# CITY OF HUGHSON

## Annual Financial Report

## Fiscal Year Ended June 30, 2013

CITY OF HUGHSON
ANNUAL FINANCIAL REPORT
Fiscal Year Ended June 30, 2013

TABLE OF CONTENTS


I. FINANCIAL SECTION

A. Independent Auditor's Report ..... 1
B. Management's Discussion and Analysis ..... 3
C. Basic Financial Statements:
Government-wide Financial Statements:
Statement of Net Position ..... 15
Statement of Activities ..... 16
Fund Financial Statements:
Governmental Funds:
Balance Sheet ..... 18
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position ..... 21
Statement of Revenues, Expenditures, and Changes in Fund Balances ..... 22
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities ..... 25
Proprietary Funds:
Statement of Net Position ..... 26
Statement of Revenues, Expenses, and Changes in Net Position ..... 27
Statement of Cash Flows ..... 28
Fiduciary Funds:
Statement of Fiduciary Net Position ..... 31
Statement of Changes in Net Position ..... 32
Notes to Basic Financial Statements ..... 33

D. Required Supplementary Information:
General Fund – Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual ..... 55
Home Loan Special Revenue Fund – Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual ..... 56
Refuse Special Revenue Fund – Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual ..... 57

E. Other Supplemental Information

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Other Major Governmental Funds:
Public Facilities Capital Projects Fund ..... 59

CITY OF HUGHSON
ANNUAL FINANCIAL REPORT
Fiscal Year Ended June 30, 2013

TABLE OF CONTENTS


I. FINANCIAL SECTION (Continued)

E. Other Supplemental Information (Continued)

Nonmajor Governmental Funds

Description of Nonmajor Governmental Funds ..... 61
Combining Balance Sheet ..... 64
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances ..... 68
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual:
Asset Forfeiture Special Revenue Fund ..... 73
Gas Tax Special Revenue Fund ..... 74
Vehicle Abatement Special Revenue Fund ..... 75
CDBG Rehab Special Revenue Fund ..... 76
CDBG Grants Special Revenue Fund ..... 77
Community Enhancement Special Revenue Fund ..... 78
Local Transportation Special Revenue Fund ..... 79
Storm Drain Special Revenue Fund ..... 80
Traffic Special Revenue Fund ..... 81
SLESF Special Revenue Fund ..... 82
Lighting and Landscaping Special Revenue Fund ..... 83
Benefit Assessment Special Revenue Fund ..... 84
Misc. Grants Special Revenue Fund ..... 85
Transportation Capital Projects Fund ..... 86
Municipal Park Capital Projects Fund ..... 87
Parks Development Impact Fees Capital Projects Fund ..... 88

Nonmajor Enterprise Funds

Description of Nonmajor Enterprise Funds ..... 89
Combining Statement of Net Position ..... 91
Combining Statement of Revenues, Expenses, and Changes in Net Position ..... 92
Combining Statement of Cash Flows ..... 93

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# INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statement

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, 2013, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hughson, California, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.



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Emphasis of Matters

As discussed in Note 1 to the basic financial statements effective July 1, 2012, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements,* Statement No. 61, *The Financial Reporting Entity: Omnibus,* Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,* and Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.* Our opinion is not modified with respect to these matters.

Other Matters

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 13, Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual – General Fund, 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 on pages 41 through 43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Hughson's basic financial statements. The Budgetary Comparison Schedules for the Public Facilities Capital Projects Fund, Nonmajor Governmental Funds, the Combining Financial Statements for the Nonmajor Governmental Funds, Combining Financials for the Nonmajor Enterprise Funds, Private-Purpose Trust Funds, and the Agency Funds listed in the table of contents are presented for purposes of additional analysis and are not required parts of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 21, 2014, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Moss, Levy & Hartzheim, LLP
Culver City, California
February 21, 2014

The City of Hughson (the City) was not seriously impacted by any weakness in the economy in Northern California in fiscal year 2013. As is everywhere, recovery seems to be on its way. While revenues increased, as did the net number of residents in the City, the impact of the weak housing market is upon the City. However, assessed property value has increased over 10%. The City's fiscal highlights are presented below:

## FINANCIAL HIGHLIGHTS

Financial highlights of fiscal year ended June 30, 2013 include the following:

Government-wide:

- The City's total net position was $67,362,482 as of June 30, 2013. Of this total, $30,803,256 was governmental net position and $36,559,226 was business-type net position.
- Government-wide revenues include program revenues of $7,451,136 and general revenues and transfers of $1,255,301, for a total of $8,706,437.
- Government-wide expenses were $6,361,175.
- Business-type program revenues and interest were $4,493,763 while business-type expenses and transfers were $3,112,091.

Fund Level:

- Governmental fund balances *increased* $385,457 in fiscal year 2013.
- Governmental fund revenues *decreased* $359,072 in fiscal year 2013.
- Governmental fund expenditures *decreased* $626,277 in fiscal year 2013.

General Fund:

- General Fund revenues of $2,013,874 were $40,343 *higher* than the prior year.
- General Fund expenditures of $1,882,523 represented a *decrease* of $17,781 over the prior year.
- General Fund fund balance of $1,436,036 as of June 30, 2013, *increased* by $281,948 from 2012 fiscal year's fund balance of $1,154,088.

## OVERVIEW OF THE ANNUAL FINANCIAL REPORT

This Annual Financial Report is divided into three parts:

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

Government-wide Financial Statements

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

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

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

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

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

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

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

Fund Financial Statements

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

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

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

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

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

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

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

## FINANCIAL ACTIVITIES OF THE CITY AS A WHOLE

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

Table 1

| | Governmental Activities 2013 | Governmental Activities 2012 |
|---|---|---|
| **Assets** | | |
| Cash and investments | $ 3,994,234 | $ 3,500,503 |
| Other assets | 2,136,504 | 2,060,468 |
| Capital assets, net | 25,331,067 | 28,217,444 |
| **Total Assets** | 31,461,805 | 33,778,415 |
| **Liabilities** | | |
| Long term liabilities | 189,618 | |
| Other liabilities | 468,931 | 362,066 |
| **Total Liabilities** | 658,549 | 362,066 |
| **Net Position** | | |
| Net investment in capital assets | 25,141,449 | 28,217,444 |
| Restricted | 4,034,252 | 4,123,704 |
| Unrestricted | 1,627,555 | 1,075,201 |
| **Total Net Position** | $ 30,803,256 | $ 33,416,349 |

The City's governmental net position amounted to $30,803,256 as of June 30, 2013, an *increase* of $963,590 over 2012 not including prior period adjustments. This increase in the change in net position is reflected in the Governmental Activities column of the Statement of Activities shown in Table 2. The City's net position as of June 30, 2013 comprised the following:

Cash and investments comprised **$3,994,234.** Substantially all of these amounts were held in short term investments in government securities, as detailed in Note 3 to the financial statements.

Receivables comprised **$273,780** of current receivables and loans receivable of **$1,671,653** that is due over longer periods of time as explained the Notes.

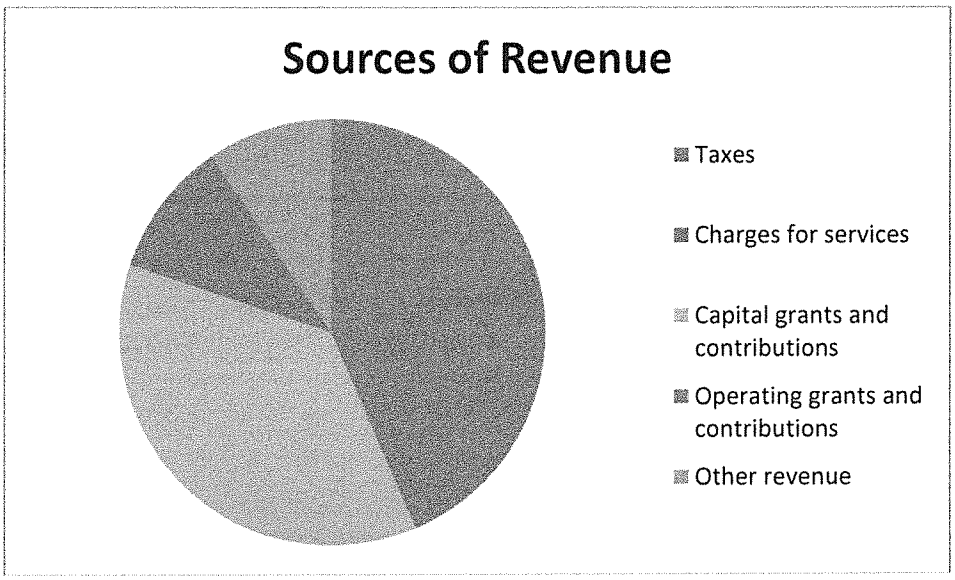
Capital assets of **$25,331,067** net of depreciation charges, which included all the City's capital assets used in governmental activities.

Current liabilities, including accounts payable, claims and other amounts due currently, totaled **$468,931**.

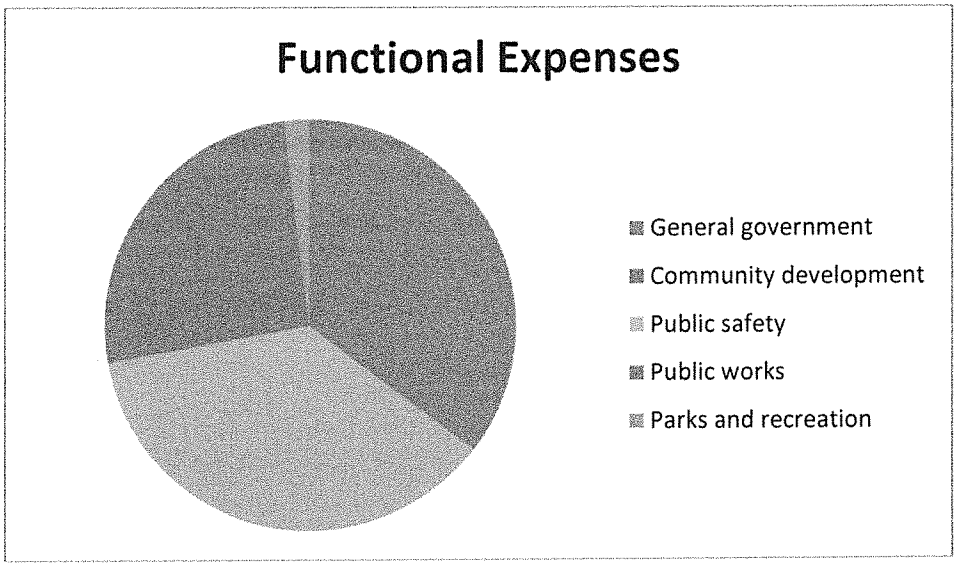
Long-term liabilities of **$189,618** of which **$152,391** is due in future years and **$37,227** is due within the next year. All of the debt is related to the City's PERS side fund liability.

Net investment in capital assets of **$25,141,449**, representing the City's investment in capital assets used in governmental activities, net of amounts borrowed to finance those investments.

Unrestricted net position, the part of net positions that can be used to finance day to day operations without constraints established by debt covenants or other legal requirements or restrictions, was **$1,627,555** as of June 30, 2013.




