

**CITY OF HUGHSON**  
**Annual Financial Report**  
**Fiscal Year Ended June 30, 2010**



CITY OF HUGHSON  
ANNUAL FINANCIAL REPORT  
Fiscal Year Ended June 30, 2010

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## **FINANCIAL SECTION**





MOSS, LEVY & HARTZHEIM LLP

CERTIFIED PUBLIC ACCOUNTANTS

**PARTNERS**

RONALD A LEVY, CPA  
CRAIG A HARTZHEIM, CPA  
HADLEY Y HUI, CPA

9107 WILSHIRE BLVD., SUITE 400  
BEVERLY HILLS, CA 90210  
TEL: 310.273.2745  
FAX: 310.273.1689  
www.mlhcpas.com

**Independent Auditor's Report**

The Members of the City Council of the  
City of Hughson  
Hughson, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hughson, California (City) as of and for the fiscal year ended June 30, 2010, 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the 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, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hughson, California, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable thereof, for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 1 of the notes to basic financial statements effective July 1, 2009, the City adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*, GASB Statement No. 51, *Accounting and Financial Reporting by Intangible Assets*, GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, and GASB Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies*.

In accordance with Government Auditing Standards, we have also issued a report dated March 8, 2011, 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.

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

Accounting principles generally accepted in the United States of America require that the Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual – General Fund, the Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual – Home Loan Special Revenue Fund, and the Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual – Refuse Special Revenue Fund be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements as a whole. The combining nonmajor fund financial statements, major capital projects fund budgetary comparison schedule, major debt service fund budgetary comparison schedule, nonmajor funds budgetary comparison schedules, combining nonmajor proprietary fund financial statements, and agency fund statement of changes in assets and liabilities are presented for purposes of additional analysis and are not required parts of the basic financial statements. The combining nonmajor fund financial statements, major capital projects fund budgetary comparison schedule, major debt service fund budgetary comparison schedule, nonmajor funds budgetary comparison schedules, combining nonmajor proprietary fund financial statements, and agency fund statement of changes in assets and liabilities are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Moss, Levy & Hartzheim*

Moss, Levy & Hartzheim, LLP  
Beverly Hills, California  
March 8, 2011

**CITY OF HUGHSON**  
**Statement of Net Assets**  
June 30, 2010

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>Assets:</b>			
Cash and Investments	\$ 3,925,610	\$ 3,025,404	\$ 6,951,014
Cash and Investments with Fiscal Agent	206,562		206,562
Accounts Receivable	235,554	1,958,668	2,194,222
Notes Receivable	1,715,199		1,715,199
Deposits Receivable	89,836		89,836
Interest Receivable	124,033		124,033
Deferred charges - net	166,044		166,044
Capital Assets Not Being Depreciated	12,616,773	29,128,038	41,744,811
Capital Assets, Net of Accumulated Depreciation	16,620,985	16,457,934	33,078,919
Total Assets	<u>35,700,596</u>	<u>50,570,044</u>	<u>86,270,640</u>
<b>Liabilities:</b>			
Accounts Payable	437,229	2,382,200	2,819,429
Interest Payable	36,032	125,703	161,735
Deposits Payable		13,482	13,482
Noncurrent Liabilities:			
Due Within One Year	60,000	387,746	447,746
Due in More Than One Year	3,027,664	15,609,783	18,637,447
Total Liabilities	<u>3,560,925</u>	<u>18,518,914</u>	<u>22,079,839</u>
<b>Net Assets:</b>			
Invested in Capital Assets, Net of Related Debt	26,242,758	29,653,159	55,895,917
Restricted for:			
Housing	2,446,333		2,446,333
Debt Service	180,140		180,140
Streets	298,982		298,982
Public Safety	174,666		174,666
Parks	347,639		347,639
Assessment Districts	220,856		220,856
Unrestricted	2,228,297	2,397,971	4,626,268
Total Net Assets	<u>\$ 32,139,671</u>	<u>\$ 32,051,130</u>	<u>\$ 64,190,801</u>

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

**CITY OF HUGHSON**  
**Statement of Activities**  
For the Fiscal Year Ended June 30, 2010

<u>Functions</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>Primary Government:</b>				
Governmental Activities:				
General Government	\$ 2,074,460	\$ 16,643	\$ -	\$ 440,863
Public Safety	1,014,419	91,346		45,322
Community Development	157,379	466,891	176,165	288,938
Public Works	543,692	420,699		32,187
Parks and Recreation	70,092	4,877		
Interest on Long-Term Liabilities	146,755			
Total Governmental Activities	<u>4,006,797</u>	<u>1,000,456</u>	<u>176,165</u>	<u>807,310</u>
Business-type Activities:				
Water	1,938,119	998,413		1,546,761
Sewer	1,484,388	1,644,450		
Community Facilities	80,764	28,878		
Total Business-Type Activities	<u>3,503,271</u>	<u>2,671,741</u>		<u>1,546,761</u>
Total Primary Government	<u>\$ 7,510,068</u>	<u>\$ 3,672,197</u>	<u>\$ 176,165</u>	<u>\$ 2,354,071</u>

**General Revenues:**

Taxes:

Property Taxes  
Sales and Use Taxes  
Business License Taxes  
Other Taxes

Investment Earnings

Other Revenue

**Transfers**

Total General Revenues and Transfers

Change in Net Assets

**Net Assets - Beginning of Fiscal Year**

**Prior Period Adjustments**

**Net Assets - Beginning of Fiscal Year (restated)**

**Net Assets - End of Fiscal Year**

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

**Net (Expenses) Revenues and Changes in Net Assets**

<b>Governmental Activities</b>	<b>Business- Type Activities</b>	<b>Total</b>
\$ (1,616,954)	\$ -	\$ (1,616,954)
(877,751)		(877,751)
774,615		774,615
(90,806)		(90,806)
(65,215)		(65,215)
(146,755)		(146,755)
<u>(2,022,866)</u>		<u>(2,022,866)</u>
	607,055	607,055
	160,062	160,062
	(51,886)	(51,886)
	<u>715,231</u>	<u>715,231</u>
<u>(2,022,866)</u>	<u>715,231</u>	<u>(1,307,635)</u>
790,655		790,655
393,680		393,680
21,099		21,099
121,198		121,198
54,060	53,415	107,475
417,968		417,968
(33,500)	33,500	
<u>1,765,160</u>	<u>86,915</u>	<u>1,852,075</u>
<u>(257,706)</u>	<u>802,146</u>	<u>544,440</u>
32,048,388	69,972,584	102,020,972
348,989	(38,723,600)	(38,374,611)
<u>32,397,377</u>	<u>31,248,984</u>	<u>63,646,361</u>
<u>\$ 32,139,671</u>	<u>\$ 32,051,130</u>	<u>\$ 64,190,801</u>

**CITY OF HUGHSON**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2010**

	<u>Special Revenue</u>		
	<u>General</u>	<u>Home Loan</u>	<u>Refuse Fund</u>
<b>Assets:</b>			
Cash and Investments	\$ 572,519	\$ 36,623	\$ -
Cash and Investments with Fiscal Agent			
Accounts Receivable	125,413		17,097
Loans Receivable		1,380,057	
Due from Other Funds	334,188		
Deposits	89,836		
Total Assets	<u>\$ 1,121,956</u>	<u>\$ 1,416,680</u>	<u>\$ 17,097</u>
<b>Liabilities and Fund Balances:</b>			
<b>Liabilities:</b>			
Accounts Payable	\$ 194,499	\$ -	\$ 88,781
Deferred Revenue	26,398	1,380,057	
Due to Other Funds			23,405
Total Liabilities	<u>220,897</u>	<u>1,380,057</u>	<u>112,186</u>
<b>Fund Balances:</b>			
Reserved for:			
Low and Moderate Income Housing			
Debt Service			
Unreserved, Reported in:			
General Fund	901,059		
Special Revenue Funds		36,623	(95,089)
Capital Projects Funds			
Total Fund Balances	<u>901,059</u>	<u>36,623</u>	<u>(95,089)</u>
Total Liabilities and Fund Balances	<u>\$ 1,121,956</u>	<u>\$ 1,416,680</u>	<u>\$ 17,097</u>

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

<u>Debt Service</u>	<u>Capital Projects</u>		
<u>Redevelopment Agency</u>	<u>Redevelopment Agency Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 531	\$ 14,570	\$ 3,156,432	\$ 3,780,675
206,562			206,562
9,204	120	83,719	235,553
		335,142	1,715,199
			334,188
			89,836
<u>\$ 216,297</u>	<u>\$ 14,690</u>	<u>\$ 3,575,293</u>	<u>\$ 6,362,013</u>
\$ 125	\$ 6,154	\$ 127,012	\$ 416,571
		363,047	1,769,502
		310,783	334,188
<u>125</u>	<u>6,154</u>	<u>800,842</u>	<u>2,520,261</u>
216,172		811,246	811,246
			216,172
			901,059
		979,133	920,667
	8,536	984,072	992,608
<u>216,172</u>	<u>8,536</u>	<u>2,774,451</u>	<u>3,841,752</u>
<u>\$ 216,297</u>	<u>\$ 14,690</u>	<u>\$ 3,575,293</u>	<u>\$ 6,362,013</u>

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**CITY OF HUGHSON**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Statement of Net Assets**  
June 30, 2010

<b>Total fund balances - governmental funds</b>		<b>\$ 3,841,752</b>
<p>In governmental funds, only current assets are reported. In the statement of net assets, all assets are reported, including capital assets and accumulated depreciation.</p>		
Capital assets at historical cost	\$ 35,865,266	
Accumulated depreciation	<u>(6,627,508)</u>	29,237,758
<p>In governmental funds, certain receivables are not available to pay for current period expenditures and, therefore, are offset by deferred revenue.</p>		
		1,769,502
<p>In governmental funds, only current liabilities are reported. In the statement of net assets, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:</p>		
Tax allocation bonds payable	\$ 2,995,000	
Compensated absences payable	<u>92,664</u>	(3,087,664)
<p>Accrued interest payable from the current portion of interest due on long-term debt has not been reported in the governmental funds.</p>		
		(36,032)
<p>Internal service funds are used by management to charge the costs of certain activities, such as self-insurance, to individual funds. The assets and liabilities of the internal service fund must be added to the statement of net assets.</p>		
		124,278
<p>The assets and liabilities below are not due and payable in the current period and, therefore, are not reported in the funds:</p>		
Deferred charges, net		136,429
Discount on obtaining bonds, net		29,615
<p>In governmental funds, certain accrued interest receivables on notes receivable are not available to pay for current period expenditures and, therefore, are not reported in the governmental funds.</p>		
		<u>124,033</u>
<b>Total net assets - governmental activities</b>		<b><u>\$ 32,139,671</u></b>

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

**CITY OF HUGHSON**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Funds**  
**For the Fiscal Year Ended June 30, 2010**

	<u>Special Revenue</u>		
	<u>General</u>	<u>Home Loan Fund</u>	<u>Refuse Fund</u>
<b>Revenues</b>			
Property Taxes	\$ 249,911	\$ -	\$ -
Sales and Use Taxes	393,680		
Business License Taxes	21,099		
Other Taxes	121,198		
Licenses and Permits	68,670		
Fines and Forfeitures	91,346		
Interest	9,441	452	53
Charges for Services	16,643		420,699
Intergovernmental	440,862	176,165	
Special Assessments			
Other	417,166		
Total Revenues	<u>1,830,016</u>	<u>176,617</u>	<u>420,752</u>
<b>Expenditures</b>			
Current			
General Government	909,660		435,274
Public Safety	790,602		
Public Works	183,415		
Parks and Recreation	70,092		
Community Development		177,021	
Capital Outlay			
Debt Service			
Principal			
Interest and Fiscal Charges			
Total Expenditures	<u>1,953,769</u>	<u>177,021</u>	<u>435,274</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(123,753)</u>	<u>(404)</u>	<u>(14,522)</u>
<b>Other Financing Sources (Uses):</b>			
Transfers In	155,172		
Transfers Out	(60,211)		
Total Other Financing Sources (Uses)	<u>94,961</u>		
Net Change in Fund Balances	<u>(28,792)</u>	<u>(404)</u>	<u>(14,522)</u>
<b>Fund Balances (Deficits) - July 1, 2009</b>	929,851	101,994	(80,567)
<b>Prior Period Adjustments</b>		<u>(64,967)</u>	
<b>Fund Balances (Deficits) - July 1, 2009, Restated</b>	<u>929,851</u>	<u>37,027</u>	<u>(80,567)</u>
<b>Fund Balances (Deficits) - June 30, 2010</b>	<u>\$ 901,059</u>	<u>\$ 36,623</u>	<u>\$ (95,089)</u>

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

<u>Debt Service</u>	<u>Capital Projects</u>		
<u>Redevelopment Agency</u>	<u>Redevelopment Agency Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 433,237	\$ -	\$ 107,507	\$ 790,655
			393,680
			21,099
			121,198
			68,670
			91,346
9,188	3,257	31,615	54,006
		160,474	597,816
		366,447	983,474
		219,423	219,423
		802	417,968
<u>442,425</u>	<u>3,257</u>	<u>886,268</u>	<u>3,759,335</u>
84,710	209,721	106,042	1,745,407
		120,078	910,680
		256,537	439,952
			70,092
	226,827		403,848
	495,038	260,775	755,813
44,000		11,000	55,000
118,105		29,526	147,631
<u>246,815</u>	<u>931,586</u>	<u>783,958</u>	<u>4,528,423</u>
<u>195,610</u>	<u>(928,329)</u>	<u>102,310</u>	<u>(769,088)</u>
	500,000	99,000	754,172
(500,000)	(79,500)	(147,961)	(787,672)
(500,000)	420,500	(48,961)	(33,500)
(304,390)	(507,829)	53,349	(802,588)
520,562	516,365	2,989,215	4,977,420
		(268,113)	(333,080)
520,562	516,365	2,721,102	4,644,340
<u>\$ 216,172</u>	<u>\$ 8,536</u>	<u>\$ 2,774,451</u>	<u>\$ 3,841,752</u>

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**CITY OF HUGHSON**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in**  
**Fund Balances of Governmental Funds to the Statement of Activities**  
For the Fiscal Year Ended June 30, 2010

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

**Net change in fund balance-total governmental funds** \$ (802,588)

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those capital assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.

