

CITY OF HURON
INDEPENDENT AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS
JUNE 30, 2021

**CITY OF HURON
FINANCIAL STATEMENTS
JUNE 30, 2021**

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Huron, California (the City) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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, as of June 30, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 30-35 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

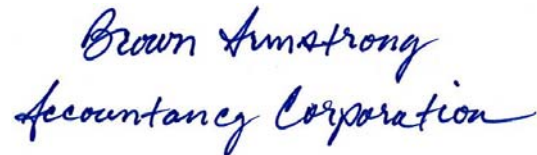
Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying combining nonmajor fund financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2022, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

A handwritten signature in blue ink that reads "Brown Armstrong Accountancy Corporation". The signature is written in a cursive, flowing style.

Bakersfield, California
October 14, 2022

**CITY OF HURON
STATEMENT OF NET POSITION
JUNE 30, 2021**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	\$ 3,075,269	\$ 2,789,027	\$ 5,864,296
Accounts receivable	338,770	335,827	674,597
Due from other governments	912,412	698,670	1,611,082
Notes receivable	6,586,980	-	6,586,980
Land held for resale	906,043	-	906,043
Capital assets (net of allowance for depreciation)	13,112,639	6,779,629	19,892,268
Total assets	24,932,113	10,603,153	35,535,266
LIABILITIES			
Cash overdrawn	996,406	424,777	1,421,183
Accounts payable and accrued expenses	366,542	1,257,046	1,623,588
Accrued interest	-	5,022	5,022
Deposits	-	18,208	18,208
Long-term liabilities			
Due within one year	54,039	93,000	147,039
Due in more than one year	140,017	1,808,000	1,948,017
Compensated absences	73,291	9,845	83,136
Total liabilities	1,630,295	3,615,898	5,246,193
NET POSITION			
Net investment in capital assets	12,918,583	4,878,629	17,797,212
Restricted for capital projects	344,909	-	344,909
Restricted for specific projects and programs	3,680,331	-	3,680,331
Unrestricted	6,357,995	2,108,626	8,466,621
Total net position	\$ 23,301,818	\$ 6,987,255	\$ 30,289,073

See accompanying notes.

**CITY OF HURON
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021**

Functions/Programs	Expense	Program Revenue			Net Revenue (Expense) and Changes in Net Position Primary Government		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government							
Governmental activities							
General government	\$ 694,420	\$ 512	\$ 347,479	\$ -	\$ (346,429)	\$ -	\$ (346,429)
Public works	1,307,922	965	494,470	-	(812,487)	-	(812,487)
Public safety	1,684,041	1,242	842,673	-	(840,126)	-	(840,126)
Parks and recreation	193,562	386	262,141	-	68,965	-	68,965
Community development	472,133	348	236,249	-	(235,536)	-	(235,536)
Debt service							
Interest and other charges	9,814	-	-	-	(9,814)	-	(9,814)
Total governmental activities	<u>4,361,892</u>	<u>3,453</u>	<u>2,183,012</u>	<u>-</u>	<u>(2,175,427)</u>	<u>-</u>	<u>(2,175,427)</u>
Business-type activities							
Water	1,689,112	1,456,366	-	389,304	-	156,558	156,558
Sewer	4,268,074	595,784	52,472	3,417,113	-	(202,705)	(202,705)
Disposal	600,069	644,278	5,000	-	-	49,209	49,209
Total business-type activities	<u>6,557,255</u>	<u>2,696,428</u>	<u>57,472</u>	<u>3,806,417</u>	<u>-</u>	<u>3,062</u>	<u>3,062</u>
Total primary government	<u>\$ 10,919,147</u>	<u>\$ 2,699,881</u>	<u>\$ 2,240,484</u>	<u>\$ 3,806,417</u>	<u>(2,175,427)</u>	<u>3,062</u>	<u>(2,172,365)</u>
General Revenue							
Property taxes, levied for general purposes					940,729	-	940,729
Business licenses					473,084	-	473,084
Sales taxes					659,910	-	659,910
Franchise and other taxes					42,457	-	42,457
Interest and rent					57,517	-	57,517
Other					92,625	14,966	107,591
Transfers					81,175	(72,811)	8,364
Total general revenue					<u>2,347,497</u>	<u>(57,845)</u>	<u>2,289,652</u>
Change in Net Position					172,070	(54,783)	117,287
Net Position							
Beginning of year, as previously stated					23,282,536	7,042,038	30,324,574
Prior period adjustment					(152,788)	-	(152,788)
Beginning of year, restated					<u>23,129,748</u>	<u>7,042,038</u>	<u>30,171,786</u>
End of year					<u>\$ 23,301,818</u>	<u>\$ 6,987,255</u>	<u>\$ 30,289,073</u>

See accompanying notes.

**CITY OF HURON
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2021**

	General	HOME	CDBG	LTF	Measure C	CARES Act	Other Governmental Funds	Total Governmental Funds
ASSETS								
Cash and investments	\$ -	\$ -	\$ 112,527	\$ 1,041,779	\$ 676,768	\$ 48,457	\$ 1,195,738	\$ 3,075,269
Accounts receivable	87,707	-	-	251,063	-	-	-	338,770
Due from other governments	250	-	-	5,504	22,461	870,885	13,312	912,412
Notes receivable	-	5,540,022	1,046,958	-	-	-	-	6,586,980
Land held for resale	906,043	-	-	-	-	-	-	906,043
Total assets	\$ 994,000	\$ 5,540,022	\$ 1,159,485	\$ 1,298,346	\$ 699,229	\$ 919,342	\$ 1,209,050	\$ 11,819,474
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES								
Liabilities								
Cash overdrawn	\$ 602,398	\$ 364,340	\$ -	\$ -	\$ -	\$ -	\$ 29,668	\$ 996,406
Accounts payable and accrued expenses	150,673	2,112	1,052	2,801	138,751	-	71,153	366,542
Total liabilities	753,071	366,452	1,052	2,801	138,751	-	100,821	1,362,948
Deferred Inflows of Resources								
Deferred notes receivables	-	5,540,022	1,046,958	-	-	-	-	6,586,980
Total deferred inflows of resources	-	5,540,022	1,046,958	-	-	-	-	6,586,980
Fund Balances								
Nonspendable								
Land held for resale	906,043	-	-	-	-	-	-	906,043
Restricted								
Circulation improvements	-	-	-	1,295,545	560,478	919,342	753,645	3,529,010
Capital improvement projects	-	-	111,475	-	-	-	233,434	344,909
Landscape maintenance	-	-	-	-	-	-	151,321	151,321
Unassigned	(665,114)	(366,452)	-	-	-	-	(30,171)	(1,061,737)
Total fund balances	240,929	(366,452)	111,475	1,295,545	560,478	919,342	1,108,229	3,869,546
Total liabilities, deferred inflows of resources, and fund balances	\$ 994,000	\$ 5,540,022	\$ 1,159,485	\$ 1,298,346	\$ 699,229	\$ 919,342	\$ 1,209,050	\$ 11,819,474

See accompanying notes.