**As the Sources of Revenue chart above shows, $826,835, or 20% of the City's fiscal year 2013 governmental activities revenue came from taxes, while $1,005,248, or 24% came from charges for services, $1,543,848 or 37%, came from capital grants and contributions, $435,303 or 10% came from operating grants and contributions, and the remainder came from a variety of sources.**




**The Functional Expenses chart above includes only current year expenses; it does not include capital outlays, which are added to the City's capital assets. As the chart shows, general government was $1,152,573, or 35%, of total governmental expenses, community development was $1,546, or less than 1%, public safety was $1,202,366, or 37%, public works was $846,408, or 26%, parks and recreation was $64,691, or 2%.**

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

Table 2
**CHANGE IN GOVERNMENTAL NET POSITION**

| | Governmental Activities 2013 | Governmental Activities 2012 |
|---|---|---|
| **Expenses** | | |
| General government | $ 1,152,573 | $ 2,065,151 |
| Public safety | 1,202,366 | 1,127,355 |
| Community development | 1,546 | 294,754 |
| Public works | 846,408 | 842,083 |
| Parks and recreation | 64,691 | 66,661 |
| Interest and fiscal charges | | 146,610 |
| **Total Expenses** | 3,267,584 | 4,542,614 |
| **Revenues** | | |
| Program revenues | | |
| Charges for services | 1,005,248 | 1,172,391 |
| Operating grants and contributions | 435,303 | 743,710 |
| Capital grants and contributions | 1,543,848 | 743,848 |
| Total program revenues | 2,984,399 | 2,659,949 |
| General revenues and transfers | | |
| Taxes | 824,548 | 923,534 |
| Use of money and property | 2,287 | 20,845 |
| Other revenue | 401,440 | 408,047 |
| Transfers | 18,500 | (11,500) |
| Total general revenues and transfers | 1,246,775 | 1,340,926 |
| **Total Revenues and Transfers** | 4,231,174 | 4,000,875 |
| **Change in Net Position** | $ 963,590 | $ (541,739) |

**As Table 2 above shows, $2,984,399 or 71%, of the City's fiscal year 2013 governmental revenue, came from program revenues and $1,246,775, or 29%, came from general revenues such as taxes and interest and transfers. Program revenues were composed of charges for services of $1,005,248, which included permit revenues, fees and charges used to fund expenses incurred in providing services; $435,303 of operating grants and contributions, which included gas tax revenues and housing and police grants; and capital grants and contributions of $1,543,848, that consisted mainly of street project grants and developer impact fees restricted to capital outlay.**

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

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

Table 3
GOVERNMENTAL ACTIVITIES

| | Net Revenue (Expense) from Services 2013 | Net Revenue (Expense) from Services 2012 |
|---|---|---|
| General government | $ (7,616) | $ (1,430,200) |
| Public safety | (320,160) | (580,658) |
| Community development | 615,342 | 717,991 |
| Public works | (515,036) | (385,503) |
| Parks and recreation | (55,715) | (57,685) |
| Interest and fiscal charges | | (146,610) |
| **Total** | $ (283,185) | $ (1,882,665) |

## BUSINESS-TYPE ACTIVITIES

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

Table 4
BUSINESS-TYPE NET POSITION AT JUNE 30, 2013

| | Business-type Activities 2013 | Business-type Activities 2012 |
|---|---|---|
| **Assets** | | |
| Cash and investments | $ 5,109,719 | $ 4,760,502 |
| Other assets | 306,469 | 431,319 |
| Capital assets, net | 58,278,713 | 58,114,873 |
| **Total Assets** | 63,694,901 | 63,306,694 |
| **Liabilities** | | |
| Long term liabilities | 26,758,791 | 28,075,442 |
| Other liabilities | 376,884 | 430,498 |
| **Total Liabilities** | 27,135,675 | 28,505,940 |
| **Net Position** | | |
| Net investment in capital assets | 31,553,630 | 30,073,139 |
| Unrestricted | 5,005,596 | 4,727,615 |
| **Total Net Position** | $ 36,559,226 | $ 34,800,754 |

The net position of business-type activities increased by **$1,381,672** in fiscal year 2013 not including prior period adjustments related to capital assets.

**BUSINESS-TYPE ACTIVITIES (continued)**

Table 5
**CHANGE IN BUSINESS-TYPE NET POSITION**

| | Net Revenue (Expense) from Services 2013 | Net Revenue (Expense) from Services 2012 |
|---|---|---|
| Water | $ 172,510 | $ 1,125,417 |
| Sewer | 1,232,686 | 741,532 |
| Other | (23,524) | (8,934) |
| **Total** | $ 1,381,672 | $ 1,858,015 |

**ANALYSIS OF MAJOR FUNDS**

Governmental Funds

*General Fund*

General Fund revenues increased **$40,343** this fiscal year due primarily to increase in grant, and charges for services. Actual revenues were greater than budgeted by **$80,729**. Tax revenues decreased **$74,479** during the fiscal year. Charges for services, licenses and permits increased **$151,183** due to a increase in building permit activity and plan check activity.

General Fund expenditures were **$1,882,523 a decrease of $17,781** from the prior year. Expenditures decreased due to continuing cuts.

As of June 30, 2013 the General Fund's fund balance totaled **$1,546,036**. The unassigned portion of **$1,410,121** of the fund balances represents available liquid resources.

*Home Loan Fund*

This fund is utilized to track deferred loans receivable. There wasn't significant activity during the fiscal year.

*Refuse Fund*

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

*Public Facilities Capital Projects Fund*

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

## ANALYSIS OF MAJOR FUNDS (continued)

Proprietary Funds

*Water Fund*

Operating revenues decreased by $ **841,206** in fiscal year 2013 and expenses increased by **$98,172** resulting in operating income of **$294,807**. Charges for water services largely remained the same from the prior fiscal year, the large decrease was due to one time operating income that was not received during the current fiscal year..

The fund's net position increased by **$172,510,** to a new total of **$7,415,579** after prior period adjustments. Of this amount, **$7,634,240** was net investment in capital assets.

*Sewer Fund*

Operating revenues increased **$456,008** in the fiscal year 2013. Operating expenses decreased by **$240,309**. The fund's net positions increased by **$1,232,686** in fiscal year 2013. The customer base for service increased in fiscal year 2013 along with increases in sewer rates. This increase revenue is necessary to make future debt service payments for the SWRCB loan for the construction of the wastewater treatment plant.

As of June 30, 2013, the fund's net positions were **$28,657,467** after prior period adjustments, of which **$23,439,588** was net investment in capital assets and **$5,217,879** was unrestricted.

## CAPITAL ASSETS

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

The City performed a thorough study of all existing capital assets as well as recalculating accumulated depreciation to date. Due to the study, a prior period adjustment was made on the financial statements in order to adjust values presented to actual values.

In fiscal year 2013, the City reported the cost of all its infrastructure assets and computed the amounts of accumulated depreciation for these assets based on their original acquisition dates. At the end of fiscal year 2013, the cost of infrastructure and other capital assets recorded on the City's financial statements is as shown in Table 6 and 7 below:

Table 6

| | Balance at July 1, 2012 | Additions | Deletions | Transfers | Prior Period Adjustment | Balance at June 30, 2013 |
|---|---|---|---|---|---|---|
| Governmental activities: | | | | | | |
| Capital assets, not being depreciated: | | | | | | |
| Land | $ 9,678,610 | $ - | $ - | $ - | $ (480,826) | $ 9,197,784 |
| Rights of ways | 2,777,617 | | | | | 2,777,617 |
| Construction in progress | 754,813 | 197,004 | | | (754,813) | 197,004 |
| Total capital assets, not being depreciated | 13,211,040 | 197,004 | | | (1,235,639) | 12,172,405 |
| Capital assets, being depreciated: | | | | | | |
| Buildings | 1,220,796 | | | | (300,891) | 919,905 |
| Improvements | 7,350,888 | 751,966 | | | (4,877,577) | 3,225,277 |
| Equipment | 321,726 | 100,000 | | | (10,746) | 410,980 |
| Machinery | 241,902 | | | | | 241,902 |
| Rolling stock | 530,299 | | | | (34,050) | 496,249 |
| Infrastructure | 12,983,063 | | | | 414,796 | 13,397,859 |
| Total capital assets being depreciated | 22,648,674 | 851,966 | | | (4,808,468) | 18,692,172 |
| Less accumulated depreciation for: | | | | | | |
| Buildings | (537,272) | (46,230) | | | 55,165 | (528,337) |
| Improvements | (3,361,218) | (107,509) | | | 2,827,756 | (640,971) |
| Equipment | (321,726) | (23,497) | | | 14,244 | (330,979) |
| Machinery | (182,620) | (27,493) | | | 6,562 | (203,551) |
| Rolling stock | (530,299) | (1,610) | | | 35,661 | (496,248) |
| Infrastructure | (2,709,135) | (279,415) | | | (344,874) | (3,333,424) |
| Total accumulated depreciation | (7,642,270) | (485,754) | | | 2,594,514 | (5,533,510) |
| Total capital assets, being depreciated, net | 15,006,404 | 366,212 | | | (2,213,954) | 13,158,662 |
| Governmental activities capital assets, net | $ 28,217,444 | $ 563,216 | $ - | $ - | $ (3,449,593) | $ 25,331,067 |

| Business-type activities: | Balance at July 1, 2012 | Additions | Deletions | Transfers | Prior Period Adjustments | Balance at June 30, 2013 |
|---|---|---|---|---|---|---|
| Capital assets, not being depreciated: | | | | | | |
| Land | $ 18,003,696 | $ - | $ - | $ - | $ 105,073 | $ 18,108,769 |
| Construction in progress | 24,864,161 | 204,181 | | (24,864,161) | | 204,181 |
| Total capital assets, not being depreciated | 42,867,857 | 204,181 | | (24,864,161) | 105,073 | 18,312,950 |
| Capital assets, being depreciated: | | | | | | |
| Buildings | 3,413,530 | | | 24,864,161 | (209,034) | 28,068,657 |
| Improvements | 27,398,042 | | | | (23,678,775) | 3,719,267 |
| Equipment | 178,549 | 29,670 | | | (151,029) | 57,190 |
| Machinery | 235,695 | | | | | 235,695 |
| Infrastructure | | | | | 19,002,924 | 19,002,924 |
| Rolling stock | 132,876 | | | | | 132,876 |
| Total capital assets, being depreciated | 31,358,692 | 29,670 | | 24,864,161 | (5,035,914) | 51,216,609 |
| Less accumulated depreciation for: | | | | | | |
| Buildings | (1,156,191) | (112,750) | | | 163,611 | (1,105,330) |
| Improvements | (14,480,378) | (30,983) | | | 11,319,575 | (3,191,786) |
| Equipment | (139,083) | (11,437) | | | 117,067 | (33,453) |
| Machinery | (209,114) | (9,231) | | | 617 | (217,728) |
| Infrastructure | | (265,307) | | | (6,304,365) | (6,569,672) |
| Rolling stock | (126,905) | (17,108) | | | 11,136 | (132,877) |
| Total accumulated depreciation | (16,111,671) | (446,816) | | | 5,307,641 | (11,250,846) |
| Total capital assets, being depreciated, net | 15,247,021 | (417,146) | | 24,864,161 | 271,727 | 39,965,763 |
| Business-type activities capital assets, net | $ 58,114,878 | $ (212,965) | $ - | $ - | $ 376,800 | $ 58,278,713 |

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

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

## DEBT ADMINISTRATION

The City issued no new bonded debt in fiscal year 2013. The City made all scheduled repayments of existing debt. The City's debt issues are discussed in detail in Note 9 of the financial statements. The City's debt balances as of June 30 were as follows:

Table 8
**LONG-TERM LIABILITIES**

| | 2013 | 2012 |
|---|---|---|
| **Governmental activities** | | |
| PERS Side Fund | $ 189,618 | $ - |
| **Total governmental activities** | $ 189,618 | $ - |
| **Business-type activities** | | |
| **Water** | | |
| Compensated absences | $ 11,415 | $ 11,415 |
| USDA Promissory Note | 409,000 | 418,000 |
| Installment Note Payable | 1,795,772 | 1,894,436 |
| **Total for water fund** | 2,216,187 | 2,323,851 |
| **Sewer** | | |
| Compensated absences | 22,293 | 22,293 |
| CSWRCB Revolving Loan | 18,973,143 | 19,921,162 |
| Installment Note Payable | 5,547,168 | 5,808,136 |
| **Total for sewer fund** | 24,542,604 | 25,751,591 |
| **Total business-type activities** | $ 26,758,791 | $ 28,075,442 |

## ECONOMIC CONDITION, OUTLOOK AND ACTIVITY

The City of Hughson has been impacted by the economic sloop, which has affected the County, State and Country. But, as elsewhere, the economy around City is picking up. Property Assessment is on the rise, and building has resumed in the Community. Hughson's diverse land use has helped to continue a growth pattern that has resulted in upswing economic strength for the City and a strong housing market. The trend that developed in 2008, which has seen a significant drop in housing prices and a significant raise in home foreclosures, is changing.

Overall, the City appears to be in a favorable position to continue attracting jobs and retail establishments. While other cities in the County have experienced a decline in sales tax, Hughson's revenue continues to climb. This type of growth helps strengthen the City's tax base and increases the diversity of where revenues are generated.

This is the first year to notice a significant raise in the number of delinquent property tax payments. Regular tax collection will not be effected, since the City has agreed to participate in the Teeter Plan. The County forwards the proceeds of property taxes based on what is billed, not on what is collected (55% is remitted in December, 40% is April, and 5% in June).

## CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

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# FINANCIAL SECTION

# CITY OF HUGHSON
## Statement of Net Position
June 30, 2013

| | Governmental Activities | Business-type Activities | Total |
|---|---|---|---|
| **Assets:** | | | |
| Cash and Investments | $ 3,994,234 | $ 5,109,719 | $ 9,103,953 |
| Accounts Receivable | 290,582 | 102,683 | 393,265 |
| Notes Receivable | 1,654,851 | | 1,654,851 |
| Deposits Receivable | 25,915 | | 25,915 |
| Interest Receivable | 165,156 | | 165,156 |
| Capital Assets, Not Being Depreciated | 12,172,405 | 18,312,950 | 30,485,355 |
| Capital Assets, Net of Accumulated Depreciation | 13,158,662 | 39,965,763 | 53,124,425 |
| Total Assets | 31,461,805 | 63,491,115 | 94,952,920 |
| **Liabilities:** | | | |
| Accounts Payable | 468,931 | 68,439 | 537,370 |
| Interest Payable | | 103,119 | 103,119 |
| Deposits Payable | | 1,540 | 1,540 |
| Noncurrent Liabilities: | | | |
| Due Within One Year | 37,227 | 1,341,849 | 1,379,076 |
| Due in More Than One Year | 152,391 | 25,416,942 | 25,569,333 |
| Total Liabilities | 658,549 | 26,931,889 | 27,590,438 |
| **Net Position:** | | | |
| Net Investment in Capital Assets | 25,337,067 | 31,553,630 | 56,890,697 |
| Restricted for: | | | |
| Home Loans | 1,458,751 | | 1,458,751 |
| Community Development | 617,769 | | 617,769 |
| Streets and Roads | 573,101 | | 573,101 |
| Public Safety | 132,228 | | 132,228 |
| Public Facilities | 846,377 | | 846,377 |
| Parks and Recreation | 626,064 | | 626,064 |
| Assessment Districts | 75,432 | | 75,432 |
| Unrestricted | 1,136,467 | 5,005,596 | 6,142,063 |
| Total Net Position | $ 30,803,256 | $ 36,559,226 | $ 67,362,482 |

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, 2013

| Functions | Expenses | Program Revenues: Charges for Services | Program Revenues: Operating Grants and Contributions | Program Revenues: Capital Grants and Contributions |
|---|---|---|---|---|
| **Primary Government:** | | | | |
| Governmental Activities: | | | | |
| General Government | $ 1,152,573 | $ 254,783 | $ 83,729 | $ 806,445 |
| Public Safety | 1,202,366 | 384,392 | 164,232 | 333,582 |
| Community Development | 1,546 | 61,606 | 187,342 | 367,940 |
| Public Works | 846,408 | 295,491 | | 35,881 |
| Parks and Recreation | 64,691 | 8,976 | | |
| Total Governmental Activities | 3,267,584 | 1,005,248 | 435,303 | 1,543,848 |
| Business-type Activities: | | | | |
| Water | 1,210,630 | 1,394,299 | | |
| Sewer | 1,821,643 | 3,040,144 | | |
| Community Facilities | 61,318 | 32,294 | | |
| Total Business-type Activities | 3,093,591 | 4,466,737 | | |
| Total Primary Government | $ 6,361,175 | $ 5,471,985 | $ 435,303 | $ 1,543,848 |
| **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 position | | | | |
| **Net Position - Beginning of Fiscal Year** | | | | |
| **Prior Period Adjustments** | | | | |
| **Net Position - Beginning of Fiscal Year (restated)** | | | | |
| **Net Position - End of Fiscal Year** | | | | |

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

| Net (Expenses) Revenues and Changes in Net Position | | |
|---|---|---|
| Governmental Activities | Business-type Activities | Total |
| $ (7,616) | $ - | $ (7,616) |
| (320,160) | | (320,160) |
| 615,342 | | 615,342 |
| (515,036) | | (515,036) |
| (55,715) | | (55,715) |
| (283,185) | | (283,185) |
| | 183,669 | 183,669 |
| | 1,218,501 | 1,218,501 |
| | (29,024) | (29,024) |
| | 1,373,146 | 1,373,146 |
| (283,185) | 1,373,146 | 1,089,961 |
| 197,820 | | 197,820 |
| 536,409 | | 536,409 |
| 21,087 | | 21,087 |
| 69,232 | | 69,232 |
| 2,287 | 27,026 | 29,313 |
| 401,440 | | 401,440 |
| 18,500 | (18,500) | |
| 1,246,775 | 8,526 | 1,255,301 |
| 963,590 | 1,381,672 | 2,345,262 |
| 33,416,349 | 34,800,754 | 68,217,103 |
| (3,576,683) | 376,800 | (3,199,883) |
| 29,839,666 | 35,177,554 | 65,017,220 |
| $ 30,803,256 | $ 36,559,226 | $ 67,362,482 |

**CITY OF HUGHSON**
**Balance Sheet**
**Governmental Funds**
**June 30, 2013**

| | | Special Revenue | |
|---|---|---|---|
| | **General** | **Home Loan** | **Refuse** |
| **Assets:** | | | |
| Cash and Investments | $ 1,173,927 | $ 35,041 | $ 42,513 |
| Accounts Receivable | 141,247 | | 16,802 |
| Loans Receivable | | 1,423,710 | |
| Due from Other Funds | 350,952 | | |
| Deposits | 25,915 | | |
| Total Assets | $ 1,692,041 | $ 1,458,751 | $ 59,315 |
| **Liabilities and Fund Balances:** | | | |
| Liabilities: | | | |
| Accounts Payable | $ 256,005 | $ - | $ 94,907 |
| Unearned Revenue | | 1,423,710 | |
| Due to Other Funds | | | |
| Total Liabilities | 256,005 | 1,423,710 | 94,907 |
| Fund Balances: | | | |
| Nonspendable | 25,915 | | |
| Restricted for: | | | |
| Home loans | | 35,041 | |
| Parks and recreation | | | |
| Capital projects | | | |
| Public safety | | | |
| Streets and roads | | | |
| Community development | | | |
| Special assessments | | | |
| Unassigned | 1,410,121 | | (35,592) |
| Total Fund Balances (Deficits) | 1,436,036 | 35,041 | (35,592) |
| Total Liabilities and Fund Balances | $ 1,692,041 | $ 1,458,751 | $ 59,315 |

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

| Capital Projects | | |
|---|---|---|
| Public Facilities | Nonmajor Governmental Funds | Total Governmental Funds |
| $ 934,395 | $ 1,721,662 | $ 3,907,538 |
| | 132,533 | 290,582 |
| | 231,141 | 1,654,851 |
| | | 350,952 |
| | | 25,915 |
| $ 934,395 | $ 2,085,336 | $ 6,229,838 |
| | | |
| $ 88,018 | $ 30,001 | $ 468,931 |
| | 231,141 | 1,654,851 |
| | 350,952 | 350,952 |
| 88,018 | 612,094 | 2,474,734 |
| | | |
| | | 25,915 |
| | | |
| | | 35,041 |
| | 626,064 | 626,064 |
| 846,377 | | 846,377 |
| | 132,228 | 132,228 |
| | 573,101 | 573,101 |
| | 436,628 | 436,628 |
| | 75,432 | 75,432 |
| | (370,211) | 1,004,318 |
| 846,377 | 1,473,242 | 3,755,104 |
| | | |
| $ 934,395 | $ 2,085,336 | $ 6,229,838 |

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## CITY OF HUGHSON
### Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2013

| | | |
|---|---|---|
| **Total fund balances - governmental funds** | | $ 3,755,104 |
| In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation. | | |
| Capital assets at historical cost | $ 30,864,577 | |
| Accumulated depreciation | (5,533,510) | 25,331,067 |
| In governmental funds, certain receivables are not available to pay for current period expenditures and, therefore, are offset by unearned revenue. | | 1,654,851 |
| In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. The long-term liability relating to governmental activities consists of: | | |
| PERS side fund | | (189,618) |
| Internal service funds are used by management to charge the costs of certain activities, such as self-insurance, to individual funds. The assets and liabilities of the internal service fund must be added to the statement of net position. | | 86,696 |
| In governmental funds, certain accrued interest receivable on notes receivable is not available to pay for current period expenditures and, therefore, is not reported in the governmental funds. | | 165,156 |
| **Total net position - governmental activities** | | $ 30,803,256 |

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, 2013

| | | Special Revenue | |
|---|---|---|---|
| | General | Home Loan | Refuse |
| **Revenues** | | | |
| Property Taxes | $ 191,496 | $ - | $ - |
| Sales and Use Taxes | 563,691 | | |
| Business License Taxes | 21,087 | | |
| Other Taxes | 72,781 | | |
| Licenses and Permits | 179,960 | | |
| Fines and Forfeitures | 21,753 | | |
| Interest | 2,376 | | |
| Charges for Services | 177,937 | | 460,418 |
| Intergovernmental | 398,820 | 2,085 | |
| Special Assessments | | | |
| Other | 383,973 | | |
| Total Revenues | 2,013,874 | 2,085 | 460,418 |
| **Expenditures** | | | |
| Current: | | | |
| General Government | 479,607 | | 416,760 |
| Public Safety | 869,876 | | |
| Public Works | 468,349 | | |
| Parks and Recreation | 64,691 | | |
| Community Development | | 1,546 | |
| Capital Outlay | | | |
| Total Expenditures | 1,882,523 | 1,546 | 416,760 |
| Excess (Deficiency) of Revenues over (under) Expenditures | 131,351 | 539 | 43,658 |
| **Other Financing Sources (Uses):** | | | |
| Transfers In | 150,597 | | |
| Transfers Out | | | |
| Total Other Financing Sources (Uses) | 150,597 | | |
| Net Change in Fund Balances | 281,948 | 539 | 43,658 |
| **Fund Balances (Deficits) - July 1, 2012** | 1,154,088 | 34,502 | (79,250) |
| **Prior Period Adjustments** | | | |
| **Fund Balances (Deficits) - July 1, 2012, Restated** | 1,154,088 | 34,502 | (79,250) |
| **Fund Balances (Deficits) - June 30, 2013** | $ 1,436,036 | $ 35,041 | $ (35,592) |

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

| Capital Projects | | |
|---|---|---|
| Public Facilities | Nonmajor Governmental Funds | Total Governmental Funds |
| $ - | $ - | $ 191,496 |
| | | 563,691 |
| | | 21,087 |
| | | 72,781 |
| | | 179,960 |
| | | 21,753 |
| 4,052 | 3,196 | 9,624 |
| 213,594 | 153,299 | 1,005,248 |
| | 1,019,598 | 1,420,503 |
| | 213,292 | 213,292 |
| | 115,925 | 499,898 |
| 217,646 | 1,505,310 | 4,199,333 |
| | | 896,367 |
| | 211,051 | 1,080,927 |
| | 256,621 | 724,970 |
| | | 64,691 |
| | | 1,546 |
| 154,064 | 909,811 | 1,063,875 |
| 154,064 | 1,377,483 | 3,832,376 |
| 63,582 | 127,827 | 366,957 |
| | 1,522 | 152,119 |
| (1,522) | (132,097) | (133,619) |
| (1,522) | (130,575) | 18,500 |
| 62,060 | (2,748) | 385,457 |
| 784,317 | 1,391,546 | 3,285,203 |
| | 84,444 | 84,444 |
| 784,317 | 1,475,990 | 3,369,647 |
| $ 846,377 | $ 1,473,242 | $ 3,755,104 |

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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, 2013

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

| | | |
|---|---|---|
| **Net change in fund balances - total governmental funds** | | $ 385,457 |
| 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 | $ 1,048,970 | |
| Depreciation expense | (485,754) | 563,216 |
| The repayment of the PERS side fund liability consumes the current financial resources of the governmental funds and decreases the balance of PERS side fund on the government-wide statements. The increase of the side fund liability due to interest does not consume current financial resources of the governmental funds but increases the balance of the PERS side fund on the governmental-wide statements. This is the net change in the side fund liability. | | 21,916 |
| 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. | | (20,340) |
| Certain accrued interest revenue of notes receivable reported in the statement of activities is not available to pay for current period expenditures, and therefore, is not reported as revenue in a governmental fund. This is the net change in interest receivable for the current period. | | 13,341 |
| **Change in net position of governmental activities** | | $ 963,590 |