Capital outlay	\$	676,603	
Depreciation expense		<u>(518,498)</u>	158,105

Certain notes receivable are reported in the governmental funds as expenditures and then offset by a deferred revenue as they are not available to pay current expenditures. Likewise, when the note is collected it is reflected in revenue. This is the net change between notes receivable collected and issued. 332,004

The issuance of long-term debt provides current financial resources to governmental funds, while repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Issuance of bond principal is an other financing source and repayment of bond principal is an expenditure in governmental funds, but the issuance increases long-term liabilities and the repayment reduces long-term liabilities in the statement of net assets.

Tax allocation bonds - principal payment 55,000

Compensated absence expenditures reported in the statement of activities do not require the use of current financial resources and therefore, are not reported as expenditures in a governmental fund. This is the net change in compensated absences for the current period. 39,526

Accrued interest is interest due on long-term debt payable. This is the net change in accrued interest for the current period. 876

Internal service funds are used by management to charge the costs of certain activities, such as self-insurance, to individual funds. The net revenues (expenses) of the internal service funds are reported with governmental activities. (48,745)

The amounts below, included in the Statement of Activities do not provide or require the use of current financial resources and, therefore, are not reported as revenue or expenditures in the governmental funds (net change):

Amortization - deferred charges		(5,197)	
Amortization - discount on bonds		(1,128)	

Certain accrued interest revenue of notes receivable reported in the statement of activities are not available to pay for current period expenditures, and therefore, are not reported as revenues in a governmental fund. This is the net change in interest receivable for the current period. 14,441

**Change in net assets of governmental activities** \$ (257,706)

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

**CITY OF HUGHSON**  
**Statement of Net Assets**  
**Proprietary Funds**  
June 30, 2010.

	<b>Business-type Activities-Enterprise Funds</b>				<b>Governmental Activities</b>
	<b>Sewer Fund</b>	<b>Water Fund</b>	<b>Nonmajor Enterprise Funds</b>	<b>Total</b>	<b>Internal Service Fund</b>
<b>Assets</b>					
Current Assets:					
Cash and Investments	\$ 3,016,738	\$ -	\$ 8,666	\$ 3,025,404	\$ 144,935
Accounts Receivable	673,955	1,284,713		1,958,668	1
Due From Other Funds	1,066,777		8,323	1,075,100	
Total Current Assets	<u>4,757,470</u>	<u>1,284,713</u>	<u>16,989</u>	<u>6,059,172</u>	<u>144,936</u>
Noncurrent Assets:					
Capital Assets:					
Land	14,970,464	2,928,159	105,073	18,003,696	
Buildings	560,581	2,127,666	725,283	3,413,530	
Machinery and Equipment	525,610	21,509		547,119	
Improvements Other Than Buildings	17,344,111	9,955,862		27,299,973	
Construction In Progress	9,141,891	1,982,451		11,124,342	
Less:					
Accumulated Depreciation	(9,736,464)	(4,788,198)	(278,026)	(14,802,688)	
Total Noncurrent Assets	<u>32,806,193</u>	<u>12,227,449</u>	<u>552,330</u>	<u>45,585,972</u>	
Total Assets	<u>37,563,663</u>	<u>13,512,162</u>	<u>569,319</u>	<u>51,645,144</u>	<u>144,936</u>
<b>Liabilities</b>					
Current Liabilities:					
Accounts Payable	1,586,434	794,902	864	2,382,200	20,658
Interest Payable	96,474	29,229		125,703	
Due to Other Funds		1,066,777	8,323	1,075,100	
Deposits Payable			13,482	13,482	
Total Current Liabilities	<u>1,682,908</u>	<u>1,890,908</u>	<u>22,669</u>	<u>3,596,485</u>	<u>20,658</u>
Noncurrent Liabilities:					
Compensated Absences	40,888	19,911	3,917	64,716	
Due within one year	289,748	97,998		387,746	
Due in more than one year	13,130,399	2,414,668		15,545,067	
Total Noncurrent Liabilities	<u>13,461,035</u>	<u>2,532,577</u>	<u>3,917</u>	<u>15,997,529</u>	
Total Liabilities	<u>15,143,943</u>	<u>4,423,485</u>	<u>26,586</u>	<u>19,594,014</u>	<u>20,658</u>
<b>Net Assets (Deficit)</b>					
Invested in Capital Assets, Net of Related Debt	19,386,046	9,714,783	552,330	29,653,159	
Unrestricted	3,033,674	(626,106)	(9,597)	2,397,971	124,278
Total Net Assets	<u>\$ 22,419,720</u>	<u>\$ 9,088,677</u>	<u>\$ 542,733</u>	<u>\$ 32,051,130</u>	<u>\$ 124,278</u>

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

**CITY OF HUGHSON**  
**Statement of Revenues, Expenses, and Changes in Net Assets**  
**Proprietary Funds**  
For the Fiscal Year Ended June 30, 2010

	<b>Business-type Activities - Enterprise funds</b>				<b>Governmental Activities</b>
	<b>Sewer Fund</b>	<b>Water Fund</b>	<b>Nonmajor Enterprise Funds</b>	<b>Total</b>	<b>Internal Service Fund</b>
<b>Operating Revenues:</b>					
Charges for Services	\$ 1,644,450	\$ 998,413	\$ 28,878	\$ 2,671,741	\$ 8,760
Total Operating Revenues	<u>1,644,450</u>	<u>998,413</u>	<u>28,878</u>	<u>2,671,741</u>	<u>8,760</u>
<b>Operating Expenses:</b>					
Personnel	448,836	255,758	30,548	735,142	
Administrative	658,072	770,670	25,489	1,454,231	57,560
Materials and Supplies	61,861	65,218		127,079	
Maintenance	41,306	24,153	551	66,010	
Depreciation	440,314	250,131	24,176	714,621	
Total Operating Expenses	<u>1,650,389</u>	<u>1,365,930</u>	<u>80,764</u>	<u>3,097,083</u>	<u>57,560</u>
Operating Income (loss)	<u>(5,939)</u>	<u>(367,517)</u>	<u>(51,886)</u>	<u>(425,342)</u>	<u>(48,800)</u>
<b>Non-operating Revenues (Expenses):</b>					
Interest Revenue	52,347	961	107	53,415	55
Interest Expense	(287,730)	(118,458)		(406,188)	
Intergovernmental Revenue		1,546,761		1,546,761	
Total Non-Operating Revenue (Expenses)	<u>(235,383)</u>	<u>1,429,264</u>	<u>107</u>	<u>1,193,988</u>	<u>55</u>
Income (Loss) before transfers	(241,322)	1,061,747	(51,779)	768,646	(48,745)
Transfers					
Transfer In			35,000	35,000	
Transfer Out			(1,500)	(1,500)	
<b>Change in Net Assets</b>	<u>(241,322)</u>	<u>1,061,747</u>	<u>(18,279)</u>	<u>802,146</u>	<u>(48,745)</u>
Net Assets - Beginning of Fiscal Year	61,327,135	8,084,437	561,012	69,972,584	173,023
Prior Period Adjustments	<u>(38,666,093)</u>	<u>(57,507)</u>		<u>(38,723,600)</u>	
Net Assets - Beginning of the Fiscal Year, Restated	<u>22,661,042</u>	<u>8,026,930</u>	<u>561,012</u>	<u>31,248,984</u>	<u>173,023</u>
Net Assets - End of Fiscal Year	<u>\$ 22,419,720</u>	<u>\$ 9,088,677</u>	<u>\$ 542,733</u>	<u>\$ 32,051,130</u>	<u>\$ 124,278</u>

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

**CITY OF HUGHSON**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
For the Fiscal Year Ended June 30, 2010

	Business-type Activities - Enterprise Funds			Totals	Governmental
	Sewer Fund	Water Fund	Nonmajor Enterprise Funds		Internal Service Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Cash Received from Users	\$ 997,948	\$ (265,723)	\$ 34,068	\$ 766,293	\$ 8,759
Cash Payments to Suppliers and Contractors	710,543	(556,481)	(30,049)	124,013	(37,552)
Cash Payments to Employees	(407,948)	(235,847)	(29,795)	(673,590)	
Net Cash Provided (Used) By Operating Activities	<u>1,300,543</u>	<u>(1,058,051)</u>	<u>(25,776)</u>	<u>216,716</u>	<u>(28,793)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>					
Transfers in			33,500	33,500	
Interfund Borrowing	(1,066,777)	1,066,777	(13,852)	(13,852)	
Net Cash Provided (Used) By Noncapital Financing Activities	<u>(1,066,777)</u>	<u>1,066,777</u>	<u>19,648</u>	<u>19,648</u>	
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Interest Received	52,347	961	107	53,415	55
Net Cash Provided (Used) in Investing Activities	<u>52,347</u>	<u>961</u>	<u>107</u>	<u>53,415</u>	<u>55</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>					
Intergovernmental		1,546,761		1,546,761	
Proceeds from Debt Borrowings	7,071,920			7,071,920	
Principal Payments on Debt Borrowings	(277,475)	(93,594)		(371,069)	
Interest Paid	(287,730)	(118,458)		(406,188)	
Acquisition of Property, Plant, and Equipment	(6,567,371)	(1,410,779)		(7,978,150)	
Net Cash Provided (Used) In Capital and Related Financing Activities	<u>(60,656)</u>	<u>(76,070)</u>		<u>(136,726)</u>	
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>225,457</b>	<b>(66,383)</b>	<b>(6,021)</b>	<b>153,053</b>	<b>(28,738)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF FISCAL YEAR</b>	<b>2,791,281</b>	<b>66,383</b>	<b>14,687</b>	<b>2,872,351</b>	<b>173,673</b>
<b>CASH AND CASH EQUIVALENTS, END OF FISCAL YEAR</b>	<b>\$ 3,016,738</b>	<b>\$ -</b>	<b>\$ 8,666</b>	<b>\$ 3,025,404</b>	<b>\$ 144,935</b>
<b>Reconciliation to Statement of Net Assets:</b>					
Cash and Investments	\$ 3,016,738	\$ -	\$ 8,666	\$ 3,025,404	\$ 144,935
	<u>\$ 3,016,738</u>	<u>\$ -</u>	<u>\$ 8,666</u>	<u>\$ 3,025,404</u>	<u>\$ 144,935</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Operating Income (Loss)	\$ (5,939)	\$ (367,517)	\$ (51,886)	\$ (425,342)	\$ (48,800)
<b>Adjustment to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>					
Depreciation Expense	440,314	250,131	24,176	714,621	
Changes in Assets and Liabilities:					
(Increase) Decrease in Accounts Receivable	(646,502)	(1,264,136)	14	(1,910,624)	(1)
Increase (Decrease) in Accounts Payable	1,471,782	707,680	(4,009)	2,175,453	20,008
Increase (Decrease) in Claims Payable		(404,120)		(404,120)	
Increase (Decrease) in Deposits Payable			5,176	5,176	
Increase (Decrease) in Compensated Absences	40,888	19,911	753	61,552	
Total Adjustments	<u>1,306,482</u>	<u>(690,534)</u>	<u>26,110</u>	<u>642,058</u>	<u>20,007</u>
Net Cash Provided (Used) By Operating Activities	<u>\$ 1,300,543</u>	<u>\$ (1,058,051)</u>	<u>\$ (25,776)</u>	<u>\$ 216,716</u>	<u>\$ (28,793)</u>

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

**CITY OF HUGHSON**  
**Statement of Fiduciary Assets and Liabilities**  
**Fiduciary Fund**  
June 30, 2010

	<u>Agency Fund</u>
<b>Assets:</b>	
Cash and Investments	\$ 24,259
Total Assets	<u>\$ 24,259</u>
<b>Liabilities:</b>	
Deposits Payable	\$ 24,259
Total Liabilities	<u>\$ 24,259</u>

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

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## **NOTES TO BASIC FINANCIAL STATEMENTS**



**CITY OF HUGHSON**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2010**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

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.

