# CITY OF HUGHSON

## Annual Financial Report

## June 30, 2009

MACIAS GINI & O'CONNELL LLP

CERTIFIED PUBLIC ACCOUNTANTS & MANAGEMENT CONSULTANTS

**CITY OF HUGHSON**
**Annual Financial Report**
**June 30, 2009**

***Table of Contents***

***Page***


**Financial Section**

Independent Auditor's Report ..... 1

**Basic Financial Statements:**

Government-wide Financial Statements:
- Statement of Net Assets ..... 3
- Statement of Activities ..... 4

Fund Financial Statements:
- Balance Sheet – Governmental Funds ..... 6
- Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets ..... 8
- Statement of Revenues, Expenditures and Changes In Fund Balances – Governmental Funds ..... 10
- Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities ..... 12
- Statement of Net Assets – Proprietary Funds ..... 14
- Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds ..... 16
- Statement of Cash Flows – Proprietary Funds ..... 18
- Statement of Assets and Liabilities – Agency Fund ..... 22
- Notes to Financial Statements ..... 23

**REQUIRED SUPPLEMENTARY INFORMATION (unaudited)**

- General Fund – Budgetary Comparison Schedule ..... 48
- Home Loan Special Revenue Fund – Budgetary Comparison Schedule ..... 49
- Local Transportation Special Revenue Fund – Budgetary Comparison Schedule ..... 50
- Note to Required Supplementary Information ..... 51

**SUPPLEMENTARY INFORMATION**

Major Funds:
- Redevelopment Agency Debt Service Fund – Budgetary Comparison Schedule ..... 54
- Redevelopment Agency Capital Projects Fund – Budgetary Comparison Schedule ..... 55

**CITY OF HUGHSON**
**Annual Financial Report**
**June 30, 2009**

***Table of Contents (Continued)***

***Page***

**SUPPLEMENTARY INFORMATION (Continued)**


Nonmajor Funds:
- Description of Nonmajor Governmental Funds ..... 56
- Combining Balance Sheet – Nonmajor Governmental Funds ..... 58
- Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds ..... 62

Budgetary Comparison Schedule – Nonmajor Funds:
- Gas Tax Special Revenue Fund ..... 66
- Vehicle Abatement Special Revenue Fund ..... 67
- CDBG Rehab Special Revenue Fund ..... 68
- CDBG Grants Special Revenue Fund ..... 69
- Public Safety Augmentation Special Revenue Fund ..... 70
- Solid Waste Management Special Revenue Fund ..... 71
- Storm Drain Special Revenue Fund ..... 72
- Traffic Special Revenue Fund ..... 73
- SLESF Special Revenue Fund ..... 74
- CLEEP Special Revenue Fund ..... 75
- Redevelopment Housing Special Revenue Fund ..... 76
- Lighting and Landscaping Special Revenue Fund ..... 77
- Benefit Assessment Special Revenue Fund ..... 78
- Community Enhancement Special Revenue Fund ..... 79
- Public Facilities Capital Project Fund ..... 80
- Transportation Capital Projects Fund ..... 81
- Municipal Park Capital Projects Fund ..... 82
- Parks Development Impact Fees Capital Projects Fund ..... 83

Nonmajor Enterprise Funds:
- Combining Statement of Net Assets ..... 84
- Combining Statement of Revenues, Expenses and Changes in Fund Net Assets ..... 85
- Combining Statement of Cash Flows ..... 86

Agency Fund:
- Statement of Changes in Assets and Liabilities ..... 88

MACIAS GINI & O'CONNELL LLP
Certified Public Accountants & Management Consultants

NEWPORT BEACH
1201 Dove Street, Suite 680
Newport Beach, CA 92660
949.221.0025

SACRAMENTO
OAKLAND
WALNUT CREEK
LOS ANGELES
SAN DIEGO

The Honorable City Council of
the City of Hughson, California

**Independent Auditor's Report**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hughson, California, (City) as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing and opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note (5), the City has retroactively reported major general infrastructure assets, as allowed by the provisions of GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, as amended and interpreted, as of June 30, 2009.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 21, 2010 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other

matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The required supplementary information identified in the accompanying table of contents is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it. The City has not presented the management's discussion and analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

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 major fund budgetary comparison schedules and the combining and individual nonmajor fund financial statements and schedules listed as supplementary information in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The major fund budgetary comparison schedules and the combining and individual nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Macias Gini & O'Connell LLP

Certified Public Accountants
Newport Beach, CA

June 21, 2010

**CITY OF HUGHSON**
**Statement of Net Assets**
**June 30, 2009**

| | Governmental Activities | Business-type Activities | Total |
|---|---|---|---|
| **Assets:** | | | |
| Current assets: | | | |
| Cash and investments | $ 5,066,876 | $ 2,872,351 | $ 7,939,227 |
| Cash and investments with fiscal agent | 206,789 | - | 206,789 |
| Accounts receivable | 334,566 | 48,044 | 382,610 |
| Deposits | 114,909 | - | 114,909 |
| Internal balances | 13,852 | (13,852) | - |
| Noncurrent assets: | | | |
| Loans receivable | 1,288,982 | - | 1,288,982 |
| Capital assets: | | | |
| Not being depreciated | 12,605,533 | 59,880,356 | 72,485,889 |
| Being depreciated (net of accumulated depreciation) | 16,474,120 | 17,022,487 | 33,496,607 |
| Total assets | 36,105,627 | 79,809,386 | 115,915,013 |
| **Liabilities:** | | | |
| Current liabilities: | | | |
| Accounts payable and accrued liabilities | 838,141 | 206,746 | 1,044,887 |
| Interest payable | 36,908 | - | 36,908 |
| Deposits | - | 8,306 | 8,306 |
| Litigation accrual | - | 300,000 | 300,000 |
| Noncurrent liabilities: | | | |
| Due within one year | 55,000 | 371,428 | 426,428 |
| Due in more than one year | 3,127,190 | 8,950,322 | 12,077,512 |
| Total liabilities | 4,057,239 | 9,836,802 | 13,894,041 |
| **Net assets:** | | | |
| Invested in capital assets | 29,079,653 | 67,670,520 | 96,750,173 |
| Restricted for: | | | |
| Low and moderate income housing | 857,148 | - | 857,148 |
| Debt service | 483,654 | - | 483,654 |
| Specific projects and programs | 928,954 | - | 928,954 |
| Unrestricted | 698,979 | 2,302,064 | 3,001,043 |
| Total net assets | $ 32,048,388 | $ 69,972,584 | $ 102,020,972 |

See Accompanying Notes to Financial Statements.

**CITY OF HUGHSON**
**Statement of Activities**
**For the Year Ended June 30, 2009**

| Functions/Programs | Expenses | Program Revenues: Charges for Services | Program Revenues: Operating Grants and Contributions | Net (Expense) Revenue |
|---|---|---|---|---|
| **Governmental activities:** | | | | |
| General government | $ 1,838,055 | $ 166,655 | $ - | $ (1,671,400) |
| Public safety | 1,088,976 | 159,298 | | (929,678) |
| Public works | 963,092 | 634,019 | 423,822 | 94,749 |
| Parks and recreation | 62,203 | 12,498 | - | (49,705) |
| Community development | 74,496 | 51,405 | 308,756 | 285,665 |
| Interest and fiscal charges | 149,606 | - | | (149,606) |
| Total governmental activities | 4,176,428 | 1,023,875 | 732,578 | (2,419,975) |
| **Business-type activities:** | | | | |
| Sewer | 2,130,694 | 1,544,182 | - | (586,512) |
| Water | 1,808,711 | 1,111,611 | - | (697,100) |
| Community facilities | 71,637 | 38,180 | - | (33,457) |
| Total business-type activities | 4,011,042 | 2,693,973 | - | (1,317,069) |
| Total | $ 8,187,470 | $ 3,717,848 | $ 732,578 | $ (3,737,044) |

General revenues:
- Taxes:
  - Property taxes
  - Sales taxes
  - Motor vehicle in lieu taxes
  - Other taxes
- Developer assessments
- Licenses and permits
- Use of money and property
- Fines and forfeitures
- Other revenues
- Transfers

Total general revenues

Change in net assets

Net assets, beginning of year, as restated

Net assets, end of year

See Accompanying Notes to Financial Statements.

| Net (Expense) Revenue and Changes in Net Assets | | |
|---|---|---|
| **Governmental Activities** | **Business-type Activities** | **Total** |
| $ (1,671,400) | $ - | $ (1,671,400) |
| (929,678) | - | (929,678) |
| 94,749 | - | 94,749 |
| (49,705) | - | (49,705) |
| 285,665 | - | 285,665 |
| (149,606) | - | (149,606) |
| (2,419,975) | - | (2,419,975) |
| - | (586,512) | (586,512) |
| - | (697,100) | (697,100) |
| - | (33,457) | (33,457) |
| - | (1,317,069) | (1,317,069) |
| (2,419,975) | (1,317,069) | (3,737,044) |
| 891,309 | - | 891,309 |
| 454,567 | - | 454,567 |
| 499,960 | - | 499,960 |
| 96,964 | - | 96,964 |
| 115,404 | - | 115,404 |
| 45,796 | - | 45,796 |
| 145,501 | 128,109 | 273,610 |
| 85,278 | - | 85,278 |
| 44,333 | - | 44,333 |
| (32,000) | 32,000 | - |
| 2,347,112 | 160,109 | 2,507,221 |
| (72,863) | (1,156,960) | (1,229,823) |
| 32,121,251 | 71,129,544 | 103,250,795 |
| $ 32,048,388 | $ 69,972,584 | $ 102,020,972 |

**CITY OF HUGHSON**
**Balance Sheet**
**Governmental Funds**
**June 30, 2009**

| | | Special Revenue | | |
|---|---|---|---|---|
| | **General Fund** | **Home Loan Fund** | **Local Transportation Fund** | **Refuse Fund** |
| **Assets:** | | | | |
| Cash and investments | $ 739,994 | $ 36,993 | $ - | $ - |
| Cash and investments with fiscal agent | - | - | - | - |
| Accounts receivable | 76,763 | 74,502 | 94,100 | 12,631 |
| Due from other funds | 250,146 | - | - | - |
| Deposits | 114,909 | - | - | - |
| Loans receivable | - | 1,008,257 | - | - |
| Total assets | $ 1,181,812 | $ 1,119,752 | $ 94,100 | $ 12,631 |
| **Liabilities:** | | | | |
| Accounts payable and accrued liabilities | $ 251,961 | $ 74,468 | $ - | $ 91,315 |
| Deferred revenue | - | 943,290 | 94,100 | - |
| Due to other funds | - | - | 129,191 | 1,883 |
| Total liabilities | 251,961 | 1,017,758 | 223,291 | 93,198 |
| **Fund balances (deficits):** | | | | |
| Reserved: | | | | |
| Loans receivable | - | 64,967 | - | - |
| Debt service | - | | - | - |
| Unreserved - Designated for: | | | | |
| Capital projects - unbudgeted | - | - | - | - |
| Unreserved - Undesignated: | | | | |
| Reported in: | | | | |
| General fund | 929,851 | - | - | - |
| Special revenue funds | - | 37,027 | (129,191) | (80,567) |
| Capital projects funds | - | - | - | - |
| Debt service funds | - | - | - | - |
| Total fund balances (deficits) | 929,851 | 101,994 | (129,191) | (80,567) |
| Total liabilities and fund balances | $ 1,181,812 | $ 1,119,752 | $ 94,100 | $ 12,631 |

See Accompanying Notes to Financial Statements.

| Debt Service Redevelopment Agency Fund | Capital Projects Redevelopment Agency Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|---|---|---|---|
| $ 307,230 | $ 586,739 | $ 3,222,247 | $ 4,893,203 |
| 206,789 | - | - | 206,789 |
| 6,543 | 547 | 69,478 | 334,564 |
| - | - | - | 250,146 |
| - | - | - | 114,909 |
| - | - | 280,725 | 1,288,982 |
| $ 520,562 | $ 587,286 | $ 3,572,450 | $ 7,088,593 |
| | | | |
| $ - | $ 70,921 | $ 348,824 | $ 837,489 |
| - | - | - | 1,037,390 |
| - | - | 105,220 | 236,294 |
| - | 70,921 | 454,044 | 2,111,173 |
| | | | |
| - | - | 280,725 | 345,692 |
| 206,789 | - | - | 206,789 |
| - | 516,365 | - | 516,365 |
| | | | |
| - | - | - | 929,851 |
| - | - | 1,761,712 | 1,588,981 |
| - | - | 1,075,969 | 1,075,969 |
| 313,773 | - | - | 313,773 |
| 520,562 | 516,365 | 3,118,406 | 4,977,420 |
| $ 520,562 | $ 587,286 | $ 3,572,450 | $ 7,088,593 |

**CITY OF HUGHSON**
**Reconciliation of the Governmental Funds Balance Sheet**
**to the Statement of Net Assets**
**June 30, 2009**

| | | |
|---|---|---|
| Total fund balances, governmental funds | | $ 4,977,420 |
| Amounts reported for governmental activities in the Statement of Net Assets are different because: | | |
| Long-term liabilities are not due and payable in the current period, and therefore, are not reported in the governmental fund balance sheet. | | (3,182,190) |
| Interest payable on long-term debt is not accrued as a liability in the balance sheet of governmental funds. | | (36,908) |
| Capital outlays are expended in the governmental funds, but are capitalized as a part of capital assets in the statement of net assets. Capital assets are not reported in governmental funds, but are shown in the statement of net assets. | | |
| Capital assets | $ 35,188,663 | |
| Accumulated depreciation | (6,109,010) | 29,079,653 |
| Internal service funds are eliminated and their net assets are reported as part of governmental activities in the government-wide financial statements. | | 173,023 |
| Certain revenues in the governmental funds are deferred because they are not collected within the prescribed time period after year-end. However, the revenues are included on the accrual basis in the government-wide statements. | | 1,037,390 |
| Net assets of governmental activities | | $ 32,048,388 |

See Accompanying Notes to Financial Statements.