**CITY OF HURON
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2021**

Total governmental fund balances		\$ 3,869,546
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		13,112,639
Other long-term assets are not available to pay for current period expenditures and therefore are not reported in the governmental funds.		6,586,980
Compensated absences are not due and payable in the current period and therefore are not reported in the governmental funds.		(73,291)
Governmental long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		<u>(194,056)</u>
Net position of governmental activities		<u><u>\$ 23,301,818</u></u>

See accompanying notes.

CITY OF HURON
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES
IN FUND BALANCES – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	General	HOME	CDBG	LTF	Measure C	CARES Act	Other Governmental Funds	Total Governmental Funds
Revenue								
Taxes	\$ 1,552,464	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 24,588	\$ 1,577,052
Licenses, permits and impact fees	375,759	-	-	-	-	-	97,325	473,084
Intergovernmental	88,994	-	-	311,797	281,057	1,054,320	446,844	2,183,012
Charges for services	3,454	-	-	-	-	-	-	3,454
Fines and forfeitures	66,043	-	-	-	-	-	-	66,043
Use of money or property	57,249	-	19	-	195	-	54	57,517
Loan repayments	-	41,653	7,300	-	-	-	-	48,953
Other	92,306	-	-	-	10	-	309	92,625
Total revenue	2,236,269	41,653	7,319	311,797	281,262	1,054,320	569,120	4,501,740
Expenditures								
Current								
General government	619,173	-	24,368	-	-	-	-	643,541
Public works	77,600	-	-	74,666	568,163	110,483	293,936	1,124,848
Public safety	1,400,650	-	-	-	-	-	99,992	1,500,642
Parks and recreation	114,884	-	-	-	-	24,495	2,440	141,819
Community development	316,089	72,127	7,152	-	-	-	76,765	472,133
Capital outlay	75,320	-	-	-	-	-	-	75,320
Debt service								
Principal	22,158	-	-	51,724	-	-	-	73,882
Interest and other charges	299	-	-	9,515	-	-	-	9,814
Total expenditures	2,626,173	72,127	31,520	135,905	568,163	134,978	473,133	4,041,999
Revenue over/(under) expenditures	(389,904)	(30,474)	(24,201)	175,892	(286,901)	919,342	95,987	459,741
Other Financing Sources								
Transfers in	81,175	-	-	-	-	-	-	81,175
Total other financing sources	81,175	-	-	-	-	-	-	81,175
Net Change in Fund Balances	(308,729)	(30,474)	(24,201)	175,892	(286,901)	919,342	95,987	540,916
Fund Balances								
Beginning of Year, as Previously Stated	549,658	(335,978)	288,464	1,119,653	847,379	-	1,012,242	3,481,418
Prior Period Adjustment	-	-	(152,788)	-	-	-	-	(152,788)
Beginning of Year, Restated	549,658	(335,978)	135,676	1,119,653	847,379	-	1,012,242	3,328,630
End of Year	\$ 240,929	\$ (366,452)	\$ 111,475	\$ 1,295,545	\$ 560,478	\$ 919,342	\$ 1,108,229	\$ 3,869,546

See accompanying notes.

CITY OF HURON
RECONCILIATION OF STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

Net change in fund balances - total governmental funds	\$	540,916
Amounts reported for governmental activities in the Statement of Activities are different because:		
Depreciation expense on capital assets is reported in the Statement of Activities, but it does not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in the governmental funds.		(438,391)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is capitalized as an asset and depreciated over the period of service.		75,320
Loan repayments are reported as revenues in the governmental funds. However, in the Statement of Net Position, those payments reduce long-term assets.		(48,953)
Compensated absences costs in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		(30,704)
Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. Proceeds of long-term debt produces an opposite effect.		<u>73,882</u>
Change in net position of governmental activities	\$	<u><u>172,070</u></u>

See accompanying notes.

CITY OF HURON
STATEMENT OF NET POSITION – PROPRIETARY FUNDS
JUNE 30, 2021

	<u>Business-Type Activities - Enterprise Funds</u>			Total Business-Type Activities
	<u>Water</u>	<u>Sewer</u>	<u>Disposal</u>	
ASSETS				
Current Assets				
Cash and investments	\$ 740,627	\$ 2,048,400	\$ -	\$ 2,789,027
Accounts receivable	185,307	70,154	80,366	335,827
Due from other governments	175,655	522,431	584	698,670
Total current assets	1,101,589	2,640,985	80,950	3,823,524
Noncurrent assets				
Property, plant, and equipment (net of allowance for depreciation)	3,148,179	3,631,450	-	6,779,629
Total noncurrent assets	3,148,179	3,631,450	-	6,779,629
Total assets	4,249,768	6,272,435	80,950	10,603,153
LIABILITIES				
Current Liabilities				
Cash overdrawn	-	-	424,777	424,777
Accounts payable and accrued expenses	115,917	1,095,853	45,276	1,257,046
Interest payable	2,758	2,264	-	5,022
Deposits	18,208	-	-	18,208
Compensated absences	5,000	4,845	-	9,845
Current portion of long-term debt	68,000	25,000	-	93,000
Total current liabilities	209,883	1,127,962	470,053	1,807,898
Noncurrent Liabilities				
Long-term debt	976,000	832,000	-	1,808,000
Total noncurrent liabilities	976,000	832,000	-	1,808,000
Total liabilities	1,185,883	1,959,962	470,053	3,615,898
NET POSITION				
Net investment in capital assets	2,104,179	2,774,450	-	4,878,629
Unrestricted/(deficit)	959,706	1,538,023	(389,103)	2,108,626
Total net position	\$ 3,063,885	\$ 4,312,473	\$ (389,103)	\$ 6,987,255

See accompanying notes.