As required by accounting principles generally accepted in the United States of America, 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 Unit**

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. Basis of Presentation**

**Government-wide Financial Statements**

The statement of net assets and statement of activities display information about the primary government (the City) and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the City and between the City and its blended component unit. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent, on fees charged to external parties.

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

**CITY OF HUGHSON**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2010**

**NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Basis of Presentation (Continued)**

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

**Fund Financial Statements**

The fund financial statements provide information about the City's funds, including fiduciary funds and blended component units. Separate statements for each fund category – *governmental, proprietary and fiduciary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds; each displayed in a separate column. All remaining governmental and enterprise funds are separately aggregated and reported as nonmajor funds.

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

The City reports five major governmental funds:

- The *General Fund* is used to account for all revenues and expenditures necessary to carry out basic governmental activities of the City that are not accounted for through other funds. For the City, the General Fund includes activities such as public protection, public works and facilities, parks and recreation, and community development.
- The *Home Loan Special Revenue Fund* was established to account for all proceeds of grant revenues from the federal government under the First Time Home Buyer federal grant program and from the State of California's CalHome grant program. The expenditures relate to payments made to eligible recipients for buying homes subject to fulfillment of conditions.
- The *Refuse Special Revenue Fund* was established to account for monies collected on behalf of a franchise garbage collection company.
- The *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 two major enterprise funds:

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

**CITY OF HUGHSON**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2010**

**NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Basis of Presentation (Continued)**

The City reports the following additional fund types:

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

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

**C. Basis of Accounting and Measurement Focus**

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 at the time the liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property and sales taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from sales tax are recognized when the underlying transactions take place. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligible requirements have been satisfied.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers all revenues available if they are collected within 60 days after fiscal year-end. Expenditures are recorded when the related fund liability is incurred, except for debt service expenditures which are recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and capital leases are reported as other financing sources.

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

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

**CITY OF HUGHSON**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2010**

**NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Basis of Accounting and Measurement Focus (Continued)**

For its business-type activities and enterprise funds, the City has elected under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, to apply all applicable GASB pronouncements as well as any applicable pronouncements of the Financial Accounting Standards Board, the Accounting Principles Board or any Accounting Research Bulletins issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The GASB periodically updates its codification of existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes (GAAP) for government units.

**D. Assets, Liabilities, and Equity**

**1. Deposits and Investments**

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

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

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

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

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

Investments are stated at fair value in accordance with GASB 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Short-term investments are reported at cost, which approximates fair value. The fair values are based on quoted market prices, if available, or estimated using quoted market prices for similar securities. Securities traded on national or international exchanges are valued at the last reported sales price at current exchange rates. Interest, dividends, and realized and unrealized gains and losses, based on the specific identification method, are included in interest revenue when earned.

**CITY OF HUGHSON**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2010**

**NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Assets, Liabilities, and Equity (Continued)**

**2. Receivables and Payables**

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

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

**3. Inventories and Prepaid Items**

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

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

**4. Restricted Assets**

Certain assets of special revenue grant funds are classified as restricted assets because their use is restricted by grant agreements.

**5. 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.

**CITY OF HUGHSON**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2010**

**NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Assets, Liabilities, and Equity (Continued)**

**5. Capital Assets (Continued)**

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

**6. 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.

**7. 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.

**CITY OF HUGHSON**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2010**

**NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Assets, Liabilities, and Equity (Continued)**

**8. Net Assets and Fund Equity**

In the Government-wide financial statements and proprietary fund financial statements, net assets are reported in three categories: net assets invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. Restricted net assets represent net assets restricted by parties outside of the City (such as creditors, grantors, contributors, laws, etc.) and include unspent proceeds of bonds issued to acquire or construct capital assets. The City's other restricted net assets are temporarily restricted (ultimately expendable assets). All other net assets are considered unrestricted.

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.

**9. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**10. New Accounting Pronouncements**

**GASB Statement No. 45**

For the fiscal year ended June 30, 2010, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions". This Statement is effective for periods beginning after December 15, 2007. This Statement establishes standards for accounting and financial reporting for state and local government employers that offer "Other Postemployment Benefits" (OPEB) and requires accrual basis measurement and recognition of OPEB expenses and liabilities that will result in recognition of expenses over periods that approximate employees' years of service. See note 11 for more details of the City's Plan.

**GASB Statement No. 51**

For the fiscal year ended June 30, 2010, the City implemented GASB Statement No. 51, "Accounting and Financial Reporting for Intangible Assets". This Statement is effective for financial statements for periods beginning after June 15, 2009. The objective of this Statement is to establish accounting and financial reporting requirements for intangible assets to reduce these inconsistencies, thereby enhancing the comparability of the accounting and financial reporting of such assets among state and local governments. The implementation of this Statement did not have an effect on these financial statements.

**GASB Statement No. 53**

For the fiscal year ended June 30, 2010, the City implemented GASB Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments". This Statement is effective for financial statements for periods beginning after June 15, 2009. This Statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. The implementation of this Statement did not have an effect on these financial statements.

**CITY OF HUGHSON**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2010**

**NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Assets, Liabilities, and Equity (Continued)**

**10. New Accounting Pronouncements (Continued)**

GASB Statement No. 57

For the fiscal year ended June 30, 2010, the City implemented GASB Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans". This Statement establishes standards for the measurement and financial reporting of actuarially determined information by agent employers with individual-employer OPEB plans that have fewer than 100 total plan members and by the agent multiple-employer OPEB plans in which they participate. The implementation of this Statement did not have an effect on these financial statements.

GASB Statement No. 58

For the fiscal year ended June 30, 2010, the City implemented GASB Statement No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies". This Statement is effective for reporting periods beginning after June 15, 2009. The objective of this Statement is to provide accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. It requires governments to remeasure liabilities that are adjusted in bankruptcy when the bankruptcy court confirms (that is, approves) a new payment plan. The implementation of this Statement did not have an effect on these financial statements.

**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. Budgetary Information**

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

1. During May of each year, the City Manager submits to the City Council a proposed operating budget for the next following fiscal year. The operating budget includes proposed revenues and expenditures.
2. After a review by the City Council, a public hearing is conducted and further comment is received from the City Council and the general public.
3. Upon completion of the hearings and modifications, if any, to the proposed budget, it is adopted by the City Council through passage of an appropriate resolution.
4. Generally, the budget is amended in the middle of the year and at the end of the year. All approved additional appropriations are added to the adopted budget and an amended budget is presented to the City Council, which adopts it after due review.
5. The City Manager is authorized to transfer from time to time budget amounts of operational expenditure categories within departments as deemed necessary in order to meet the City's needs.

**CITY OF HUGHSON**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2010**

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

**A. Budgetary Information (Continued)**

6. City Council approval is required for all fund to fund transfers, department to department transfers, fund reserve to appropriations transfers, transfers for new revenue sources with offsetting appropriations, and for transfer to/from the capital expenditure category.
7. The City does not budget for the Equipment Replacement Special Revenue Fund.

**B. Budget/USGAAP Reconciliation**

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

**C. Excess of Expenditures over Appropriations**

For the fiscal year ended June 30, 2010, expenditures exceeded appropriations in the following funds:

Fund	Final Appropriation	Expenditures	Excess
<u>Major Funds:</u>			
Refuse Special Revenue Fund	\$ 379,100	\$ 435,274	\$ 56,174
RDA Debt Service Fund	163,705	246,815	83,110
<u>Nonmajor Funds:</u>			
Gas Tax Special Revenue Fund	83,500	89,090	5,590
Vehicle Abatement Special Revenue Fund	70,455	72,890	2,435
Storm Drain Special Revenue Fund		1,683	1,683
Benefit Assessment Special Revenue Fund	66,807	77,307	10,500
Local Transportation Special Revenue Fund		420	420
Parks Development Impact Fees Capital Projects Fund		8,168	8,168

**D. Deficit Fund Equity**

At June 30, 2010, the following funds had an accumulated deficit:

Fund	Amount
<u>Major Fund:</u>	
Refuse Special Revenue Fund	\$ 95,089
<u>Nonmajor Funds:</u>	
Vehicle Abatement Special Revenue Fund	15,824
Storm Drain Special Revenue Fund	24,324
Local Transportation Special Revenue Fund	35,511
Transportation Capital Projects Fund	354,157

**CITY OF HUGHSON**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2010**

**NOTE 3 – CASH AND INVESTMENTS**

Cash and investments as of June 30, 2010 are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and investments	\$ 6,951,014
Cash and investments with fiscal agents	206,562
Fiduciary fund:	
Cash and investments	24,259
Total cash and investments	\$ 7,181,835

Cash and investments as of June 30, 2010 consist of the following:

Cash on hand	\$ 298
Deposits with financial institutions	1,040,876
Investments	6,140,661
Total cash and investments	\$ 7,181,835

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

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

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Bonds issued by the City	N/A	None	None
US Treasury bills	5 years	None	None
US 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

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

**CITY OF HUGHSON**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2010**

**NOTE 3 – CASH AND INVESTMENTS (Continued)**

**B. Investments Authorized by Debt Agreements**

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

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Local Agency Bonds	N/A	None	None
U.S. Treasury Obligations	N/A	None	None
State Obligations	N/A	None	None
U.S. Government Agency Issues	N/A	None	None
Money Market Mutual Fund	N/A	None	None
Bankers Acceptances	N/A	None	None
Commercial Paper	270 days	None	None
Certificates of Deposit	N/A	None	None
Repurchase Agreements	N/A	None	None
Investment Agreements	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None

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

**C. Disclosures Relating to Interest Rate Risk**

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

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

Investment Type	Totals	<u>Remaining maturity (in Months)</u>			
		12 Months or Less	13 to 24 Months	25-60 Months	More Than 60 Months
State Investment Pool (LAIF)	\$ 2,070,803	\$ 2,070,803	\$ -	\$ -	\$ -
Money Market Funds	1,663,585	1,663,585			
Certificates of Deposit	2,199,711	2,199,711			
Held by Bond Trustees:					
Money Market Funds	206,562	206,562			
	<u>\$ 6,140,661</u>	<u>\$ 6,140,661</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF HUGHSON**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2010**

**NOTE 3 – CASH AND INVESTMENTS (Continued)**

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

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

E. Disclosures Relating to Credit Risk

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

Investment Type	Amount	Minimum Legal Rating	Exempt From Disclosure	Rating as of Fiscal Year End			
				AAA	AA	A	Not Rated
State Investment Pool	\$ 2,070,803	N/A	\$ -	\$ -	\$ -	\$ -	\$2,070,803
Money Market Funds	1,663,585	N/A					1,663,585
Certificates of Deposit Held by Bond Trustee:	2,199,711	N/A					2,199,711
Money Market Funds	<u>206,562</u>	A		<u>206,562</u>			
Total	<u>\$ 6,140,661</u>		<u>\$ -</u>	<u>\$ 206,562</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$5,934,099</u>

F. Concentration of Credit Risk

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

G. Custodial Credit Risk

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

**CITY OF HUGHSON**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2010**

**NOTE 3 – CASH AND INVESTMENTS (Continued)**

**H. Investment in State Investment Pool**

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

**NOTE 4 – INTERFUND TRANSACTIONS**

**A. Interfund Receivables and Payables**

During the course of normal operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds". The following presents a summary of current interfund balances at June 30, 2010.