This page left blank intentionally.

**CITY OF HUGHSON**
**Statement of Revenues, Expenditures and Changes in Fund Balances**
**Governmental Funds**
**For the Year Ended June 30, 2009**

| | | Special Revenue | | |
|---|---|---|---|---|
| | General Fund | Home Loan Fund | Local Transportation Fund | Refuse |
| **Revenues:** | | | | |
| Property taxes | $ 216,254 | $ - | $ - | $ - |
| Sales and use taxes | 454,567 | - | - | - |
| Business license taxes | 19,972 | - | - | |
| Other taxes | 76,992 | - | - | |
| Licenses and permits | 45,796 | - | - | |
| Fines and forfeitures | 85,278 | - | - | |
| Use of money and property | 20,718 | 522 | - | |
| Charges for services | 114,277 | - | - | 411,322 |
| Revenues from other agencies | 503,531 | 308,756 | - | - |
| Special assessments | - | - | - | - |
| Other revenues | 366,817 | - | - | - |
| Total revenues | 1,904,202 | 309,278 | - | 411,322 |
| **Expenditures:** | | | | |
| Current: | | | | |
| General government | 829,425 | - | 281 | 431,651 |
| Public safety | 792,816 | - | - | - |
| Public works | 523,702 | - | - | - |
| Parks and recreation | 62,203 | - | - | - |
| Community development | - | 74,496 | - | |
| Capital outlay | - | - | - | - |
| Debt service: | | | | |
| Principal | - | - | - | |
| Interest and fiscal charges | - | - | - | - |
| Total expenditures | 2,208,146 | 74,496 | 281 | 431,651 |
| Excess (deficiency) of revenues over expenditures | (303,944) | 234,782 | (281) | (20,329) |
| **Other financing sources (uses):** | | | | |
| Transfers in | 80,738 | - | - | - |
| Transfers out | (32,000) | - | - | - |
| Total other financing sources (uses) | 48,738 | - | - | - |
| Net change in fund balances | (255,206) | 234,782 | (281) | (20,329) |
| Fund balances (deficits), beginning of year, as restated | 1,185,057 | (132,788) | (128,910) | (60,238) |
| Fund balances (deficits), end of year | $ 929,851 | $ 101,994 | $ (129,191) | $ (80,567) |

See Accompanying Notes to Financial Statements.

| Debt Service | Capital Projects | | |
|---|---|---|---|
| Redevelopment Agency | Redevelopment Agency | Nonmajor Governmental Funds | Total Governmental Funds |
| $ 537,067 | $ - | $ 134,415 | $ 887,736 |
| - | - | - | 454,567 |
| - | - | - | 19,972 |
| - | - | - | 76,992 |
| - | - | - | 45,796 |
| - | - | - | 85,278 |
| 31,446 | 11,242 | 80,314 | 144,242 |
| - | - | 117,471 | 643,070 |
| - | - | 306,505 | 1,118,792 |
| - | - | 51,405 | 51,405 |
| - | - | 145,537 | 512,354 |
| 568,513 | 11,242 | 835,647 | 4,040,204 |
| 106,866 | 246,465 | 82,421 | 1,697,109 |
| - | - | 173,570 | 966,386 |
| - | - | 200,173 | 723,875 |
| - | - | - | 62,203 |
| - | - | - | 74,496 |
| - | 121,481 | 588,941 | 710,422 |
| 44,000 | - | 11,000 | 55,000 |
| 120,318 | - | 30,079 | 150,397 |
| 271,184 | 367,946 | 1,086,184 | 4,439,888 |
| 297,329 | (356,704) | (250,537) | (399,684) |
| - | 500,000 | 65,609 | 646,347 |
| (500,000) | (45,000) | (101,347) | (678,347) |
| (500,000) | 455,000 | (35,738) | (32,000) |
| (202,671) | 98,296 | (286,275) | (431,684) |
| 723,233 | 418,069 | 3,404,681 | 5,409,104 |
| $ 520,562 | $ 516,365 | $ 3,118,406 | $ 4,977,420 |

**CITY OF HUGHSON**
**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities**
**For the Year Ended June 30, 2009**

| | | | |
|---|---|---|---|
| Net change in fund balances - total governmental funds: | | $ | (431,684) |
| Amounts reported for Governmental Activities in the Statement of Activities are different because: | | | |
| Internal service funds are used by management to charge the costs of activities involved in rendering services to departments within the City. The net expense of the internal service funds is included in the statement of net assets. | | | (45,342) |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period. | | | |
| Capital asset additions | $ 797,967 | | |
| Depreciation expense | (529,069) | | 268,898 |
| Issuance of long-term debt provides for current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources in governmental funds. Neither transaction has any effect on net assets. | | | |
| Principal payments | $ 55,000 | | |
| Change in interest payable | 791 | | |
| Change in compensated absences | (14,626) | | 41,165 |
| Certain revenues in the governmental funds are deferred because they are not collected within the prescribed time period after year-end. However, the revenues are included on the accrual basis used in the government-wide statements. | | | 94,100 |
| Change in net assets of governmental activities | | $ | (72,863) |

See Accompanying Notes to Financial Statements.

This page left blank intentionally.

**CITY OF HUGHSON**
**Statement of Net Assets**
**Proprietary Funds**
**June 30, 2009**

| | Business-type Activities - Enterprise Funds | | |
|---|---|---|---|
| | **Sewer Fund** | **Water Fund** | **Nonmajor Enterprise Funds** |
| **Assets:** | | | |
| Current assets: | | | |
| Cash and investments | $ 2,791,281 | $ 66,383 | $ 14,687 |
| Accounts receivable | 27,453 | 20,577 | 14 |
| Total current assets | 2,818,734 | 86,960 | 14,701 |
| Capital assets, net | 65,303,456 | 11,022,881 | 576,506 |
| Total assets | 68,122,190 | 11,109,841 | 591,207 |
| **Liabilities:** | | | |
| Current liabilities: | | | |
| Accounts payable and accrued liabilities | 114,651 | 87,222 | 4,873 |
| Litigation accrual | - | 300,000 | - |
| Due to other funds | - | - | 13,852 |
| Deposits | - | - | 8,306 |
| Noncurrent liabilities: | | | |
| Due within one year | 277,474 | 93,954 | - |
| Due in more than one year | 6,402,930 | 2,544,228 | 3,164 |
| Total liabilities | 6,795,055 | 3,025,404 | 30,195 |
| **Net assets:** | | | |
| Invested in capital assets, net of related debt | 58,677,753 | 8,416,261 | 576,506 |
| Unrestricted | 2,649,382 | (331,824) | (15,494) |
| Total net assets | $ 61,327,135 | $ 8,084,437 | $ 561,012 |

See Accompanying Notes to Financial Statements.

| Business-type Activities Enterprise Funds | Governmental Activities |
|---|---|
| Total | Internal Service Self Insurance Fund |
| $ 2,872,351 | $ 173,673 |
| 48,044 | - |
| 2,920,395 | 173,673 |
| 76,902,843 | - |
| 79,823,238 | 173,673 |
| 206,746 | 650 |
| 300,000 | - |
| 13,852 | - |
| 8,306 | - |
| 371,428 | - |
| 8,950,322 | - |
| 9,850,654 | 650 |
| 67,670,520 | - |
| 2,302,064 | 173,023 |
| $ 69,972,584 | $ 173,023 |

**CITY OF HUGHSON**
**Statement of Revenues, Expenses and Changes in Fund Net Assets**
**Proprietary Funds**
**For the Year Ended June 30, 2009**

| | Business-type Activities - Enterprise Funds | | |
|---|---|---|---|
| | Sewer Fund | Water Fund | Nonmajor Enterprise Funds |
| **Operating revenues:** | | | |
| Charges for services | $ 1,544,182 | $ 1,111,611 | $ 38,180 |
| **Operating expenses:** | | | |
| Personnel | 494,326 | 261,632 | 20,945 |
| Administrative | 423,481 | 417,955 | 21,898 |
| Materials and supplies | 247,635 | 503,457 | - |
| Maintenance | 186,582 | 8,315 | 4,618 |
| Depreciation | 489,970 | 193,619 | 24,176 |
| Total operating expenses | 1,841,994 | 1,384,978 | 71,637 |
| Operating income (loss) | (297,812) | (273,367) | (33,457) |
| **Nonoperating revenues (expenses):** | | | |
| Interest income | 117,307 | 10,619 | 183 |
| Interest expense | (288,700) | (123,733) | - |
| Litigation settlement | - | (300,000) | - |
| Total nonoperating revenues (expenses) | (171,393) | (413,114) | 183 |
| Transfer in | - | - | 32,000 |
| Change in net assets | (469,205) | (686,481) | (1,274) |
| Net assets, beginning of year, as restated | 61,796,340 | 8,770,918 | 562,286 |
| Net assets, end of year | $ 61,327,135 | $ 8,084,437 | $ 561,012 |

See Accompanying Notes to Financial Statements.

| Business-type Activities Enterprise Funds | Governmental Activities |
|---|---|
| Total | Internal Service Self Insurance Fund |
| $ 2,693,973 | $ 1,592 |
| 776,903 | - |
| 863,334 | 48,193 |
| 751,092 | - |
| 199,515 | - |
| 707,765 | - |
| 3,298,609 | 48,193 |
| (604,636) | (46,601) |
| 128,109 | 1,259 |
| (412,433) | - |
| (300,000) | - |
| (584,324) | 1,259 |
| 32,000 | - |
| (1,156,960) | (45,342) |
| 71,129,544 | 218,365 |
| $ 69,972,584 | $ 173,023 |

**CITY OF HUGHSON**
**Statement of Cash Flows**
**Proprietary Funds**
**For the Year Ended June 30, 2009**

| | Business-type Activities - Enterprise Funds | | |
|---|---|---|---|
| | **Sewer Fund** | **Water Fund** | **Nonmajor Enterprise Funds** |
| **Cash flows from operating activities:** | | | |
| Cash received from customers | $ 1,565,485 | $ 1,123,669 | $ 38,191 |
| Cash paid to suppliers of goods and services | (907,081) | (862,705) | (33,346) |
| Cash paid to employees | (483,166) | (256,916) | (18,193) |
| Net cash provided by (used for) operating activities | 175,238 | 4,048 | (13,348) |
| **Cash flows from noncapital financing activities:** | | | |
| Interfund borrowing | (362,239) | (149,834) | (11,982) |
| Cash received from other funds | - | - | 32,000 |
| Net cash provided by (used for) noncapital financing activities | (362,239) | (149,834) | 20,018 |
| **Cash flows from capital and related financing activities:** | | | |
| Purchase of capital assets | (1,562,349) | (669,556) | - |
| Principal paid on capital debt | (265,725) | (89,092) | - |
| Interest paid on capital debt | (288,700) | (123,732) | - |
| Net cash used for capital and related financing activities | (2,116,774) | (882,380) | - |
| **Cash flows from investing activities:** | | | |
| Interest on investments | 117,307 | 10,619 | 183 |
| Net increase (decrease) in cash and cash equivalents | (2,186,468) | (1,017,547) | 6,853 |
| Cash and cash equivalents, beginning of year | 4,977,749 | 1,083,930 | 7,834 |
| Cash and cash equivalents, end of year | $ 2,791,281 | $ 66,383 | $ 14,687 |

See Accompanying Notes to Financial Statements.

| Business-type Activities Enterprise Funds | Governmental Activities |
|---|---|
| Total | Internal Service Self Insurance Fund |
| $ 2,727,345 | $ 1,592 |
| (1,803,132) | (47,543) |
| (758,275) | - |
| 165,938 | (45,951) |
| (524,055) | - |
| 32,000 | - |
| (492,055) | - |
| (2,231,905) | - |
| (354,817) | - |
| (412,432) | - |
| (2,999,154) | - |
| 128,109 | 1,259 |
| (3,197,162) | (44,692) |
| 6,069,513 | 218,365 |
| $ 2,872,351 | $ 173,673 |