CITY OF HURON
STATEMENT OF REVENUE, EXPENSE, AND CHANGES
IN FUND NET POSITION – PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Business-Type Activities - Enterprise Funds</u>			<u>Total Business-Type Activities</u>
	<u>Water</u>	<u>Sewer</u>	<u>Disposal</u>	
Operating Revenue				
Charges for services	\$ 1,456,366	\$ 595,784	\$ 644,278	\$ 2,696,428
Connection and impact fees	-	52,472	-	52,472
	<u>1,456,366</u>	<u>648,256</u>	<u>644,278</u>	<u>2,748,900</u>
Total operating revenue				
Operating Expense				
Personnel	113,957	105,236	26,919	246,112
Contractual services and utilities	1,127,212	3,917,351	560,506	5,605,069
Supplies and materials	175,256	46,624	8,300	230,180
Other	43,004	44,753	4,344	92,101
Depreciation	194,409	126,129	-	320,538
	<u>1,653,838</u>	<u>4,240,093</u>	<u>600,069</u>	<u>6,494,000</u>
Total operating expense				
Operating income/(loss)	<u>(197,472)</u>	<u>(3,591,837)</u>	<u>44,209</u>	<u>(3,745,100)</u>
Nonoperating Revenue/(Expense)				
Grant revenue	389,304	3,417,113	5,000	3,811,417
Other income	8,392	5,028	1,546	14,966
Interest expense	(35,274)	(27,981)	-	(63,255)
	<u>362,422</u>	<u>3,394,160</u>	<u>6,546</u>	<u>3,763,128</u>
Total nonoperating revenue/(expense)				
Net income/(loss) before transfers	164,950	(197,677)	50,755	18,028
Transfers Out	-	-	(72,811)	(72,811)
Net Income/(Loss)	<u>164,950</u>	<u>(197,677)</u>	<u>(22,056)</u>	<u>(54,783)</u>
Net Position				
Beginning of year	<u>2,898,935</u>	<u>4,510,150</u>	<u>(367,047)</u>	<u>7,042,038</u>
End of year	<u>\$ 3,063,885</u>	<u>\$ 4,312,473</u>	<u>\$ (389,103)</u>	<u>\$ 6,987,255</u>

See accompanying notes.

CITY OF HURON
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	Business-Type Activities - Enterprise Funds			Total Business-Type Activities
	Water	Sewer	Disposal	
Operating Activities				
Receipts from customers and users	\$ 1,387,652	\$ 648,067	\$ 638,667	\$ 2,674,386
Payments for contractual services and utilities	(1,127,212)	(3,302,500)	(560,506)	(4,990,218)
Payments to employees	(112,558)	(103,899)	(26,919)	(243,376)
Payments to suppliers	(172,928)	(91,377)	(19,999)	(284,304)
Net cash provided by/(used in) operating activities	<u>(25,046)</u>	<u>(2,849,709)</u>	<u>31,243</u>	<u>(2,843,512)</u>
Noncapital Financial Activities				
Payments received from other governments	246,532	3,333,934	5,962	3,586,428
Payments received from/(paid to) other funds	-	1,470,021	(461,982)	1,008,039
Net cash provided by/(used in) noncapital financing activities	<u>246,532</u>	<u>4,803,955</u>	<u>(456,020)</u>	<u>4,594,467</u>
Capital and Related Financing Activities				
Principal paid on long-term debt	(75,000)	(28,000)	-	(103,000)
Interest paid on long-term debt	(35,472)	(28,055)	-	(63,527)
Net cash used in capital and related financing activities	<u>(110,472)</u>	<u>(56,055)</u>	<u>-</u>	<u>(166,527)</u>
Net Increase/(Decrease) in Cash and Investments	111,014	1,898,191	(424,777)	1,584,428
Cash and Investments				
Beginning of year	<u>629,613</u>	<u>150,209</u>	<u>-</u>	<u>779,822</u>
End of year	<u>\$ 740,627</u>	<u>\$ 2,048,400</u>	<u>\$ (424,777)</u>	<u>\$ 2,364,250</u>
Cash Flows from Operating Activities				
Operating income/(loss)	\$ (197,472)	\$ (3,591,837)	\$ 44,209	\$ (3,745,100)
Adjustments to reconcile operating income/(loss) to net cash provided by/(used) in operating activities:				
Depreciation	194,409	126,129	-	320,538
(Increase) in accounts receivable	(74,414)	(189)	(5,611)	(80,214)
Increase in compensated absences	1,399	1,337	-	2,736
Increase in deposits	5,700	-	-	5,700
Increase/(Decrease) in accounts payable and accrued liabilities	45,332	614,851	(7,355)	652,828
Net Cash Provided by/(Used in) Operating Activities	<u>\$ (25,046)</u>	<u>\$ (2,849,709)</u>	<u>\$ 31,243</u>	<u>\$ (2,843,512)</u>

See accompanying notes.

**CITY OF HURON
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2021**

	Pension Plan Trust Fund	Successor Agency Private-Purpose Trust Fund
Assets		
Cash and investments	\$ 33,480	\$ 235,841
Total assets	33,480	235,841
Liabilities		
Accounts payable and accrued liabilities	-	9,597
Interest payable	-	10,717
Long-term debt, net of bond premiums	-	3,216,194
Total liabilities	-	3,236,508
Net Position		
Held in trust for other governments	\$ 33,480	\$ (3,000,667)

See accompanying notes.

**CITY OF HURON
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2021**

	Pension Plan Trust Fund	Successor Agency Private-Purpose Trust Fund
Additions		
Property taxes	\$ -	\$ 253,830
Interest income	-	16
Total additions	-	253,846
Deductions		
Administrative costs	-	46,144
Interest expense	-	100,885
Total deductions	-	147,029
Nonoperating Expense		
Transfer out	-	(8,364)
Change in Net Position	-	98,453
Net Position		
Beginning of year, restated	33,480	(3,099,120)
End of year	\$ 33,480	\$ (3,000,667)

See accompanying notes.

**CITY OF HURON
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Reporting Entity

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

Basis of Presentation – Fund Accounting

Government-Wide Financial Statements – The Government-Wide Financial Statements (the Statement of Net Position and the Statement of Activities) report information of all of the nonfiduciary activities of the City and its component units. For the most part, eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the City and between the City and any discretely presented component unit. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely significantly 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 are clearly identifiable to a particular function. Program revenues include 1) charges paid by the recipients of goods or services offered by the programs and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

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

Fund Financial Statements – The Fund Financial Statements provide information about the City's funds, including fiduciary funds and the blended component units. 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 fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation – Fund Accounting (Continued)

The City reports the following major governmental funds:

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

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

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

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

Measure C Fund – The Measure C Fund was established to account for the monies received from the County of Fresno which are used to repair the streets and roads.