Receivable Fund	Amount	Payable Fund	Amount
Major Governmental Fund:		Major Enterprise Fund:	
General	\$ 334,188	Water	\$ 1,066,777
Major Enterprise Fund:		Nonmajor Governmental Funds:	
Sewer	1,066,777	Storm Drain Special Revenue Fund	24,324
Nonmajor Enterprise Fund:		Vehicle Abatement Special Revenue Fund	14,029
USF Community Center Fund	8,323	Refuse Special Revenue Fund	23,405
Totals	<u>\$ 1,409,288</u>	Local Transportation Special Revenue Fund	35,511
		Transportation Capital Projects Fund	236,919
		Nonmajor Enterprise Fund:	
		Community Center Operations Fund	8,323
		Totals	<u>\$ 1,409,288</u>

**B. Transfers between Funds**

Transfers are indicative of funding for capital projects, lease payments or debt service, subsidies of various City operations, re-allocations of special revenues, and debt service transfers to pay principal and interest payments on bonds. All inter-fund transfers between individual government funds have been eliminated on the government-wide statements. The following schedule briefly summarizes the City's transfer activity for the fiscal year ended June 30, 2010:

Fund	Transfers-in	Transfers-out
Major Governmental Funds:		
General	\$ 60,211	\$ 155,172
Redevelopment Agency Capital Projects	79,500	500,000
Redevelopment Agency Debt Service Fund	500,000	
Nonmajor Governmental Funds:		
Solid Waste Special Revenue Fund	35,000	
Public Safety Augmentation Special Revenue Fund	5,000	
Vehicle Abatement Special Revenue Fund		99,000
Lighting and Landscaping Special Revenue Fund	26,794	
Traffic Special Revenue Fund	11,500	
Redevelopment Housing Special Revenue Fund	19,500	
Benefit Assessment Special Revenue Fund	20,167	
Gas Tax Special Revenue Fund	30,000	
Nonmajor Enterprise Funds:		
Community Center Operations Fund		35,000
USF Community Center Fund	1,500	
Totals	<u>\$ 789,172</u>	<u>\$ 789,172</u>

**CITY OF HUGHSON**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2010**

**NOTE 5 – CAPITAL ASSETS**

Capital Assets activity for the fiscal year ended June 30, 2010 was as follows:

	Balance at July 1, 2009	Additions	Deletions	Prior Period Adjustment	Balance at June 30, 2010
<b>Governmental activities:</b>					
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	11,240			160,546
Total capital assets, not being depreciated	<u>12,605,533</u>	<u>11,240</u>			<u>12,616,773</u>
Capital assets, being depreciated:					
Buildings	1,000,676				1,000,676
Improvements	7,695,184	495,038			8,190,222
Equipment	321,726				321,726
Machinery	241,902				241,902
Rolling stock	530,299				530,299
Infrastructure	12,793,343	170,325			12,963,668
Total capital assets being depreciated	<u>22,583,130</u>	<u>665,363</u>			<u>23,248,493</u>
Less accumulated depreciation for:					
Buildings	(463,031)	(24,747)			(487,778)
Improvements	(2,762,254)	(175,022)			(2,937,276)
Equipment	(259,602)	(39,292)			(298,894)
Machinery	(119,818)	(20,934)			(140,752)
Rolling stock	(393,732)	(56,908)			(450,640)
Infrastructure	(2,110,573)	(201,595)			(2,312,168)
Total accumulated depreciation	<u>(6,109,010)</u>	<u>(518,498)</u>			<u>(6,627,508)</u>
Total capital assets, being depreciated, net	<u>16,474,120</u>	<u>146,865</u>			<u>16,620,985</u>
Governmental activities capital assets, net	<u>\$ 29,079,653</u>	<u>\$ 158,105</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29,237,758</u>
<b>Business-type activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 56,584,096	\$ -	\$ -	\$ (38,580,400)	\$ 18,003,696
Construction in progress	3,296,260	7,828,082			11,124,342
Total capital assets, not being depreciated	<u>59,880,356</u>	<u>7,828,082</u>		<u>(38,580,400)</u>	<u>29,128,038</u>
Capital assets, being depreciated:					
Buildings	3,413,530				3,413,530
Improvements	27,171,413	150,068			27,321,481
Equipment	157,040				157,040
Machinery	235,695				235,695
Rolling stock	132,876				132,876
Total capital assets, being depreciated	<u>31,110,554</u>	<u>150,068</u>			<u>31,260,622</u>
Less accumulated depreciation for:					
Buildings	(834,843)	(113,785)			(948,628)
Improvements	(12,921,827)	(552,935)			(13,474,762)
Equipment	(97,668)	(13,805)			(111,473)
Machinery	(180,422)	(9,564)			(189,986)
Rolling stock	(53,307)	(24,532)			(77,839)
Total accumulated depreciation	<u>(14,088,067)</u>	<u>(714,621)</u>			<u>(14,802,688)</u>
Total capital assets, being depreciated, net	<u>17,022,487</u>	<u>(564,553)</u>			<u>16,457,934</u>
Business-type activities capital assets, net	<u>\$ 76,902,843</u>	<u>\$ 7,263,529</u>	<u>\$ -</u>	<u>\$ (38,580,400)</u>	<u>\$ 45,585,972</u>

**CITY OF HUGHSON**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2010**

**NOTE 5 – CAPITAL ASSETS (Continued)**

**Depreciation**

Depreciation expense was charged to governmental functions as follows:

General Government	\$ 311,019
Public Safety	103,739
Public Works	<u>103,740</u>
Total depreciation expense – governmental functions	<u>\$ 518,498</u>

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

Sewer	\$ 440,314
Water	250,131
Community Facilities	<u>24,176</u>
Total depreciation expense – business-type functions	<u>\$ 714,621</u>

**NOTE 6 – NOTES RECEIVABLE**

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

**NOTE 7 – LONG-TERM LIABILITIES**

The following is a schedule of long-term liabilities for Governmental Activities and Business-type Activities for the fiscal year ended June 30, 2010:

	Balance at July 1, 2009	Additions	Repayments	Balance at June 30, 2010	Due Within One Year
<b>Governmental Activities:</b>					
Compensated absences	\$ 132,190	\$ -	\$ (39,526)	\$ 92,664	\$ 27,799
Tax allocation bonds payable	3,050,000		(55,000)	2,995,000	60,000
Total	<u>\$ 3,182,190</u>	<u>\$ -</u>	<u>\$ (94,526)</u>	<u>\$ 3,087,664</u>	<u>\$ 87,799</u>
<b>Business-type Activities:</b>					
Compensated absences	\$ 89,428	\$ -	\$ (24,712)	\$ 64,716	\$ 19,415
USDA Promissory Note	442,000		(8,000)	434,000	8,000
Installment note payable - Water	2,164,620		(85,954)	2,078,666	89,998
Installment note payable - Sewer	6,529,005		(230,374)	6,298,631	240,152
Capital Lease	96,697		(47,101)	49,596	49,596
CSWRCB Revolving Loan		7,071,920		7,071,920	
Total	<u>\$ 9,321,750</u>	<u>\$ 7,071,920</u>	<u>\$ (396,141)</u>	<u>\$ 15,997,529</u>	<u>\$ 407,161</u>

**CITY OF HUGHSON**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2010**

**NOTE 7 – LONG-TERM LIABILITIES (Continued)**

**1. Governmental Activities – 2006 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. Interest and principal paid on the bonds for the fiscal year ended June 30, 2010, was \$147,631 and \$55,000 respectively. The principal balance outstanding at June 30, 2010 was \$2,995,000.

The remaining annual debt service requirements on the bond as of June 30, 2010 are as follows:

Fiscal Year Ended June 30,	2006 Tax Allocation Bond		
	Principal	Interest	Total
2011	\$ 60,000	\$ 145,331	\$ 205,331
2012	60,000	142,930	202,930
2013	60,000	140,456	200,456
2014	65,000	137,760	202,760
2015	70,000	134,763	204,763
2016-2020	385,000	623,231	1,008,231
2021-2025	495,000	518,199	1,013,199
2026-2030	625,000	378,775	1,003,775
2031-2035	795,000	201,791	996,791
2036-2037	380,000	19,634	399,634
	<u>\$ 2,995,000</u>	<u>\$ 2,442,870</u>	<u>\$ 5,437,870</u>

**2. Business -type Activities - 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:

Fiscal Year Ended June 30,	USDA Rural Development Promissory Note		
	Principal	Interest	Total
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	10,000	18,000	28,000
2016-2020	56,000	82,936	138,936
2021-2025	72,000	68,988	140,988
2026-2030	90,000	51,302	141,302
2031-2035	117,000	28,358	145,358
2036-2037	55,000	4,136	59,136
	<u>\$ 434,000</u>	<u>\$ 329,636</u>	<u>\$ 763,636</u>

**CITY OF HUGHSON**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2010**

**NOTE 7 – LONG-TERM LIABILITIES (Continued)**

**3. Business -type Activities – Installment Notes Payable**

On February 27, 2006 the City executed an installment note agreement with Municipal Finance Corporation for the acquisition and construction of a 750,000 gallon water storage tank to meet fire flow requirements. The note bears interest at 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, 2010 is \$2,078,666.

On March 7, 2008, the City executed an installment note agreement with Municipal Finance Corporation for the acquisition and construction for a wastewater treatment plant in the amount of \$6,750,000. 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, 2010 is \$6,298,631

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

Fiscal Year Ended June 30,	Installment Notes Payable - Water		
	Principal	Interest	Total
2011	\$ 89,998	\$ 95,624	\$ 185,622
2012	94,231	91,390	185,621
2013	98,664	86,957	185,621
2014	103,305	82,317	185,622
2015	108,165	77,457	185,622
2016-2020	622,106	306,002	928,108
2021-2025	782,855	145,254	928,109
2026	179,342	6,279	185,621
	<u>\$ 2,078,666</u>	<u>\$ 891,280</u>	<u>\$ 2,969,946</u>

Fiscal Year Ended June 30,	Installment Notes Payable - Sewer		
	Principal	Interest	Total
2011	\$ 240,152	\$ 262,047	\$ 502,199
2012	250,344	251,855	502,199
2013	260,968	241,230	502,198
2014	272,045	230,155	502,200
2015	283,590	218,609	502,199
2016-2020	1,609,035	901,956	2,510,991
2021-2025	1,980,719	530,274	2,510,993
2026-2028	1,401,778	104,815	1,506,593
	<u>\$ 6,298,631</u>	<u>\$ 2,740,941</u>	<u>\$ 9,039,572</u>

**CITY OF HUGHSON**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2010**

**NOTE 7 – LONG-TERM LIABILITIES (Continued)**

**4. Business -type Activities – 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.

Fiscal Year Ended June 30,	Principal	Interest	Total
2011	\$ 49,596	\$ 2,630	\$ 52,226
	<u>\$ 49,596</u>	<u>\$ 2,630</u>	<u>\$ 52,226</u>

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

On September 10, 2009, the City entered into a project finance agreement with the California State Water Resource Control Board (Water Control Board). Through the use of ARRA funds, the Water Control Board provided funding assistance in the amount of \$23,100,000 for the rehabilitation and upgrade of the wastewater treatment plant. The City must repay the project funds at an interest rate of 1% per annum. The term of the agreement is June 16, 2009, to June 7, 2031. To date, \$7,071,920 of the loan has been drawn down. Repayment of this loan will depend on the date of completion of rehabilitation and upgrade of the waste water treatment plant and can't be determined until construction has been completed and all funds have been drawn down. A portion of the loan will also be forgiven if the City is able to meet certain requirements.

**6. 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, 2010, was \$92,664 for governmental activities and \$64,716 for business-type activities.

**NOTE 8 – RISK MANAGEMENT**

*Central San Joaquin Valley Risk Management Authority*

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

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

**CITY OF HUGHSON**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2010**

**NOTE 8 – RISK MANAGEMENT (Continued)**

*Central San Joaquin Valley Risk Management Authority (Continued)*

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.

**NOTE 9 – PROPRIETARY FUNDS INFORMATION**

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

**NOTE 10 – CONTINGENT LIABILITIES**

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

**SERAF Contingency**

During the fiscal year 2008-2009, the State of California experienced a severe budgetary crisis. Various "budget trailer bills" were passed by the state legislature to balance the state's budget, including bills that required California redevelopment agencies to transfer funds to the Educational Revenue Augmentation Fund (ERAF) and Supplemental Educational Revenue Augmentation Fund (SERAF) administered by the various county auditor-controllers. Noted below is a general explanation of the ERAF and SERAF legislation, together with the effect of this legislation on the City and the Hughson Redevelopment Agency (Agency).

**ERAF Contribution**

Pursuant to AB 1389, a budget trailer bill, California redevelopment agencies were required to make ERAF contributions totaling \$350 million. In response to AB 1389, the California Redevelopment Association (CRA) filed a lawsuit against the State of California (California Redevelopment Association et al v. Genest), challenging the constitutionality of the required ERAF contributions. On April 30, 2009, the Sacramento Superior Court held in favor of CRA, ruling that AB 1389 was unconstitutional. On September 28, 2009, the State of California announced its decision not to appeal the decision in "Genest". Accordingly, the Superior Court's decision is now final and binding, and California redevelopment agencies will not be required to make the ERAF contributions pursuant to AB 1389.