**CITY OF HUGHSON**
**Statement of Cash Flows**
**Proprietary Funds (Continued)**
**For the Year Ended June 30, 2009**

| | Business-type Activities - Enterprise Funds | | |
|---|---|---|---|
| | **Sewer Fund** | **Water Fund** | **Nonmajor Enterprise Fund** |
| **Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:** | | | |
| Operating income (loss) | $ (297,812) | $ (273,367) | $ (33,457) |
| Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities: | | | |
| Depreciation expense | 489,970 | 193,619 | 24,176 |
| Changes in operating assets and liabilities: | | | |
| Decrease in accounts receivable | 21,303 | 12,058 | 11 |
| Increase (decrease) in accounts payable and accrued liabilities | (49,383) | 67,022 | 1,474 |
| Decrease in deposits | - | - | (8,716) |
| Increase in compensated absences | 11,160 | 4,716 | 3,164 |
| Net cash provided by (used for) operating activities | $ 175,238 | $ 4,048 | $ (13,348) |
| **Noncash investing, capital, and financing activities:** | | | |
| Lititgation settlement | $ - | $ 300,000 | $ - |

See Accompanying Notes to Financial Statements.

| Business-type Activities Enterprise Funds | Governmental Activities |
|---|---|
| Total | Internal Service Self Insurance Fund |
| $ (604,636) | $ (46,601) |
| 707,765 | - |
| 33,372 | - |
| 19,113 | 650 |
| (8,716) | - |
| 19,040 | - |
| $ 165,938 | $ (45,951) |
| $ 300,000 | $ - |

**CITY OF HUGHSON**
**Statement of Assets and Liabilities**
**Agency Fund**
**June 30, 2009**

| | |
|---|---|
| **Assets:** | |
| Cash and investments | $ 26,689 |
| **Liabilities:** | |
| Accounts payable | $ 26,689 |

See Accompanying Notes to Financial Statements.

## (1) Summary of Significant Accounting Policies

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

### *(a) Reporting Entity*

As required by generally accepted accounting principles, the financial statements present the government and its component units for which the government is considered financially accountable. The component unit, although a legally separate entity, is in substance part of the government's operations and so data from this unit is combined with the data of the primary government. The financial statements of the City of Hughson include the financial activities of the City as well as the Hughson Redevelopment Agency, which is controlled by and dependent on the City.

***Blended Component Units***

The Hughson Redevelopment Agency (Agency) was activated by the City in January 2002, by Ordinance No. 01-11 pursuant to Community Redevelopment Law of the State of California to conduct economic development and other redevelopment activities in order to eliminate blight in the project area designated by its Board. The Agency is controlled by the City and has the same governing board as the City, which also performs all accounting and administrative functions for the Agency. The financial activities of the Agency have been aggregated and merged (termed "blending") with those of the City.

Complete financial statements of the Hughson Redevelopment Agency can be obtained from:
City of Hughson
7018 Pine Street, P.O. Box 9
Hughson, CA 95326

### *(b) Government-wide and Fund Financial Statements*

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been eliminated from these statements to minimize the double counting of internal activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a

given function or segment and 2) grants and contribution that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

### *(c) Measurement Focus, Basis of Accounting, and Financial Statement Presentation*

The government-wide, proprietary and fiduciary 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 when the liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental funds financial statements 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. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims and judgments are not recognized until paid.

Property taxes, charges for services, intergovernmental revenues, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. The major revenue sources for this fund are property taxes, sales taxes, unrestricted revenues from the State, fines and forfeitures, and interest income. Expenditures are made for public safety, planning, building, engineering, recreation, and other general government services.

The Home Loan Special Revenue Fund was established to account for all proceeds of grant revenues from the federal government under the First Time Home Buyer federal grant program and from the State of California's CalHome grant program. The expenditures relate to payments made to eligible recipients for buying homes subject to fulfillment of conditions.

The Local Transportation Special Revenue Fund was established to account for revenues and expenditures of local transportation fund allocations for streets, roads and sidewalk repairs.

The Refuse Special Revenue Fund was established to account for monies collected on behalf of franchise garbage collection company.

The Redevelopment Agency Debt Service Fund was established to account for the accumulation of resources for, and the payment of, long-term debt principal and interest.

The Redevelopment Agency Capital Projects Fund was established to undertake projects aimed at eliminating blight, within the redevelopment project area. The Agency Board has identified a particular geographic area within the City of Hughson as comprising the project area. In addition to tax increment financing, the City also advances funds for certain capital projects within the project area.

The City reports the following major proprietary funds:

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

The Water Enterprise Fund was established to account for the financial activity for the purpose of operation and maintenance of City's water utility. The costs of providing these services to the general public are financed or recovered through user charges.

Additionally, the City reports the following fund types:

***Governmental Funds:***

The special revenue funds are used to account for proceeds of specific revenue sources (other than major capital projects) that are legally restricted or otherwise designated for specific purposes.

The capital projects funds are used to account for financial resources used for the acquisition or construction of major capital improvements and facilities financed by governmental fund resources.

***Proprietary Funds:***

The enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. Costs are financed or recovered primarily through user charges.

The internal service fund is utilized to finance and account for activities involved in rendering services to departments within the City. Costs of services are accumulated in this fund and charged to user departments as such costs are incurred.

The fiduciary fund is used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, or other governments. The agency fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations. The agency fund is accounted for on an accrual basis of accounting as are the proprietary funds as explained above.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the business-type activities and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's sewer functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to members, customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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. The principal operating revenues of the proprietary funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

### *(d) Assets, Liabilities, and Net Assets or Equity*

#### *1. Cash and Investments*

Investments are reported in the accompanying statement of net assets at fair value. Changes in fair value that occur during a fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation, maturity, or sale of investments.

The City pools cash and investments of all funds, except for assets held by fiscal agents. Each fund's share in this pool is displayed in the accompanying financial statements as cash and investments. Investment income, earned by the pooled investments, is allocated to the various funds based on each fund's average cash and investment balance.

For purposes of the statement of cash flows, the City considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents. Cash invested in the City's cash management pool is also considered to be cash equivalents.

#### *2. Cash and Investments with Fiscal Agents*

The City has monies held by trustees or fiscal agents pledged to the payment or security of certain bonds. The California Government Code provides that these monies, in the absence of specific statutory provisions governing the issuance of bonds, may be invested in accordance with the ordinance, resolutions or indentures specifying the types of investments its trustees or fiscal agents may make.

#### *3. Receivables and Payables*

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

#### *4. Capital Assets*

Capital assets, which include property, plant, equipment and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. As a phase 3 government under GASB Statement 34, the City has elected to restate its capital assets as of July 1, 2008, to report infrastructure assets acquired prior to June 30, 2003. The City has determined that it is preferable to report all City infrastructure to provide for more accurate reporting. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are valued at the fair value of the assets on the date on which they were contributed. The costs of

normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives are not capitalized. The City utilizes a capitalization threshold of $5,000. Depreciation is charged to operations using the straight-line method over the estimated useful lives of the assets as follows:

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

### *5. Compensated Absences*

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

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

### *6. Long-term Obligations*

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Debt premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the indebtedness using the straight line method. Notes payable are reported net of the applicable bond premium or discount. Issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

### *7. Claims and Judgments*

The City records a liability for litigation, judgments and claims when it is probable that an asset has been impaired or a liability has been incurred prior to year-end and the probable amount of loss (net of any insurance coverage) can be reasonably estimated. This liability is recorded in the internal service funds, which account for the City's risk management activities, unless related to a specific enterprise activity.

### *8. Fund Equity*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

### *9. Property Taxes*

Stanislaus County assesses property and it bills, collects, and distributes property taxes to the City. The County remits the entire amount levied and handles all delinquencies, retaining interest and penalties. Secured and unsecured property taxes are levied on January 1.

Secured property tax is due in two installments, on November 1 and March 1, following the levy date. It becomes delinquent on December 11 and April 11, respectively. Unsecured property tax is due on July 1, and becomes delinquent on August 31.

The term unsecured refers to taxes on personal property other than real estate, land, and buildings. Property tax revenues are recognized by the City in the fiscal year for which the taxes are assessed and levied. The City elected under Teeter plan to receive all of the annual property assessments as follows: December 55%, April 40% and June 5%.

## (2) Stewardship, Compliance, and Accountability

### *(a) Budgeting Procedures*

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

1. During May of each year, the City Manager submits to the City Council a proposed operating budget for the next following fiscal year. The operating budget includes proposed revenues and expenditures.

2. After a review by the City Council, a public hearing is conducted and further comment is received from the City Council and the general public.

3. Upon completion of the hearings and modifications, if any, to the proposed budget, it is adopted by the City Council through passage of an appropriate resolution.

4. Generally, the budget is amended in the middle of the year and at the end of the year. All approved additional appropriations are added to the adopted budget and an amended budget is presented to the City Council, which adopts it after due review.

5. The City Manager is authorized to transfer from time to time budget amounts of operational expenditure categories within departments as deemed necessary in order to meet the City's needs.

6. City Council approval is required for all fund to fund transfers, department to department transfers, fund reserve to appropriations transfers, for new revenue sources with offsetting appropriations, and for transfer to/from the capital expenditure category.

7. The City does not budget for the Refuse, Asset Forfeiture, Equipment Replacement and Miscellaneous Grants Special Revenue Funds.

***(b) Excess of Expenditures over Appropriations***

For the year ended June 30, 2009, certain fund expenditures exceeded final budget as follows:

| Fund | Final Budget | Expenditures | Expenditures Over Budget |
|---|---|---|---|
| General Fund | $ 2,204,278 | $ 2,208,146 | $ 3,868 |
| Local Transportation Special Revenue Fund | - | 281 | 281 |
| Redevelopment Debt Service Fund | 167,810 | 271,184 | 103,374 |
| Nonmajor: | | | |
| Gas Tax Special Revenue Fund | 63,000 | 106,105 | 43,105 |
| Vehicle Abatement Special Revenue Fund | 69,562 | 73,031 | 3,469 |

### *(c) Deficit Fund Balances:*

The funds which have a deficit fund balance at June 30, 2009, are as follows:

| | |
|---|---|
| Major Funds: | |
| Local Transportation Special Revenue Fund | $ 129,191 |
| Refuse Special Revenue Fund | 80,567 |
| Nonmajor: | |
| Special Revenue Funds: | |
| Vehicle Abatement | 54,623 |
| Storm Drain | 48,344 |
| Capital Project Fund: | |
| Transportation | 154,899 |

The City plans to eliminate the deficits through future transfers from the General Fund and future revenues.

## (3) Detailed Notes on All Funds

### *(a) Cash and Investments*

Cash and investments as of June 30, 2009, are classified in the accompanying financial statements as follows:

| | |
|---|---|
| **Statement of net assets:** | |
| Cash and investments | $ 7,939,227 |
| Cash and investments with fiscal agent | 206,789 |
| **Fiduciary funds:** | |
| Cash and investments | 26,689 |
| Total cash and investments | $ 8,172,705 |

Cash and investments as of June 30, 2009, consist of the following:

| | |
|---|---|
| Cash on hand | $ 100 |
| Deposits with financial institutions | 1,322,569 |
| Investments | 6,850,036 |
| Total cash and investments | $ 8,172,705 |

***Investments Authorized by the City's Investment Policy***

The City of Hughson's Statement of Investment Policy is reviewed and adopted by the City Council each year. The investment policy is in compliance with the investment vehicles authorized by Section 53601 of the California Government Code. Investment vehicles not specifically mentioned in the City's investment policy are not authorized unless the policy is amended by the City Council or are approved as part of the provisions of the bond indentures. Investments are limited to:

| Authorized Investment Type | Maximum Maturity | Maximum Percentages of Portfolio * | Maximum Investment in One Issuer |
|---|---|---|---|
| Bonds issued by the City | N/A | None | None |
| U.S. Treasury Bills | 5 years | None | None |
| U.S. Treasury Notes | 5 years | None | None |
| Federal Agency Issues | 5 years | None | None |
| Negotiable Certificate of Deposit | 5 years | 30% | None |
| Repurchase Agreements | 1 year | None | None |
| Bankers' Acceptances | 180 days | 40% | 30% |
| Medium Term Notes | 5 years | 30% | None |
| Money Market Mutual Funds | N/A | None | 10% |
| Commercial Paper | 270 days | 25% | None |
| County Pool Investment Funds | N/A | None | None |
| Local Agency Investment Fund (LAIF) | N/A | None | None |
| Collateralized Bank Deposits | N/A | None | None |
| Mortgage Pass-through Security | 5 years | 20% | None |
| Shares of Beneficial Interest by a JPA | N/A | None | None |

* Excluding amounts held by bond trustee that are not subject to California Government Code restrictions.

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.

