 11+(b)</u>
Global Equity	47.00%	4.90%	5.38%
Global Fixed Income	19.00%	0.80%	2.27%
Inflation Sensitive	6.00%	0.60%	1.39%
Private Equity	12.00%	6.60%	6.63%
Real Estate	11.00%	2.80%	5.21%
Infrastructure and Forestland	3.00%	3.90%	5.36%
Liquidity	2.00%	-0.40%	-0.90%

(a) An expected inflation of 2.5% used for this period.

(b) An expected inflation of 3.0% used for this period.

CITY OF HUGHSON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

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:

	Miscellaneous	Safety
1% Decrease	6.15%	6.15%
Net Pension Liability	\$3,480,862	\$1,159,980
Current Discount Rate	7.15%	7.15%
Net Pension Liability	\$2,279,469	\$796,671
1% Increase	8.15%	8.15%
Net Pension Liability	\$1,287,738	\$499,004

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, 2019

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

A. Capital assets of the Successor Agency as of June 30, 2019 consisted of the following:

	July 1, 2018 Balance	Additions	Deletions	June 30, 2019 Balance
Capital assets, being depreciated:				
Buildings and Improvements	\$ 795,929	\$ -	\$ -	\$ 795,929
Infrastructure	47,930			47,930
Total capital assets, being depreciated	<u>843,859</u>			<u>843,859</u>
Less accumulated depreciation for:				
Buildings and Improvements	(230,853)	(26,531)		(257,384)
Infrastructure	(10,549)	(959)		(11,508)
Total accumulated depreciation, net	<u>(241,402)</u>	<u>(27,490)</u>		<u>(268,892)</u>
Total capital assets, net	<u>\$ 602,457</u>	<u>\$ (27,490)</u>	<u>\$ -</u>	<u>\$ 574,967</u>

B. Long-term debt of the Successor Agency as of June 30, 2019, consisted of the following:

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019	Due within one year
Tax Allocation Bonds	\$ 2,485,000	\$ -	\$ (100,000)	\$ 2,385,000	\$ 100,000
Original Issuance Discount	(45,069)		2,372	(42,697)	(2,372)
Totals	<u>\$ 2,439,931</u>	<u>\$ -</u>	<u>\$ (97,628)</u>	<u>\$ 2,342,303</u>	<u>\$ 97,628</u>

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, 2019 was \$2,385,000. The remaining annual debt service requirements as of June 30, 2019 are as follows:

Fiscal Year Ended June 30,	2006 Tax Allocation Bonds		
	Principal	Interest	Total
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	110,000	72,300	182,300
2025-2029	610,000	306,025	916,025
2030-2034	730,000	178,200	908,200
2035-2037	515,000	31,500	546,500
	<u>\$ 2,385,000</u>	<u>\$ 907,400</u>	<u>\$ 3,292,400</u>

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF HUGHSON
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$ 298,900	\$ 331,400	\$ 345,300	\$ 13,900
Sales and Use Taxes	912,000	938,000	1,021,317	83,317
Business License Taxes	26,000	26,000	26,979	979
Other Taxes	103,500	98,000	122,707	24,707
Licenses and Permits	107,250	55,250	34,947	(20,303)
Fines and Forfeitures	71,470	37,270	37,388	118
Interest	4,500	4,000	13,159	9,159
Charges for Services	25,500	13,100	10,027	(3,073)
Intergovernmental	642,500	685,700	681,417	(4,283)
Other	430,100	446,500	529,238	82,738
Total Revenues	<u>2,621,720</u>	<u>2,635,220</u>	<u>2,822,479</u>	<u>187,259</u>
Expenditures				
Current				
General Government	1,121,918	1,040,445	987,120	53,325
Public Safety	1,350,700	1,397,090	1,394,746	2,344
Public Works	277,838	261,122	220,856	40,266
Parks and Recreation	92,720	96,995	94,876	2,119
Total Expenditures	<u>2,843,176</u>	<u>2,795,652</u>	<u>2,697,598</u>	<u>98,054</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(221,456)</u>	<u>(160,432)</u>	<u>124,881</u>	<u>285,313</u>
Other Financing Sources (uses):				
Transfers In	170,877	170,877	73,877	(97,000)
Transfers Out	(7,500)	(7,500)	(13,269)	(5,769)
Total Other Financing Sources (Uses)	<u>163,377</u>	<u>163,377</u>	<u>60,608</u>	<u>(102,769)</u>
Net Change in Fund Balance	(58,079)	2,945	185,489	182,544
Fund Balance - July 1, 2018	<u>3,483,633</u>	<u>3,483,633</u>	<u>3,483,633</u>	
Fund Balance - June 30, 2019	<u>\$ 3,425,554</u>	<u>\$ 3,486,578</u>	<u>\$ 3,669,122</u>	<u>\$ 182,544</u>