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

# CITY OF HUGHSON
## Statement of Net Position
## Proprietary Funds
June 30, 2013

| | Business-type Activities-Enterprise Funds | | | | Governmental Activities |
|---|---|---|---|---|---|
| | Sewer Fund | Water Fund | Nonmajor Enterprise Funds | Total | Internal Service Fund |
| **Assets** | | | | | |
| Current Assets: | | | | | |
| Cash and Investments | $ 5,096,949 | $ - | $ 12,770 | $ 5,109,719 | $ 86,696 |
| Accounts Receivable | 48,219 | 54,464 | | 102,683 | |
| Due From Other Funds | 203,786 | | | 203,786 | |
| Total Current Assets | 5,348,954 | 54,464 | 12,770 | 5,416,188 | 86,696 |
| Noncurrent Assets: | | | | | |
| Capital Assets: | | | | | |
| Land | 15,075,537 | 2,928,159 | 105,073 | 18,108,769 | |
| Buildings | 25,215,708 | 2,127,666 | 725,283 | 28,068,657 | |
| Machinery and Equipment | 410,926 | 14,835 | | 425,761 | |
| Improvements Other Than Buildings | 6,797,906 | (3,078,639) | | 3,719,267 | |
| Infrastructure | 6,102,509 | 12,900,415 | | 19,002,924 | |
| Construction In Progress | | 204,181 | | 204,181 | |
| Less: | | | | | |
| Accumulated Depreciation | (5,642,687) | (5,257,605) | (350,554) | (11,250,846) | |
| Total Noncurrent Assets | 47,959,899 | 9,839,012 | 479,802 | 58,278,713 | |
| Total Assets | 53,308,853 | 9,893,476 | 492,572 | 63,694,901 | 86,696 |
| **Liabilities** | | | | | |
| Current Liabilities: | | | | | |
| Accounts Payable | 32,550 | 31,037 | 4,852 | 68,439 | |
| Interest Payable | 76,232 | 26,887 | | 103,119 | |
| Due to Other Funds | | 203,786 | | 203,786 | |
| Deposits Payable | | | 1,540 | 1,540 | |
| Total Current Liabilities | 108,782 | 261,710 | 6,392 | 376,884 | |
| Noncurrent Liabilities: | | | | | |
| Compensated Absences | 22,293 | 11,415 | | 33,708 | |
| Due within One Year | 1,229,544 | 112,305 | | 1,341,849 | |
| Due in More Than One Year | 23,290,767 | 2,092,467 | | 25,383,234 | |
| Total Noncurrent Liabilities | 24,542,604 | 2,216,187 | | 26,758,791 | |
| Total Liabilities | 24,651,386 | 2,477,897 | 6,392 | 27,135,675 | |
| **Net Position** | | | | | |
| Net Investment in Capital Assets | 23,439,588 | 7,634,240 | 479,802 | 31,553,630 | |
| Unrestricted | 5,217,879 | (218,661) | 6,378 | 5,005,596 | 86,696 |
| Total Net Positions | $ 28,657,467 | $ 7,415,579 | $ 486,180 | $ 36,559,226 | $ 86,696 |

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

# CITY OF HUGHSON

## Statement of Revenues, Expenses, and Changes in Net Position

## Proprietary Funds

For the Fiscal Year Ended June 30, 2013

| | Business-type Activities - Enterprise funds | | | | Governmental Activities |
|---|---|---|---|---|---|
| | Sewer Fund | Water Fund | Nonmajor Enterprise Funds | Total | Internal Service Fund |
| **Operating Revenues:** | | | | | |
| Charges for Services | $ 3,040,144 | $ 1,394,299 | $ 32,294 | $ 4,466,737 | $ - |
| Total Operating Revenues | 3,040,144 | 1,394,299 | 32,294 | 4,466,737 | - |
| **Operating Expenses:** | | | | | |
| Personnel | 366,392 | 316,667 | 7,412 | 690,471 | |
| Administrative | 275,934 | 259,229 | 24,723 | 559,886 | 20,340 |
| Materials and Supplies | 162,386 | 190,987 | | 353,373 | |
| Maintenance | 180,293 | 143,526 | 5,007 | 328,826 | |
| Depreciation | 233,557 | 189,083 | 24,176 | 446,816 | |
| Total Operating Expenses | 1,218,562 | 1,099,492 | 61,318 | 2,379,372 | 20,340 |
| Operating Income (loss) | 1,821,582 | 294,807 | (29,024) | 2,087,365 | (20,340) |
| **Non-operating Revenues (Expenses):** | | | | | |
| Interest Revenue | 26,185 | 841 | | 27,026 | |
| Interest Expense | (603,081) | (111,138) | | (714,219) | |
| Total Non-Operating Revenue (Expenses) | (576,896) | (110,297) | | (687,193) | |
| Income (Loss) before transfers | 1,244,686 | 184,510 | (29,024) | 1,400,172 | (20,340) |
| **Transfers** | | | | | |
| Transfers In | | | 10,000 | 10,000 | |
| Transfers Out | (12,000) | (12,000) | (4,500) | (28,500) | |
| **Change in Net Position** | 1,232,686 | 172,510 | (23,524) | 1,381,672 | (20,340) |
| Net Position - Beginning of Fiscal Year | 23,342,774 | 10,948,276 | 509,704 | 34,800,754 | 107,036 |
| Prior Period Adjustments | 4,082,007 | (3,705,207) | | 376,800 | |
| Net Position - Beginning of the Fiscal Year, Restated | 27,424,781 | 7,243,069 | 509,704 | 35,177,554 | 107,036 |
| Net Position - End of Fiscal Year | $ 28,657,467 | $ 7,415,579 | $ 486,180 | $ 36,559,226 | $ 86,696 |

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, 2013

| | Business-type Activities - Enterprise Funds | | | | Governmental Activities |
|---|---|---|---|---|---|
| | Sewer Fund | Water Fund | Nonmajor Enterprise Funds | Totals | Internal Service Fund |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | | | |
| Cash Received from Users | $ 3,066,298 | $ 1,430,750 | $ 32,994 | $ 4,530,042 | $ - |
| Cash Payments to Suppliers and Contractors | (603,493) | (602,858) | (27,803) | (1,234,154) | (20,340) |
| Cash Payments to Employees | (366,392) | (316,667) | (7,412) | (690,471) | |
| Net Cash Provided (Used) By Operating Activities | 2,096,413 | 511,225 | (2,221) | 2,605,417 | (20,340) |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES: | | | | | |
| Transfers in | | | 10,000 | 10,000 | |
| Transfers out | (12,000) | (12,000) | (4,500) | (28,500) | |
| Interfund Borrowing | (171,606) | (62,245) | | (233,851) | |
| Net Cash Provided (Used) By Noncapital Financing Activities | (183,606) | (74,245) | 5,500 | (252,351) | |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | | | |
| Interest Received | 26,185 | 841 | | 27,026 | |
| Net Cash Provided (Used) in Investing Activities | 26,185 | 841 | | 27,026 | |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | | | | |
| Principal Payments on Debt Borrowings | (1,208,987) | (107,664) | | (1,316,651) | |
| Interest Paid | (384,067) | (96,306) | | (480,373) | |
| Acquisition of Property, Plant, and Equipment | | (233,851) | | (233,851) | |
| Net Cash Provided (Used) In Capital and Related Financing Activities | (1,593,054) | (437,821) | | (2,030,875) | |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 345,938 | | 3,279 | 349,217 | (20,340) |
| CASH AND CASH EQUIVALENTS, BEGINNING OF FISCAL YEAR | 4,751,011 | | 9,491 | 4,760,502 | 107,036 |
| CASH AND CASH EQUIVALENTS, END OF FISCAL YEAR | $ 5,096,949 | $ - | $ 12,770 | $ 5,109,719 | $ 86,696 |
| Reconciliation to Statement of Net Position: | | | | | |
| Cash and Investments | $ 5,096,949 | $ - | $ 12,770 | $ 5,109,719 | $ 86,696 |
| | $ 5,096,949 | $ - | $ 12,770 | $ 5,109,719 | $ 86,696 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | | | |
| Operating Income (Loss) | $ 1,821,582 | $ 294,807 | $ (29,024) | $ 2,087,365 | $ (20,340) |
| Adjustment to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities: | | | | | |
| Depreciation | 233,557 | 189,083 | 24,176 | 446,816 | |
| Changes in Assets and Liabilities: | | | | | |
| (Increase) Decrease in Accounts Receivable | 26,155 | 36,451 | | 62,606 | |
| Increase (Decrease) in Accounts Payable | 15,119 | (9,116) | 1,927 | 7,930 | |
| Increase (Decrease) in Deposits Payable | | | 700 | 700 | |
| Total Adjustments | 274,831 | 216,418 | 26,803 | 518,052 | |
| Net Cash Provided (Used) By Operating Activities | $ 2,096,413 | $ 511,225 | $ (2,221) | $ 2,605,417 | $ (20,340) |

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

## FIDUCIARY FUNDS

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

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

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

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CITY OF HUGHSON
FIDUCIARY FUNDS
STATEMENT OF NET POSITION
June 30, 2013

| | Private Purpose Trust Fund | Agency Fund |
|---|---|---|
| | RDA Successor Agency | Water Deposits |
| **ASSETS** | | |
| Cash and investments | $ 114,099 | $ 30,325 |
| Loans receivable | 67,028 | |
| Deferred charges | 149,704 | |
| Capital assets, net of accumulated depreciation | 739,908 | |
| Total Assets | 1,070,739 | $ 30,325 |
| **LIABILITIES** | | |
| Interest payable | $ 35,442 | $ - |
| Deposits payable | | 30,325 |
| Unearned revenue | 67,028 | |
| Long-term debt, due within one year | 65,000 | |
| Long-term debt, due in more than one year | 2,750,000 | |
| Total Liabilities | 2,917,470 | $ 30,325 |
| **NET POSITION** | | |
| Unrestricted | (1,846,731) | |
| Total Net Position | $ (1,846,731) | |

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

**CITY OF HUGHSON**
**FIDUCIARY FUNDS**
**STATEMENT OF CHANGES IN NET POSITION**
**For the Fiscal Year Ended June 30, 2013**

| | Private Purpose Trust Fund RDA Successor Agency |
|---|---|
| Additions: | |
| Tax increment | $ 340,738 |
| Interest | 60 |
| Total additions | 340,798 |
| Deductions: | |
| Community development | 182,645 |
| Depreciation | 27,490 |
| Interest expense | 146,760 |
| Total deductions | 356,895 |
| Change in net position | (16,097) |
| Net Position - July 1, 2012 | (1,655,824) |
| Prior period adjustment | (174,810) |
| Net Position, July 1, 2012, Restated | (1,830,634) |
| Net Position - June 30, 2013 | $ (1,846,731) |

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

# NOTES TO BASIC FINANCIAL STATEMENTS

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### A. Reporting Entity

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

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

Individual Component Unit Disclosures

Blended Component Units. There are no component units of the City which meet the criteria of a blended component unit.

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

### B. Basis of Presentation

Government-wide Financial Statements

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

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

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

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

### B. Basis of Presentation (Continued)

Fund Financial Statements

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

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

The City reports four major governmental funds:

- The *General Fund* is used to account for all revenues and expenditures necessary to carry out basic governmental activities of the City that are not accounted for through other funds. For the City, the General Fund includes activities such as public protection, public works and facilities, parks and recreation, and community development.

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

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

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

The City reports the following two major enterprise funds:

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

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

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

### B. Basis of Presentation (Continued)

The City reports the following additional fund types:

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

Fiduciary Funds

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

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

### C. Basis of Accounting and Measurement Focus

The government-wide, proprietary, and fiduciary funds financial statements except for Agency Funds (that have no measurement focus) are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property and sales taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from sales tax are recognized when the underlying transactions take place. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligible requirements have been satisfied.

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

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

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

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

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

#### 3. Inventories and Prepaid Items

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

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

#### 4. Capital Assets

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

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

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

#### 4. 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 |

#### 5. Compensated Absences

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

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

#### 6. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statements of net position. 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.

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

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

#### 7. Net Position

The government-wide financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted, and unrestricted.

*Net Investment In Capital Assets* – This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce the balance in this category.

*Restricted Net Position* – This category presents external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

*Unrestricted Net Position* – This category represents net position of the City, not restricted for any project or other purpose.

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

### E. Use of Estimates

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

### F. New Accounting Pronouncements

The City has implemented the following Governmental Accounting Standards Board (GASB) Statements during the fiscal year ended June 30, 2013:

Governmental Accounting Standards Board Statement No. 60

For the fiscal year ended June 30, 2013, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements." This Statement is effective for periods beginning after December 15, 2011. The objective of this Statement is to improve financial reporting by addressing issues related to Service Concession Arrangements. This Statement improves consistency in reporting and enhances the comparability of the accounting and financial reporting of Service Concession Arrangements among state and local governments. Implementation of the GASB Statement No. 60, did not have an impact on the City's financial statements for the fiscal year ended June 30, 2013.

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

### F. New Accounting Pronouncements (Continued)

Governmental Accounting Standards Board Statement No. 61

For the fiscal year ended June 30, 2013, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 61 "The Financial Reporting Entity: Omnibus—*an amendment of GASB Statements No. 14 and No. 34.* " This statement is effective for periods beginning after June 15, 2012. The objective of this Statement is to improve financial reporting for component units. The Statement modifies certain requirements for inclusion of component units in the financial reporting entity and clarifies the reporting of equity interests in legally separate organizations. Implementation of the GASB Statement No. 61, did not have an impact on the City's financial statements for the fiscal year ended June 30, 2013.

Governmental Accounting Standards Board Statement No. 62

For the fiscal year ended June 30, 2013, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 62 "Codification of Accounting and Financial Reporting Guidance Contained in *Pre*-November 30, 1989 FASB and AICPA Pronouncements." This Statement is effective for periods beginning after December 15, 2011. The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the FASB and AICPA pronouncements issued on or before November 30, 1989. This Statement specifically identifies and consolidates the accounting and financial reporting provisions that apply to state and local governments. Implementation of the GASB Statement No. 62, did not have an impact on the City's financial statements for the fiscal year ended June 30, 2013.