CARES Act Fund – The Coronavirus Aid, Relief, and Economic Security (CARES) Act Fund was established to account for the monies received from the State of California for COVID-19 relief funding.

The City reports the following major enterprise funds:

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

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

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

The City reports the following additional fund types:

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

Pension Trust Fund – The Pension Trust Fund accounts for assets held by the City as a trustee for the pension plan.

Basis of Accounting

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

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

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

Financial Statement Amounts

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

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

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

Accounts Receivable – Billed but unpaid services provided to individuals or non-governmental entities are recorded as accounts receivable. The Proprietary Funds include a year-end accrual for services through June 30, 2021, which have not yet been billed.

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

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Amounts (Continued)

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the Government-Wide Financial Statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Betterments and major improvements which significantly increase values, change capacities, or extend useful lives are capitalized. Upon sale or retirement of capital assets, the cost and related accumulated depreciation are removed from the respective accounts and any resulting gain or loss is included in the results of operations.

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

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

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

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

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

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Amounts (Continued)

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

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

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

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

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

Use of Estimates – The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

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

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

NOTE 3 – CASH AND INVESTMENTS

The City pools all of its cash and investments except those funds required to be held by outside fiscal agents under the provisions of bond indentures. Interest income earned on pooled cash is allocated to the various funds on average cash balances. Interest income from cash investments held with fiscal agents is credited directly to the related funds.

Cash and investments as of June 30, 2021, are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and Investments	\$ 4,443,113
Fiduciary Funds:	
Cash and Investments	<u>269,321</u>
Total Cash and Investments	<u>\$ 4,712,434</u>

Cash and investments as of June 30, 2021, consist of the following:

Deposits with Financial Institutions	<u>\$ 4,712,434</u>
Total Cash and Investments	<u>\$ 4,712,434</u>

Fair Value Measurements

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

NOTE 3 – CASH AND INVESTMENTS (Continued)

Fair Value Measurements (Continued)

Level 1: Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.

Level 2: Inputs to valuation methodology include inputs – other than quoted prices included within Level 1 – that are observable for an asset or liability, either directly or indirectly.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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

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

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

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

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

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

NOTE 3 – CASH AND INVESTMENTS (Continued)

Investments Authorized by Debt Agreements

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

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

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

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.

Concentration of Credit Risk

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

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

NOTE 3 – CASH AND INVESTMENTS (Continued)

Custodial Credit Risk (Continued)

\$4,067,694 of the City's deposits with financial institutions was in excess of federal depository insurance limits.

The custodial risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

Investment in State Investment Pool

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

NOTE 4 – NOTES RECEIVABLE

The City is the recipient of Community Development Block Grant and Home Program Funds. The funds are provided to use for housing and business loans to qualified recipients at various below market interest rates ranging from 0 to 4%. The terms of the loans range between fifteen and thirty years. All loans are secured by deeds of trust. The amount outstanding as of June 30, 2021, is \$6,586,980.

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2021, was as follows:

	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021
Governmental Activities				
Capital assets, not being depreciated				
Land	\$ 2,770,935	\$ -	\$ -	\$ 2,770,935
Total capital assets, not being depreciated	<u>2,770,935</u>	<u>-</u>	<u>-</u>	<u>2,770,935</u>
Capital assets, being depreciated				
Buildings and improvements	12,605,249	-	-	12,605,249
Machinery and equipment	1,258,757	75,320	-	1,334,077
Total capital assets, being depreciated	<u>13,864,006</u>	<u>75,320</u>	<u>-</u>	<u>13,939,326</u>
Less accumulated depreciation for:				
Buildings and improvements	(2,328,440)	(338,262)	-	(2,666,702)
Machinery and equipment	(830,791)	(100,129)	-	(930,920)
Total accumulated depreciation	<u>(3,159,231)</u>	<u>(438,391)</u>	<u>-</u>	<u>(3,597,622)</u>
Total capital assets, being depreciated, net	<u>10,704,775</u>	<u>(363,071)</u>	<u>-</u>	<u>10,341,704</u>
Governmental activities capital assets, net	<u>\$ 13,475,710</u>	<u>\$ (363,071)</u>	<u>\$ -</u>	<u>\$ 13,112,639</u>

NOTE 5 – CAPITAL ASSETS (Continued)

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

Governmental Functions:	
General Government	\$ 20,175
Public Safety	183,399
Public Works	183,074
Parks and Recreation	<u>51,743</u>
	<u>\$ 438,391</u>

	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021
Business-Type Activities				
Capital assets, not being depreciated				
Land	\$ 212,547	\$ -	\$ -	\$ 212,547
Construction in progress	<u>530,885</u>	<u>-</u>	<u>-</u>	<u>530,885</u>
Total capital assets, not being depreciated	<u>743,432</u>	<u>-</u>	<u>-</u>	<u>743,432</u>
Capital assets, being depreciated				
Buildings	297,513	-	-	297,513
Improvements other than buildings	12,917,017	-	-	12,917,017
Machinery and equipment	<u>712,440</u>	<u>-</u>	<u>-</u>	<u>712,440</u>
Total capital assets, being depreciated	<u>13,926,970</u>	<u>-</u>	<u>-</u>	<u>13,926,970</u>
Less accumulated depreciation for:				
Buildings	(162,484)	(7,315)	-	(169,799)
Improvements other than buildings	(6,858,898)	(286,439)	-	(7,145,337)
Machinery and equipment	<u>(548,853)</u>	<u>(26,784)</u>	<u>-</u>	<u>(575,637)</u>
Total accumulated depreciation	<u>(7,570,235)</u>	<u>(320,538)</u>	<u>-</u>	<u>(7,890,773)</u>
Total capital assets, being depreciated, net	<u>6,356,735</u>	<u>(320,538)</u>	<u>-</u>	<u>6,036,197</u>
Business-type activities capital assets, net	<u>\$ 7,100,167</u>	<u>\$ (320,538)</u>	<u>\$ -</u>	<u>\$ 6,779,629</u>

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

Business-Type Functions:	
Water	\$ 194,409
Sewer	<u>126,129</u>
	<u>\$ 320,538</u>