**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, 2019**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Interest	\$ -	\$ -	\$ 421	\$ 421
Charges for Services	<u>510,000</u>	<u>510,000</u>	<u>531,469</u>	<u>21,469</u>
Total Revenues	<u>510,000</u>	<u>510,000</u>	<u>531,890</u>	<u>21,890</u>
Expenditures				
Current:				
Public Works	<u>510,155</u>	<u>510,155</u>	<u>538,770</u>	<u>(28,615)</u>
Total Expenditures	<u>510,155</u>	<u>510,155</u>	<u>538,770</u>	<u>(28,615)</u>
Net Change in Fund Balance	(155)	(155)	(6,880)	(6,725)
Fund Balance - July 1, 2018	<u>66,779</u>	<u>66,779</u>	<u>66,779</u>	
Fund Balance - June 30, 2019	<u>\$ 66,624</u>	<u>\$ 66,624</u>	<u>\$ 59,899</u>	<u>\$ (6,725)</u>

**CITY OF HUGHSON
REQUIRED SUPPLEMENTAL INFORMATION
JUNE 30, 2019**

Cost Sharing Defined Benefit Pension Plans

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

Measurement Year Ending June 30:	2014	2015	2016	2017	2018
Plan's Proportion of the Net Pension Liability/(Asset)	0.02855%	0.03241%	0.03183%	0.03165%	0.03192%
Plan's Proportionate Share of the Net Pension Liability/(Asset)	\$1,776,561	\$2,224,303	\$2,754,347	\$3,139,177	\$3,076,140
Plan's Covered-Employee Payroll	\$838,193	\$826,736	\$920,504	\$915,771	\$905,888
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll	211.95%	269.05%	299.22%	342.79%	339.57%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	19.19%	23.72%	27.67%	28.34%	26.71%
Plan's Proportionate Share of Aggregate Employer Contributions	\$204,788	\$246,360	\$263,559	\$294,112	\$329,044

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 five years are shown.**

**CITY OF HUGHSON
REQUIRED SUPPLEMENTAL INFORMATION
JUNE 30, 2019**

Cost Sharing Defined Benefit Pension Plans

Schedule of Contributions – Last 10 Years*

Measurement Year Ending June 30:	2014	2015	2016	2017	2018
Actuarially Determined Contribution	\$4,028	\$4,030	\$219,201	\$242,574	\$270,473
Contributions in Relation to the Actuarially Determined Contribution	\$0	\$0	\$219,201	\$244,884	\$270,473
Contribution Deficiency (Excess)	\$4,028	\$4,030	\$0	(\$2,309)	\$0
Covered-Employee Payroll	\$838,193	\$826,736	\$920,504	\$915,771	\$905,888
Contributions as a Percentage of Covered-Employee Payroll	0.00%	0.00%	23.81%	26.74%	29.86%

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 five years are shown.**

OTHER SUPPLEMENTAL INFORMATION

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, 2019

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Revenues:			
Interest	\$ 1,000	\$ 4,950	\$ 3,950
Charges for Services	39,704	32,553	(7,151)
Total Revenues	40,704	37,503	(3,201)
Expenditures:			
Current:			
General Government	20,202	2,354	17,848
Capital Outlay		3,619	(3,619)
Total Expenditures	20,202	5,973	14,229
Net Change in Fund Balance	20,502	31,530	11,028
Fund Balance - July 1, 2018	1,186,835	1,186,835	
Fund Balance - June 30, 2019	\$ 1,207,337	\$ 1,218,365	\$ 11,028

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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, 2019**