SERAF Contributions

Pursuant to AB 26x4, a budget trailer bill, California redevelopment agencies were required to make SERAF contributions totaling \$1.7 billion for the fiscal year 2009-2010 and \$350 million for the fiscal year 2010-2011. Under AB 26x4, agencies may borrow a portion of the required contributions from their low and moderate income housing fund. Alternatively, sponsoring governmental agencies (the cities or counties) may elect to pay the SERAF contributions on behalf of their redevelopment agencies. On October 20, 2009, the (CRA) filed a class action lawsuit on behalf of all California redevelopment agencies challenging the SERAF obligations as unconstitutional.

The Agency's SERAF contributions are \$210,255 for the fiscal year 2009-2010 and estimated to be \$35,900 for 2010-2011. It is the position of Agency officials that the SERAF contributions required by AB 26x4 are unconstitutional, and that the Agency is not obligated to make these contributions, however, the Agency has made the contribution for 2009-2010.

**CITY OF HUGHSON**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2010**

**NOTE 11 – OTHER POST EMPLOYMENT BENEFITS**

The City does not offer any other post employment benefits.

**NOTE 12 – DEFINED BENEFIT PENSION PLANS**

**Public Employees Retirement System (PERS)**

**Plan Description and Funding Policy**

Substantially all full-time 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 13.756% 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.

**Annual Pension Cost**

For the fiscal year 2009/2010, the City's annual pension cost of \$157,966 for PERS was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2007, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses), (b) overall payroll growth of 3.25% compounded annually; and (c) an inflation rate of 3.0% compounded annually. The actuarial value of PERS was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three-year period (smoothed market value). PERS unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2009, was 21 year for miscellaneous.

**Three-Year Trend Information for Miscellaneous Plan**

Fiscal Year <u>Ending</u>	Annual Pension Cost <u>(APC)</u>	Percentage of APC <u>Contributed</u>	<u>Net Pension Obligation</u>
06/30/08	\$ 186,463	100%	\$ -
06/30/09	169,338	100%	-
06/30/10	157,966	100%	-

**CITY OF HUGHSON**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2010**

**NOTE 13 – PRIOR PERIOD ADJUSTMENTS**

A prior period adjustment of \$64,967 was made in the Home Loan Special Revenue Fund due an understatement of deferred revenue in the prior fiscal year.

A prior period adjustment of \$85,693 was made in the Sewer Enterprise Fund due to an understatement of accrued interest payable in the prior fiscal year.

A prior period adjustment of \$38,580,400 was made in the Sewer Enterprise Fund due to an overstatement of land in the prior fiscal year.

A prior period adjustment of \$24,928 was made in the Water Enterprise Fund due to an understatement of accrued interest payable in the prior fiscal year.

A prior period adjustment of \$32,579 was made in the Water Enterprise Fund due to an understatement of accumulated depreciation in the prior fiscal year.

A prior period adjustment of \$259,983 was made in the CDBG Rehab Special Revenue Fund due to an understatement of deferred revenue in the prior fiscal year.

A prior period adjustment of \$8,130 was made in the CDBG Grants Special Revenue Fund due an understatement of deferred revenue in the prior fiscal year.

A prior period adjustment of \$67,028 was made on the Statement of Activities due to an understatement of loans receivable in the prior fiscal year.

A prior period adjustment of \$109,592 was made on the State of Activities due to an understatement of accrued interest receivable on loans in the prior fiscal year.

The Agency issued Tax Allocation Bonds in 2006. As part of that issue the Agency paid costs to issue the debt in the form of issuance costs and an original issue discount. For the Government- wide statements of net assets and activities these costs should be capitalized and amortized over the life of the bonds. The total amount net of accumulated amortization from the prior year was \$172,369.

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## **REQUIRED SUPPLEMENTAL INFORMATION**



**CITY OF HUGHSON**  
**SCHEDULE OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property Taxes	\$ 237,000	\$ 282,100	\$ 249,911	\$ (32,189)
Sales and Use Taxes	355,000	355,000	393,680	38,680
Business License Taxes	27,000	27,000	21,099	(5,901)
Other Taxes	129,000	129,000	121,198	(7,802)
Licenses and Permits	43,600	64,700	68,670	3,970
Fines and Forfeitures	92,700	94,000	91,346	(2,654)
Interest	24,000	31,700	9,441	(22,259)
Charges for Services	13,000	15,400	16,643	1,243
Intergovernmental	505,000	505,000	440,862	(64,138)
Other	398,700	413,700	417,166	3,466
Total Revenues	<u>1,825,000</u>	<u>1,917,600</u>	<u>1,830,016</u>	<u>(87,584)</u>
<b>Expenditures</b>				
Current				
General Government	838,854	859,854	909,660	(49,806)
Public Safety	855,647	951,747	790,602	161,145
Public Works	191,461	191,461	183,415	8,046
Parks and Recreation	66,902	66,902	70,092	(3,190)
Capital Outlay	5,000	5,000		5,000
Total Expenditures	<u>1,957,864</u>	<u>2,074,964</u>	<u>1,953,769</u>	<u>121,195</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(132,864)</u>	<u>(157,364)</u>	<u>(123,753)</u>	<u>33,611</u>
<b>Other Financing Sources (uses):</b>				
Transfers In	155,172	155,172	155,172	
Transfers Out	<u>(60,211)</u>	<u>(60,211)</u>	<u>(60,211)</u>	
Total Other Financing Sources (Uses)	<u>94,961</u>	<u>94,961</u>	<u>94,961</u>	
Net Change in Fund Balance	(37,903)	(62,403)	(28,792)	33,611
<b>Fund Balance - July 1, 2009</b>	<u>929,851</u>	<u>929,851</u>	<u>929,851</u>	
<b>Fund Balance - June 30, 2010</b>	<u>\$ 891,948</u>	<u>\$ 867,448</u>	<u>\$ 901,059</u>	<u>\$ 33,611</u>

**CITY OF HUGHSON**  
**SCHEDULE OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**HOME LOAN SPECIAL REVENUE FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Interest	\$ 1,235	\$ 1,235	\$ 452	\$ (783)
Intergovernmental	410,700	410,700	176,165	(234,535)
Total Revenues	<u>411,935</u>	<u>411,935</u>	<u>176,617</u>	<u>(235,318)</u>
<b>Expenditures</b>				
Current:				
Community Development	405,000	405,000	177,021	227,979
Total Expenditures	<u>405,000</u>	<u>405,000</u>	<u>177,021</u>	<u>227,979</u>
Net Change in Fund Balance	<u>6,935</u>	<u>6,935</u>	<u>(404)</u>	<u>(7,339)</u>
<b>Fund Balance - July 1, 2009</b>	101,994	101,994	101,994	
<b>Prior Period Adjustment</b>			<u>(64,967)</u>	<u>(64,967)</u>
<b>Fund Balance - July 1, 2009, Restated</b>	<u>101,994</u>	<u>101,994</u>	<u>37,027</u>	<u>(64,967)</u>
<b>Fund Balance - June 30, 2010</b>	<u>\$ 108,929</u>	<u>\$ 108,929</u>	<u>\$ 36,623</u>	<u>\$ (72,306)</u>

**CITY OF HUGHSON  
SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
REFUSE SPECIAL REVENUE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Interest	\$ -	\$ -	\$ 53	\$ 53
Charges for Services	436,000	436,000	420,699	(15,301)
Total Revenues	436,000	436,000	420,752	(15,248)
<b>Expenditures</b>				
Current:				
General Government	379,100	379,100	435,274	(56,174)
Total Expenditures	379,100	379,100	435,274	(56,174)
Net Change in Fund Balance	56,900	56,900	(14,522)	(71,422)
<b>Fund Balance (Deficit) - July 1, 2009</b>	(80,567)	(80,567)	(80,567)	
<b>Fund Balance (Deficit) - June 30, 2010</b>	\$ (23,667)	\$ (23,667)	\$ (95,089)	\$ (71,422)

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## **OTHER SUPPLEMENTAL INFORMATION**



**CITY OF HUGHSON**  
**SCHEDULE OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**REDEVELOPMENT AGENCY DEBT SERVICE FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues</b>			
Property Taxes	\$ 542,650	\$ 433,237	\$ (109,413)
Interest	21,100	9,188	(11,912)
	<u>563,750</u>	<u>442,425</u>	<u>(121,325)</u>
<b>Expenditures</b>			
Current:			
General Government	1,600	84,710	(83,110)
Debt Service:			
Principal	44,000	44,000	
Interest and Fiscal Charges	118,105	118,105	
	<u>163,705</u>	<u>246,815</u>	<u>(83,110)</u>
Excess (deficiency) of Revenues over (under) Expenditures	<u>400,045</u>	<u>195,610</u>	<u>(204,435)</u>
<b>Other Financing Sources (Uses)</b>			
Transfers Out	<u>(500,000)</u>	<u>(500,000)</u>	
Total Other Financing Sources (Uses)	<u>(500,000)</u>	<u>(500,000)</u>	
Net Change in Fund Balance	(99,955)	(304,390)	(204,435)
<b>Fund Balance - July 1, 2009</b>	<u>520,562</u>	<u>520,562</u>	
<b>Fund Balance - June 30, 2010</b>	<u>\$ 420,607</u>	<u>\$ 216,172</u>	<u>\$ (204,435)</u>

**CITY OF HUGHSON**  
**SCHEDULE OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**REDEVELOPMENT AGENCY CAPITAL PROJECTS FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues</b>			
Interest	\$ 13,750	\$ 3,257	\$ (10,493)
Intergovernmental	100,000		(100,000)
	<u>113,750</u>	<u>3,257</u>	<u>(110,493)</u>
Total Revenues			
<b>Expenditures</b>			
Current:			
General Government	219,602	209,721	9,881
Community Development	226,599	226,827	(228)
Capital Outlay	760,000	495,038	264,962
	<u>1,206,201</u>	<u>931,586</u>	<u>274,615</u>
Total Expenditures			
Excess (deficiency) of Revenues over (under) Expenditures	<u>(1,092,451)</u>	<u>(928,329)</u>	<u>164,122</u>
<b>Other Financing Sources (Uses)</b>			
Transfers in	500,000	500,000	
Transfers out		(79,500)	(79,500)
	<u>500,000</u>	<u>420,500</u>	<u>(79,500)</u>
Total Other Financing Sources (Uses)			
Net Change in Fund Balance	(592,451)	(507,829)	84,622
<b>Fund Balance - July 1, 2009</b>	<u>516,365</u>	<u>516,365</u>	
<b>Fund Balance - June 30, 2010</b>	<u>\$ (76,086)</u>	<u>\$ 8,536</u>	<u>\$ 84,622</u>

# NONMAJOR GOVERNMENTAL FUNDS

## SPECIAL REVENUE FUNDS

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

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**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, assist local agencies in acquiring high technology equipment and training.

**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.

**The Local Transportation Authority Fund** is used to account for the revenue and expenditure of funds generated by a one-half cent voter approved sales tax earmarked for street improvements.

#### **CAPITAL PROJECTS FUNDS**

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

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**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 6<sup>th</sup> Street reconstruction.