NOTE 6 – LONG-TERM DEBT

	Balance July 1, 2020	Additions	Retirements	Balance June 30, 2021	Current Portion
Governmental Activity Long-Term Debt					
2016 Capital Leases	\$ 7,842	\$ -	\$ (7,842)	\$ -	\$ -
2017 Capital Lease	14,433	-	(14,433)	-	-
Street Sweeper Loan	245,663	-	(51,607)	194,056	54,039
	<u>\$ 267,938</u>	<u>\$ -</u>	<u>\$ (73,882)</u>	<u>\$ 194,056</u>	<u>\$ 54,039</u>
Business-Type Activity Long-Term Debt					
2019 Water Refunding Bonds	\$ 1,119,000	\$ -	\$ (75,000)	\$ 1,044,000	\$ 68,000
2019 Sewer Refunding Bonds	885,000	-	(28,000)	857,000	25,000
	<u>\$ 2,004,000</u>	<u>\$ -</u>	<u>\$ (103,000)</u>	<u>\$ 1,901,000</u>	<u>\$ 93,000</u>
Compensated Absences					
Governmental Activities	\$ 42,587	\$ 30,704	\$ -	\$ 73,291	
Business-Type Activities	\$ 7,109	\$ 2,736	\$ -	\$ 9,845	

2016 Capital Leases – In 2016, the City entered into several capital lease agreements totaling \$197,904 for the purchase of five police vehicles. The agreements bear interest at 3.5% with monthly payments of \$4,429 through August 2020.

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

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

2001 USDA Water Loan Payable – U.S. Department of Agriculture (USDA) water plant revenue bonds in the amount of \$986,000 were issued in 2002. Interest in the amount of 4.5% was due semiannually. Principal was paid annually. These bonds were refinanced and consolidated with the 2019 Water Refunding Bonds.

1980 Water Revenue Bonds – Water revenue bonds in the amount of \$199,000 were issued in 1980. Interest in the amount of 5% was due semi-annually. Principal was paid annually. These bonds were refinanced and consolidated with the 2019 Water Refunding Bonds.

1980 Sewer Revenue Bonds – Sewer revenue bonds in the amount of \$44,000 were issued in 1980. Interest in the amount of 5% was due semi-annually. Principal was paid annually. These bonds were refinanced and consolidated with the 2019 Sewer Refunding Bonds.

1991 Water COP Payable – Water Certificates of Participation (COPs) payable to the USDA dated December 1, 1991, in the original amount of \$848,000 at 5.0% interest and payable semi-annually commencing December 1, 1992. Principal was due annually commencing December 1, 1993, with final payment due December 1, 2031. Proceeds were used to construct a water treatment plant and storage tank. The COPs are secured by water revenues. These COPs were refinanced and consolidated with the 2019 Water Refunding Bonds.

1991 Sewer COP Payable – Sewer COPs in the amount of \$1,058,500 were issued in 2005. Interest in the amount of 4.25% was due semi-annually. Principal was paid annually. These COPs were refinanced and consolidated with the 2019 Sewer Refunding Bonds.

NOTE 6 – LONG-TERM DEBT (Continued)

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

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

The annual requirement to amortize the principal and interest on all long-term debt at June 30, 2021, are as follows:

Year Ending June 30,	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2022	\$ 54,039	\$ 19,013	\$ 93,000	\$ 60,262
2023	56,381	18,065	97,000	57,314
2024	58,824	17,911	97,000	54,239
2025	24,812	17,756	100,000	51,164
2026	-	-	100,000	47,994
2027-2031	-	-	471,000	191,246
2032-2036	-	-	381,000	126,008
2037-2041	-	-	412,000	63,051
2042-2044	-	-	150,000	9,637
	<u>\$ 194,056</u>	<u>\$ 72,745</u>	<u>\$ 1,901,000</u>	<u>\$ 660,915</u>

NOTE 7 – INTERFUND TRANSFERS

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

	Transfers In	Transfers Out
Major Governmental Funds:		
General Fund	\$ 81,175	\$ -
Major Enterprise Funds:		
Disposal Fund	-	72,811
Fiduciary Funds:		
Successor Agency	-	8,364
	<u>\$ 81,175</u>	<u>\$ 81,175</u>

NOTE 8 – DEFICIT FUND BALANCES

The following funds had a deficit fund balance at June 30, 2021, which will be covered with future income:

Governmental Funds:	
HOME	\$ (366,452)
Enterprise Funds:	
Disposal	(389,103)
Non-Major Funds:	
Animal Shelter	(23,143)
USDA OPIOID	(2,708)
Fresno Housing Authority	(1,880)
Andrew Smith Property Lease	(2,440)

NOTE 9 – DEFERRED INFLOWS OF RESOURCES

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

Deferred notes receivable	<u><u>\$ 6,586,980</u></u>
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NOTE 10 – RISK MANAGEMENT

The City participates with other public entities in a joint venture under a joint 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 through the CSJVRMA. The City has the right to receive dividends or the obligation to pay assessments based on a formula which, among other expenses, charges the City's account for liability losses under \$50,000. The CSJVRMA purchases excess reinsurance from \$1,000,000 to \$15,000,000.

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

The latest audited financial information and the most current information available for CSJVRMA for fiscal year ended June 30, 2021, is as follows:

Total assets	\$ 150,621,596
Total liabilities	<u>129,774,819</u>
Net position	<u><u>\$ 20,846,777</u></u>
Total revenues	\$ 56,130,164
Total expenses	<u>55,047,729</u>
Increase in net position	<u><u>\$ 1,082,435</u></u>

NOTE 11 – CONTINGENCIES

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

NOTE 12 – SUBSEQUENT EVENTS

The City evaluated subsequent events for recognition and disclosure through October 14, 2022, the date which these financial statements were available to be issued. Management concluded that no material subsequent events have occurred since June 30, 2021, that required recognition or disclosure in such financial statements.

NOTE 13 – PRIOR PERIOD ADJUSTMENTS

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

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

	<u>Government-Wide Statement of Activities Governmental Activities</u>
Net position at June 30, 2020, as previously reported	\$ 23,282,536
Overstatement of revenue and accounts receivable	<u>(152,788)</u>
Net position at June 30, 2020, restated	<u><u>\$ 23,129,748</u></u>

NOTE 14 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The following funds incurred expenditures in excess of appropriations in the following amounts for the year ended June 30, 2021:

General Fund:		
Current		
General Government	\$	(108,080)
Public Safety		(62,350)
Parks and Recreation		(114,884)
Capital Outlay		(55,320)
Debt Service		
Principal		(22,158)
Interest and Other Charges		(299)
HOME Fund:		
Current		
Community Development		(72,127)
CDBG Fund:		
Current		
General Government		(24,368)
Community Development		(7,152)
LTF Fund:		
Public Works		(74,666)
Debt Service		
Principal		(51,724)
Interest		(9,515)
CARES Act:		
Public works		(110,483)
Parks and Recreation		(24,495)