	<u>Special Revenue Funds</u>				
	Asset Forfeiture	Gas Tax	Vehicle Abatement	CDBG Rehab	CDBG Grants
Assets					
Cash and Investments	\$ 1,660	\$ 221,741	\$ 16,945	\$ 434,684	\$ 93,999
Accounts Receivable					
Loans Receivable				231,141	
Total Assets	<u>\$ 1,660</u>	<u>\$ 221,741</u>	<u>\$ 16,945</u>	<u>\$ 665,825</u>	<u>\$ 93,999</u>
Liabilities					
Accounts Payable	\$ -	\$ 7,837	\$ -	\$ -	\$ -
Due To Other Funds					
Total Liabilities		<u>7,837</u>			
Fund Balances (Deficits)					
Restricted	1,660	213,904	16,945	665,825	93,999
Unassigned					
Total Fund Balances (Deficits)	<u>1,660</u>	<u>213,904</u>	<u>16,945</u>	<u>665,825</u>	<u>93,999</u>
Total Liabilities and Fund Balances	<u>\$ 1,660</u>	<u>\$ 221,741</u>	<u>\$ 16,945</u>	<u>\$ 665,825</u>	<u>\$ 93,999</u>

Special Revenue Funds

Community Enhancement	Local Transportation	Storm Drain	SLESF	Lighting and Landscaping	Benefit Assessment	Trench Cut
\$ 126,993	\$ 84,890	\$ 415,745	\$ 265,573	\$ 159,058 786	\$ 230,974 481	\$ 77,400
<u>\$ 126,993</u>	<u>\$ 84,890</u>	<u>\$ 415,745</u>	<u>\$ 265,573</u>	<u>\$ 159,844</u>	<u>\$ 231,455</u>	<u>\$ 77,400</u>
\$ 1,178	\$ -	\$ -	\$ 45,851	\$ 6,452	\$ 1,178	\$ -
<u>1,178</u>			<u>45,851</u>	<u>6,452</u>	<u>1,178</u>	
125,815	84,890	415,745	219,722	153,392	230,277	77,400
<u>125,815</u>	<u>84,890</u>	<u>415,745</u>	<u>219,722</u>	<u>153,392</u>	<u>230,277</u>	<u>77,400</u>
<u>\$ 126,993</u>	<u>\$ 84,890</u>	<u>\$ 415,745</u>	<u>\$ 265,573</u>	<u>\$ 159,844</u>	<u>\$ 231,455</u>	<u>\$ 77,400</u>

Continued

CITY OF HUGHSON
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2019
(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	\$ 112,053	\$ 151,645	\$ 171,554	\$ 1,215
Accounts Receivable			29,780		
Loans Receivable					
Total Assets	\$ 35,722	\$ 112,053	\$ 181,425	\$ 171,554	\$ 1,215
Liabilities					
Accounts Payable	\$ -	\$ -	\$ 3,193	\$ -	\$ 17
Due to Other Funds					
Total Liabilities			3,193		17
Fund Balances (Deficits)					
Restricted	35,722	112,053	178,232	171,554	1,198
Unassigned					
Total Fund Balances (Deficits)	35,722	112,053	178,232	171,554	1,198
Total Liabilities and Fund Balances	\$ 35,722	\$ 112,053	\$ 181,425	\$ 171,554	\$ 1,215

<u>Capital Projects Funds</u>			Total
<u>Transportation</u>	<u>Municipal Park</u>	<u>Parks Development Impact Fees</u>	<u>Nonmajor Governmental Funds</u>
\$ -	\$ 363,203	\$ 465,608	\$ 3,430,662
			31,047
			231,141
<u>\$ -</u>	<u>\$ 363,203</u>	<u>\$ 465,608</u>	<u>\$ 3,692,850</u>
\$ -	\$ 1,235	\$ 1,178	\$ 68,119
234,277			234,277
<u>234,277</u>	<u>1,235</u>	<u>1,178</u>	<u>302,396</u>
	361,968	464,430	3,624,731
(234,277)			(234,277)
<u>(234,277)</u>	<u>361,968</u>	<u>464,430</u>	<u>3,390,454</u>
<u>\$ -</u>	<u>\$ 363,203</u>	<u>\$ 465,608</u>	<u>\$ 3,692,850</u>