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

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

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**CITY OF HUGHSON**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**June 30, 2010**

	<b>Special Revenue Funds</b>				
	Asset Forfeiture	Gas Tax	Vehicle Abatement	CDBG Rehab	CDBG Grants
<b>Assets</b>					
Cash and Investments	\$ 1,660	\$ 224,343	\$ -	\$ 151,378	\$ 93,730
Accounts Receivable		11,099		1	1
Loans Receivable				268,114	
<b>Total Assets</b>	<u>\$ 1,660</u>	<u>\$ 235,442</u>	<u>\$ -</u>	<u>\$ 419,493</u>	<u>\$ 93,731</u>
<b>Liabilities</b>					
Accounts Payable and Accrued Liabilities	\$ -	\$ 2,194	\$ 1,795	\$ -	\$ -
Deferred Revenue				268,114	
Due To Other Funds			14,029		
<b>Total Liabilities</b>		<u>2,194</u>	<u>15,824</u>	<u>268,114</u>	
<b>Fund Balances (Deficits)</b>					
Reserved for:					
Low and Moderate Income Housing					
Unreserved, Undesignated	<u>1,660</u>	<u>233,248</u>	<u>(15,824)</u>	<u>151,379</u>	<u>93,731</u>
<b>Total Fund Balances (Deficits)</b>	<u>1,660</u>	<u>233,248</u>	<u>(15,824)</u>	<u>151,379</u>	<u>93,731</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 1,660</u>	<u>\$ 235,442</u>	<u>\$ -</u>	<u>\$ 419,493</u>	<u>\$ 93,731</u>

**Special Revenue Funds**

Public Safety Augmentation	Equipment Replacement	Solid Waste Management	Storm Drain	Traffic	SLESF
\$ 17,680	\$ 25,682	\$ 18,223	\$ -	\$ 50,107 15,627	\$ 135,305 25,001
<u>\$ 17,680</u>	<u>\$ 25,682</u>	<u>\$ 18,223</u>	<u>\$ -</u>	<u>\$ 65,734</u>	<u>\$ 160,306</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,181
			24,324		
			24,324		5,181
<u>17,680</u>	<u>25,682</u>	<u>18,223</u>	<u>(24,324)</u>	<u>65,734</u>	<u>155,125</u>
<u>17,680</u>	<u>25,682</u>	<u>18,223</u>	<u>(24,324)</u>	<u>65,734</u>	<u>155,125</u>
<u>\$ 17,680</u>	<u>\$ 25,682</u>	<u>\$ 18,223</u>	<u>\$ -</u>	<u>\$ 65,734</u>	<u>\$ 160,306</u>

Continued

**CITY OF HUGHSON**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**June 30, 2010**  
**(CONTINUED)**

	<b>Special Revenue Funds</b>				
	CLEEP	Redevelopment Housing	Lighting and Landscaping	Benefit Assessment	Misc. Grants
<b>Assets</b>					
Cash and Investments	\$ 201	\$ 807,377	\$ 145,572	\$ 75,689	\$ 848
Accounts Receivable		4,068			
Loans Receivable		67,028			
Total Assets	<u>\$ 201</u>	<u>\$ 878,473</u>	<u>\$ 145,572</u>	<u>\$ 75,689</u>	<u>\$ 848</u>
<b>Liabilities</b>					
Accounts Payable and Accrued Liabilities	\$ -	\$ 199	\$ 405	\$ -	\$ -
Deferred Revenue		67,028			
Due To Other Funds					
Total Liabilities		<u>67,227</u>	<u>405</u>		
<b>Fund Balances (Deficits)</b>					
Reserved for:					
Low and Moderate Income Housing		811,246			
Unreserved, Undesignated	201		145,167	75,689	848
Total Fund Balances (Deficits)	<u>201</u>	<u>811,246</u>	<u>145,167</u>	<u>75,689</u>	<u>848</u>
Total Liabilities and Fund Balances	<u>\$ 201</u>	<u>\$ 878,473</u>	<u>\$ 145,572</u>	<u>\$ 75,689</u>	<u>\$ 848</u>

<b>Special Revenue Funds</b>		<b>Capital Projects Funds</b>				<b>Total Nonmajor Governmental Funds</b>	
<b>Community Enhancement</b>	<b>Local Transportation Fund</b>	<b>Public Facilities</b>	<b>Transportation</b>	<b>Municipal Park</b>	<b>Parks Development Impact Fees</b>		
\$ 70,424	\$ -	\$ 990,577	\$ -	\$ 282,613	\$ 65,023	\$ 3,156,432	
1	27,905	13		3		83,719	
						335,142	
<u>\$ 70,425</u>	<u>\$ 27,905</u>	<u>\$ 990,590</u>	<u>\$ -</u>	<u>\$ 282,616</u>	<u>\$ 65,023</u>	<u>\$ 3,575,293</u>	
\$ -	\$ -	\$ -	\$ 117,238	\$ -	\$ -	\$ 127,012	
	27,905					363,047	
	35,511		236,919			310,783	
	63,416		354,157			800,842	
70,425	(35,511)	990,590	(354,157)	282,616	65,023	811,246	
<u>70,425</u>	<u>(35,511)</u>	<u>990,590</u>	<u>(354,157)</u>	<u>282,616</u>	<u>65,023</u>	<u>1,963,205</u>	
<u>\$ 70,425</u>	<u>\$ 27,905</u>	<u>\$ 990,590</u>	<u>\$ -</u>	<u>\$ 282,616</u>	<u>\$ 65,023</u>	<u>\$ 3,575,293</u>	

**CITY OF HUGHSON**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For the Fiscal Year Ended June 30, 2010**

	<b>Special Revenue Funds</b>				
	Asset Forfeiture	Gas Tax	Vehicle Abatement	CDBG Rehab	CDBG Grants
Revenues:					
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	10	1,602		918	567
Charges for Services			12,689		
Intergovernmental		116,126			
Special Assessments					
Other					
Total Revenues	<u>10</u>	<u>117,728</u>	<u>12,689</u>	<u>918</u>	<u>567</u>
Expenditures:					
Current:					
General Government					
Public Safety			72,890	561	
Public Works		86,895			
Capital Outlay		2,195			
Debt Service:					
Principal					
Interest and Fiscal Charges					
Total Expenditures		<u>89,090</u>	<u>72,890</u>	<u>561</u>	
Excess (Deficiency) of Revenues over (Under) Expenditures	<u>10</u>	<u>28,638</u>	<u>(60,201)</u>	<u>357</u>	<u>567</u>
Other Financing Sources (Uses):					
Transfers In			99,000		
Transfers Out		(30,000)			
Total Other Financing Sources (Uses)		<u>(30,000)</u>	<u>99,000</u>		
Net Change in Fund Balances	<u>10</u>	<u>(1,362)</u>	<u>38,799</u>	<u>357</u>	<u>567</u>
Fund Balances (Deficits) - July 1, 2009	1,650	234,610	(54,623)	411,005	101,294
Prior Period Adjustments				(259,983)	(8,130)
Fund Balances (Deficits) - July 1, 2009, Restated	<u>1,650</u>	<u>234,610</u>	<u>(54,623)</u>	<u>151,022</u>	<u>93,164</u>
Fund Balances (Deficits) - June 30, 2010	<u>\$ 1,660</u>	<u>\$ 233,248</u>	<u>\$ (15,824)</u>	<u>\$ 151,379</u>	<u>\$ 93,731</u>

**Special Revenue Funds**

Public Safety Augmentation	Equipment Replacement	Solid Waste Management	Storm Drain	Traffic	SLESF
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5,759		280 6,932	25,703	283	694
				56,122	100,099
<u>5,759</u>		<u>7,212</u>	<u>25,703</u>	<u>56,405</u>	<u>100,793</u>
				861	45,766
			1,683	30,000	
			1,683	30,861	45,766
<u>5,759</u>		<u>7,212</u>	<u>24,020</u>	<u>25,544</u>	<u>55,027</u>
<u>(5,000)</u>		<u>(35,000)</u>		<u>(11,500)</u>	
<u>(5,000)</u>		<u>(35,000)</u>		<u>(11,500)</u>	
<u>759</u>		<u>(27,788)</u>	<u>24,020</u>	<u>14,044</u>	<u>55,027</u>
16,921	25,682	46,011	(48,344)	51,690	100,098
<u>16,921</u>	<u>25,682</u>	<u>46,011</u>	<u>(48,344)</u>	<u>51,690</u>	<u>100,098</u>
<u>\$ 17,680</u>	<u>\$ 25,682</u>	<u>\$ 18,223</u>	<u>\$ (24,324)</u>	<u>\$ 65,734</u>	<u>\$ 155,125</u>

Continued

**CITY OF HUGHSON**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For the Fiscal Year Ended June 30, 2010**  
**(CONTINUED)**

	<b>Special Revenue Funds</b>				
	CLEEP	Redevelopment Housing	Lighting and Landscaping	Benefit Assessment	Misc. Grants
Revenues:					
Property Taxes	\$ -	\$ 107,507	\$ -	\$ -	\$ -
Interest	30	11,437			1
Charges for Services					
Intergovernmental					
Special Assessments			134,926	84,497	
Other		802			
Total Revenues	<u>30</u>	<u>119,746</u>	<u>134,926</u>	<u>84,497</u>	<u>1</u>
Expenditures:					
Current:					
General Government		105,622			
Public Safety					
Public Works			90,652	77,307	
Capital Outlay	17,997				
Debt Service:					
Principal		11,000			
Interest and Fiscal Charges		29,526			
Total Expenditures	<u>17,997</u>	<u>146,148</u>	<u>90,652</u>	<u>77,307</u>	
Excess (Deficiency) of Revenues over (Under) Expenditures	<u>(17,967)</u>	<u>(26,402)</u>	<u>44,274</u>	<u>7,190</u>	<u>1</u>
Other Financing Sources (Uses):					
Transfers In					
Transfers Out		(19,500)	(26,794)	(20,167)	
Total Other Financing Sources (Uses)		<u>(19,500)</u>	<u>(26,794)</u>	<u>(20,167)</u>	
Net Change in Fund Balances	<u>(17,967)</u>	<u>(45,902)</u>	<u>17,480</u>	<u>(12,977)</u>	<u>1</u>
Fund Balances (Deficits) - July 1, 2009	18,168	857,148	127,687	88,666	847
Prior Period Adjustments					
Fund Balances (Deficits) - July 1, 2009, Restated	<u>18,168</u>	<u>857,148</u>	<u>127,687</u>	<u>88,666</u>	<u>847</u>
Fund Balances (Deficits) - June 30, 2010	<u>\$ 201</u>	<u>\$ 811,246</u>	<u>\$ 145,167</u>	<u>\$ 75,689</u>	<u>\$ 848</u>

Special Revenue Funds		Capital Project Funds				Total
Community Enhancement	Local Transportation Fund	Public Facilities	Transportation	Municipal Park	Parks Development Impact Fees	Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 107,507
450		12,506	157	2,210	470	31,615
6,048		90,503		3,981	8,859	160,474
	94,100					366,447
						219,423
						802
6,498	94,100	103,009	157	6,191	9,329	886,268
	420					106,042
						120,078
						256,537
			199,415	3,000	8,168	260,775
						11,000
						29,526
	420		199,415	3,000	8,168	783,958
6,498	93,680	103,009	(199,258)	3,191	1,161	102,310
						99,000
						(147,961)
						(48,961)
6,498	93,680	103,009	(199,258)	3,191	1,161	53,349
63,927	(129,191)	887,581	(154,899)	279,425	63,862	2,989,215
						(268,113)
63,927	(129,191)	887,581	(154,899)	279,425	63,862	2,721,102
\$ 70,425	\$ (35,511)	\$ 990,590	\$ (354,157)	\$ 282,616	\$ 65,023	\$ 2,774,451

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CITY OF HUGHSON  
ASSET FORFEITURE SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2010

	Final Budget	Actual Amount	Variance Positive (Negative)
Revenues:			
Interest	\$ 31	\$ 10	\$ (21)
Total Revenue	<u>31</u>	<u>10</u>	<u>(21)</u>
Net Change in Fund Balance	31	10	(21)
Fund Balance - July 1, 2009	<u>1,650</u>	<u>1,650</u>	<u>          </u>
Fund Balance - June 30, 2010	<u>\$ 1,681</u>	<u>\$ 1,660</u>	<u>\$ (21)</u>

CITY OF HUGHSON  
GAS TAX SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2010

	Final Budget	Actual Amount	Variance Positive (Negative)
Revenues:			
Interest	\$ 4,680	\$ 1,602	\$ (3,078)
Intergovernmental	<u>103,000</u>	<u>116,126</u>	<u>13,126</u>
Total Revenue	<u>107,680</u>	<u>117,728</u>	<u>10,048</u>
Expenditures:			
Current:			
Public Works	83,500	86,895	(3,395)
Capital Outlay	<u>          </u>	<u>2,195</u>	<u>(2,195)</u>
Total Expenditures	<u>83,500</u>	<u>89,090</u>	<u>(5,590)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>24,180</u>	<u>28,638</u>	<u>4,458</u>
Other Financing Sources (Uses):			
Transfers Out	<u>(30,000)</u>	<u>(30,000)</u>	<u>          </u>
Total Other Financing Sources (Uses)	<u>(30,000)</u>	<u>(30,000)</u>	<u>          </u>
Net Change in Fund Balance	(5,820)	(1,362)	4,458
Fund Balance - July 1, 2009	<u>234,610</u>	<u>234,610</u>	<u>          </u>
Fund Balance - June 30, 2010	<u>\$ 228,790</u>	<u>\$ 233,248</u>	<u>\$ 4,458</u>

CITY OF HUGHSON  
VEHICLE ABATEMENT SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2010

	Final Budget	Actual Amount	Variance Positive (Negative)
Revenues:			
Charges For Services	\$ 15,000	\$ 12,689	\$ (2,311)
Total Revenue	<u>15,000</u>	<u>12,689</u>	<u>(2,311)</u>
Expenditures:			
Current:			
Public Safety	70,455	72,890	(2,435)
Total Expenditures	<u>70,455</u>	<u>72,890</u>	<u>(2,435)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(55,455)</u>	<u>(60,201)</u>	<u>(4,746)</u>
Other Financing Sources (Uses):			
Transfers In	100,000	99,000	(1,000)
Total Other Financing Sources (Uses)	<u>100,000</u>	<u>99,000</u>	<u>(1,000)</u>
Net Change in Fund Balance	44,545	38,799	(5,746)
Fund Balance (Deficit) - July 1, 2009	<u>(54,623)</u>	<u>(54,623)</u>	<u></u>
Fund Balance (Deficit) - June 30, 2010	<u>\$ (10,078)</u>	<u>\$ (15,824)</u>	<u>\$ (5,746)</u>