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

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF HURON
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
Revenue				
Taxes	\$ 470,000	\$ 470,000	\$ 1,552,464	\$ 1,082,464
Licenses, permits, and impact fees	315,000	315,000	375,759	60,759
Intergovernmental	917,000	917,000	88,994	(828,006)
Charges for services	141,500	141,500	3,454	(138,046)
Fines and forfeitures	16,600	16,600	66,043	49,443
Use of money or property	50,500	50,500	57,249	6,749
Other	433,100	433,100	92,306	(340,794)
Total revenue	<u>2,343,700</u>	<u>2,343,700</u>	<u>2,236,269</u>	<u>(107,431)</u>
Expenditures				
Current				
General government	511,093	511,093	619,173	(108,080)
Public works	90,500	90,500	77,600	12,900
Public safety	1,338,300	1,338,300	1,400,650	(62,350)
Parks and recreation	-	-	114,884	(114,884)
Community development	360,340	360,340	316,089	44,251
Capital outlay	20,000	20,000	75,320	(55,320)
Debt service				
Principal	-	-	22,158	(22,158)
Interest and other charges	-	-	299	(299)
Total expenditures	<u>2,320,233</u>	<u>2,320,233</u>	<u>2,626,173</u>	<u>(305,940)</u>
Revenue over/(under) expenditures	23,467	23,467	(389,904)	(413,371)
Other Financing Sources				
Transfers in	-	-	81,175	81,175
Total other financing sources	<u>-</u>	<u>-</u>	<u>81,175</u>	<u>81,175</u>
Net Change in Fund Balance	<u>\$ 23,467</u>	<u>\$ 23,467</u>	(308,729)	<u>\$ (332,196)</u>
Fund Balance				
Beginning of year			<u>549,658</u>	
End of year			<u>\$ 240,929</u>	

**CITY OF HURON
BUDGETARY COMPARISON SCHEDULE
HOME FUND
FOR THE YEAR ENDED JUNE 30, 2021**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
Revenue				
Loan repayments	\$ -	\$ -	\$ 41,653	\$ 41,653
Total revenue	-	-	41,653	41,653
Expenditures				
Current				
Community development	-	-	72,127	(72,127)
Total expenditures	-	-	72,127	(72,127)
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	(30,474)	<u>\$ (30,474)</u>
Fund Balance				
Beginning of year			<u>(335,978)</u>	
End of year			<u>\$ (366,452)</u>	

**CITY OF HURON
BUDGETARY COMPARISON SCHEDULE
CDBG FUND
FOR THE YEAR ENDED JUNE 30, 2021**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
Revenue				
Use of money or property	\$ -	\$ -	\$ 19	\$ 19
Loan repayments	-	-	7,300	7,300
Total revenue	-	-	7,319	7,319
Expenditures				
Current				
General government	-	-	24,368	(24,368)
Community development	-	-	7,152	(7,152)
Total expenditures	-	-	31,520	(31,520)
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	(24,201)	<u>\$ (24,201)</u>
Fund Balance				
Beginning of year, as previously stated			288,464	
Prior period adjustment			<u>(152,788)</u>	
Beginning of year, restated			<u>135,676</u>	
End of year			<u>\$ 111,475</u>	

**CITY OF HURON
BUDGETARY COMPARISON SCHEDULE
LTF FUND
FOR THE YEAR ENDED JUNE 30, 2021**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
Revenue				
Intergovernmental	\$ 260,000	\$ 260,000	\$ 311,797	\$ 51,797
Total revenue	<u>260,000</u>	<u>260,000</u>	<u>311,797</u>	<u>51,797</u>
Expenditures				
Current				
Public works	-	-	74,666	(74,666)
Debt service				
Principal	-	-	51,724	(51,724)
Interest	-	-	9,515	(9,515)
Total expenditures	<u>-</u>	<u>-</u>	<u>135,905</u>	<u>(135,905)</u>
Revenue over/(under) expenditures	<u>260,000</u>	<u>260,000</u>	<u>175,892</u>	<u>(84,108)</u>
Net Change in Fund Balance	<u>\$ 260,000</u>	<u>\$ 260,000</u>	175,892	<u>\$ (84,108)</u>
Fund Balance				
Beginning of year			<u>1,119,653</u>	
End of year			<u>\$ 1,295,545</u>	

**CITY OF HURON
BUDGETARY COMPARISON SCHEDULE
MEASURE C FUND
FOR THE YEAR ENDED JUNE 30, 2021**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
Revenue				
Intergovernmental	\$ 240,000	\$ 240,000	\$ 281,057	\$ 41,057
Use of money or property	-	-	195	195
Other	-	-	10	10
Total revenue	<u>240,000</u>	<u>240,000</u>	<u>281,057</u>	<u>41,057</u>
Expenditures				
Current				
Public works	<u>1,404,166</u>	<u>1,404,166</u>	<u>568,163</u>	<u>836,003</u>
Total expenditures	<u>1,404,166</u>	<u>1,404,166</u>	<u>568,163</u>	<u>836,003</u>
Revenue over/(under) expenditures	<u>(1,164,166)</u>	<u>(1,164,166)</u>	<u>(287,106)</u>	<u>877,060</u>
Net Change in Fund Balance	<u>\$ (1,164,166)</u>	<u>\$ (1,164,166)</u>	(287,106)	<u>\$ 877,060</u>
Fund Balance				
Beginning of year			<u>847,379</u>	
End of year			<u>\$ 560,273</u>	

**CITY OF HURON
BUDGETARY COMPARISON SCHEDULE
CARES FUND
FOR THE YEAR ENDED JUNE 30, 2021**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
Revenue				
Intergovernmental	\$ -	\$ -	\$ 1,054,320	\$ 1,054,320
Total revenue	-	-	1,054,320	1,054,320
Expenditures				
Current				
Public works	-	-	110,483	(110,483)
Parks and recreation	-	-	24,495	(24,495)
Total expenditures	-	-	134,978	(134,978)
Revenue over/(under) expenditures	-	-	919,342	919,342
Net Change in Fund Balance	\$ -	\$ -	919,342	\$ 919,342
Fund Balance				
Beginning of year			-	
End of year			\$ 919,342	

SUPPLEMENTAL ONLY INFORMATION

**CITY OF HURON
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2021**

	Special Revenue Funds			
	Gas Tax	Public Safety	Streets	Park Grant
ASSETS				
Cash and investments	\$ 331,956	\$ 61,293	\$ 67,224	\$ -
Due from other governments	-	-	-	122
Total assets	\$ 331,956	\$ 61,293	\$ 67,224	\$ 122
LIABILITIES AND FUND BALANCES				
Liabilities				
Cash overdrawn	\$ -	\$ -	\$ -	\$ 122
Accounts payable and accrued expenses	3,856	-	66,315	-
Total liabilities	3,856	-	66,315	122
Fund Balances				
Restricted				
Circulation improvements	328,100	61,293	909	-
Capital projects	-	-	-	-
Landscape maintenance	-	-	-	-
Unrestricted	-	-	-	-
Total fund balances	328,100	61,293	909	-
Total liabilities and fund balances	\$ 331,956	\$ 61,293	\$ 67,224	\$ 122

See accompanying notes.