CITY OF HUGHSON
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2019

	<u>Special Revenue Funds</u>				
	Asset Forfeiture	Gas Tax	Vehicle Abatement	CDBG Rehab	CDBG Grants
Revenues:					
Interest	\$ -	\$ 508	\$ -	\$ 1,672	\$ -
Charges for Services					
Intergovernmental		162,836	9,684		
Special Assessments				1,962	
Other					
Total Revenues		<u>163,344</u>	<u>9,684</u>	<u>3,634</u>	
Expenditures:					
Current:					
Parks and Recreation					
Public Safety					
Public Works		91,660			
Capital Outlay					
Total Expenditures		<u>91,660</u>			
Excess (Deficiency) of Revenues over (Under) Expenditures		<u>71,684</u>	<u>9,684</u>	<u>3,634</u>	
Other Financing Sources (Uses):					
Transfers In					
Transfers Out		(46,600)	(9,000)		
Total Other Financing Sources (Uses)		<u>(46,600)</u>	<u>(9,000)</u>		
Net Change in Fund Balances		25,084	684	3,634	
Fund Balances - July 1, 2018	1,660	188,820	16,261	662,191	93,999
Fund Balances - June 30, 2019	<u>\$ 1,660</u>	<u>\$ 213,904</u>	<u>\$ 16,945</u>	<u>\$ 665,825</u>	<u>\$ 93,999</u>

Special Revenue Funds

Community Enhancement	Local Transportation Fund	Storm Drain	SLESF	Lighting and Landscaping	Benefit Assessment	Trench Cut
\$ 483 2,016	\$ - 12,062	\$ 1,580 8,312	\$ 844 148,747	\$ - 149,170	\$ - 67,903	\$ -
<u>2,499</u>	<u>12,062</u>	<u>9,892</u>	<u>149,591</u>	<u>149,170</u>	<u>67,903</u>	
1,178	22,049		16,149 43,935	107,303	29,634	
<u>1,178</u>	<u>22,049</u>		<u>60,084</u>	<u>107,303</u>	<u>29,634</u>	
<u>1,321</u>	<u>(9,987)</u>	<u>9,892</u>	<u>89,507</u>	<u>41,867</u>	<u>38,269</u>	
				<u>(8,520)</u>	<u>(2,137)</u>	
				<u>(8,520)</u>	<u>(2,137)</u>	
1,321	(9,987)	9,892	89,507	33,347	36,132	
<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>\$ 125,815</u>	<u>\$ 84,890</u>	<u>\$ 415,745</u>	<u>\$ 219,722</u>	<u>\$ 153,392</u>	<u>\$ 230,277</u>	<u>\$ 77,400</u>

Continued

CITY OF HUGHSON
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2019
(CONTINUED)

	<u>Special Revenue Funds</u>				
	Public Safety Realignment	IT Reserve	Measure L Sales Tax	SB-1 Roads	Disability Access and Education
Revenues:					
Interest	\$ -	\$ 374	\$ 1,560	\$ -	\$ -
Charges for Services					1,144
Intergovernmental			365,150	121,411	
Special Assessments					
Other					
Total Revenues	<u> </u>	<u>374</u>	<u>366,710</u>	<u>121,411</u>	<u>1,144</u>
Expenditures:					
Current:					
Parks and Recreation					
Public Safety					
Public Works					
Capital Outlay		7,498	481,090		
Total Expenditures		<u>7,498</u>	<u>481,090</u>		
Excess (Deficiency) of Revenues over (Under) Expenditures		<u>(7,124)</u>	<u>(114,380)</u>	<u>121,411</u>	<u>1,144</u>
Other Financing Sources (Uses):					
Transfers In		15,000			
Transfers Out					
Total Other Financing Sources (Uses)		<u>15,000</u>			
Net Change in Fund Balances		7,876	(114,380)	121,411	1,144
Fund Balances - July 1, 2018	<u>35,722</u>	<u>104,177</u>	<u>292,612</u>	<u>50,143</u>	<u>54</u>
Fund Balances - June 30, 2019	<u>\$ 35,722</u>	<u>\$ 112,053</u>	<u>\$ 178,232</u>	<u>\$ 171,554</u>	<u>\$ 1,198</u>

Capital Project Funds			Total
Transportation	Municipal Park	Parks Development Impact Fees	Nonmajor Governmental Funds
\$ -	\$ 1,669	\$ 1,776	\$ 10,466
	3,982	5,334	20,788
385,337			1,205,227
			217,073
			1,962
<u>385,337</u>	<u>5,651</u>	<u>7,110</u>	<u>1,455,516</u>
	1,178	1,178	2,356
			16,149
			251,824
354,806	299,828		1,187,157
<u>354,806</u>	<u>301,006</u>	<u>1,178</u>	<u>1,457,486</u>
30,531	(295,355)	5,932	(1,970)
			15,000
			(66,257)
			(51,257)
30,531	(295,355)	5,932	(53,227)
(264,808)	657,323	458,498	3,443,681
<u>\$ (234,277)</u>	<u>\$ 361,968</u>	<u>\$ 464,430</u>	<u>\$ 3,390,454</u>