***Investments Authorized by Debt Agreements:***

Investment 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 City is authorized to invest in money market mutual funds.

***Disclosures Relating to Interest Rate Risk***

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value

of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

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

| | | Months to Maturity | | |
|---|---|---|---|---|
| Investment Type | Total Investment | 12 Months Or Less | 13 to 24 Months | 25 to 60 Months |
| Certificates of deposit | $ 2,107,877 | $ 688,972 | $ 474,158 | $ 944,747 |
| LAIF | 4,535,370 | 4,535,370 | | |
| Held by fiscal agent | | | | |
| Money market mutual fund | 206,789 | 206,789 | | |
| Total | $ 6,850,036 | $ 5,431,131 | $ 474,158 | $ 944,747 |

***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. LAIF does not have a rating provided by a nationally recognized statistical rating organization.

| | | | | Rating as of Year End | |
|---|---|---|---|---|---|
| Investment Type | Total Investment | Minimum Legal Rating | Not Required to be rated | Aaa | Unrated |
| Certificates of Depoist | $ 2,107,877 | | $ 2,107,877 | $ | $ |
| LAIF | 4,535,370 | n/a | | - | 4,535,370 |
| Held by fiscal agent | | | | | |
| Money market mutual fund | 206,789 | n/a | - | 206,789 | - |
| Total | $ 6,850,036 | | $ 2,107,877 | $ 206,789 | $ 4,535,370 |

***Concentration of Credit Risk***

The investment policy of the City contains limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. There are no investments in any one issuer (other than investment pools) that represent 5% or more of total City's 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 custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The 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.

***Investment in State Investment Pool***

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

The total amount invested by all public agencies in LAIF as of June 30, 2009 was $25.2 billion. LAIF is part of the California Pooled Money Investment Account (PMIA), which at June 30, 2009, had a balance of $50.7 billion, of that amount, 14.71% was invested in medium-term and short-term structured notes and asset-backed securities. The average maturity of PMIA investments was 235 days as of June 30, 2009.

### *(b) Interfund Transactions*

***Due to/Due From***

| Fund | Due From | Due To |
|---|---|---|
| Governmental funds: | | |
| General fund | $ 250,146 | $ - |
| Local Transportation Special Revenue Fund | - | 129,191 |
| Refuse Special Revenue Fund | - | 1,883 |
| Nonmajor Governmental Funds | - | 105,220 |
| Nonmajor Enterprise Funds | - | 13,852 |
| | $ 250,146 | $ 250,146 |

The purpose of the due to/due from was to cover the negative cash balances in these funds.

***Transfers between Funds***

With Council approval, resources may be transferred from one City fund to another. Transfers between funds during the fiscal year ended June 30, 2009 were as follows:

Interfund Transfers

| Fund | Transfers In | Transfers Out |
|---|---|---|
| **Governmental funds:** | | |
| General Fund | $ 80,738 | $ 32,000 |
| Redevelopment Agency Debt Service Fund | - | 500,000 |
| Redevelopment Agency Capital Projects Fund | 500,000 | 45,000 |
| Nonmajor Funds | 65,609 | 101,347 |
| **Proprietary Funds:** | | |
| Nonmajor Funds | 32,000 | - |
| | $ 678,347 | $ 678,347 |

The transfer from the Redevelopment Agency Debt Service Fund to the Redevelopment Agency Capital Projects fund was to fund capital projects. The transfers between the General Fund and nonmajor funds were to fund various program costs.

### *(c) Loans receivable*

The City has established a number of housing assistance loan programs using HOME Investment Partnerships Program grant funds. These loans consist of several loans for first-time home buyers

assistance and home rehabilitation assistance loans for qualified persons. As of June 30, 2009, the City held loans receivable in the amount of $1,008,257.

The City also utilizes Community Development Block Grant (CDBG) funds to provide business assistance loans and home rehabilitation loans to qualified persons. As of June 30, 2009, the City held loans receivable of $280,725.

### *(d) Capital Assets*

The City has reported all capital assets including infrastructure in government-wide statement of net assets. A summary of changes in City's capital assets is as follows:

| Governmental Activities: | Balance July 1, 2008* | Increases | Decreases | Balance June 30, 2009 |
|---|---|---|---|---|
| Capital assets, not being depreciated: | | | | |
| Land | $ 9,678,610 | $ - | $ - | $ 9,678,610 |
| Right of way | 2,777,617 | - | - | 2,777,617 |
| Construction in progress | - | 149,306 | - | 149,306 |
| Total capital assets, not being depreciated | 12,456,227 | 149,306 | - | 12,605,533 |
| Capital assets, being depreciated: | | | | |
| Buildings | 1,000,676 | - | - | 1,000,676 |
| Improvements | 7,417,961 | 277,223 | - | 7,695,184 |
| Equipment | 321,726 | - | - | 321,726 |
| Machinery | 241,902 | - | - | 241,902 |
| Rolling Stock | 522,248 | 8,051 | - | 530,299 |
| Infrastructure | 12,429,956 | 363,387 | - | 12,793,343 |
| Total capital assets, being depreciated | 21,934,469 | 648,661 | - | 22,583,130 |
| Less accumulated depreciation for: | | | | |
| Buildings | (429,675) | (33,356) | - | (463,031) |
| Improvements | (2,603,733) | (158,521) | - | (2,762,254) |
| Equipment | (210,465) | (49,137) | - | (259,602) |
| Machinery | (97,745) | (22,073) | - | (119,818) |
| Rolling Stock | (323,525) | (70,207) | - | (393,732) |
| Infrastructure | (1,914,798) | (195,775) | - | (2,110,573) |
| Total accumulated depreciation | (5,579,941) | (529,069) | - | (6,109,010) |
| Total capital assets, being depreciated, net | 16,354,528 | 119,592 | - | 16,474,120 |
| Governmental activities capital assets, net | $ 28,810,755 | $ 268,898 | $ - | $ 29,079,653 |

* Capital assets for governmental activities have been restated. See Note (5).

| Business-type activities: | July 1, 2008* | Increases | Decreases | June 30, 2009 |
|---|---|---|---|---|
| Capital assets, not being depreciated: | | | | |
| Land | $ 55,418,353 | $ 1,165,743 | $ - | $ 56,584,096 |
| Construction in progress | 2,588,350 | 707,910 | - | 3,296,260 |
| Total capital assets, not being depreciated | 58,006,703 | 1,873,653 | - | 59,880,356 |
| Capital assets, being depreciated: | | | | |
| Buildings | 3,413,530 | - | - | 3,413,530 |
| Improvements | 26,926,222 | 245,191 | - | 27,171,413 |
| Equipment | 129,520 | 27,520 | - | 157,040 |
| Machinery | 235,695 | - | - | 235,695 |
| Rolling Stock | 47,335 | 85,541 | - | 132,876 |
| Total capital assets, being depreciated | 30,752,302 | 358,252 | - | 31,110,554 |
| Less accumulated depreciation for: | | | | |
| Buildings | (721,058) | (113,785) | - | (834,843) |
| Improvements | (12,378,548) | (543,279) | - | (12,921,827) |
| Equipment | (83,863) | (13,805) | - | (97,668) |
| Machinery | (168,058) | (12,364) | - | (180,422) |
| Rolling Stock | (28,775) | (24,532) | - | (53,307) |
| Total accumulated depreciation | (13,380,302) | (707,765) | - | (14,088,067) |
| Total capital assets, being depreciated, net | 17,372,000 | (349,513) | - | 17,022,487 |
| Business-type activities capital assets, net | $ 75,378,703 | $ 1,524,140 | $ - | $ 76,902,843 |

* Capital assets for business-type activities have been restated. See Note (5).

Depreciation expense was charged to the following functions:

| | Governmental Activities | Business-type Activities |
|---|---|---|
| General government | $ 105,814 | $ - |
| Public safety | 105,814 | - |
| Public works | 317,441 | - |
| Community facilies | - | 24,176 |
| Water | - | 193,619 |
| Sewer | - | 489,970 |
| | $ 529,069 | $ 707,765 |

### *(e) Long-Term Liabilities*

***Governmental Activities:***

The City generally incurs long-term debt to finance projects or purchase assets which will have useful lives equal to or greater than the related debt.

| Description | Balance at July 1, 2008 | Additions | Deletions | Balance at June 30, 2009 | Due within one year |
|---|---|---|---|---|---|
| 2006 Tax allocation bonds | $ 3,105,000 | $ - | $ 55,000 | $ 3,050,000 | $ 55,000 |
| Compensated absences | 117,564 | 14,626 | - | 132,190 | - |
| Total | $ 3,222,564 | $ 14,626 | $ 55,000 | $ 3,182,190 | $ 55,000 |

***Tax Allocation Bonds Payable:***

$3,200,000 tax allocation refunding bonds were issued on February 1, 2006. The bonds were issued to (i) currently refund all of the outstanding Hughson Redevelopment Project Tax Allocation Notes Series 2003 and (ii) finance additional redevelopment activities of the Agency ($858,351). Principal payments ranging from $45,000 to $195,000 are due annually, starting October 1, 2006 through 2037. Interest is due semi-annually on October 1 and April 1, at rates ranging from 3.5% to 5.1%.

The bonds are secured by a pledge of the tax increment revenues, other than those deposited in the low and moderate income set-aside fund, for the Agency's project area. These revenues have been pledged until the year 2037. Pledged tax increment revenue for the year was $537,067. Interest and principal paid on the bonds for the fiscal year ended June 30, 2009, was $149,763 and $55,000 respectively. Revenues are pledged against total debt service outstanding on the bonds of $5,669,752. The principal balance outstanding at June 30, 2009 was $3,050,000.

The remaining annual debt service requirements on the bonds are as follows:

| Year Ended June 30 | Principal | Interest | Total |
|---|---|---|---|
| 2010 | $ 55,000 | $ 147,631 | $ 202,631 |
| 2011 | 60,000 | 145,331 | 205,331 |
| 2012 | 60,000 | 142,931 | 202,931 |
| 2013 | 60,000 | 140,456 | 200,456 |
| 2014 | 65,000 | 137,759 | 202,759 |
| 2015-2019 | 370,000 | 640,713 | 1,010,713 |
| 2020-2024 | 470,000 | 541,850 | 1,011,850 |
| 2025-2029 | 600,000 | 438,650 | 1,038,650 |
| 2030-2034 | 755,000 | 240,953 | 995,953 |
| 2035-2038 | 555,000 | 43,478 | 598,478 |
| Total | $ 3,050,000 | $ 2,619,752 | $ 5,669,752 |

***Business-type Activities:***

| Description | Balance at July 1, 2008 | Additions | Deletions | Balance at June 30, 2009 | Due within One Year |
|---|---|---|---|---|---|
| USDA rural development promissory note | $ 449,000 | $ - | $ 7,000 | $ 442,000 | $ 8,000 |
| Installment notes payable | 8,996,713 | - | 303,088 | 8,693,625 | 316,327 |
| Capital lease | 141,427 | - | 44,730 | 96,697 | 47,101 |
| Compensated absences | 70,387 | 19,041 | - | 89,428 | - |
| Total | $ 9,657,527 | $ 19,041 | $ 354,818 | $ 9,321,750 | $ 371,428 |

***USDA Rural Development Promissory Note***

In 1998, the City executed a promissory note with the United States Department of Agriculture with the proceeds to be used for water system development. The note bears interest at 4.5%, with interest and principal (varying from $4,500 to $28,000) payable semi-annually beginning April 1, 1998 and continuing until April 1, 2037.

Annual debt service requirements for the USDA Rural Development Promissory Note are shown below:

| Year Ending June 30 | Principal | Interest | Total |
|---|---|---|---|
| 2010 | $ 8,000 | $ 19,890 | $ 27,890 |
| 2011 | 8,000 | 19,530 | 27,530 |
| 2012 | 8,000 | 19,170 | 27,170 |
| 2013 | 9,000 | 18,810 | 27,810 |
| 2014 | 9,000 | 18,406 | 27,406 |
| 2015-2019 | 54,000 | 85,366 | 139,366 |
| 2020-2024 | 68,000 | 72,048 | 140,048 |
| 2025-2029 | 86,000 | 55,173 | 141,173 |
| 2030-2034 | 111,000 | 33,752 | 144,752 |
| 2035-2037 | 81,000 | 6,982 | 87,982 |
| Total | $ 442,000 | $ 349,127 | $ 791,127 |

***Installment notes payable***

On February 27, 2006 the City executed an installment sales agreement with Municipal Finance Corporation for the acquisition and construction of a 750,000 gallon water storage tank to meet fire flow requirements. The note bears interest at 4.7%, with principal payments varying from $37,010 to $90,702, payable semi-annually beginning September 29, 2006, and continuing until March 29, 2026. The balance outstanding at June 30, 2009 is $2,164,620.