Governmental Accounting Standards Board Statement No. 63

For the fiscal year ended June 30, 2013, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position." This Statement is effective for periods beginning after December 15, 2011. The objective of this Statement is to establish guidance for reporting deferred outflows or resources, deferred inflows of resources, and net position in a statement of financial position. This Statement sets forth framework that specifies where deferred outflows of resources and deferred inflows of resources, as well as assets and liabilities should be displayed. This Statement also specifies how net position, no longer referred to as net positions, should be displayed. Implementation of the Statement and the impact of the City's financial statements are explained in Note 1.D.7 – Net Position.

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

### G. Fund Balance

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

- Nonspendable fund balance – amounts that cannot be spent because they are either (a) not spendable in form or (b) legally or contractually required to be maintained intact.

- Restricted fund balance – amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

- Committed fund balance – amounts that can only be used for specific purposes determined by formal action of the City's highest level of decision-making authority (the City Council) and that remain binding unless removed in the same manner. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.

- Assigned fund balance – amounts that are constrained by the City's intent to be used for specific purposes. The intent can be established at either the highest level of decision making, or by a body or an official designated for that purpose.

- Unassigned fund balance – the residual classification for the City's funds that include amounts not contained in the other classifications.

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

## 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 expenditure categories within departments as deemed necessary in order to meet the City's needs.

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

### A. Budgetary Information (Continued)

5. The City Manager is authorized to transfer from time to time budget amounts of operational.

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

### B. Budget/USGAAP Reconciliation

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

### C. Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2013, expenditures exceeded appropriations in the following funds:

| Fund | Final Appropriation | Expenditures | Excess |
|---|---|---|---|
| Nonmajor Funds: | | | |
| CDGB Rehab Special Revenue Fund | $ 400 | $ 5,000 | $ 4,600 |
| SLESF Special Revenue Fund | 201,000 | 201,051 | 51 |
| Lighting and Landscaping Special Revenue Fund | 100,000 | 132,694 | 32,694 |

### D. Deficit Fund Equity

At June 30, 2013, the following funds had an accumulated deficit:

| Fund | Amount |
|---|---|
| Major Fund: | |
| Refuse Special Revenue Fund | $ 35,592 |
| Nonmajor Fund: | |
| Transportation Capital Projects Fund | 370,211 |

## NOTE 3 – CASH AND INVESTMENTS

Cash and investments as of June 30, 2013 are classified in the accompanying financial statements as follows:

| | | |
|---|---|---|
| Statement of net position: | | |
| Cash and investments | $ | 9,103,953 |
| Fiduciary funds: | | |
| Cash and investments | | 144,424 |
| Total cash and investments | $ | 9,248,377 |

Cash and investments as of June 30, 2013 consist of the following:

| | | |
|---|---|---|
| Cash on hand | $ | 100 |
| Investments | | 9,248,277 |
| Total cash and investments | $ | 9,248,377 |

### 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.

| Authorized Investment Type | Maximum Maturity | Maximum Percentage of Portfolio | Maximum Investment in One Issuer |
|---|---|---|---|
| Bonds issued by the City | N/A | None | None |
| US Treasury Obligations | 5 years | None | None |
| Federal Agency Issues | 5 years | None | None |
| Negotiable Certificates of Deposit | 5 years | 30% | None |
| Repurchase Agreements | 1 year | None | None |
| Bankers' Acceptances | 180 days | 40% | 30% |
| Medium Term Notes | 5 years | 30% | None |
| Money Market Mutual Funds | N/A | None | 10% |
| Commercial Paper | 270 days | 25% | None |
| County Pool Investment Funds | N/A | None | None |
| Local Agency Investment Fund (LAIF) | N/A | None | $50 Million |
| Collateralized Bank Deposits | N/A | None | None |
| Mortgage Pass-through Securities | 5 years | 20% | None |
| Shares of Beneficial Interest by a JPA | N/A | None | None |

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

## 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.

| Authorized Investment Type | Maximum Maturity | Maximum Percentage of Portfolio | Maximum Investment in One Issuer |
|---|---|---|---|
| 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:

| | | Remaining maturity (in Months) | | | |
|---|---|---|---|---|---|
| Investment Type | Totals | 12 Months or Less | 13 to 24 Months | 25-60 Months | More Than 60 Months |
| State Investment Pool (LAIF) | $ 78,379 | $ 78,379 | $ - | $ - | $ - |
| Money Market Funds | 6,769,333 | 6,769,333 | | | |
| Certificates of Deposit | 2,400,565 | 2,400,565 | | | |
| | $ 9,248,277 | $ 9,248,277 | $ - | $ - | $ - |

## 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.

| | | | | Rating as of Fiscal Year End | | | |
|---|---|---|---|---|---|---|---|
| Investment Type | Amount | Minimum Legal Rating | Exempt From Disclosure | AAA | AA | A | Not Rated |
| State Investment Pool | $ 78,379 | N/A | $ - | $ - | $ - | $ - | $ 78,379 |
| Money Market Funds | 6,769,333 | N/A | | | | | 6,769,333 |
| Certificates of Deposit | 2,400,565 | N/A | | | | | 2,400,565 |
| Total | $ 9,248,277 | | $ - | $ - | $ - | $ - | $ 9,248,277 |

F. Concentration of Credit Risk

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

G. Custodial Credit Risk

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

As of June 30, 2013, none of the City's deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts.

## 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, 2013.

| Receivable Fund | Amount | Payable Fund | Amount |
|---|---|---|---|
| Major Governmental Fund: | | Major Enterprise Fund: | |
| General Fund | $ 350,952 | Water Fund | $ 203,786 |
| Major Enterprise Fund: | | Nonmajor Governmental Fund: | |
| Sewer Fund | 203,786 | Transportation Capital Projects Fund | 350,952 |
| Totals | $ 554,738 | Totals | $ 554,738 |

### B. Transfers between Funds

Transfers are indicative of funding for capital projects, lease payments or debt service, subsidies of various City operations, and re-allocations of special revenues. All inter-fund transfers between individual government funds have been eliminated on the government-wide statements. The following schedule briefly summarizes the City's transfer activity for the fiscal year ended June 30, 2013:

| Fund | Transfers-in | Transfers-out |
|---|---|---|
| Major Governmental Funds: | | |
| General Fund | $ 150,597 | $ - |
| Public Facilities Capital Projects Fund | | 1,522 |
| Major Enterprise Funds: | | |
| Water Fund | | 12,000 |
| Sewer Fund | | 12,000 |
| Nonmajor Governmental Funds: | | |
| Misc. Grants Special Revenue Fund | 1,522 | |
| Benefit Assessment Special Revenue Fund | | 14,368 |
| Lighting and Landscaping Special Revenue Fund | | 26,129 |
| Traffic Special Revenue Fund | | 11,600 |
| Gas Tax Special Revenue Fund | | 80,000 |
| Nonmajor Enterprise Funds: | | |
| Community Center Operations Fund | 10,000 | |
| USF Community Center Fund | | 4,500 |
| Totals | $ 162,119 | $ 162,119 |

## NOTE 5 – CAPITAL ASSETS

Capital Asset activity for the fiscal year ended June 30, 2013 was as follows:

| | Balance at July 1, 2012 | Additions | Deletions | Transfers | Prior Period Adjustment | Balance at June 30, 2013 |
|---|---|---|---|---|---|---|
| Governmental activities: | | | | | | |
| Capital assets, not being depreciated: | | | | | | |
| Land | $ 9,678,610 | $ - | $ - | $ - | $ (480,826) | $ 9,197,784 |
| Rights of ways | 2,777,617 | | | | | 2,777,617 |
| Construction in progress | 754,813 | 197,004 | | | (754,813) | 197,004 |
| Total capital assets, not being depreciated | 13,211,040 | 197,004 | | | (1,235,639) | 12,172,405 |
| Capital assets, being depreciated: | | | | | | |
| Buildings | 1,220,796 | | | | (300,891) | 919,905 |
| Improvements | 7,350,888 | 751,966 | | | (4,877,577) | 3,225,277 |
| Equipment | 321,726 | 100,000 | | | (10,746) | 410,980 |
| Machinery | 241,902 | | | | | 241,902 |
| Rolling stock | 530,299 | | | | (34,050) | 496,249 |
| Infrastructure | 12,983,063 | | | | 414,796 | 13,397,859 |
| Total capital assets being depreciated | 22,648,674 | 851,966 | | | (4,808,468) | 18,692,172 |
| Less accumulated depreciation for: | | | | | | |
| Buildings | (537,272) | (46,230) | | | 55,165 | (528,337) |
| Improvements | (3,361,218) | (107,509) | | | 2,827,756 | (640,971) |
| Equipment | (321,726) | (23,497) | | | 14,244 | (330,979) |
| Machinery | (182,620) | (27,493) | | | 6,562 | (203,551) |
| Rolling stock | (530,299) | (1,610) | | | 35,661 | (496,248) |
| Infrastructure | (2,709,135) | (279,415) | | | (344,874) | (3,333,424) |
| Total accumulated depreciation | (7,642,270) | (485,754) | | | 2,594,514 | (5,533,510) |
| Total capital assets, being depreciated, net | 15,006,404 | 366,212 | | | (2,213,954) | 13,158,662 |
| Governmental activities capital assets, net | $ 28,217,444 | $ 563,216 | $ - | $ - | $ (3,449,593) | $ 25,331,067 |

| Business-type activities: | Balance at July 1, 2012 | Additions | Deletions | Transfers | Prior Period Adjustments | Balance at June 30, 2013 |
|---|---|---|---|---|---|---|
| Capital assets, not being depreciated: | | | | | | |
| Land | $ 18,003,696 | $ - | $ - | $ - | $ 105,073 | $ 18,108,769 |
| Construction in progress | 24,864,161 | 204,181 | | (24,864,161) | | 204,181 |
| Total capital assets, not being depreciated | 42,867,857 | 204,181 | | (24,864,161) | 105,073 | 18,312,950 |
| Capital assets, being depreciated: | | | | | | |
| Buildings | 3,413,530 | | | 24,864,161 | (209,034) | 28,068,657 |
| Improvements | 27,398,042 | | | | (23,678,775) | 3,719,267 |
| Equipment | 178,549 | 29,670 | | | (151,029) | 57,190 |
| Machinery | 235,695 | | | | | 235,695 |
| Infrastructure | | | | | 19,002,924 | 19,002,924 |
| Rolling stock | 132,876 | | | | | 132,876 |
| Total capital assets, being depreciated | 31,358,692 | 29,670 | | 24,864,161 | (5,035,914) | 51,216,609 |
| Less accumulated depreciation for: | | | | | | |
| Buildings | (1,156,191) | (112,750) | | | 163,611 | (1,105,330) |
| Improvements | (14,480,378) | (30,983) | | | 11,319,575 | (3,191,786) |
| Equipment | (139,083) | (11,437) | | | 117,067 | (33,453) |
| Machinery | (209,114) | (9,231) | | | 617 | (217,728) |
| Infrastructure | | (265,307) | | | (6,304,365) | (6,569,672) |
| Rolling stock | (126,905) | (17,108) | | | 11,136 | (132,877) |
| Total accumulated depreciation | (16,111,671) | (446,816) | | | 5,307,641 | (11,250,846) |
| Total capital assets, being depreciated, net | 15,247,021 | (417,146) | | 24,864,161 | 271,727 | 39,965,763 |
| Business-type activities capital assets, net | $ 58,114,878 | $ (212,965) | $ - | $ - | $ 376,800 | $ 58,278,713 |

## NOTE 5 – CAPITAL ASSETS (Continued)

### Depreciation

Depreciation expense was charged to governmental functions as follows:

| | |
|---|---|
| General Government | $ 242,877 |
| Public Safety | 121,439 |
| Public Works | 121,438 |
| Total depreciation expense – governmental functions | $ 485,754 |

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

| | |
|---|---|
| Sewer | $ 233,557 |
| Water | 189,083 |
| Community Facilities | 24,176 |
| Total depreciation expense – business-type functions | $ 446,816 |

## 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) and RDA Low/Mod Incoming Housing 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, 2013:

| | Balance at July 1, 2012 | Additions | Repayments | Balance at June 30, 2013 | Due Within One Year |
|---|---|---|---|---|---|
| Governmental Activities: | | | | | |
| PERS side fund | $ 211,534 | $ 14,524 | $ (36,440) | $ 189,618 | $ 37,227 |
| Total | $ 211,534 | $ 14,524 | $ (36,440) | $ 189,618 | $ 37,227 |
| Business-type Activities: | | | | | |
| Compensated absences | $ 33,708 | $ - | $ - | $ 33,708 | $ - |
| USDA Promissory Note | 418,000 | | (9,000) | 409,000 | 9,000 |
| Installment note payable - Water | 1,894,436 | | (98,664) | 1,795,772 | 103,305 |
| Installment note payable - Sewer | 5,808,136 | | (260,968) | 5,547,168 | 272,045 |
| CSWRCB Revolving Loan | 19,921,162 | | (948,019) | 18,973,143 | 957,499 |
| Total | $ 28,075,442 | $ - | $ (1,316,651) | $ 26,758,791 | $ 1,341,849 |

### 1. Governmental Activities – PERS side fund

During the 2005-2006 fiscal year, the City was required to participate in the Public Employees Retirement System (PERS) risk pool. As a result, a side fund was created to account for the difference between the funded status of the pool and funded status of the City's plan, in addition to the existing unfunded liability. The outstanding liability at June 30, 2013 was $189,618.