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, 2019

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Revenues:			
Interest	\$ 50	\$ 508	\$ 458
Intergovernmental	<u>159,878</u>	<u>162,836</u>	<u>2,958</u>
Total Revenues	<u>159,928</u>	<u>163,344</u>	<u>3,416</u>
Expenditures:			
Current:			
Public Works	<u>101,000</u>	<u>91,660</u>	<u>9,340</u>
Total Expenditures	<u>101,000</u>	<u>91,660</u>	<u>9,340</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>58,928</u>	<u>71,684</u>	<u>12,756</u>
Other Financing Sources (Uses):			
Transfers Out	<u>(46,600)</u>	<u>(46,600)</u>	<u> </u>
Total Other Financing Sources (Uses)	<u>(46,600)</u>	<u>(46,600)</u>	<u> </u>
Net Change in Fund Balance	12,328	25,084	12,756
Fund Balance - July 1, 2018	<u>188,820</u>	<u>188,820</u>	<u> </u>
Fund Balance - June 30, 2019	<u>\$ 201,148</u>	<u>\$ 213,904</u>	<u>\$ 12,756</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, 2019

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Revenues:			
Charges For Services	\$ 4,000	\$ 9,684	\$ 5,684
Total Revenues	<u>4,000</u>	<u>9,684</u>	<u>5,684</u>
Other Financing Sources (Uses):			
Transfers Out	<u>(9,000)</u>	<u>(9,000)</u>	<u> </u>
Total Other Financing Sources (Uses)	<u>(9,000)</u>	<u>(9,000)</u>	<u> </u>
Net Change in Fund Balance	(5,000)	684	5,684
Fund Balance - July 1, 2018	<u>16,261</u>	<u>16,261</u>	<u> </u>
Fund Balance - June 30, 2019	<u>\$ 11,261</u>	<u>\$ 16,945</u>	<u>\$ 5,684</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, 2019

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Revenues:			
Interest	\$ 350	\$ 1,672	\$ 1,322
Other Revenue	<u>3,000</u>	<u>1,962</u>	<u>(1,038)</u>
Total Revenues	<u>3,350</u>	<u>3,634</u>	<u>284</u>
Net Change in Fund Balance	3,350	3,634	284
Fund Balance - July 1, 2018	<u>662,191</u>	<u>662,191</u>	<u> </u>
Fund Balance - June 30, 2019	<u><u>\$ 665,541</u></u>	<u><u>\$ 665,825</u></u>	<u><u>\$ 284</u></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, 2019

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Revenues:			
Interest	\$ 50	\$ 483	\$ 433
Charges For Services	3,024	2,016	(1,008)
Total Revenues	<u>3,074</u>	<u>2,499</u>	<u>(575)</u>
Expenditures:			
Public Works	1,863	1,178	685
Total Expenditures	<u>1,863</u>	<u>1,178</u>	<u>685</u>
Net Change in Fund Balance	1,211	1,321	110
Fund Balance - July 1, 2018	<u>124,494</u>	<u>124,494</u>	<u> </u>
Fund Balance - June 30, 2019	<u>\$ 125,705</u>	<u>\$ 125,815</u>	<u>\$ 110</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, 2019

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Intergovernmental	\$ -	\$ 12,062	\$ 12,062
Total Revenues	<u> </u>	<u>12,062</u>	<u>12,062</u>
Expenditures:			
Current:			
Public Works	<u>27,082</u>	<u>22,049</u>	<u>5,033</u>
Total Expenditures	<u>27,082</u>	<u>22,049</u>	<u>5,033</u>
Net Change in Fund Balance	(27,082)	(9,987)	17,095
Fund Balance - July 1, 2018	<u>94,877</u>	<u>94,877</u>	<u> </u>
Fund Balance - June 30, 2019	<u>\$ 67,795</u>	<u>\$ 84,890</u>	<u>\$ 17,095</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, 2019