On March 7, 2008, the City executed an installment sales agreement with Municipal Finance Corporation for the acquisition and construction for a wastewater treatment plant in the amount of $6,750,000. The note bears interest at 4.2%, with principal payments varying from $126,472 to $245,934, payable semi-annually beginning September 7, 2008, and continuing until March 7, 2028. The balance outstanding at June 30, 2009 is $6,529,005.

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

| Year Ending June 30 | Principal | Interest | Total |
|---|---|---|---|
| 2010 | $ 316,328 | $ 371,492 | $ 687,820 |
| 2011 | 330,149 | 357,671 | 687,820 |
| 2012 | 344,575 | 343,245 | 687,820 |
| 2013 | 359,632 | 328,188 | 687,820 |
| 2014 | 375,349 | 312,471 | 687,820 |
| 2015-2019 | 2,137,682 | 1,301,419 | 3,439,101 |
| 2020-2024 | 2,647,761 | 791,339 | 3,439,100 |
| 2025-2028 | 2,182,149 | 197,888 | 2,380,037 |
| Total | $ 8,693,625 | $ 4,003,713 | $ 12,697,338 |

***Capital Lease***

In 2007, the City entered into a capital lease agreement with Vactor Manufacturing, Inc. to purchase a sewer vacuum truck. The capital lease bears interest at 5.3%, with interest and principal, payable annually beginning July 1, 2006 and continuing until July 1, 2010.

Annual debt service requirements for the Capital Lease are shown below:

| Year Ending June 30 | Principal | Interest | Total |
|---|---|---|---|
| 2010 | 47,101 | 5,125 | 52,226 |
| 2011 | 49,596 | 2,630 | 52,226 |
| Total | $ 96,697 | $ 7,755 | $ 104,452 |

***Compensated Absences***

The City's policy relating to compensated absences is described in Note (1). Compensated absences are liquidated primarily by the general fund and proprietary funds. The total amount outstanding at June 30, 2009, was $132,190 for governmental activities and $89,428 for business-type activities.

## (4) Other Information

### *(a) Fund Balances*

***Reserves***

Governmental fund balances represent the net current assets of each fund. Net current assets generally represent a fund's cash and receivables, less its liabilities. Portions of fund balance may be reserved or designated for future expenditure.

Reserves are restrictions placed by outside entities, such as other governments, which restrict the expenditures of the reserved fund to the purpose intended by the entity which provided the funds or which indicate these funds are not currently available, expendable resources. The City cannot modify or remove these restrictions or reserves. Reserves also represent items not currently in spendable forms, such as reserves for loans receivable where the future payments are not available to meet expenditures of the current year.

***Designations***

Designations are imposed by City Council to reflect future spending plans or concerns about the availability of future resources. Designations may be modified, amended or removed by Council action.

### *(b) Pension Plan*

***CalPERS Safety and Miscellaneous Employee Plans***

Substantially all City employees are eligible to participate in pension plans offered by California Public Employee Retirement System (CalPERS), a cost-sharing multiple-employer defined benefit pension plan which acts as a common investment and administrative agent for its participating member employers. CalPERS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. The City's employees participate in the separate Safety (police and fire) and Miscellaneous (all other) Employee Plans. There are currently no active employees enrolled in the Safety Plan. Benefit provisions under both plans are established by State statute and City resolution. Benefits are based on years of credited service, equal to one year of full time employment. Funding contributions for both plans are determined annually on an actuarial basis as of June 30 by CalPERS; the City must contribute these amounts. The current required contribution rate is 14.765% for the miscellaneous plan.

The City's labor contracts require it to pay employee contributions for miscellaneous plan members as well as the employer required contributions. The employee contribution is 8% of their annual covered salary.

Actuarial required employer contributions, net of surplus credits, for fiscal year 2009 was $169,338. The City made these contributions as required, as well as contributing $93,440 toward employee contributions.

Three-year trend information for CalPERS is as follows:

| Fiscal Year | Cost (APC) | APC Contributed | Net Pension Obligation |
|---|---|---|---|
| 6/30/2007 | $ 191,729 | 100% | $ - |
| 6/30/2008 | 186,463 | 100% | - |
| 6/30/2009 | 169,338 | 100% | - |

Audited annual financial statements are available from CalPERS at P.O. Box 942709, Sacramento, CA 94229-2709.

***(b) Risk Management***

***Central San Joaquin Valley Risk Management Authority***

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

The City is covered for the first $1,000,000 of each general liability claim and $500,000 of each workers' compensation claim through the CSJVRMA. The City has the right to receive dividends or the obligation to pay assessments based on a formula which, among other expenses, charges the City's account for liability losses under $10,000 and worker's compensation losses under $10,000. The CSJVRMA participates in an excess pool which provides general liability coverage from $1,000,000 to $10,000,000. The CSJVRMA participates in an excess pool which provides workers' compensation coverage from $350,000 to $500,000 and purchases excess insurance above the $500,000 to the statutory limit.

The CSJVRMA is a consortium of fifty-five (55) cities in the San Joaquin Valley of California. It was established under the provisions of California Government Code Section 6500 et seq. The CSJVRMA is governed by a Board of Directors, which meets 3-4 times per year, consisting of one member appointed by each member city. The day-to-day business is handled by a management group employed by the CSJVRMA.

The financial position and results of operations for the CSJVRMA (audited), as of June 30, 2009, are presented below:

| | |
|---|---|
| Total assets | $ 63,349,322 |
| Total liabilities | $ 54,045,869 |
| Total net assets | 9,303,453 |
| Total liabilities and net assets | $ 63,349,322 |
| Total revenues for year | $ 28,036,256 |
| Total expenses for year | (28,432,658) |
| Net loss for year | $ (396,402) |

***Litigation***

The City from time to time is subject to claims of a nature common to many similar jurisdictions. The City's management believes that any potential claims against the City not covered by insurance resulting from such litigation would not materially affect the financial statement of the City.

In March and August 2007, six actions were filed in the Stanislaus County Superior Court against the City alleging that noise and light from the water storage tank constructed by the City on adjacent public property constituted a public nuisance and taking of property rights for public purposes. After mediation in August 2009, two actions were settled for a total of $300,000. The City has accrued this liability as of June 30, 2009.

## (5) Restatement of Beginning Net Assets

The City conducted a city-wide capital asset inventory as of July 1, 2008. The City elected to restate beginning net assets and report infrastructure under GASB Statement 34. The City has determined that it is preferable to report all City infrastructure to provide for more accurate reporting. The City has also restated beginning net assets to include assets that were not previously recorded by the City, unrelated to infrastructure. The City has also restated beginning fund balance for the CDBG Rehab Special Revenue Fund (nonmajor) to correct an error and record payments received in prior years on outstanding CDBG loans.

| | Governmental Activities | Business-type Activities | Sewer Operating Fund | Water Operating Fund | Nonmajor Enterprise Funds |
|---|---|---|---|---|---|
| Beginning net assets as previously reported | $ 9,572,863 | $ 13,305,761 | $ 8,338,989 | $ 4,929,986 | $ 36,786 |
| Assets capitalized | 22,570,830 | 57,823,783 | 53,457,351 | 3,840,932 | 525,500 |
| Loan repayments | (22,442) | - | - | - | - |
| Beginning net assets, as restated | $ 32,121,251 | $ 71,129,544 | $ 61,796,340 | $ 8,770,918 | $ 562,286 |

| | Nonmajor Governmental Funds |
|---|---|
| Beginning fund balance as previously reported | $ 3,245,999 |
| Change in classification of major funds | 181,124 |
| Loan repayments | (22,442) |
| Beginning fund balance as restated | $ 3,404,681 |

## (6) Subsequent events

### *(a) Supplemental Educational Revenue Augmentation Fund Payments*

On July 24, 2009, the State Legislature passed Assembly Bill (AB) 26 4x, which requires redevelopment agencies statewide to deposit a total of $2.05 billion of property tax increment in county "Supplemental" Educational Revenue Augmentation Funds (SERAF) to be distributed to meet the State's Proposition 98 obligations to schools. The SERAF revenue shift of $2.05 billion will be made over two years, $1.7 billion in fiscal year 2009-2010 and $350 million in fiscal year 2010-2011. The SERAF would then be paid to school districts and the county offices of education which have students residing in redevelopment project areas, or residing in affordable housing projects financially assisted by a redevelopment agency, thereby relieving the State of payments to those schools. The Agency's share of this revenue shift is $210,255 in fiscal year 2009-2010 and approximately $43,246 in fiscal year 2010-2011. Payments are to be made by May 10 of each respective fiscal year. In response to AB 26 4x, the Agency plans to reduce Agency expenditures.

### *(b) Safe Drinking Water State Revolving Fund*

On October 15, 2009, the City entered into a loan funding agreement with the State of California Department of Public Health under the Safe Drinking Water State Revolving Fund American (SDWSRF) Recovery and Reinvestment Act (ARRA) in the amount of $3,003,060. The interest rate for the loan is zero percent per annum and the loan includes 100% forgiveness of principal under the SDWSRF ARRA to assist the City in meeting safe drinking water standards for the domestic water supply. The City is utilizing these funds for the Well #8 project.

### *(c) California State Water Resources Control Board Project Finance Agreement*

On September 10, 2009, the City entered into a project finance agreement with the California State Water Resource Control Board (Water Control Board). Through the use of ARRA funds, the Water Control Board provided funding assistance in the amount of $23,100,000 for the rehabilitation and upgrade of the waste water treatment plant. The City must to repay the project funds at an interest rate of 1% per annum. The term of the agreement is June 16 2009, to June 7, 2031.

**Required Supplementary Information**

**CITY OF HUGHSON**
**General Fund**
**Budgetary Comparison Schedule**
**For the Year Ended June 30, 2009**

| | Original Budget | Final Budget | Actual | Variance Over (Under) |
|---|---|---|---|---|
| **Revenues:** | | | | |
| Property taxes | $ 328,340 | $ 263,000 | $ 216,254 | $ (46,746) |
| Sales and use taxes | 490,000 | 298,000 | 454,567 | 156,567 |
| Business license taxes | 27,000 | 27,000 | 19,972 | (7,028) |
| Other taxes | 112,000 | 92,000 | 76,992 | (15,008) |
| Licenses and permits | 60,600 | 35,600 | 45,796 | 10,196 |
| Fines and forfeitures | 73,000 | 76,200 | 85,278 | 9,078 |
| Use of money and property | 25,200 | 25,200 | 20,718 | (4,482) |
| Charges for services | 111,800 | 115,600 | 114,277 | (1,323) |
| Revenues from other agencies | 574,800 | 516,000 | 503,531 | (12,469) |
| Other revenues | 387,000 | 369,000 | 366,817 | (2,183) |
| Total revenues | 2,189,740 | 1,817,600 | 1,904,202 | 86,602 |
| **Expenditures:** | | | | |
| Current: | | | | |
| General government | 742,175 | 746,230 | 829,425 | 83,195 |
| Public safety | 841,167 | 857,167 | 792,816 | (64,351) |
| Public works | 617,681 | 545,182 | 523,702 | (21,480) |
| Parks and recreation | 55,672 | 55,699 | 62,203 | 6,504 |
| Total expenditures | 2,256,695 | 2,204,278 | 2,208,146 | 3,868 |
| Excess (deficiency) of revenues over expenditures | (66,955) | (386,678) | (303,944) | 82,734 |
| **Other financing sources (uses):** | | | | |
| Transfers in | 817,738 | 80,738 | 80,738 | - |
| Transfers out | (769,000) | (32,000) | (32,000) | - |
| Total other financing sources (uses) | 48,738 | 48,738 | 48,738 | - |
| Net change in fund balance | (18,217) | (337,940) | (255,206) | 82,734 |
| Fund balance, beginning of year | 1,185,057 | 1,185,057 | 1,185,057 | - |
| Fund balance, end of year | $ 1,166,840 | $ 847,117 | $ 929,851 | $ 82,734 |

See Accompanying Note to Required Supplementary Information.

**CITY OF HUGHSON**
**Home Loan Special Revenue Fund**
**Budgetary Comparison Schedule**
**For the Year Ended June 30, 2009**

| | Original Budget | Final Budget | Actual | Variance Over (Under) |
|---|---|---|---|---|
| **Revenues:** | | | | |
| Use of money and property | $ 1,235 | $ 1,235 | $ 522 | $ (713) |
| Revenues from other agencies | 10,700 | 410,700 | 308,756 | (101,944) |
| Total revenues | 11,935 | 411,935 | 309,278 | (102,657) |
| **Expenditures:** | | | | |
| Current: | | | | |
| Community development | 5,000 | 405,000 | 74,496 | (330,504) |
| Net change in fund balance | 6,935 | 6,935 | 234,782 | 227,847 |
| Fund balance (deficit), beginning of year | (132,788) | (132,788) | (132,788) | - |
| Fund balance (deficit), end of year | $ (125,853) | $ (125,853) | $ 101,994 | $ 227,847 |

See Accompanying Note to Required Supplementary Information.