CITY OF HUGHSON  
CDBG REHAB SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2010

	Final Budget	Actual Amount	Variance Positive (Negative)
Revenues:			
Interest	\$ 3,036	\$ 918	\$ (2,118)
Other Revenue	10,135	_____	(10,135)
Total Revenue	<u>13,171</u>	<u>918</u>	<u>(12,253)</u>
Expenditures:			
Current:			
Public Safety	8,000	561	7,439
Total Expenditures	<u>8,000</u>	<u>561</u>	<u>7,439</u>
Net Change in Fund Balance	<u>5,171</u>	<u>357</u>	<u>(4,814)</u>
Fund Balance - July 1, 2009	411,005	411,005	
Prior Period Adjustment	_____	(259,983)	(259,983)
Fund Balance - July 1, 2009, Restated	<u>411,005</u>	<u>151,022</u>	<u>(259,983)</u>
Fund Balance - June 30, 2010	<u>\$ 416,176</u>	<u>\$ 151,379</u>	<u>\$ (4,814)</u>

CITY OF HUGHSON  
 CDBG GRANTS SPECIAL REVENUE FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCE - BUDGET AND ACTUAL  
 For the Fiscal Year Ended June 30, 2010

	Final Budget	Actual Amount	Variance Positive (Negative)
Revenues:			
Interest	\$ 1,855	\$ 567	\$ (1,288)
Total Revenue	<u>1,855</u>	<u>567</u>	<u>(1,288)</u>
Expenditures:			
Current:			
Public Works	<u>1,850</u>	<u></u>	<u>1,850</u>
Total Expenditures	<u>1,850</u>	<u></u>	<u>1,850</u>
Net Change in Fund Balance	<u>5</u>	<u>567</u>	<u>562</u>
Fund Balance - July 1, 2009	101,294	101,294	
Prior Period Adjustment	<u></u>	<u>(8,130)</u>	<u>(8,130)</u>
Fund Balance - July 1, 2009, Restated	<u>101,294</u>	<u>93,164</u>	<u>(8,130)</u>
Fund Balance - June 30, 2010	<u>\$ 101,299</u>	<u>\$ 93,731</u>	<u>\$ 562</u>

CITY OF HUGHSON  
PUBLIC SAFETY AUGMENTATION SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2010

	Final Budget	Actual Amount	Variance Positive (Negative)
Revenues:			
Charges For Services	\$ 6,000	\$ 5,759	\$ (241)
Total Revenue	<u>6,000</u>	<u>5,759</u>	<u>(241)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>6,000</u>	<u>5,759</u>	<u>(241)</u>
Other Financing Sources (Uses):			
Transfers Out	<u>(5,000)</u>	<u>(5,000)</u>	<u>          </u>
Total Other Financing Sources (Uses)	<u>(5,000)</u>	<u>(5,000)</u>	<u>          </u>
Net Change in Fund Balance	1,000	759	(241)
Fund Balance - July 1, 2009	<u>16,921</u>	<u>16,921</u>	<u>          </u>
Fund Balance - June 30, 2010	<u>\$ 17,921</u>	<u>\$ 17,680</u>	<u>\$ (241)</u>

CITY OF HUGHSON  
SOLID WASTE MANAGEMENT SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2010

	Final Budget	Actual Amount	Variance Positive (Negative)
Revenues:			
Interest	\$ 800	\$ 280	\$ (520)
Charges for Services	<u>5,000</u>	<u>6,932</u>	<u>1,932</u>
Total Revenue	<u>5,800</u>	<u>7,212</u>	<u>1,412</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>5,800</u>	<u>7,212</u>	<u>1,412</u>
Other Financing Sources (Uses):			
Transfers Out	<u>(35,000)</u>	<u>(35,000)</u>	<u>          </u>
Total Other Financing Sources (Uses)	<u>(35,000)</u>	<u>(35,000)</u>	<u>          </u>
Net Change in Fund Balance	(29,200)	(27,788)	1,412
Fund Balance - July 1, 2009	<u>46,011</u>	<u>46,011</u>	<u>          </u>
Fund Balance - June 30, 2010	<u>\$ 16,811</u>	<u>\$ 18,223</u>	<u>\$ 1,412</u>

CITY OF HUGHSON  
 STORM DRAIN SPECIAL REVENUE FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCE - BUDGET AND ACTUAL  
 For the Fiscal Year Ended June 30, 2010

	Final Budget	Actual Amount	Variance Positive (Negative)
Revenues:			
Charges for Services	\$ 22,700	\$ 25,703	\$ 3,003
Total Revenue	<u>22,700</u>	<u>25,703</u>	<u>3,003</u>
Expenditures:			
Current:			
Public Works	<u>          </u>	<u>1,683</u>	<u>(1,683)</u>
Total Expenditures	<u>          </u>	<u>1,683</u>	<u>(1,683)</u>
Net Change in Fund Balance	22,700	24,020	1,320
Fund Balance (Deficit) - July 1, 2009	<u>(48,344)</u>	<u>(48,344)</u>	<u>          </u>
Fund Balance (Deficit) - June 30, 2010	<u>\$ (25,644)</u>	<u>\$ (24,324)</u>	<u>\$ 1,320</u>

CITY OF HUGHSON  
 TRAFFIC SPECIAL REVENUE FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCE - BUDGET AND ACTUAL  
 For the Fiscal Year Ended June 30, 2010

	Final Budget	Actual Amount	Variance Positive (Negative)
Revenues:			
Interest	\$ 350	\$ 283	\$ (67)
Intergovernmental	<u>35,000</u>	<u>56,122</u>	<u>21,122</u>
Total Revenue	<u>35,350</u>	<u>56,405</u>	<u>21,055</u>
Expenditures:			
Current:			
Public Safety	1,000	861	139
Capital Outlay	<u>30,000</u>	<u>30,000</u>	<u>          </u>
Total Expenditures	<u>31,000</u>	<u>30,861</u>	<u>139</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>4,350</u>	<u>25,544</u>	<u>21,194</u>
Other Financing Sources (Uses):			
Transfers Out	<u>(11,500)</u>	<u>(11,500)</u>	<u>          </u>
Total Other Financing Sources (Uses)	<u>(11,500)</u>	<u>(11,500)</u>	<u>          </u>
Net Change in Fund Balance	(7,150)	14,044	21,194
Fund Balance - July 1, 2009	<u>51,690</u>	<u>51,690</u>	<u>          </u>
Fund Balance - June 30, 2010	<u>\$ 44,540</u>	<u>\$ 65,734</u>	<u>\$ 21,194</u>

CITY OF HUGHSON  
SLESF SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2010

	Final Budget	Actual Amount	Variance Positive (Negative)
Revenues:			
Interest	\$ 3,000	\$ 694	\$ (2,306)
Intergovernmental	<u>100,000</u>	<u>100,099</u>	<u>99</u>
Total Revenue	<u>103,000</u>	<u>100,793</u>	<u>(2,207)</u>
Expenditures:			
Current:			
Public Safety	<u>100,000</u>	<u>45,766</u>	<u>54,234</u>
Total Expenditures	<u>100,000</u>	<u>45,766</u>	<u>54,234</u>
Net Change in Fund Balance	3,000	55,027	52,027
Fund Balance - July 1, 2009	<u>100,098</u>	<u>100,098</u>	<u>          </u>
Fund Balance - June 30, 2010	<u>\$ 103,098</u>	<u>\$ 155,125</u>	<u>\$ 52,027</u>

CITY OF HUGHSON  
 CLEEP SPECIAL REVENUE FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCE - BUDGET AND ACTUAL  
 For the Fiscal Year Ended June 30, 2010

	Final Budget	Actual Amount	Variance Positive (Negative)
Revenues:			
Interest	\$ 500	\$ 30	\$ (470)
Total Revenue	<u>500</u>	<u>30</u>	<u>(470)</u>
Expenditures:			
Capital Outlay	<u>18,102</u>	<u>17,997</u>	<u>105</u>
Total Expenditures	<u>18,102</u>	<u>17,997</u>	<u>105</u>
Net Change in Fund Balance	(17,602)	(17,967)	(365)
Fund Balance - July 1, 2009	<u>18,168</u>	<u>18,168</u>	
Fund Balance - June 30, 2010	<u>\$ 566</u>	<u>\$ 201</u>	<u>\$ (365)</u>

CITY OF HUGHSON  
REDEVELOPMENT HOUSING SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2010

	Final Budget	Actual Amount	Variance Positive (Negative)
Revenues:			
Property Tax	\$ 167,600	\$ 107,507	\$ (60,093)
Interest	27,000	11,437	(15,563)
Other Revenue	<u>135</u>	<u>802</u>	<u>667</u>
Total Revenue	<u>194,735</u>	<u>119,746</u>	<u>(74,989)</u>
Expenditures:			
Current:			
General Government	107,352	105,622	1,730
Debt Service:			
Principal	11,000	11,000	
Interest and Fiscal Charges	<u>29,526</u>	<u>29,526</u>	
Total Expenditures	<u>147,878</u>	<u>146,148</u>	<u>1,730</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>46,857</u>	<u>(26,402)</u>	<u>(73,259)</u>
Other Financing Sources (Uses)			
Transfers Out		<u>(19,500)</u>	<u>19,500</u>
Total Other financing Sources (Uses)		<u>(19,500)</u>	<u>19,500</u>
Net Change in Fund Balance	46,857	(45,902)	(92,759)
Fund Balance - July 1, 2009	<u>857,148</u>	<u>857,148</u>	
Fund Balance - June 30, 2010	<u>\$ 904,005</u>	<u>\$ 811,246</u>	<u>\$ (92,759)</u>

CITY OF HUGHSON  
 LIGHTING AND LANDSCAPING SPECIAL REVENUE FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCE - BUDGET AND ACTUAL  
 For the Fiscal Year Ended June 30, 2010

	Final Budget	Actual Amount	Variance Positive (Negative)
Revenues:			
Special Assessments	\$ 148,864	\$ 134,926	\$ (13,938)
Total Revenue	<u>148,864</u>	<u>134,926</u>	<u>(13,938)</u>
Expenditures:			
Current:			
Public works	<u>128,651</u>	<u>90,652</u>	<u>37,999</u>
Total Expenditures	<u>128,651</u>	<u>90,652</u>	<u>37,999</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>20,213</u>	<u>44,274</u>	<u>24,061</u>
Other Financing Sources (Uses)			
Transfers Out	<u>(26,794)</u>	<u>(26,794)</u>	
Total Other financing Sources (Uses)	<u>(26,794)</u>	<u>(26,794)</u>	
Net Change in Fund Balance	(6,581)	17,480	24,061
Fund Balance - July 1, 2009	<u>127,687</u>	<u>127,687</u>	
Fund Balance - June 30, 2010	<u>\$ 121,106</u>	<u>\$ 145,167</u>	<u>\$ 24,061</u>

CITY OF HUGHSON  
 BENEFIT ASSESSMENT SPECIAL REVENUE FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCE - BUDGET AND ACTUAL  
 For the Fiscal Year Ended June 30, 2010

	Final Budget	Actual Amount	Variance Positive (Negative)
Revenues:			
Special Assessments	\$ 87,355	\$ 84,497	\$ (2,858)
Total Revenue	<u>87,355</u>	<u>84,497</u>	<u>(2,858)</u>
Expenditures:			
Current:			
Public Works	66,807	77,307	(10,500)
Total Expenditures	<u>66,807</u>	<u>77,307</u>	<u>(10,500)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>20,548</u>	<u>7,190</u>	<u>(13,358)</u>
Other Financing Sources (Uses)			
Transfers Out	<u>(20,167)</u>	<u>(20,167)</u>	
Total Other financing Sources (Uses)	<u>(20,167)</u>	<u>(20,167)</u>	
Net Change in Fund Balance	381	(12,977)	(13,358)
Fund Balance - July 1, 2009	<u>88,666</u>	<u>88,666</u>	
Fund Balance - June 30, 2010	<u>\$ 89,047</u>	<u>\$ 75,689</u>	<u>\$ (13,358)</u>

CITY OF HUGHSON  
 MISCELLANEOUS GRANTS SPECIAL REVENUE FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCE - BUDGET AND ACTUAL  
 For the Fiscal Year Ended June 30, 2010