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Revenues:			
Interest	\$ 150	\$ 1,580	\$ 1,430
Charges for Services	<u>11,126</u>	<u>8,312</u>	<u>(2,814)</u>
Total Revenues	<u>11,276</u>	<u>9,892</u>	<u>(1,384)</u>
Expenditures:			
Current:			
Public Works	<u>1,863</u>	<u></u>	<u>1,863</u>
Total Expenditures	<u>1,863</u>	<u></u>	<u>1,863</u>
Net Change in Fund Balance	9,413	9,892	479
Fund Balance - July 1, 2018	<u>405,853</u>	<u>405,853</u>	<u></u>
Fund Balance - June 30, 2019	<u>\$ 415,266</u>	<u>\$ 415,745</u>	<u>\$ 479</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, 2019

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Revenues:			
Interest	\$ -	\$ 844	\$ 844
Intergovernmental	100,000	148,747	48,747
Total Revenues	<u>100,000</u>	<u>149,591</u>	<u>49,591</u>
Expenditures:			
Current:			
Public Safety	54,600	16,149	38,451
Capital Outlay	45,400	43,935	1,465
Total Expenditures	<u>100,000</u>	<u>60,084</u>	<u>39,916</u>
Net Change in Fund Balance		89,507	89,507
Fund Balance - July 1, 2018	<u>130,215</u>	<u>130,215</u>	<u> </u>
Fund Balance - June 30, 2019	<u>\$ 130,215</u>	<u>\$ 219,722</u>	<u>\$ 89,507</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, 2019

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Revenues:			
Special Assessments	\$ 149,311	\$ 149,170	\$ (141)
Total Revenue	<u>149,311</u>	<u>149,170</u>	<u>(141)</u>
Expenditures:			
Current:			
Public works	<u>121,367</u>	<u>107,303</u>	<u>14,064</u>
Total Expenditures	<u>121,367</u>	<u>107,303</u>	<u>14,064</u>
Excess (Deficiency) of			
Revenues Over (Under)			
Expenditures	<u>27,944</u>	<u>41,867</u>	<u>13,923</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	19,424	33,347	13,923
Fund Balance - July 1, 2018	<u>120,045</u>	<u>120,045</u>	<u> </u>
Fund Balance - June 30, 2019	<u>\$ 139,469</u>	<u>\$ 153,392</u>	<u>\$ 13,923</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, 2019

	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Special Assessments	\$ 67,791	\$ 67,903	\$ 112
Total Revenue	<u>67,791</u>	<u>67,903</u>	<u>112</u>
 Expenditures:			
Current:			
Public Works	<u>32,017</u>	<u>29,634</u>	<u>2,383</u>
Total Expenditures	<u>32,017</u>	<u>29,634</u>	<u>2,383</u>
 Excess (Deficiency) of Revenues Over (Under) Expenditures	 <u>35,774</u>	 <u>38,269</u>	 <u>2,495</u>
 Other Financing Sources (Uses)			
Transfers Out	<u>(2,137)</u>	<u>(2,137)</u>	<u> </u>
Total Other financing Sources (Uses)	<u>(2,137)</u>	<u>(2,137)</u>	<u> </u>
 Net Change in Fund Balance	 33,637	 36,132	 2,495
 Fund Balance - July 1, 2018	 <u>194,145</u>	 <u>194,145</u>	 <u> </u>
 Fund Balance - June 30, 2019	 <u>\$ 227,782</u>	 <u>\$ 230,277</u>	 <u>\$ 2,495</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, 2019

	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Charges for Services	\$ 200	\$ -	\$ (200)
Total Revenue	<u>200</u>	<u> </u>	<u>(200)</u>
 Net Change in Fund Balance	 200		 (200)
 Fund Balance - July 1, 2018	 <u>77,400</u>	 <u>77,400</u>	 <u> </u>
 Fund Balance - June 30, 2019	 <u>\$ 77,600</u>	 <u>\$ 77,400</u>	 <u>\$ (200)</u>

CITY OF HUGHSON
IT RESERVE SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2019