**CITY OF HUGHSON**
**Local Transportation Special Revenue Fund**
**Budgetary Comparison Schedule**
**For the Year Ended June 30, 2009**

| | Original Budget | Final Budget | Actual | Variance Over (Under) |
|---|---|---|---|---|
| **Expenditures:** | | | | |
| General government | 20,000 | - | 281 | 281 |
| Net change in fund balance | (20,000) | - | (281) | (281) |
| Fund balance (deficit), beginning of year | (128,910) | (128,910) | (128,910) | - |
| Fund balance (deficit), end of year | $ (148,910) | $ (128,910) | $ (129,191) | $ (281) |

See Accompanying Note to Required Supplementary Information.

**CITY OF HUGHSON**
**Note to Required Supplementary Information**
**June 30, 2009**

I. Budgets and Budgetary Accounting

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

1. During May of each year, the City Manager submits to the City Council a proposed operating budget for the next following fiscal year. The operating budget includes proposed revenues and expenditures.

2. After a review by the City Council, a public hearing is conducted and further comment is received from the City Council and the general public.

3. Upon completion of the hearings and modifications, if any, to the proposed budget, it is adopted by the City Council through passage of an appropriate resolution.

4. Generally, the budget is amended in the middle of the year and at the end of the year. All approved additional appropriations are added to the adopted budget and an amended budget is presented to the City Council, which adopts it after due review.

5. The City Manager is authorized to transfer from time to time budget amounts of operational expenditure categories within departments as deemed necessary in order to meet the City's needs.

6. City Council approval is required for all fund to fund transfers, department to department transfers, fund reserve to appropriations transfers, for new revenue sources with offsetting appropriations, and for transfer to/from the capital expenditure category.

7. The City does not budget for the Refuse Special Revenue Fund.

This page left blank intentionally.

**Supplementary Information**

**CITY OF HUGHSON**
**Redevelopment Debt Service Fund**
**Budgetary Comparison Schedule**
**For the Year Ended June 30, 2009**

| | Final Budget | Actual | Variance Over (Under) |
|---|---|---|---|
| **Revenues:** | | | |
| Property taxes | $ 493,000 | $ 537,067 | $ 44,067 |
| Use of money and property | 39,000 | 31,446 | (7,554) |
| Total revenues | 532,000 | 568,513 | 36,513 |
| **Expenditures:** | | | |
| Current: | | | |
| General government | 4,000 | 106,866 | 102,866 |
| Debt service: | | | |
| Principal | 44,000 | 44,000 | - |
| Interest and fiscal charges | 119,810 | 120,318 | 508 |
| Total expenditures | 167,810 | 271,184 | 103,374 |
| Excess (deficiency) of revenues over expenditures | 364,190 | 297,329 | (66,861) |
| **Other financing sources:** | | | |
| Transfers out | (500,000) | (500,000) | - |
| Net change in fund balance | (135,810) | (202,671) | (66,861) |
| Fund balance, beginning of year | 723,233 | 723,233 | - |
| Fund balance, end of year | $ 587,423 | $ 520,562 | $ (66,861) |

**CITY OF HUGHSON**
**Redevelopment Agency Capital Projects Fund**
**Budgetary Comparison Schedule**
**For the Year Ended June 30, 2009**

| | Original Budget | Final Budget | Actual | Variance Over (Under) |
|---|---|---|---|---|
| **Revenues:** | | | | |
| Use of money and property | $ 54,000 | $ 54,000 | $ 11,242 | $ (42,758) |
| Other revenues | 200 | 200 | - | (200) |
| Total revenues | 54,200 | 54,200 | 11,242 | (42,958) |
| **Expenditures:** | | | | |
| Current: | | | | |
| General government | 291,429 | 495,126 | 246,465 | (248,661) |
| Capital outlay | 800,500 | 500,000 | 121,481 | (378,519) |
| Total expenditures | 1,091,929 | 995,126 | 367,946 | (627,180) |
| Excess (deficiency) of revenues over expenditures | (1,037,729) | (940,926) | (356,704) | 584,222 |
| **Other financing sources:** | | | | |
| Transfers in | 500,000 | 500,000 | 500,000 | - |
| Transfers out | (45,000) | (45,000) | (45,000) | - |
| Total expenditures | 455,000 | 455,000 | 455,000 | - |
| Net change in fund balance | (582,729) | (485,926) | 98,296 | 584,222 |
| Fund balance, beginning of year | 418,069 | 418,069 | 418,069 | - |
| Fund balance, end of year | $ (164,660) | $ (67,857) | $ 516,365 | $ 584,222 |

**CITY OF HUGHSON**
**Description of Nonmajor Governmental Funds**
**June 30, 2009**

## SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

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

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

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

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

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

**The Public Safety Augmentation Fund** was established to account for monies received through a special sales tax to be spent to sustain the public safety department.

**The Equipment Replacement Fund** was established to reserve for future replacement of equipment.

**The Solid Waste Management Fund** was established to account for AB939 revenues received from county for solid waste recycling efforts.

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

**The Traffic Fund** was established to account for revenues received and expenditures made for traffic improvements.

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

**The CLEEP Fund** was established to account for state grant money disbursed to local law enforcement, to assist local agencies in acquiring high technology equipment and training.

(Continued)

**CITY OF HUGHSON**
**Description of Nonmajor Governmental Funds**
**June 30, 2009**

## SPECIAL REVENUE FUNDS (Continued)

**The Redevelopment Housing Fund** was established to account for increase in property taxes within the Redevelopment Agency area to be used exclusively for development of low and moderate income housing.

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

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

**The Miscellaneous Grants Fund** was established to account for different grant revenues and expenditures.

**The Community Enhancement Fund** was established to bridge the gap between old development and new development where Landscaping and Lighting Districts are set up.

## CAPITAL PROJECTS FUNDS

**The Public Facilities Fund** was established to account for all proceeds from traffic mitigation fees, whose purpose is to defray the actual costs of constructing improvements to mitigate traffic and circulation impacts resulting from proposed new development

**The Transportation Fund** was established to account for the 6th Street reconstruction.

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

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

**CITY OF HUGHSON**
**Combining Balance Sheet**
**Nonmajor Governmental Funds**
**June 30, 2009**

| | Special Revenue | | | |
|---|---|---|---|---|
| | Asset Forfeiture | Gas Tax | Vehicle Abatement | CDBG Rehab |
| **Assets:** | | | | |
| Cash and investments | $ 1,648 | $ 239,792 | $ - | $ 138,284 |
| Accounts receivable | 2 | 219 | 2,908 | 126 |
| Loans receivable | - | - | - | 272,595 |
| Total assets | $ 1,650 | $ 240,011 | $ 2,908 | $ 411,005 |
| **Liabilities and fund balances:** | | | | |
| Liabilities: | | | | |
| Accounts payable and accrued liabilities | $ - | $ 5,401 | $ 655 | $ - |
| Due to other funds | - | - | 56,876 | - |
| Total liabilities | - | 5,401 | 57,531 | - |
| Fund balances (deficits): | | | | |
| Reserved for loans receivable | - | - | - | 272,595 |
| Unreserved | 1,650 | 234,610 | (54,623) | 138,410 |
| Total fund balances (deficits) | 1,650 | 234,610 | (54,623) | 411,005 |
| Total liabilities and fund balances | $ 1,650 | $ 240,011 | $ 2,908 | $ 411,005 |

| Special Revenue | | | | | | |
|---|---|---|---|---|---|---|
| CDBG Grants | Public Safety Augmentation | Equipment Replacement | Solid Waste Management | Storm Drain | Traffic | SLESF |
| $ 93,079 | $ 16,921 | $ 25,682 | $ 45,969 | $ - | $ 39,479 | $ 52,189 |
| 85 | - | - | 42 | - | 12,516 | 48,907 |
| 8,130 | - | - | - | - | - | - |
| $ 101,294 | $ 16,921 | $ 25,682 | $ 46,011 | $ - | $ 51,995 | $ 101,096 |
| $ - | $ - | $ - | $ - | $ - | $ 305 | $ 998 |
| - | - | - | - | 48,344 | - | - |
| - | - | - | - | 48,344 | 305 | 998 |
| 8,130 | - | - | - | - | - | - |
| 93,164 | 16,921 | 25,682 | 46,011 | (48,344) | 51,690 | 100,098 |
| 101,294 | 16,921 | 25,682 | 46,011 | (48,344) | 51,690 | 100,098 |
| $ 101,294 | $ 16,921 | $ 25,682 | $ 46,011 | $ - | $ 51,995 | $ 101,096 |

(Continued)

**CITY OF HUGHSON**
**Combining Balance Sheet**
**Nonmajor Governmental Funds (Continued)**
**June 30, 2009**

| | Special Revenue | | | |
|---|---|---|---|---|
| | **CLEEP** | **Redevelopment Housing** | **Lighting and Landscaping** | **Benefit Assessment** |
| **Assets:** | | | | |
| Cash and investments | $ 18,151 | $ 854,934 | $ 132,461 | $ 88,666 |
| Accounts receivable | 17 | 2,280 | - | - |
| Loans receivable | - | - | - | - |
| Total assets | $ 18,168 | $ 857,214 | $ 132,461 | $ 88,666 |
| **Liabilities and fund balances:** | | | | |
| Liabilities: | | | | |
| Accounts payable and accrued liabilities | $ - | $ 66 | $ 4,774 | $ - |
| Due to other funds | - | - | - | - |
| Total liabilities | - | 66 | 4,774 | - |
| Fund balances (deficits): | | | | |
| Reserved for loans receivable | - | - | - | - |
| Unreserved | 18,168 | 857,148 | 127,687 | 88,666 |
| Total fund balances (deficits) | 18,168 | 857,148 | 127,687 | 88,666 |
| Total liabilities and fund balances | $ 18,168 | $ 857,214 | $ 132,461 | $ 88,666 |

| Special Revenue | | Capital Projects | | | | Total |
|---|---|---|---|---|---|---|
| Miscellaneous Grants | Community Enhancement | Public Facilities | Transportation | Municipal Park | Parks Development Impact Fees | Nonmajor Governmental Funds |
| $ 846 | $ 63,869 | $ 885,742 | $ 168,250 | $ 279,170 | $ 77,115 | $ 3,222,247 |
| 1 | 58 | 1,839 | 153 | 255 | 70 | 69,478 |
| - | - | - | - | - | - | 280,725 |
| $ 847 | $ 63,927 | $ 887,581 | $ 168,403 | $ 279,425 | $ 77,185 | $ 3,572,450 |
| $ - | $ - | $ - | $ 323,302 | $ - | $ 13,323 | $ 348,824 |
| - | - | - | - | - | - | 105,220 |
| - | - | - | 323,302 | - | 13,323 | 454,044 |
| - | - | - | - | - | - | 280,725 |
| 847 | 63,927 | 887,581 | (154,899) | 279,425 | 63,862 | 2,837,681 |
| 847 | 63,927 | 887,581 | (154,899) | 279,425 | 63,862 | 3,118,406 |
| $ 847 | $ 63,927 | $ 887,581 | $ 168,403 | $ 279,425 | $ 77,185 | $ 3,572,450 |

**CITY OF HUGHSON**
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**
**Nonmajor Governmental Funds**
**For the Year Ended June 30, 2009**

| | Special Revenue | | | |
|---|---|---|---|---|
| | **Asset Forfeiture** | **Gas Tax** | **Vehicle Abatement** | **CDBG Rehab** |
| **Revenues:** | | | | |
| Property taxes | $ - | $ - | $ - | $ - |
| Use of money and property | 28 | 4,255 | - | 2,174 |
| Charges for services | - | - | 13,714 | - |
| Revenues from other agencies | - | 133,881 | - | - |
| Special assessments | - | - | - | - |
| Other revenues | - | - | - | 2,972 |
| Total revenues | 28 | 138,136 | 13,714 | 5,146 |
| **Expenditures:** | | | | |
| Current: | | | | |
| General government | - | - | - | - |
| Public safety | - | - | 73,031 | 3,231 |
| Public works | - | 91,573 | - | - |
| Capital outlay | - | 14,532 | - | - |
| Debt service: | | | | |
| Principal | - | - | - | - |
| Interest and fiscal charges | - | - | - | - |
| Total expenditures | - | 106,105 | 73,031 | 3,231 |
| Excess (deficiency) of revenues over expenditures | 28 | 32,031 | (59,317) | 1,915 |
| **Other financing sources (uses):** | | | | |
| Transfers in | - | - | 60,000 | - |
| Transfers out | - | (30,000) | - | - |
| | - | (30,000) | 60,000 | - |
| Net change in fund balances | 28 | 2,031 | 683 | 1,915 |
| Fund balances (deficits), beginning of year, as restated | 1,622 | 232,579 | (55,306) | 409,090 |
| Fund balances (deficits), end of year | $ 1,650 | $ 234,610 | $ (54,623) | $ 411,005 |

| Special Revenue | | | | | | |
|---|---|---|---|---|---|---|
| CDBG Grants | Public Safety Augmentation | Equipment Replacement | Solid Waste Management | Storm Drain | Traffic | SLESF |
| $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| 1,547 | - | - | 727 | - | 290 | 1,329 |
| - | 6,494 | - | 9,200 | 17,016 | - | - |
| - | - | - | - | - | 52,362 | 100,087 |
| - | - | - | - | - | - | - |
| - | - | 3,944 | - | - | - | - |
| 1,547 | 6,494 | 3,944 | 9,927 | 17,016 | 52,652 | 101,416 |
| - | - | - | - | - | - | - |
| - | - | - | - | - | 962 | 96,346 |
| - | - | - | - | 27,579 | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | 27,579 | 962 | 96,346 |
| 1,547 | 6,494 | 3,944 | 9,927 | (10,563) | 51,690 | 5,070 |
| 5,609 | - | - | - | - | - | - |
| - | (5,000) | - | (5,000) | - | - | - |
| 5,609 | (5,000) | - | (5,000) | - | - | - |
| 7,156 | 1,494 | 3,944 | 4,927 | (10,563) | 51,690 | 5,070 |
| 94,138 | 15,427 | 21,738 | 41,084 | (37,781) | - | 95,028 |
| $ 101,294 | $ 16,921 | $ 25,682 | $ 46,011 | $ (48,344) | $ 51,690 | $ 100,098 |