	Final Budget	Actual Amount	Variance Positive (Negative)
Revenues:			
Interest	\$ -	\$ 1	\$ 1
Intergovernmental	<u>237,000</u>	<u>          </u>	<u>(237,000)</u>
Total Revenue	<u>237,000</u>	<u>1</u>	<u>(236,999)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>237,000</u>	<u>1</u>	<u>(236,999)</u>
Other Financing Sources (Uses)			
Transfers Out	<u>(237,000)</u>	<u>          </u>	<u>237,000</u>
Total Other financing Sources (Uses)	<u>(237,000)</u>	<u>          </u>	<u>(237,000)</u>
Net Change in Fund Balance		1	1
Fund Balance - July 1, 2009	<u>847</u>	<u>847</u>	<u>          </u>
Fund Balance - June 30, 2010	<u>\$ 847</u>	<u>\$ 848</u>	<u>\$ 1</u>

CITY OF HUGHSON  
COMMUNITY ENHANCEMENT SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2010

	Final Budget	Actual Amount	Variance Positive (Negative)
Revenues:			
Interest	\$ 1,250	\$ 450	\$ (800)
Charges for Services	<u>8,000</u>	<u>6,048</u>	<u>(1,952)</u>
Total Revenue	<u>9,250</u>	<u>6,498</u>	<u>(2,752)</u>
Expenditures:			
General Government	<u>6,600</u>	<u></u>	<u>6,600</u>
Total Expenditures	<u>6,600</u>	<u></u>	<u>6,600</u>
Net Change in Fund Balance	2,650	6,498	3,848
Fund Balance - July 1, 2009	<u>63,927</u>	<u>63,927</u>	<u></u>
Fund Balance - June 30, 2010	<u>\$ 66,577</u>	<u>\$ 70,425</u>	<u>\$ 3,848</u>

CITY OF HUGHSON  
 LOCAL TRANSPORTATION SPECIAL REVENUE FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCE - BUDGET AND ACTUAL  
 For the Fiscal Year Ended June 30, 2010

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Intergovernmental	\$ 94,293	\$ 94,100	\$ (193)
Total Revenues	<u>94,293</u>	<u>94,100</u>	<u>(193)</u>
Expenditures:			
Current:			
General Government		420	(420)
Total Expenditures		<u>420</u>	<u>(420)</u>
Net Change in Fund Balance	94,293	93,680	(613)
Fund Balance (Deficit) - July 1, 2009	<u>(129,191)</u>	<u>(129,191)</u>	
Fund Balance (Deficit) - June 30, 2010	<u>\$ (34,898)</u>	<u>\$ (35,511)</u>	<u>\$ (613)</u>

CITY OF HUGHSON  
PUBLIC FACILITIES CAPITAL PROJECTS FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2010

	Final Budget	Actual Amount	Variance Positive (Negative)
Revenues:			
Interest	\$ 51,000	\$ 12,506	\$ (38,494)
Charges for Services	99,600	90,503	(9,097)
Total Revenue	<u>150,600</u>	<u>103,009</u>	<u>(47,591)</u>
Net Change in Fund Balance	150,600	103,009	(47,591)
Fund Balance - July 1, 2009	<u>887,581</u>	<u>887,581</u>	<u>          </u>
Fund Balance - June 30, 2010	<u>\$ 1,038,181</u>	<u>\$ 990,590</u>	<u>\$ (47,591)</u>

CITY OF HUGHSON  
TRANSPORTATION CAPITAL PROJECTS FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2010

	Final Budget	* Actual Amount	Variance Positive (Negative)
Revenues:			
Interest	\$ 4,300	\$ 157	\$ (4,143)
Intergovernmental	<u>631,109</u>	<u>          </u>	<u>(631,109)</u>
Total Revenue	<u>635,409</u>	<u>157</u>	<u>(635,252)</u>
Expenditures:			
Capital Outlay	<u>948,309</u>	<u>199,415</u>	<u>748,894</u>
Total Expenditures	<u>948,309</u>	<u>199,415</u>	<u>748,894</u>
Net Change in Fund Balance	(312,900)	(199,258)	113,642
Fund Balance (Deficit) - July 1, 2009	<u>(154,899)</u>	<u>(154,899)</u>	<u>          </u>
Fund Balance (Deficit) - June 30, 2010	<u>\$ (467,799)</u>	<u>\$ (354,157)</u>	<u>\$ 113,642</u>

CITY OF HUGHSON  
MUNICIPAL PARK CAPITAL PROJECTS FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2010

	Final Budget	Actual Amount	Variance Positive (Negative)
Revenues:			
Interest	\$ 5,400	\$ 2,210	\$ (3,190)
Charges for Services	<u>2,000</u>	<u>3,981</u>	<u>1,981</u>
Total Revenue	<u>7,400</u>	<u>6,191</u>	<u>(1,209)</u>
Expenditures:			
Capital Outlay	<u>237,000</u>	<u>3,000</u>	<u>234,000</u>
Total Expenditures	<u>237,000</u>	<u>3,000</u>	<u>234,000</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(229,600)</u>	<u>3,191</u>	<u>232,791</u>
Other Financing Sources (Uses)			
Transfers In	<u>237,000</u>	<u>          </u>	<u>(237,000)</u>
Total Other financing Sources (Uses)	<u>237,000</u>	<u>          </u>	<u>(237,000)</u>
Net Change in Fund Balance	7,400	3,191	(4,209)
Fund Balance - July 1, 2009	<u>279,425</u>	<u>279,425</u>	<u>          </u>
Fund Balance - June 30, 2010	<u>\$ 286,825</u>	<u>\$ 282,616</u>	<u>\$ (4,209)</u>

CITY OF HUGHSON  
PARKS DEVELOPMENT IMPACT FEES CAPITAL PROJECTS FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2010

	Final Budget	Actual Amount	Variance Positive (Negative)
Revenues:			
Interest	\$ 3,000	\$ 470	\$ (2,530)
Charges for Services	<u>9,000</u>	<u>8,859</u>	<u>(141)</u>
Total Revenue	<u>12,000</u>	<u>9,329</u>	<u>(2,671)</u>
Expenditures:			
Capital Outlay	<u>          </u>	<u>8,168</u>	<u>(8,168)</u>
Total Expenditures	<u>          </u>	<u>8,168</u>	<u>(8,168)</u>
Net Change in Fund Balance	12,000	1,161	(10,839)
Fund Balance - July 1, 2009	<u>63,862</u>	<u>63,862</u>	<u>          </u>
Fund Balance - June 30, 2010	<u>\$ 75,862</u>	<u>\$ 65,023</u>	<u>\$ (10,839)</u>

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# **NONMAJOR PROPRIETARY FUNDS**

## **PROPRIETARY FUNDS**

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

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

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

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**CITY OF HUGHSON**  
**NONMAJOR PROPRIETARY FUNDS**  
**COMBINING STATEMENT OF NET ASSETS**  
**June 30, 2010**

	Enterprise Funds		Total Nonmajor Enterprise Funds
	Community Center Operations Fund	USF Community Center Fund	
<b>Assets</b>			
Current Assets:			
Cash and Investments	\$ -	\$ 8,666	\$ 8,666
Due From Other Funds		8,323	8,323
Total Current Assets		16,989	16,989
Noncurrent Assets:			
Capital Assets:			
Land	105,073		105,073
Buildings	725,283		725,283
Less:			
Accumulated Depreciation	(278,026)		(278,026)
Total Noncurrent Assets	552,330		552,330
Total Assets	552,330	16,989	569,319
<b>Liabilities</b>			
Current Liabilities:			
Accounts Payable	754	110	864
Due to Other Funds	8,323		8,323
Deposits Payable	13,482		13,482
Total Current Liabilities	22,559	110	22,669
Noncurrent Liabilities:			
Compensated Absences	3,296	621	3,917
Total Noncurrent Liabilities	3,296	621	3,917
Total Liabilities	25,855	731	26,586
Net Assets (Deficit)			
Invested in Capital Assets	552,330		552,330
Unrestricted	(25,855)	16,258	(9,597)
Net Assets	\$ 526,475	\$ 16,258	\$ 542,733

**CITY OF HUGHSON**  
**NONMAJOR PROPRIETARY FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	Enterprise Funds		Total Nonmajor Enterprise Funds
	Community Center Operations Fund	USF Community Center Fund	
Operating Revenues			
Charges for Services	\$ 11,620	\$ 17,258	\$ 28,878
Total Operating Revenues	<u>11,620</u>	<u>17,258</u>	<u>28,878</u>
Operating Expenses			
Personnel	23,672	6,876	30,548
Administrative	19,057	6,432	25,489
Maintenance	421	130	551
Depreciation	24,176		24,176
Total Operating Expenses	<u>67,326</u>	<u>13,438</u>	<u>80,764</u>
Operating Income (Loss)	<u>(55,706)</u>	<u>3,820</u>	<u>(51,886)</u>
Non-Operating Revenue (Expenses)			
Interest Revenue		107	107
Total Non-Operating Revenue (Expenses)		<u>107</u>	<u>107</u>
Income (Loss) Before Transfers	(55,706)	3,927	(51,779)
Transfers			
Transfers In	35,000		35,000
Transfers Out		(1,500)	(1,500)
Changes in Net Assets	(20,706)	2,427	(18,279)
Net Assets - Beginning of Fiscal Year	<u>547,181</u>	<u>13,831</u>	<u>561,012</u>
Net Assets - End of Fiscal Year	<u>\$ 526,475</u>	<u>\$ 16,258</u>	<u>\$ 542,733</u>

**CITY OF HUGHSON  
NONMAJOR PROPRIETARY FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	Enterprise Funds		Total Nonmajor Enterprise Funds
	Community Center Operations Fund	USF Community Center Fund	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash Received from Users	\$ 16,796	\$ 17,272	\$ 34,068
Cash Payments to Suppliers and Contractors	(23,139)	(6,910)	(30,049)
Cash Payments to Employees	(23,128)	(6,667)	(29,795)
Net Cash Provided (Used) By Operating Activities	(29,471)	3,695	(25,776)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers	35,000	(1,500)	33,500
Interfund Borrowing	(5,529)	(8,323)	(13,852)
Net Cash Provided (Used) By Noncapital Financing Activities	29,471	(9,823)	19,648
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Interest Received		107	107
Net Cash Provided (Used) in Investing Activities		107	107
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		(6,021)	(6,021)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF FISCAL YEAR</b>		14,687	14,687
<b>CASH AND CASH EQUIVALENTS, END OF FISCAL YEAR</b>	\$ -	\$ 8,666	\$ 8,666
Reconciliation to Statement of Net Assets:			
Cash and Cash Equivalents	\$ -	\$ 8,666	\$ 8,666
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Operating Income (Loss)	\$ (55,706)	\$ 3,820	\$ (51,886)
Adjustment to Reconcile Operating Income (loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	24,176		24,176
Changes in Assets and Liabilities:			
(Increase) Decrease in Accounts Receivable		14	14
Increase (Decrease) in Accounts Payable	(3,661)	(348)	(4,009)
Increase (Decrease) in Deposits Payable	5,176		5,176
Increase (Decrease) in Compensated Absences	544	209	753
Total Adjustments	26,235	(125)	26,110
Net Cash Provided (Used) By Operating Activities	\$ (29,471)	\$ 3,695	\$ (25,776)

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## **FIDUCIARY FUNDS**

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

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

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**CITY OF HUGHSON**  
**AGENCY FUND**  
**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
For the Fiscal Year Ended June 30, 2010

	<u>Balance</u> <u>July 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2010</u>
<b>ASSETS</b>				
Cash and Investments	\$ 26,689	\$ -	\$ 2,430	\$ 24,259
Total Assets	<u>\$ 26,689</u>	<u>\$ -</u>	<u>\$ 2,430</u>	<u>\$ 24,259</u>
<b>LIABILITIES</b>				
Deposits Payable	\$ 26,689	\$ -	\$ 2,430	\$ 24,259
Total Liabilities	<u>\$ 26,689</u>	<u>\$ -</u>	<u>\$ 2,430</u>	<u>\$ 24,259</u>

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**MOSS, LEVY & HARTZHEIM LLP**

CERTIFIED PUBLIC ACCOUNTANTS

**PARTNERS**

RONALD A LEVY, CPA  
CRAIG A HARTZHEIM, CPA  
HADLEY Y HUI, CPA

9107 WILSHIRE BLVD., SUITE 400  
BEVERLY HILLS, CA 90210  
TEL: 310.273.2745  
FAX: 310.273.1689  
www.mlhcpas.com

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

The Members of the City Council of the  
City of Hughson  
Hughson, California

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hughson (City), California, as of and for the fiscal year ended June 30, 2010, which collectively comprise the City of Hughson's basic financial statements and have issued our report thereon dated March 8, 2011. 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.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. These material weaknesses along with other significant deficiencies and other matters have been presented in a separate management report dated March 8, 2011.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. We noted certain matters that we reported to the management of the City in a separate letter dated March 8, 2011.

This report is intended solely for the information and use of the City Council, Management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Moss, Levy & Hartzheim*

Moss, Levy & Hartzheim, LLP  
Beverly Hills, CA  
March 8, 2011