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Revenues:			
Interest	\$ -	\$ 374	\$ 374
Total Revenue	<u> </u>	<u> </u>	<u> </u>
		374	374
Expenditures:			
Capital Outlay	17,700	7,498	10,202
Total Expenditures	<u>17,700</u>	<u>7,498</u>	<u>10,202</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(17,700)</u>	<u>(7,124)</u>	<u>10,576</u>
Other Financing Sources (Uses)			
Transfers In	<u>15,000</u>	<u>15,000</u>	<u> </u>
Total Other financing Sources (Uses)	<u>15,000</u>	<u>15,000</u>	<u> </u>
Net Change in Fund Balance	(2,700)	7,876	10,576
Fund Balance - July 1, 2018	<u>104,177</u>	<u>104,177</u>	<u> </u>
Fund Balance - June 30, 2019	<u>\$ 101,477</u>	<u>\$ 112,053</u>	<u>\$ 10,576</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, 2019

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Revenues:			
Interest	\$ -	\$ 1,560	\$ 1,560
Intergovernmental	<u>306,600</u>	<u>365,150</u>	<u>58,550</u>
Total Revenues	<u>306,600</u>	<u>366,710</u>	<u>60,110</u>
Expenditures:			
Capital Outlay	<u>255,104</u>	<u>481,090</u>	<u>(225,986)</u>
Total Expenditures	<u>255,104</u>	<u>481,090</u>	<u>(225,986)</u>
Net Change in Fund Balance	51,496	(114,380)	(165,876)
Fund Balance - July 1, 2018	<u>292,612</u>	<u>292,612</u>	<u> </u>
Fund Balance - June 30, 2019	<u>\$ 344,108</u>	<u>\$ 178,232</u>	<u>\$ (165,876)</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, 2019

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental	\$ 122,662	\$ 121,411	\$ (1,251)
Total Revenues	<u>122,662</u>	<u>121,411</u>	<u>(1,251)</u>
Net Change in Fund Balance	122,662	121,411	(1,251)
Fund Balance - July 1, 2018	<u>50,143</u>	<u>50,143</u>	<u> </u>
Fund Balance - June 30, 2019	<u>\$ 172,805</u>	<u>\$ 171,554</u>	<u>\$ (1,251)</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, 2019

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental	\$ 566,329	\$ 385,337	\$ (180,992)
Total Revenues	<u>566,329</u>	<u>385,337</u>	<u>(180,992)</u>
Expenditures:			
Capital Outlay	431,524	354,806	76,718
Total Expenditures	<u>431,524</u>	<u>354,806</u>	<u>76,718</u>
Net Change in Fund Balance	134,805	30,531	(104,274)
Fund Balance (Deficit) - July 1, 2018	<u>(264,808)</u>	<u>(264,808)</u>	<u> </u>
Fund Balance (Deficit) - June 30, 2019	<u>\$ (130,003)</u>	<u>\$ (234,277)</u>	<u>\$ (104,274)</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, 2019

	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Interest	\$ 500	\$ 1,669	\$ 1,169
Charges for Services	<u>5,973</u>	<u>3,982</u>	<u>(1,991)</u>
Total Revenues	<u>6,473</u>	<u>5,651</u>	<u>(822)</u>
Expenditures:			
Current:			
Parks and Recreation	1,863	1,178	685
Capital Outlay	<u>295,000</u>	<u>299,828</u>	<u>(4,828)</u>
Total Expenditures	<u>296,863</u>	<u>301,006</u>	<u>(4,143)</u>
Net Change in Fund Balance	(290,390)	(295,355)	(4,965)
Fund Balance - July 1, 2018	<u>657,323</u>	<u>657,323</u>	<u> </u>
Fund Balance - June 30, 2019	<u>\$ 366,933</u>	<u>\$ 361,968</u>	<u>\$ (4,965)</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, 2019

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Revenues:			
Interest	\$ 200	\$ 1,776	\$ 1,576
Charges for Services	<u>8,001</u>	<u>5,334</u>	<u>(2,667)</u>
Total Revenues	<u>8,201</u>	<u>7,110</u>	<u>(1,091)</u>
Expenditures:			
Current:			
Parks and Recreation	<u>1,863</u>	<u>1,178</u>	<u>685</u>
Total Expenditures	<u>1,863</u>	<u>1,178</u>	<u>685</u>
Net Change in Fund Balance	6,338	5,932	(406)
Fund Balance - July 1, 2018	<u>458,498</u>	<u>458,498</u>	<u> </u>
Fund Balance - June 30, 2019	<u>\$ 464,836</u>	<u>\$ 464,430</u>	<u>\$ (406)</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, 2019