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

### 1. 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. The balance outstanding at June 30, 2013 is $409,000.

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 |
| 2014 | $ 9,000 | $ 18,406 | $ 27,406 |
| 2015 | 10,000 | 18,000 | 28,000 |
| 2016 | 10,000 | 17,550 | 27,550 |
| 2017 | 11,000 | 17,100 | 28,100 |
| 2018 | 11,000 | 16,606 | 27,606 |
| 2019-2023 | 65,000 | 74,972 | 139,972 |
| 2024-2028 | 82,000 | 58,862 | 140,862 |
| 2029-2033 | 105,000 | 38,478 | 143,478 |
| 2034-2037 | 106,000 | 12,152 | 118,152 |
| | $ 409,000 | $ 272,126 | $ 681,126 |

### 2. 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, 2013 is $1,795,772.

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 $486,810, payable semi-annually beginning September 7, 2008, and continuing until March 7, 2028. The balance outstanding at June 30, 2013 is $5,547,168.

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

| Fiscal Year Ended June 30, | Installment Notes Payable - Water | | |
|---|---|---|---|
| | Principal | Interest | Total |
| 2014 | $ 103,305 | $ 82,317 | $ 185,622 |
| 2015 | 108,165 | 77,457 | 185,622 |
| 2016 | 113,253 | 72,369 | 185,622 |
| 2017 | 118,581 | 67,041 | 185,622 |
| 2018 | 124,159 | 61,463 | 185,622 |
| 2019-2023 | 714,092 | 214,015 | 928,107 |
| 2024-2026 | 514,217 | 42,647 | 556,864 |
| | $ 1,795,772 | $ 617,309 | $ 2,413,081 |

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

### 2. Business -type Activities – Installment Notes Payable (Continued)

| Fiscal Year Ended June 30, | Installment Notes Payable - Sewer | | |
|---|---|---|---|
| | Principal | Interest | Total |
| 2014 | $ 272,045 | $ 230,155 | $ 502,200 |
| 2015 | 283,590 | 218,609 | 502,199 |
| 2016 | 295,626 | 206,572 | 502,198 |
| 2017 | 308,172 | 194,026 | 502,198 |
| 2018 | 321,252 | 180,946 | 502,198 |
| 2019-2023 | 1,822,720 | 688,273 | 2,510,993 |
| 2024-2028 | 2,243,763 | 267,228 | 2,510,991 |
| | $ 5,547,168 | $ 1,985,809 | $ 7,532,977 |

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

On September 10, 2009, the City entered into a project finance agreement with the California State Water Resource Control Board (Water Control Board). Through the use of ARRA funds, the Water Control Board provided funding assistance in the amount of $23,100,000 for the rehabilitation and upgrade of the wastewater treatment plant. The City must repay the project funds at an interest rate of 1% per annum. The term of the agreement is June 16, 2009, to June 7, 2031. The balance outstanding at June 30, 2013 is $18,973,143. Annual debt service requirements for the CSWRCB Loan are shown below:

| Ended June 30, | CSWRCB Loan | | |
|---|---|---|---|
| | Principal | Interest | Total |
| 2014 | $ 957,499 | $ 187,811 | $ 1,145,310 |
| 2015 | 967,075 | 178,236 | 1,145,311 |
| 2016 | 976,745 | 168,565 | 1,145,310 |
| 2017 | 986,513 | 158,798 | 1,145,311 |
| 2018 | 996,378 | 148,933 | 1,145,311 |
| 2019-2023 | 5,133,354 | 593,201 | 5,726,555 |
| 2024-2028 | 5,395,206 | 331,347 | 5,726,553 |
| 2029-2031 | 3,560,373 | 67,590 | 3,627,963 |
| | $ 18,973,143 | $ 1,834,481 | $ 20,807,624 |

### 4. Compensated Absences

The City's policy relating to compensated absences is described in Note (1). Compensated absences are liquidated primarily by the general fund and proprietary funds. The total amount outstanding at June 30, 2013, was $33,708 for business-type activities.

## NOTE 8 – RISK MANAGEMENT

*Central San Joaquin Valley Risk Management Authority*

The City participates with other public entities in a joint exercise of powers agreement which establishes the Central San Joaquin Valley Risk Management Authority (CSJVRMA). The relationship between the City and CSJVRMA is such that CSJVRMA is not a component unit of the City for financial reporting purposes.The City is covered for the first $1,000,000 of each general liability claim and $500,000 of each workers' compensation claim through the CSJVRMA. The City has the right to receive dividends or the obligation to pay assessments based on a formula which, among other expenses, charges the City's account for liability losses under $10,000 and worker's compensation losses under $10,000. The CSJVRMA participates in an excess pool which provides general liability coverage from $1,000,000 to $10,000,000. The CSJVRMA participates in an excess pool which provides workers' compensation coverage from $350,000 to $500,000 and purchases excess insurance above the $500,000 to the statutory limit. The CSJVRMA is a consortium of fifty-five (55) cities in the San Joaquin Valley of California. It was established under the provisions of California Government Code Section 6500 et seq. The CSJVRMA is governed by a Board of Directors, which meets 3-4 times per year, consisting of one member appointed by each member city. The day-to-day business is handled by a management group employed by the CSJVRMA.

## NOTE 9 – PROPRIETARY FUNDS INFORMATION

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

## NOTE 10 – CONTINGENT LIABILITIES

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

## NOTE 11 – OTHER POST EMPLOYMENT BENEFITS

The City does not offer any other post employment benefits.

## NOTE 12 – 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 16.957% for the miscellaneous plan.

## NOTE 12 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

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 2012/2013, the City's annual pension cost of $123,919 for PERS was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2010, 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, 2012, was 20 years.

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

| Fiscal Year Ending | Annual Pension Cost (APC) | Percentage of APC Contributed | Net Pension Obligation |
|---|---|---|---|
| 06/30/11 | $157,966 | 100% | $ - |
| 06/30/12 | 129,564 | 100% | - |
| 06/30/13 | 123,919 | 100% | - |

## NOTE 13 - SUCCESSORY AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY

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

The Bill provides that upon dissolution of a redevelopment agency, either the city or other unit of local government will agree to serve as the "successor agency" to hold the assets units they are distributed to other units of state and local government. On January 10, 2012, the City Council elected to become the Successor Agency for the former redevelopment agency in accordance with the Bill as part of the City resolution number 12-001.

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

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

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

A. Capital assets of the Successor Agency as of June 30, 2013 consisted of the following:

| | July 1, 2012 Balance | Additions | Deletions | Prior Period Adjustment | June 30, 2013 Balance |
|---|---|---|---|---|---|
| Capital assets, being depreciated: | | | | | |
| Buildings and Improvements | $ 839,334 | $ - | $ - | $ (43,405) | $ 795,929 |
| Infrastructure | 174,464 | | | (126,534) | 47,930 |
| Total capital assets, being depreciated | 1,013,798 | | | (169,939) | 843,859 |
| Less accumulated depreciation for: | | | | | |
| Buildings and Improvements | (62,910) | (26,531) | | (8,756) | (98,197) |
| Infrastructure | (8,680) | (959) | | 3,885 | (5,754) |
| Total accumulated depreciation, net | (71,590) | (27,490) | | (4,871) | (103,951) |
| Total capital assets, net | $ 942,208 | $ (27,490) | $ - | $ (174,810) | $ 739,908 |

B. Long-term debt of the Successor Agency as of June 30, 2013, consisted of the following:

| | Balance July 1, 2012 | Additions | Deletions | Balance June 30, 2013 | Due within one year |
|---|---|---|---|---|---|
| Tax Allocation Bonds | $ 2,875,000 | $ - | $ (60,000) | $ 2,815,000 | $ 65,000 |
| Cost of Issuance | (156,029) | | 6,325 | (149,704) | (6,325) |
| Totals | $ 2,718,971 | $ - | $ (53,675) | $ 2,665,296 | $ 58,675 |

Tax Allocation Bonds – Series 2006

The former redevelopment agency issued $3,200,000 of tax allocation refunding bonds on February 1, 2006. Interest and principal paid on the bonds for the fiscal year ended June 30, 2011, was $147,631 and $60,000 respectively. The principal balance outstanding at June 30, 2013 was $2,815,000.The remaining annual debt service requirements as of June 30, 2013 are as follows:

| Fiscal Year Ended June 30, | 2006 Tax Allocation Bonds | | |
|---|---|---|---|
| | Principal | Interest | Total |
| 2014 | $ 65,000 | $ 137,760 | $ 202,760 |
| 2015 | 70,000 | 134,763 | 204,763 |
| 2016 | 70,000 | 131,613 | 201,613 |
| 2017 | 75,000 | 128,303 | 203,303 |
| 2018 | 75,000 | 124,834 | 199,834 |
| 2019-2023 | 450,000 | 564,170 | 1,014,170 |
| 2024-2028 | 570,000 | 438,650 | 1,008,650 |
| 2029-2033 | 720,000 | 278,070 | 998,070 |
| 2034-2038 | 720,000 | 75,990 | 795,990 |
| | $ 2,815,000 | $ 2,014,153 | $ 4,829,153 |

## NOTE 14 – SUBSEQUENT EVENTS

In preparing the accompanying financial statements, the City management has reviewed all known events that have occurred after June 30, 2013, and through February 21, 2014, the date when this financial statement was available to be issued, for inclusion in the financial statement and footnotes.

## NOTE 15 – PRIOR PERIOD ADJUSTMENTS

During the FY 12/13, the City undertook a study of capital assets. As a result of the study, differences were found from an inventory of capital assets and the amounts presented in prior fiscal years. Due to the differences, the following prior period adjustments were made: prior period adjustment of ($3,365,149) was made on the government-wide statements to governmental activities due to an overstatement of capital assets, prior period adjustment of $4,082,007 and ($3,705,207) were made to the sewer and water enterprise funds respectively due to understatement and overstatement of capital assets, and prior period adjustment of ($174,810) was made to the Successor Agency private purpose trust fund due to overstatement of capital assets.

Prior period adjustment of ($211,534) was made to governmental activities on the government-wide statements due to the City not recording the PERS side fund liability in prior fiscal years.

Prior period adjustment of $56,500 was made to the Light and Landscaping special revenue fund due to understatement of cash in the prior fiscal year.

Prior period adjustment of $27,944 was made to the Benefit Assessment special revenue fund due to understatement of cash in the prior fiscal year.

# 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, 2013**

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive |
|---|---|---|---|---|
| | Original | Final | Amounts | (Negative) |
| **Revenues** | | | | |
| Property Taxes | $ 243,200 | $ 243,200 | $ 191,496 | $ (51,704) |
| Sales and Use Taxes | 425,000 | 425,000 | 563,691 | 138,691 |
| Business License Taxes | 25,000 | 25,000 | 21,087 | (3,913) |
| Other Taxes | 121,500 | 121,500 | 72,781 | (48,719) |
| Licenses and Permits | 98,440 | 98,440 | 179,960 | 81,520 |
| Fines and Forfeitures | 15,000 | 15,000 | 21,753 | 6,753 |
| Interest | 5,400 | 5,400 | 2,376 | (3,024) |
| Charges for Services | 109,105 | 109,105 | 177,937 | 68,832 |
| Intergovernmental | 508,000 | 508,000 | 398,820 | (109,180) |
| Other | 382,500 | 382,500 | 383,973 | 1,473 |
| Total Revenues | 1,933,145 | 1,933,145 | 2,013,874 | 80,729 |
| **Expenditures** | | | | |
| Current | | | | |
| General Government | 556,716 | 557,516 | 479,607 | 77,909 |
| Public Safety | 971,303 | 971,303 | 869,876 | 101,427 |
| Public Works | 483,220 | 483,220 | 468,349 | 14,871 |
| Parks and Recreation | 65,937 | 65,937 | 64,691 | 1,246 |
| Total Expenditures | 2,077,176 | 2,077,976 | 1,882,523 | 195,453 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (144,031) | (144,831) | 131,351 | 276,182 |
| **Other Financing Sources (uses):** | | | | |
| Transfers In | 150,777 | 150,777 | 150,597 | (180) |
| Total Other Financing Sources (Uses) | 150,777 | 150,777 | 150,597 | (180) |
| Net Change in Fund Balance | 6,746 | 5,946 | 281,948 | 276,002 |
| **Fund Balance - July 1, 2012** | 1,154,088 | 1,154,088 | 1,154,088 | |
| **Fund Balance - June 30, 2013** | $ 1,160,834 | $ 1,160,034 | $ 1,436,036 | $ 276,002 |