CITY OF HURON
COMBINING BALANCE SHEET (Continued)
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2021

	Special Revenue Funds			
	Animal Shelter	USDA OPIOID	Fresno Housing Authority	Andrew Smith Property Lease
ASSETS				
Cash and investments	\$ -	\$ -	\$ -	\$ -
Due from other governments	-	-	-	-
Total assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Cash overdrawn	\$ 22,518	\$ 2,708	\$ 1,880	\$ 2,440
Accounts payable and accrued expenses	625	-	-	-
Total liabilities	<u>23,143</u>	<u>2,708</u>	<u>1,880</u>	<u>2,440</u>
Fund Balances				
Restricted				
Circulation improvements	-	-	-	-
Capital projects	-	-	-	-
Landscape maintenance	-	-	-	-
Unrestricted	<u>(23,143)</u>	<u>(2,708)</u>	<u>(1,880)</u>	<u>(2,440)</u>
Total fund balances	<u>(23,143)</u>	<u>(2,708)</u>	<u>(1,880)</u>	<u>(2,440)</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes.

CITY OF HURON
COMBINING BALANCE SHEET (Continued)
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2021

	<u>Special Revenue Funds</u>		<u>Capital Projects Fund</u>	Total Nonmajor Governmental Funds
	<u>Landscape District</u>	<u>SB1</u>	<u>Public Impact Fees</u>	
ASSETS				
Cash and investments	\$ 151,321	\$ 350,510	\$ 233,434	\$ 1,195,738
Due from other governments	-	13,190	-	13,312
Total assets	<u>\$ 151,321</u>	<u>\$ 363,700</u>	<u>\$ 233,434</u>	<u>\$ 1,209,050</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Cash overdrawn	\$ -	\$ -	\$ -	\$ 29,668
Accounts payable and accrued expenses	-	357	-	71,153
Total liabilities	<u>-</u>	<u>357</u>	<u>-</u>	<u>100,821</u>
Fund Balances				
Restricted				
Circulation improvements	-	363,343	-	753,645
Capital projects	-	-	233,434	233,434
Landscape maintenance	151,321	-	-	151,321
Unrestricted	<u>-</u>	<u>-</u>	<u>-</u>	<u>(30,171)</u>
Total fund balances	<u>151,321</u>	<u>363,343</u>	<u>233,434</u>	<u>1,108,229</u>
Total liabilities and fund balances	<u>\$ 151,321</u>	<u>\$ 363,700</u>	<u>\$ 233,434</u>	<u>\$ 1,209,050</u>

See accompanying notes.

CITY OF HURON
COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	Special Revenue Funds			
	Gas Tax	Public Safety	Streets	Park Grant
Revenue				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses, permits, and impact fees	-	-	-	-
Intergovernmental	161,714	161,285	-	-
Use of money or property	31	-	-	-
Other	-	-	-	-
Total revenue	<u>161,745</u>	<u>161,285</u>	<u>-</u>	<u>-</u>
Expenditures				
Current				
Public works	206,703	-	31,246	-
Public safety	-	99,992	-	-
Parks and recreation	-	-	-	-
Community development	-	-	-	-
Total expenditures	<u>206,703</u>	<u>99,992</u>	<u>31,246</u>	<u>-</u>
Revenue over/(under) expenditures	(44,958)	61,293	(31,246)	-
Other financing sources/(uses)				
Transfers in/(out) - net	-	-	-	-
Total other financing sources/(uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(44,958)	61,293	(31,246)	-
Fund Balances				
Beginning of year	<u>373,058</u>	<u>-</u>	<u>32,155</u>	<u>-</u>
End of year	<u>\$ 328,100</u>	<u>\$ 61,293</u>	<u>\$ 909</u>	<u>\$ -</u>

See accompanying notes.

CITY OF HURON
COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES (Continued)
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	Special Revenue Funds			
	Animal Shelter	USDA OPIOID	Fresno Housing Authority	Andrew Smith Property Lease
Revenue				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses, permits, and impact fees	-	-	-	-
Intergovernmental	-	-	-	-
Use of money or property	-	-	-	-
Other	-	-	309	-
Total revenue	<u>-</u>	<u>-</u>	<u>309</u>	<u>-</u>
Expenditures				
Current				
Public works	23,143	2,708	2,189	-
Public safety	-	-	-	-
Parks and recreation	-	-	-	2,440
Community development	-	-	-	-
Total expenditures	<u>23,143</u>	<u>2,708</u>	<u>2,189</u>	<u>2,440</u>
Revenue over/(under) expenditures	(23,143)	(2,708)	(1,880)	(2,440)
Other financing sources/(uses)				
Transfers in/(out) - net	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources/(uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(23,143)	(2,708)	(1,880)	(2,440)
Fund Balances				
Beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
End of year	<u>\$ (23,143)</u>	<u>\$ (2,708)</u>	<u>\$ (1,880)</u>	<u>\$ (2,440)</u>

See accompanying notes.

CITY OF HURON
COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES (Continued)
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Special Revenue Funds</u>		<u>Capital Projects Fund</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Landscape District</u>	<u>SB1</u>	<u>Public Impact Fees</u>	
Revenue				
Taxes	\$ 24,588	\$ -	\$ -	\$ 24,588
Licenses, permits, and impact fees	-	-	97,325	97,325
Intergovernmental	-	123,845	-	446,844
Use of money or property	-	23	-	54
Other	-	-	-	309
Total revenue	<u>24,588</u>	<u>123,868</u>	<u>97,325</u>	<u>569,120</u>
Expenditures				
Current				
Public works	25,591	357	1,999	293,936
Public safety	-	-	-	99,992
Parks and recreation	-	-	-	2,440
Community development	-	-	76,765	76,765
Total expenditures	<u>25,591</u>	<u>357</u>	<u>78,764</u>	<u>473,133</u>
Revenue over/(under) expenditures	(1,003)	123,511	18,561	95,987
Other financing sources/(uses)				
Transfers in/(out) - net	-	-	-	-
Total other financing sources/(uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(1,003)	123,511	18,561	95,987
Fund Balances				
Beginning of year	<u>152,324</u>	<u>239,832</u>	<u>214,873</u>	<u>1,012,242</u>
End of year	<u>\$ 151,321</u>	<u>\$ 363,343</u>	<u>\$ 233,434</u>	<u>\$ 1,108,229</u>

See accompanying notes.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Huron, California (the City), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 14, 2022.

Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs, that we consider to be a material weakness: 2021-001.

Report on 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

The City's Response to Finding

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
October 14, 2022

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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Huron's (the City) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on the City's major federal program for the year ended June 30, 2021. The City's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

*Brown Armstrong
Accountancy Corporation*

Bakersfield, California
October 14, 2022

**CITY OF HURON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Assistance Listing Number</u>	<u>Agency or Pass-Through Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Housing and Urban Development</u>			
Passed through State Department of Housing and Community Development:			
Community Development Block Grant/State's Program	14.228	16-CDBG-1141	\$ 34,227
Total U.S. Department of Housing and Urban Development			<u>34,227</u>
<u>U.S. Department of Justice</u>			
Passed through the County of Fresno:			
Public Safety Partnership and Community Policing	16.710	2020UMWX0010	99,992
Total U.S. Department of Justice			<u>99,992</u>
<u>U.S. Department of Transportation</u>			
Passed through the California Department of Transportation:			
Congestion Mitigation and Air Quality Agreement	20.205	CML-5305(18)	31,247
Total U.S. Department of Transportation			<u>31,247</u>
<u>U.S. Department of Treasury</u>			
Coronavirus Relief Fund	21.019		84,800
Total U.S. Department of Treasury			<u>84,800</u>
<u>U.S. Department of Agriculture</u>			
Passed through the California State Water Resources Control Board:			
Emergency Community Water Assistance Grant	66.458	1010044-001C	364,803
Emergency Community Water Assistance Grant	66.458	C-06-8093-210	3,494,519
Total U.S. Department of Agriculture			<u>3,859,322</u>
<u>U.S. Department of Homeland Security</u>			
FEMA - CARES ACT	97.036		50,178
Total U.S. Department of Homeland Security			<u>50,178</u>
Total Federal Expenditures			<u>\$ 4,159,766</u>

CITY OF HURON
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 2 – BASIS OF ACCOUNTING

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

NOTE 3 – ASSISTANCE LISTING (AL) NUMBERS

The assistance listing numbers included in the accompanying SEFA were determined based on program name, review of grant contract information, and the Office of Management and Budget's Assistance Listing.

NOTE 4 – RELATIONSHIP TO THE FINANCIAL STATEMENTS

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

NOTE 5 – INDIRECT COST RATE

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

**CITY OF HURON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021**

I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness identified? X Yes No

Reportable conditions identified that are not considered to be material weaknesses? Yes X None reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major federal programs:

Material weakness identified? Yes X No

Reportable conditions identified that are not considered to be material weaknesses? Yes X None reported

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

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance? Yes X No

Identification of major programs:

<u>Assistance Listing Number(s)</u>	<u>Name of Federal Program or Clusters</u>
66.458	Emergency Community Water Assistance Grant

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

Auditee qualified as low risk auditee? Yes X No

II. Findings Relating to Financial Statements Required Under Generally Accepted Government Auditing Standards

2021-001 Internal Controls over Financial Reporting (Material Weakness)

Criteria:

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

Condition:

During the audit of the City of Huron's (the City) financial statements, we identified misstatements in the City's general ledger account balances which necessitated the proposal of audit adjustments.

Cause:

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

Effect:

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

Repeat Finding:

This is a repeat finding from fiscal year June 30, 2020.

Recommendation:

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

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

Management Response:

See Corrective Action Plan attached.

III. Federal Award Findings and Questioned Costs

None noted.

IV. A Summary of Prior Audit (all June 30, 2020) Findings and Current Year Status Follows

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

Criteria:

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

Condition:

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

Cause:

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

Effect:

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

Repeat Finding:

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

Recommendation:

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

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

Current Year Status:

Implemented.

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

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

Condition:

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

Cause:

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

Effect:

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

Recommendation:

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

Current Year Status:

Implemented.



City of Huron

36311 Lassen Ave./PO Box 339, Huron, CA 93234-0339 • (559) 945-2241 Phone • (559) 945-2609 Fax

CITY OF HURON CORRECTIVE ACTION PLAN FOR THE YEAR ENDED JUNE 30, 2021

FINANCIAL STATEMENT FINDINGS

Finding 2021-001 – Controls over Financial Reporting

Management's Response or Department's Response

Management agrees with the recommendation.

Views of Responsible Officials and Corrective Action

Establish an updated FYE Close-Out Process that will have prepared reconciliation tables and schedules in accordance with auditor recommendations prior to the start of auditor field work. This is already built into the accounting system, Incode ERP 10 (see clipping on 2nd page).

Reinstate the City's membership with Government Finance Officers Association (GFOA) and give all finance department staff members access to training for accounting specific to governmental entities to ensure that they are current with all financial accounting and reporting requirements as directed by the Governmental Accounting Standards Board (GASB).

Anticipated Completion Date

Date: In progress

Contact Information of Responsible Official

Name: John Kunkel
Title: Interim City Manager
Phone: 559-945-2241 ext.106

Name: Balvina Caldera
Title: Accountant/Office Manager
Phone: 559-945-2241 ext.100



City of Huron

36311 Lassen Ave./PO Box 339, Huron, CA 93234-0339 • (559) 945-2241 Phone • (559) 945-2609 Fax

Fiscal Year 2020-2021 ▼

^ System

Create FYE Backup

^ Accounts Payable

Aging Report

Open Payable Report

Expense Approval Report

Check Report

^ Personnel Management

Employee Leave Report

Leave End Of Year Process

^ Bank Reconciliation

Bank Transaction Report

Update final Bank Reconciliation Process

^ Project Accounting

Project Balance Report

^ General Ledger

Transaction Report

Detail Report

Income Statement Report

Trial Balance Report

Balance Sheet Report

Pooled Cash Report

Account Listing Report

Period Management Tool

Close Fiscal Process