	Enterprise Funds		Total Nonmajor Enterprise Funds
	Community Center Operations Fund	USF Community Center Fund	
Assets			
Current Assets:			
Cash and Investments	\$ 9,974	\$ -	\$ 9,974
Total Current Assets	<u>9,974</u>		<u>9,974</u>
Noncurrent Assets:			
Capital Assets:			
Land	105,073		105,073
Buildings	725,283		725,283
Less:			
Accumulated Depreciation	<u>(495,610)</u>		<u>(495,610)</u>
Total Noncurrent Assets	<u>334,746</u>		<u>334,746</u>
Total Assets	<u>344,720</u>		<u>344,720</u>
Liabilities			
Current Liabilities:			
Accounts Payable	5,160	395	5,555
Due to Other Funds		298	298
Deposits Payable	4,892		4,892
Total Current Liabilities	<u>10,052</u>	<u>693</u>	<u>10,745</u>
Total Liabilities	<u>10,052</u>	<u>693</u>	<u>10,745</u>
Net Position			
Net Investment in Capital Assets	334,746		334,746
Unrestricted	<u>(78)</u>	<u>(693)</u>	<u>(771)</u>
Total Net Position	<u>\$ 334,668</u>	<u>\$ (693)</u>	<u>\$ 333,975</u>

**CITY OF HUGHSON
NONMAJOR PROPRIETARY FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	Enterprise Funds		Total Nonmajor Enterprise Funds
	Community Center Operations Fund	USF Community Center Fund	
Operating Revenues			
Charges for Services	\$ 21,925	\$ 16,215	\$ 38,140
Total Operating Revenues	<u>21,925</u>	<u>16,215</u>	<u>38,140</u>
Operating Expenses			
Administrative	20,396	6,852	27,248
Maintenance	8,260	1,903	10,163
Depreciation	24,176		24,176
Total Operating Expenses	<u>52,832</u>	<u>8,755</u>	<u>61,587</u>
Operating Income (Loss)	<u>(30,907)</u>	<u>7,460</u>	<u>(23,447)</u>
Income (Loss) Before Transfers	(30,907)	7,460	(23,447)
Transfers			
Transfers In	8,269		8,269
Transfers Out		<u>(7,620)</u>	<u>(7,620)</u>
Changes in Net Position	(22,638)	(160)	(22,798)
Net Position - Beginning of Fiscal Year	<u>357,306</u>	<u>(533)</u>	<u>356,773</u>
Net Position - End of Fiscal Year	<u>\$ 334,668</u>	<u>\$ (693)</u>	<u>\$ 333,975</u>

**CITY OF HUGHSON
NONMAJOR PROPRIETARY FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	Enterprise Funds		Total Nonmajor Enterprise Funds
	Community Center Operations Fund	USF Community Center Fund	
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash Received from Users	\$ 22,375	\$ 16,215	\$ 38,590
Cash Payments to Suppliers and Contractors	<u>(26,473)</u>	<u>(8,836)</u>	<u>(35,309)</u>
Net Cash Provided (Used) By Operating Activities	<u>(4,098)</u>	<u>7,379</u>	<u>3,281</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers in (out)	8,269	(7,620)	649
Interfund Borrowing		241	241
Net Cash Provided (Used) By Noncapital Financing Activities	<u>8,269</u>	<u>(7,379)</u>	<u>890</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	4,171		4,171
CASH AND CASH EQUIVALENTS, BEGINNING OF FISCAL YEAR	<u>5,803</u>		<u>5,803</u>
CASH AND CASH EQUIVALENTS, END OF FISCAL YEAR	<u>\$ 9,974</u>	<u>\$ -</u>	<u>\$ 9,974</u>
Reconciliation to Statement of Net Position:			
Cash and Cash Equivalents	<u>\$ 9,974</u>	<u>\$ -</u>	<u>\$ 9,974</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Operating Income (Loss)	<u>\$ (30,907)</u>	<u>\$ 7,460</u>	<u>\$ (23,447)</u>
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	2,183	(81)	2,102
Increase (Decrease) in Deposits Payable	450		450
Total Adjustments	<u>26,809</u>	<u>(81)</u>	<u>26,728</u>
Net Cash Provided (Used) By Operating Activities	<u>\$ (4,098)</u>	<u>\$ 7,379</u>	<u>\$ 3,281</u>