(Continued)

**CITY OF HUGHSON**
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**
**Nonmajor Governmental Funds (Continued)**
**For the Year Ended June 30, 2009**

| | Special Revenue | | | |
|---|---|---|---|---|
| | CLEEP | Redevelopment Housing | Lighting and Landscaping | Benefit Assessment |
| **Revenues:** | | | | |
| Property taxes | $ - | $ 134,415 | $ - | $ - |
| Use of money and property | 302 | 24,446 | - | - |
| Charges for services | - | - | - | - |
| Revenues from other agencies | - | - | - | - |
| Special assessments | - | - | - | 51,405 |
| Other revenues | - | 23,216 | 115,405 | - |
| Total revenues | 302 | 182,077 | 115,405 | 51,405 |
| **Expenditures:** | | | | |
| Current: | | | | |
| General government | - | 77,321 | - | - |
| Public safety | - | - | - | - |
| Public works | - | - | 77,062 | 3,959 |
| Capital outlay | - | - | - | - |
| Debt service: | | | | |
| Principal | - | 11,000 | - | - |
| Interest and fiscal charges | - | 30,079 | - | - |
| Total expenditures | - | 118,400 | 77,062 | 3,959 |
| Excess (deficiency) of revenues over expenditures | 302 | 63,677 | 38,343 | 47,446 |
| **Other financing sources (uses):** | | | | |
| Transfers in | - | - | - | - |
| Transfers out | - | (15,000) | (25,936) | (14,802) |
| | - | (15,000) | (25,936) | (14,802) |
| Net change in fund balances | 302 | 48,677 | 12,407 | 32,644 |
| Fund balances (deficits), beginning of year, as restated | 17,866 | 808,471 | 115,280 | 56,022 |
| Fund balances (deficits), end of year | $ 18,168 | $ 857,148 | $ 127,687 | $ 88,666 |

| Special Revenue | | Capital Projects | | | | Total |
|---|---|---|---|---|---|---|
| Miscellaneous Grants | Community Enhancement | Public Facilities | Transportation | Municipal Park | Parks Development Impact Fees | Nonmajor Governmental Funds |
| $ - | $ - | $ - | $ - | $ - | $ - | $ 134,415 |
| 15 | 1,105 | 33,418 | 3,521 | 4,630 | 2,527 | 80,314 |
| - | 4,032 | 59,713 | - | 1,991 | 5,311 | 117,471 |
| - | - | - | 20,175 | - | - | 306,505 |
| - | - | - | - | - | - | 51,405 |
| - | - | - | - | - | - | 145,537 |
| 15 | 5,137 | 93,131 | 23,696 | 6,621 | 7,838 | 835,647 |
| - | 5,100 | - | - | - | - | 82,421 |
| - | - | - | - | - | - | 173,570 |
| - | - | - | - | - | - | 200,173 |
| - | - | 44,060 | 399,466 | 3,500 | 127,383 | 588,941 |
| - | - | - | - | - | - | 11,000 |
| - | - | - | - | - | - | 30,079 |
| - | 5,100 | 44,060 | 399,466 | 3,500 | 127,383 | 1,086,184 |
| 15 | 37 | 49,071 | (375,770) | 3,121 | (119,545) | (250,537) |
| - | - | - | - | - | - | 65,609 |
| - | - | (5,609) | - | - | - | (101,347) |
| - | - | (5,609) | - | - | - | (35,738) |
| 15 | 37 | 43,462 | (375,770) | 3,121 | (119,545) | (286,275) |
| 832 | 63,890 | 844,119 | 220,871 | 276,304 | 183,407 | 3,404,681 |
| $ 847 | $ 63,927 | $ 887,581 | $ (154,899) | $ 279,425 | $ 63,862 | $ 3,118,406 |

**CITY OF HUGHSON**
**Gas Tax Special Revenue Fund**
**Budgetary Comparison Schedule**
**For the Year Ended June 30, 2009**

| | Final Budget | Actual | Variance Over (Under) |
|---|---|---|---|
| **Revenues:** | | | |
| Use of money and property | $ 5,430 | $ 4,255 | $ (1,175) |
| Revenues from other agencies | 103,000 | 133,881 | 30,881 |
| Total revenues | 108,430 | 138,136 | 29,706 |
| **Expenditures:** | | | |
| Current: | | | |
| Public works | 51,000 | 91,573 | 40,573 |
| Capital outlay | 12,000 | 14,532 | 2,532 |
| Total expenditures | 63,000 | 106,105 | 43,105 |
| Excess (deficiency) of revenues over expenditures | 45,430 | 32,031 | (13,399) |
| **Other financing sources:** | | | |
| Transfers out | (30,000) | (30,000) | - |
| Net change in fund balance | 15,430 | 2,031 | (13,399) |
| Fund balance, beginning of year | 232,579 | 232,579 | - |
| Fund balance, end of year | $ 248,009 | $ 234,610 | $ (13,399) |

**CITY OF HUGHSON**
**Vehicle Abatement Special Revenue Fund**
**Budgetary Comparison Schedule**
**For the Year Ended June 30, 2009**

| | Final Budget | Actual | Variance Over (Under) |
|---|---|---|---|
| **Revenues:** | | | |
| Charges for services | $ 15,000 | $ 13,714 | $ (1,286) |
| **Expenditures:** | | | |
| Current: | | | |
| Public safety | 69,562 | 73,031 | 3,469 |
| Excess (deficiency) of revenues over expenditures | (54,562) | (59,317) | (4,755) |
| **Other financing sources:** | | | |
| Transfers in | 60,000 | 60,000 | - |
| Net change in fund balance | 5,438 | 683 | (4,755) |
| Fund balance (deficit), beginning of year | (55,306) | (55,306) | - |
| Fund balance (deficit), end of year | $ (49,868) | $ (54,623) | $ (4,755) |

**CITY OF HUGHSON**
**CDBG Rehab Special Revenue Fund**
**Budgetary Comparison Schedule**
**For the Year Ended June 30, 2009**

| | Final Budget | Actual | Variance Over (Under) |
|---|---|---|---|
| **Revenues:** | | | |
| Use of money and property | $ 3,036 | $ 2,174 | $ (862) |
| Revenues from other agencies | 2,935 | - | (2,935) |
| Other revenues | - | 2,972 | 2,972 |
| Total Revenues | 5,971 | 5,146 | (825) |
| **Expenditures:** | | | |
| Current: | | | |
| Public safety | 8,000 | 3,231 | (4,769) |
| Net change in fund balance | (2,029) | 1,915 | 3,944 |
| Fund balance, beginning of year, as restated | 409,090 | 409,090 | - |
| Fund balance, end of year | $ 407,061 | $ 411,005 | $ 3,944 |

**CITY OF HUGHSON**
**CDBG Grants Special Revenue Fund**
**Budgetary Comparison Schedule**
**For the Year Ended June 30, 2009**

| | Final Budget | Actual | Variance Over (Under) |
|---|---|---|---|
| **Revenues:** | | | |
| Use of money and property | $ 1,850 | $ 1,547 | $ (303) |
| **Expenditures:** | | | |
| Current: | | | |
| Public Works | 1,850 | - | (1,850) |
| Excess (deficiency) of revenues over expenditures | - | 1,547 | 1,547 |
| **Other financing sources:** | | | |
| Transfers in | 5,609 | 5,609 | - |
| Net change in fund balance | 5,609 | 7,156 | 1,547 |
| Fund balance, beginning of year | 94,138 | 94,138 | - |
| Fund balance, end of year | $ 99,747 | $ 101,294 | $ 1,547 |

**CITY OF HUGHSON**
**Public Safety Augmentation Special Revenue Fund**
**Budgetary Comparison Schedule**
**For the Year Ended June 30, 2009**

| | Final Budget | Actual | Variance Over (Under) |
|---|---|---|---|
| **Revenues:** | | | |
| Charges for services | $ 6,000 | $ 6,494 | $ 494 |
| **Other financing sources (uses):** | | | |
| Transfers out | (5,000) | (5,000) | - |
| Net change in fund balance | 1,000 | 1,494 | 494 |
| Fund balance, beginning of year | 15,427 | 15,427 | - |
| Fund balance, end of year | $ 16,427 | $ 16,921 | $ 494 |

**CITY OF HUGHSON**
**Solid Waste Management Special Revenue Fund**
**Budgetary Comparison Schedule**
**For the Year Ended June 30, 2009**

| | Final Budget | Actual | Variance Over (Under) |
|---|---|---|---|
| **Revenues:** | | | |
| Use of money and property | $ 700 | $ 727 | $ 27 |
| Charges for services | 5,000 | 9,200 | 4,200 |
| Total revenues | 5,700 | 9,927 | 4,227 |
| **Other financing sources (uses):** | | | |
| Transfers out | (5,000) | (5,000) | - |
| Net change in fund balance | 700 | 4,927 | 4,227 |
| Fund balance, beginning of year | 41,084 | 41,084 | - |
| Fund balance, end of year | $ 41,784 | $ 46,011 | $ 4,227 |

**CITY OF HUGHSON**
**Storm Drain Special Revenue Fund**
**Budgetary Comparison Schedule**
**For the Year Ended June 30, 2009**

| | Final Budget | Actual | Variance Over (Under) |
|---|---|---|---|
| **Revenues:** | | | |
| Charges for services | $ 40,000 | $ 17,016 | $ (22,984) |
| **Expenditures:** | | | |
| Public works | 317,700 | 27,579 | (290,121) |
| Net change in fund balance | (277,700) | (10,563) | 267,137 |
| Fund balance (deficit), beginning of year | (37,781) | (37,781) | - |
| Fund balance (deficit), end of year | $ (315,481) | $ (48,344) | $ 267,137 |

**CITY OF HUGHSON**
**Traffic Special Revenue Fund**
**Budgetary Comparison Schedule**
**For the Year Ended June 30, 2009**

| | Final Budget | Actual | Variance Over (Under) |
|---|---|---|---|
| **Revenues:** | | | |
| Use of money and property | $ 900 | $ 290 | $ (610) |
| Revenues from other agencies | - | 52,362 | 52,362 |
| Total revenues | 900 | 52,652 | 51,752 |
| **Expenditures:** | | | |
| Current: | | | |
| Public safety | 1,000 | 962 | (38) |
| Net change in fund balance | (100) | 51,690 | 51,790 |
| Fund balance, beginning of year | - | - | - |
| Fund balance, end of year | $ (100) | $ 51,690 | $ 51,790 |

**CITY OF HUGHSON**
**SLESF Special Revenue Fund**
**Budgetary Comparison Schedule**
**For the Year Ended June 30, 2009**

| | Final Budget | Actual | Variance Over (Under) |
|---|---|---|---|
| **Revenues:** | | | |
| Use of money and property | $ 3,000 | $ 1,329 | $ (1,671) |
| Revenues from other agencies | 100,000 | 100,087 | 87 |
| Total revenues | 103,000 | 101,416 | (1,584) |
| **Expenditures:** | | | |
| Current: | | | |
| Public safety | 100,000 | 96,346 | (3,654) |
| Net change in fund balance | 3,000 | 5,070 | 2,070 |
| Fund balance, beginning of year | 95,028 | 95,028 | - |
| Fund balance, end of year | $ 98,028 | $ 100,098 | $ 2,070 |

**CITY OF HUGHSON**
**CLEEP Special Revenue Fund**
**Budgetary Comparison Schedule**
**For the Year Ended June 30, 2009**

| | Final Budget | Actual | Variance Over (Under) |
|---|---|---|---|
| **Revenues:** | | | |
| Use of money and property | $ 700 | $ 302 | $ (398) |
| **Expenditures:** | | | |
| Capital outlay | 17,550 | - | (17,550) |
| Net change in fund balance | (16,850) | 302 | 17,152 |
| Fund balance, beginning of year | 17,866 | 17,866 | - |
| Fund balance, end of year | $ 1,016 | $ 18,168 | $ 17,152 |