**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, 2013**

| | Budgeted Amounts | | | Variance with Final Budget |
|---|---|---|---|---|
| | Original | Final | Actual | Positive (Negative) |
| **Revenues** | | | | |
| Interest | $ 100 | $ 100 | $ - | $ (100) |
| Intergovernmental | | | 2,085 | 2,085 |
| Total Revenues | 100 | 100 | 2,085 | 1,985 |
| **Expenditures** | | | | |
| Current: | | | | |
| Community Development | 2,000 | 2,000 | 1,546 | 454 |
| Total Expenditures | 2,000 | 2,000 | 1,546 | 454 |
| Net Change in Fund Balance | (1,900) | (1,900) | 539 | 2,439 |
| Fund Balance - July 1, 2012 | 34,502 | 34,502 | 34,502 | |
| Fund Balance - June 30, 2013 | $ 32,602 | $ 32,602 | $ 35,041 | $ 2,439 |

**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, 2013**

| | Budgeted Amounts | | | Variance with Final Budget |
|---|---|---|---|---|
| | Original | Final | Actual | Positive (Negative) |
| **Revenues** | | | | |
| Charges for Services | $ 421,000 | $ 421,000 | $ 460,418 | $ 39,418 |
| Total Revenues | 421,000 | 421,000 | 460,418 | 39,418 |
| **Expenditures** | | | | |
| Current: | | | | |
| General Government | 448,080 | 448,080 | 416,760 | 31,320 |
| Total Expenditures | 448,080 | 448,080 | 416,760 | 31,320 |
| Net Change in Fund Balance | (27,080) | (27,080) | 43,658 | 70,738 |
| Fund Balance (Deficit) - July 1, 2012 | (79,250) | (79,250) | (79,250) | |
| Fund Balance (Deficit) - June 30, 2013 | $ (106,330) | $ (106,330) | $ (35,592) | $ 70,738 |

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# OTHER SUPPLEMENTAL INFORMATION

**CITY OF HUGHSON**
**PUBLIC FACILITIES CAPITAL PROJECTS FUND**
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**
**IN FUND BALANCE - BUDGET AND ACTUAL**
**For the Fiscal Year Ended June 30, 2013**

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|---|---|---|---|---|
| | Original | Final | Amount | Positive (Negative) |
| Revenues: | | | | |
| Interest | $ 8,000 | $ 8,000 | $ 4,052 | $ (3,948) |
| Charges for Services | 157,322 | 157,322 | 213,594 | 56,272 |
| Total Revenues | 165,322 | 165,322 | 217,646 | 52,324 |
| Expenditures: | | | | |
| Capital Outlay | 350,000 | 350,000 | 154,064 | 195,936 |
| Total Expenditures | 350,000 | 350,000 | 154,064 | 195,936 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (184,678) | (184,678) | 63,582 | 248,260 |
| Other Financing Sources (Uses) | | | | |
| Transfers Out | (1,500) | (1,500) | (1,522) | (22) |
| Total Other financing Sources (Uses) | (1,500) | (1,500) | (1,522) | (22) |
| Net Change in Fund Balance | (186,178) | (186,178) | 62,060 | 248,238 |
| Fund Balance - July 1, 2012 | 784,317 | 784,317 | 784,317 | |
| Fund Balance - June 30, 2013 | $ 598,139 | $ 598,139 | $ 846,377 | $ 248,238 |

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# NONMAJOR GOVERNMENTAL FUNDS

## SPECIAL REVENUE FUNDS

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

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

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

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

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

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

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

**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.

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**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.

## 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 Transportation Fund** was established to account for the 6" Street reconstruction.

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

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

**CITY OF HUGHSON**
**COMBINING BALANCE SHEET**
**NONMAJOR GOVERNMENTAL FUNDS**
**June 30, 2013**

| | Special Revenue Funds | | | | |
|---|---|---|---|---|---|
| | Asset Forfeiture | Gas Tax | Vehicle Abatement | CDBG Rehab | CDBG Grants |
| **Assets** | | | | | |
| Cash and Investments | $ 6,995 | $ 33,899 | $ 12,318 | $ 286,925 | $ 93,988 |
| Accounts Receivable | | 18,523 | | 75 | |
| Loans Receivable | | | | 231,141 | |
| Total Assets | $ 6,995 | $ 52,422 | $ 12,318 | $ 518,141 | $ 93,988 |
| **Liabilities** | | | | | |
| Accounts Payable | $ - | $ 3,396 | $ - | $ - | $ - |
| Unearned Revenue | | | | 231,141 | |
| Due To Other Funds | | | | | |
| Total Liabilities | | 3,396 | | 231,141 | |
| **Fund Balances (Deficits)** | | | | | |
| Restricted | 6,995 | 49,026 | 12,318 | 287,000 | 93,988 |
| Unassigned | | | | | |
| Total Fund Balances (Deficits) | 6,995 | 49,026 | 12,318 | 287,000 | 93,988 |
| Total Liabilities and Fund Balances | $ 6,995 | $ 52,422 | $ 12,318 | $ 518,141 | $ 93,988 |

| Special Revenue Funds | | | | |
|---|---|---|---|---|
| Community Enhancement | Local Transportation | Storm Drain | Traffic | SLESF |
| $ 55,640 | $ 140,343 | $ 176,709 | $ 147,648 | $ 62,915 |
| | 55,229 | | 8,706 | 50,000 |
| $ 55,640 | $ 195,572 | $ 176,709 | $ 156,354 | $ 112,915 |
| $ - | $ 4,560 | $ - | $ - | $ - |
| | 4,560 | | | |
| 55,640 | 191,012 | 176,709 | 156,354 | 112,915 |
| 55,640 | 191,012 | 176,709 | 156,354 | 112,915 |
| $ 55,640 | $ 195,572 | $ 176,709 | $ 156,354 | $ 112,915 |

Continued

CITY OF HUGHSON
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2013
(CONTINUED)

| | Special Revenue Funds | | |
|---|---|---|---|
| | Lighting and Landscaping | Benefit Assessment | Misc. Grants |
| **Assets** | | | |
| Cash and Investments | $ 36,056 | $ 42,162 | $ - |
| Accounts Receivable | | | |
| Loans Receivable | | | |
| Total Assets | $ 36,056 | $ 42,162 | $ - |
| **Liabilities** | | | |
| Accounts Payable | $ 2,497 | $ 289 | $ - |
| Unearned Revenue | | | |
| Due To Other Funds | | | |
| Total Liabilities | 2,497 | 289 | |
| **Fund Balances (Deficits)** | | | |
| Restricted | 33,559 | 41,873 | |
| Unassigned | | | |
| Total Fund Balances (Deficits) | 33,559 | 41,873 | |
| Total Liabilities and Fund Balances | $ 36,056 | $ 42,162 | $ - |

| Capital Projects Funds | | | Total |
|---|---|---|---|
| Transportation | Municipal Park | Parks Development Impact Fees | Nonmajor Governmental Funds |
| $ - | $ 385,974 | $ 240,090 | $ 1,721,662 |
| | | | 132,533 |
| | | | 231,141 |
| $ - | $ 385,974 | $ 240,090 | $ 2,085,336 |
| $ 19,259 | $ - | $ - | $ 30,001 |
| | | | 231,141 |
| 350,952 | | | 350,952 |
| 370,211 | | | 612,094 |
| | 385,974 | 240,090 | 1,843,453 |
| (370,211) | | | (370,211) |
| (370,211) | 385,974 | 240,090 | 1,473,242 |
| $ - | $ 385,974 | $ 240,090 | $ 2,085,336 |

CITY OF HUGHSON
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
**For the Fiscal Year Ended June 30, 2013**

| | Special Revenue Funds | | | | |
|---|---|---|---|---|---|
| | Asset Forfeiture | Gas Tax | Vehicle Abatement | CDBG Rehab | CDBG Grants |
| Revenues: | | | | | |
| Interest | $ - | $ 6 | $ - | $ 472 | $ - |
| Charges for Services | 5,335 | | 11,808 | | |
| Intergovernmental | | 104,653 | | | |
| Special Assessments | | | | | |
| Other | | | | 115,925 | |
| Total Revenues | 5,335 | 104,659 | 11,808 | 116,397 | |
| Expenditures: | | | | | |
| Current: | | | | | |
| Public Safety | | | 10,000 | | |
| Public Works | | 69,814 | | 5,000 | |
| Capital Outlay | | | | | |
| Total Expenditures | | 69,814 | 10,000 | 5,000 | |
| Excess (Deficiency) of Revenues over (Under) Expenditures | 5,335 | 34,845 | 1,808 | 111,397 | |
| Other Financing Sources (Uses): | | | | | |
| Transfers In | | | | | |
| Transfers Out | | (80,000) | | | |
| Total Other Financing Sources (Uses) | | (80,000) | | | |
| Net Change in Fund Balances | 5,335 | (45,155) | 1,808 | 111,397 | |
| Fund Balances (Deficits) - July 1, 2012 | 1,660 | 94,181 | 10,510 | 175,603 | 93,988 |
| Prior Period Adjustments | | | | | |
| Fund Balances (Deficits) - July 1, 2012, Restated | 1,660 | 94,181 | 10,510 | 175,603 | 93,988 |
| Fund Balances (Deficits) - June 30, 2013 | $ 6,995 | $ 49,026 | $ 12,318 | $ 287,000 | $ 93,988 |

| Special Revenue Funds | | | | | |
|---|---|---|---|---|---|
| Community Enhancement | Local Transportation Fund | Storm Drain | Traffic | SLESF |
| $ - | $ 180 | $ 381 | $ 392 | $ 323 |
| | | 65,449 | | |
| 30,144 | 96,108 | | 53,415 | 104,133 |
| 30,144 | 96,288 | 65,830 | 53,807 | 104,456 |
| | | | | 201,051 |
| 85,541 | 32,846 | | 47,034 | |
| 85,541 | 32,846 | | 47,034 | 201,051 |
| (55,397) | 63,442 | 65,830 | 6,773 | (96,595) |
| | | | (11,600) | |
| | | | (11,600) | |
| (55,397) | 63,442 | 65,830 | (4,827) | (96,595) |
| 111,037 | 127,570 | 110,879 | 161,181 | 209,510 |
| 111,037 | 127,570 | 110,879 | 161,181 | 209,510 |
| $ 55,640 | $ 191,012 | $ 176,709 | $ 156,354 | $ 112,915 |

Continued

CITY OF HUGHSON
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2013
(CONTINUED)

| | Special Revenue Funds | | |
|---|---|---|---|
| | Lighting and Landscaping | Benefit Assessment | Misc. Grants |
| Revenues: | | | |
| Interest | $ - | $ - | $ - |
| Charges for Services | | | |
| Intergovernmental | | | 133,776 |
| Special Assessments | 135,882 | 77,410 | |
| Other | | | |
| Total Revenues | 135,882 | 77,410 | 133,776 |
| Expenditures: | | | |
| Current: | | | |
| Public Safety | | | |
| Public Works | 132,694 | 49,113 | |
| Capital Outlay | | | 100,000 |
| Total Expenditures | 132,694 | 49,113 | 100,000 |
| Excess (Deficiency) of Revenues over (Under) Expenditures | 3,188 | 28,297 | 33,776 |
| Other Financing Sources (Uses): | | | |
| Transfers In | | | 1,522 |
| Transfers Out | (26,129) | (14,368) | |
| Total Other Financing Sources (Uses) | (26,129) | (14,368) | 1,522 |
| Net Change in Fund Balances | (22,941) | 13,929 | 35,298 |
| Fund Balances (Deficits) - July 1, 2012 | | | (35,298) |
| Prior Period Adjustments | 56,500 | 27,944 | |
| Fund Balances (Deficits) - July 1, 2012, Restated | 56,500 | 27,944 | (35,298) |
| Fund Balances (Deficits) - June 30, 2013 | $ 33,559 | $ 41,873 | $ - |

| Capital Project Funds | | | Total |
|---|---|---|---|
| Transportation | Municipal Park | Parks Development Impact Fees | Nonmajor Governmental Funds |
| $ - | $ 930 | $ 512 | $ 3,196 |
| | 18,844 | 51,863 | 153,299 |
| 497,369 | | | 1,019,598 |
| | | | 213,292 |
| | | | 115,925 |
| 497,369 | 19,774 | 52,375 | 1,505,310 |
| | | | 211,051 |
| | | | 256,621 |
| 644,390 | | | 909,811 |
| 644,390 | | | 1,377,483 |
| (147,021) | 19,774 | 52,375 | 127,827 |
| | | | 1,522 |
| | | | (132,097) |
| | | | (130,575) |
| (147,021) | 19,774 | 52,375 | (2,748) |
| (223,190) | 366,200 | 187,715 | 1,391,546 |
| | | | 84,444 |
| (223,190) | 366,200 | 187,715 | 1,475,990 |
| $ (370,211) | $ 385,974 | $ 240,090 | $ 1,473,242 |