**CITY OF HUGHSON**
**Redevelopment Housing Special Revenue Fund**
**Budgetary Comparison Schedule**
**For the Year Ended June 30, 2009**

| | Final Budget | Actual | Variance Over (Under) |
|---|---|---|---|
| **Revenues:** | | | |
| Property taxes | $ 92,700 | $ 134,415 | $ 41,715 |
| Use of money and property | 35,000 | 24,446 | (10,554) |
| Other revenues | - | 23,216 | 23,216 |
| Total revenues | 127,700 | 182,077 | 54,377 |
| **Expenditures:** | | | |
| Current: | | | |
| General government | 221,435 | 77,321 | (144,114) |
| Debt service: | | | |
| Principal | 11,000 | 11,000 | - |
| Interest and fiscal charges | 29,953 | 30,079 | 126 |
| Total expenditures | 262,388 | 118,400 | (143,988) |
| Excess (deficiency) of revenues over expenditures | (134,688) | 63,677 | 198,365 |
| **Other financing sources:** | | | |
| Transfers out | (15,000) | (15,000) | - |
| Net change in fund balance | (149,688) | 48,677 | 198,365 |
| Fund balance, beginning of year | 808,471 | 808,471 | - |
| Fund balance, end of year | $ 658,783 | $ 857,148 | $ 198,365 |

**CITY OF HUGHSON**
**Lighting and Landscaping Special Revenue Fund**
**Budgetary Comparison Schedule**
**For the Year Ended June 30, 2009**

| | Final Budget | Actual | Variance Over (Under) |
|---|---|---|---|
| **Revenues:** | | | |
| Other revenues | $ 126,885 | $ 115,405 | $ (11,480) |
| **Expenditures:** | | | |
| Current: | | | |
| Public works | 109,981 | 77,062 | (32,919) |
| Excess of revenues over expenditures | 16,904 | 38,343 | 21,439 |
| **Other financing sources (uses):** | | | |
| Transfers out | (25,936) | (25,936) | - |
| Net change in fund balance | (9,032) | 12,407 | 21,439 |
| Fund balance, beginning of year | 115,280 | 115,280 | - |
| Fund balance, end of year | $ 106,248 | $ 127,687 | $ 21,439 |

**CITY OF HUGHSON**
**Benefit Assessment Special Revenue Fund**
**Budgetary Comparison Schedule**
**For the Year Ended June 30, 2009**

| | Final Budget | Actual | Variance Over (Under) |
|---|---|---|---|
| **Revenues:** | | | |
| Special assessments | $ 71,927 | $ 51,405 | $ (20,522) |
| **Expenditures:** | | | |
| Current: | | | |
| Public works | 57,125 | 3,959 | (53,166) |
| Excess of revenues over expenditures | 14,802 | 47,446 | 32,644 |
| **Other financing sources (uses):** | | | |
| Transfers out | (14,802) | (14,802) | - |
| Net change in fund balance | - | 32,644 | 32,644 |
| Fund balance, beginning of year | 56,022 | 56,022 | - |
| Fund balance, end of year | $ 56,022 | $ 88,666 | $ 32,644 |

**CITY OF HUGHSON**
**Community Enhancement Special Revenue Fund**
**Budgetary Comparison Schedule**
**For the Year Ended June 30, 2009**

| | Final Budget | Actual | Variance Over (Under) |
|---|---|---|---|
| **Revenues:** | | | |
| Use of money and property | $ 900 | $ 1,105 | $ 205 |
| Charges for services | 10,000 | 4,032 | (5,968) |
| Total revenues | 10,900 | 5,137 | (5,763) |
| **Expenditures:** | | | |
| General government | 5,100 | 5,100 | - |
| Net change in fund balance | 5,800 | 37 | (5,763) |
| Fund balance, beginning of year | 63,890 | 63,890 | - |
| Fund balance, end of year | $ 69,690 | $ 63,927 | $ (5,763) |

**CITY OF HUGHSON**
**Public Facilities Capital Projects Fund**
**Budgetary Comparison Schedule**
**For the Year Ended June 30, 2009**

| | Final Budget | Actual | Variance Over (Under) |
|---|---|---|---|
| **Revenues:** | | | |
| Use of money and property | $ 39,500 | $ 33,418 | $ (6,082) |
| Charges for services | 47,000 | 59,713 | 12,713 |
| Total revenues | 86,500 | 93,131 | 6,631 |
| **Expenditures:** | | | |
| Capital outlay | 80,000 | 44,060 | (35,940) |
| Excess of revenues over expenditures | 6,500 | 49,071 | 42,571 |
| **Other financing sources:** | | | |
| Transfers out | (5,609) | (5,609) | - |
| Net change in fund balance | 891 | 43,462 | 42,571 |
| Fund balance, beginning of year | 844,119 | 844,119 | - |
| Fund balance, end of year | $ 845,010 | $ 887,581 | $ 42,571 |

**CITY OF HUGHSON**
**Transportation Capital Projects Fund**
**Budgetary Comparison Schedule**
**For the Year Ended June 30, 2009**

| | Final Budget | Actual | Variance Over (Under) |
|---|---|---|---|
| **Revenues:** | | | |
| Use of money and property | $ - | $ 3,521 | $ 3,521 |
| Revenues from other agencies | 282,500 | 20,175 | (262,325) |
| Total revenues | 282,500 | 23,696 | (258,804) |
| **Expenditures:** | | | |
| Capital outlay | 422,500 | 399,466 | (23,034) |
| Net change in fund balance | (140,000) | (375,770) | (235,770) |
| Fund balance (deficit), beginning of year | 220,871 | 220,871 | - |
| Fund balance (deficit), end of year | $ 80,871 | $ (154,899) | $ (235,770) |

**CITY OF HUGHSON**
**Municipal Park Capital Projects Fund**
**Budgetary Comparison Schedule**
**For the Year Ended June 30, 2009**

| | Final Budget | Actual | Variance Over (Under) |
|---|---|---|---|
| **Revenues:** | | | |
| Use of money and property | $ 5,500 | $ 4,630 | $ (870) |
| Charges for services | 6,600 | 1,991 | (4,609) |
| Total revenues | 12,100 | 6,621 | (5,479) |
| **Expenditures:** | | | |
| Capital outlay | 200,000 | 3,500 | (196,500) |
| Net change in fund balance | (187,900) | 3,121 | 191,021 |
| Fund balance, beginning of year | 276,304 | 276,304 | - |
| Fund balance, end of year | $ 88,404 | $ 279,425 | $ 191,021 |

**CITY OF HUGHSON**
**Parks Development Impact Fees Capital Projects Fund**
**Budgetary Comparison Schedule**
**For the Year Ended June 30, 2009**

| | Final Budget | Actual | Variance Over (Under) |
|---|---|---|---|
| **Revenues:** | | | |
| Use of money and property | $ 4,000 | $ 2,527 | $ (1,473) |
| Charges for services | 9,200 | 5,311 | (3,889) |
| Total revenues | 13,200 | 7,838 | (5,362) |
| **Expenditures:** | | | |
| Capital outlay | 200,000 | 127,383 | (72,617) |
| Net change in fund balance | (186,800) | (119,545) | 67,255 |
| Fund balance, beginning of year | 183,407 | 183,407 | - |
| Fund balance (deficit), end of year | $ (3,393) | $ 63,862 | $ 67,255 |

**CITY OF HUGHSON**
**Combining Statement of Net Assets**
**Nonmajor Enterprise Funds**
**June 30, 2009**

| | Community Center Operations Fund | USF Community Center Fund | Total Nonmajor Enterprise Funds |
|---|---|---|---|
| **Assets:** | | | |
| Current assets: | | | |
| Cash and investments | $ - | $ 14,687 | $ 14,687 |
| Accounts receivable | - | 14 | 14 |
| Total current assets | - | 14,701 | 14,701 |
| Capital assets: | | | |
| Being depreciated, net | 576,506 | - | 576,506 |
| Total assets | 576,506 | 14,701 | 591,207 |
| **Liabilities:** | | | |
| Current liabilities: | | | |
| Accounts payable and accrued liabilities | 4,415 | 458 | 4,873 |
| Due to other funds | 13,852 | - | 13,852 |
| Deposits | 8,306 | - | 8,306 |
| Noncurrent liabilities: | | | |
| Due in more than one year | 2,752 | 412 | 3,164 |
| Total labilities | 29,325 | 870 | 30,195 |
| **Net Assets:** | | | |
| Invested in capital assets | 576,506 | - | 576,506 |
| Unrestricted | (29,325) | 13,831 | (15,494) |
| Total net assets | $ 547,181 | $ 13,831 | $ 561,012 |

**CITY OF HUGHSON**
**Combining Statement of Revenues, Expenses and Changes in Fund Net Assets**
**Nonmajor Enterprise Funds**
**For the Year Ended June 30, 2009**

| | Community Center Operations Fund | USF Community Center Fund | Total Nonmajor Enterprise Funds |
|---|---|---|---|
| **Operating revenues:** | | | |
| Charges for services | $ 23,045 | $ 15,135 | $ 38,180 |
| **Operating expenses:** | | | |
| Personnel | 17,758 | 3,187 | 20,945 |
| Administrative | 15,922 | 5,976 | 21,898 |
| Maintenance | 4,472 | 146 | 4,618 |
| Depreciation | 24,176 | - | 24,176 |
| Total operating expenses | 62,328 | 9,309 | 71,637 |
| Operating income (loss) | (39,283) | 5,826 | (33,457) |
| **Nonoperating revenues:** | | | |
| Interest income | - | 183 | 183 |
| Transfer in | 32,000 | - | 32,000 |
| Change in net assets | (7,283) | 6,009 | (1,274) |
| Net assets, beginning of year, as restated | 554,464 | 7,822 | 562,286 |
| Net assets, end of year | $ 547,181 | $ 13,831 | $ 561,012 |

**CITY OF HUGHSON**
**Combining Statement of Cash Flows**
**Nonmajor Enterprise Funds**
**For the Year Ended June 30, 2009**

| | Community Center Operations Fund | USF Community Center Fund | Total Nonmajor Enterprise Funds |
|---|---|---|---|
| **Cash flows from operating activities:** | | | |
| Cash received from customers | $ 23,045 | $ 15,146 | $ 38,191 |
| Cash paid to suppliers of goods and services | (28,057) | (5,289) | (33,346) |
| Cash paid to employees | (15,006) | (3,187) | (18,193) |
| Net cash provided by (used for) operating activities | (20,018) | 6,670 | (13,348) |
| **Cash flows from noncapital financing activities:** | | | |
| Interfund borrowing | (11,982) | - | (11,982) |
| Cash received from other funds | 32,000 | - | 32,000 |
| Net cash provided by noncapital financing activities | 20,018 | - | 20,018 |
| **Cash flows from investing activities:** | | | |
| Interest on investments | - | 183 | 183 |
| Net increase in cash and cash equivalents | - | 6,853 | 6,853 |
| Cash and cash equivalents, beginning of year | - | 7,834 | 7,834 |
| Cash and cash equivalents, end of year | $ - | $ 14,687 | $ 14,687 |

(Continued)

**CITY OF HUGHSON**
**Combining Statement of Cash Flows**
**Nonmajor Enterprise Funds (Continued)**
**For the Year Ended June 30, 2009**

| | Community Center Operations Fund | USF Community Center Fund | Total Nonmajor Enterprise Funds |
|---|---|---|---|
| Reconciliation of operating income (loss) to Net cash provided by (used for) operating activities: | | | |
| Operating income (loss) | $ (39,283) | $ 5,826 | $ (33,457) |
| Adjustments to reconcile operating income (loss) to net cash provided by (used for) Operating activities: | | | |
| Depreciation expense | 24,176 | - | 24,176 |
| Changes in operating assets and liabilities: | | | |
| Decrease in accounts receivable | - | 11 | 11 |
| Increase in accounts payable and accrued liabilities | 1,053 | 421 | 1,474 |
| Decrease in deposits | (8,716) | - | (8,716) |
| Increase in compensated absences | 2,752 | 412 | 3,164 |
| Net cash provided by (used for) operating activities | $ (20,018) | $ 6,670 | $ (13,348) |

**CITY OF HUGHSON**
**Statement of Changes in Assets and Liabilities**
**Agency Fund**
**For the Year Ended June 30, 2009**

| Water/Sewer Deposits | Balance June 30, 2008 | Additions | Deletions | Balance June 30, 2009 |
|---|---|---|---|---|
| Assets | | | | |
| Cash and investments | $ 19,711 | $ 6,978 | $ - | $ 26,689 |
| Liabilities | | | | |
| Accounts payable | $ 19,711 | $ 6,978 | $ - | $ 26,689 |