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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, 2013

| | Final Budget | Actual Amount | Variance with Final Budget Positive (Negative) |
|---|---|---|---|
| Revenues: | | | |
| Charges for Services | $ 5,000 | $ 5,335 | $ 335 |
| Total Revenues | 5,000 | 5,335 | 335 |
| Net Change in Fund Balance | 5,000 | 5,335 | 335 |
| Fund Balance - July 1, 2012 | 1,660 | 1,660 | |
| Fund Balance - June 30, 2013 | $ 6,660 | $ 6,995 | $ 335 |

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, 2013

| | Final Budget | Actual Amount | Variance with Final Budget Positive (Negative) |
|---|---|---|---|
| Revenues: | | | |
| Interest | $ 200 | $ 6 | $ (194) |
| Intergovernmental | 98,500 | 104,653 | 6,153 |
| Total Revenues | 98,700 | 104,659 | 5,959 |
| Expenditures: | | | |
| Current: | | | |
| Public Works | 71,500 | 69,814 | 1,686 |
| Total Expenditures | 71,500 | 69,814 | 1,686 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 27,200 | 34,845 | 7,645 |
| Other Financing Sources (Uses): | | | |
| Transfers Out | (84,500) | (80,000) | 4,500 |
| Total Other Financing Sources (Uses) | (84,500) | (80,000) | 4,500 |
| Net Change in Fund Balance | (57,300) | (45,155) | 12,145 |
| Fund Balance - July 1, 2012 | 94,181 | 94,181 | |
| Fund Balance - June 30, 2013 | $ 36,881 | $ 49,026 | $ 12,145 |

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, 2013

| | Final Budget | Actual Amount | Variance with Final Budget Positive (Negative) |
|---|---|---|---|
| Revenues: | | | |
| Charges For Services | $ 10,000 | $ 11,808 | $ 1,808 |
| Total Revenues | 10,000 | 11,808 | 1,808 |
| Expenditures: | | | |
| Current: | | | |
| Public Safety | 10,000 | 10,000 | |
| Total Expenditures | 10,000 | 10,000 | |
| Net Change in Fund Balance | | 1,808 | 1,808 |
| Fund Balance - July 1, 2012 | 10,510 | 10,510 | |
| Fund Balance - June 30, 2013 | $ 10,510 | $ 12,318 | $ 1,808 |

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, 2013

| | Final Budget | Actual Amount | Variance with Final Budget Positive (Negative) |
|---|---|---|---|
| Revenues: | | | |
| Interest | $ 200 | $ 472 | $ 272 |
| Other Revenue | 12,700 | 115,925 | 103,225 |
| Total Revenues | 12,900 | 116,397 | 103,497 |
| Expenditures: | | | |
| Current: | | | |
| Public Works | 400 | 5,000 | (4,600) |
| Total Expenditures | 400 | 5,000 | (4,600) |
| Net Change in Fund Balance | 12,500 | 111,397 | 98,897 |
| Fund Balance - July 1, 2012 | 175,603 | 175,603 | |
| Fund Balance - June 30, 2013 | $ 188,103 | $ 287,000 | $ 98,897 |

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, 2013

| | Final Budget | Actual Amount | Variance with Final Budget Positive (Negative) |
|---|---|---|---|
| Revenues: | | | |
| Interest | $ 250 | $ - | $ (250) |
| Total Revenues | 250 | | (250) |
| Net Change in Fund Balance | 250 | | (250) |
| Fund Balance - July 1, 2012 | 93,988 | 93,988 | |
| Fund Balance - June 30, 2013 | $ 94,238 | $ 93,988 | $ (250) |

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, 2013

| | Final Budget | Actual Amount | Variance with Final Budget Positive (Negative) |
|---|---|---|---|
| Revenues: | | | |
| Interest | $ 500 | $ - | $ (500) |
| Intergovernmental | 22,176 | 30,144 | 7,968 |
| Total Revenues | 22,676 | 30,144 | 7,468 |
| Expenditures: | | | |
| Capital Outlay | 86,000 | 85,541 | 459 |
| Total Expenditures | 86,000 | 85,541 | 459 |
| Net Change in Fund Balance | (63,324) | (55,397) | 7,927 |
| Fund Balance - July 1, 2012 | 111,037 | 111,037 | |
| Fund Balance - June 30, 2013 | $ 47,713 | $ 55,640 | $ 7,927 |

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, 2013

| | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|---|---|---|---|
| Revenues: | | | |
| Interest | $ - | $ 180 | $ 180 |
| Intergovernmental | 50,000 | 96,108 | 46,108 |
| Total Revenues | 50,000 | 96,288 | 46,288 |
| Expenditures: | | | |
| Capital Outlay | 92,368 | 32,846 | 59,522 |
| Total Expenditures | 92,368 | 32,846 | 59,522 |
| Net Change in Fund Balance | (42,368) | 63,442 | 105,810 |
| Fund Balance - July 1, 2012 | 127,570 | 127,570 | |
| Fund Balance - June 30, 2013 | $ 85,202 | $ 191,012 | $ 105,810 |

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, 2013

| | Final Budget | Actual Amount | Variance with Final Budget Positive (Negative) |
|---|---|---|---|
| Revenues: | | | |
| Interest | $ 100 | $ 381 | $ 281 |
| Charges for Services | 61,908 | 65,449 | 3,541 |
| Total Revenues | 62,008 | 65,830 | 3,822 |
| Net Change in Fund Balance | 62,008 | 65,830 | 3,822 |
| Fund Balance - July 1, 2012 | 110,879 | 110,879 | |
| Fund Balance - June 30, 2013 | $ 172,887 | $ 176,709 | $ 3,822 |

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, 2013

| | Final Budget | Actual Amount | Variance with Final Budget Positive (Negative) |
|---|---|---|---|
| Revenues: | | | |
| Interest | $ - | $ 392 | $ 392 |
| Intergovernmental | 66,000 | 53,415 | (12,585) |
| Total Revenues | 66,000 | 53,807 | (12,193) |
| Expenditures: | | | |
| Capital Outlay | 50,000 | 47,034 | 2,966 |
| Total Expenditures | 50,000 | 47,034 | 2,966 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 16,000 | 6,773 | (9,227) |
| Other Financing Sources (Uses): | | | |
| Transfers Out | (11,600) | (11,600) | |
| Total Other Financing Sources (Uses) | (11,600) | (11,600) | |
| Net Change in Fund Balance | 4,400 | (4,827) | (9,227) |
| Fund Balance - July 1, 2012 | 161,181 | 161,181 | |
| Fund Balance - June 30, 2013 | $ 165,581 | $ 156,354 | $ (9,227) |

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, 2013

| | Final Budget | Actual Amount | Variance with Final Budget Positive (Negative) |
|---|---|---|---|
| Revenues: | | | |
| Interest | $ 700 | $ 323 | $ (377) |
| Intergovernmental | 100,000 | 104,133 | 4,133 |
| Total Revenues | 100,700 | 104,456 | 3,756 |
| Expenditures: | | | |
| Current: | | | |
| Public Safety | 201,000 | 201,051 | (51) |
| Total Expenditures | 201,000 | 201,051 | (51) |
| Net Change in Fund Balance | (100,300) | (96,595) | 3,705 |
| Fund Balance - July 1, 2012 | 209,510 | 209,510 | |
| Fund Balance - June 30, 2013 | $ 109,210 | $ 112,915 | $ 3,705 |

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, 2013

| | Final Budget | Actual Amount | Variance with Final Budget Positive (Negative) |
|---|---|---|---|
| Revenues: | | | |
| Special Assessments | $ 122,031 | $ 135,882 | $ 13,851 |
| Total Revenue | 122,031 | 135,882 | 13,851 |
| Expenditures: | | | |
| Current: | | | |
| Public works | 100,000 | 132,694 | (32,694) |
| Total Expenditures | 100,000 | 132,694 | (32,694) |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 22,031 | 3,188 | (18,843) |
| Other Financing Sources (Uses) | | | |
| Transfers Out | (26,071) | (26,129) | 58 |
| Total Other financing Sources (Uses) | (26,071) | (26,129) | (58) |
| Net Change in Fund Balance | (4,040) | (22,941) | (18,901) |
| Fund Balance - July 1, 2012 | | | |
| Prior Period Adjustment | | 56,500 | 56,500 |
| Fund Balance - July 1, 2012, Restated | | 56,500 | 56,500 |
| Fund Balance - June 30, 2013 | $ (4,040) | $ 33,559 | $ 37,599 |

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, 2013

| | Final Budget | Actual Amount | Variance with Final Budget Positive (Negative) |
|---|---|---|---|
| Revenues: | | | |
| Special Assessments | $ 67,416 | $ 77,410 | $ 9,994 |
| Total Revenue | 67,416 | 77,410 | 9,994 |
| Expenditures: | | | |
| Current: | | | |
| Public Works | 54,984 | 49,113 | 5,871 |
| Total Expenditures | 54,984 | 49,113 | 5,871 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 12,432 | 28,297 | 15,865 |
| Other Financing Sources (Uses) | | | |
| Transfers Out | (14,106) | (14,368) | (262) |
| Total Other financing Sources (Uses) | (14,106) | (14,368) | (262) |
| Net Change in Fund Balance | (1,674) | 13,929 | 15,603 |
| Fund Balance - July 1, 2012 | | | |
| Prior Period Adjustment | | 27,944 | 27,944 |
| Fund Balance - July 1, 2012, Restated | | 27,944 | 27,944 |
| Fund Balance - June 30, 2013 | $ (1,674) | $ 41,873 | $ 43,547 |

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, 2013

| | Final Budget | Actual Amount | Variance with Final Budget Positive (Negative) |
|---|---|---|---|
| Revenues: | | | |
| Intergovernmental | $ 35,300 | $ 133,776 | $ 98,476 |
| Total Revenue | 35,300 | 133,776 | 98,476 |
| Expenditures: | | | |
| Capital Outlay | 100,000 | 100,000 | |
| Total Expenditures | 100,000 | 100,000 | |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (64,700) | 33,776 | 98,476 |
| Other Financing Sources (Uses) | | | |
| Transfers In | | 1,522 | 1,522 |
| Total Other financing Sources (Uses) | | 1,522 | 1,522 |
| Net Change in Fund Balance | (64,700) | 35,298 | 99,998 |
| Fund Balance (Deficit) - July 1, 2012 | (35,298) | (35,298) | |
| Fund Balance (Deficit) - June 30, 2013 | $ (99,998) | $ - | $ 99,998 |

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, 2013

| | Final Budget | Actual Amount | Variance with Final Budget Positive (Negative) |
|---|---|---|---|
| Revenues: | | | |
| Interest | $ 150 | $ - | $ (150) |
| Intergovernmental | 832,932 | 497,369 | (335,563) |
| Total Revenues | 833,082 | 497,369 | (335,713) |
| Expenditures: | | | |
| Capital Outlay | 1,023,932 | 644,390 | 379,542 |
| Total Expenditures | 1,023,932 | 644,390 | 379,542 |
| Net Change in Fund Balance | (190,850) | (147,021) | 43,829 |
| Fund Balance (Deficit) - July 1, 2012 | (223,190) | (223,190) | |
| Fund Balance (Deficit) - June 30, 2013 | $ (414,040) | $ (370,211) | $ 43,829 |

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, 2013

| | Final Budget | Actual Amount | Variance with Final Budget Positive (Negative) |
|---|---|---|---|
| Revenues: | | | |
| Interest | $ 1,200 | $ 930 | $ (270) |
| Charges for Services | 43,802 | 18,844 | (24,958) |
| Total Revenues | 45,002 | 19,774 | (25,228) |
| Net Change in Fund Balance | 45,002 | 19,774 | (25,228) |
| Fund Balance - July 1, 2012 | 366,200 | 366,200 | |
| Fund Balance - June 30, 2013 | $ 411,202 | $ 385,974 | $ (25,228) |

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, 2013

| | Final Budget | Actual Amount | Variance with Final Budget Positive (Negative) |
|---|---|---|---|
| Revenues: | | | |
| Interest | $ 500 | $ 512 | $ 12 |
| Charges for Services | 58,674 | 51,863 | (6,811) |
| Total Revenues | 59,174 | 52,375 | (6,799) |
| Net Change in Fund Balance | 59,174 | 52,375 | (6,799) |
| Fund Balance - July 1, 2012 | 187,715 | 187,715 | |
| Fund Balance - June 30, 2013 | $ 246,889 | $ 240,090 | $ (6,799) |

# NONMAJOR PROPRIETARY FUNDS

## PROPRIETARY FUNDS

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

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

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

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CITY OF HUGHSON
NONMAJOR PROPRIETARY FUNDS
COMBINING STATEMENT OF NET POSITION
June 30, 2013

| | Enterprise Funds | | |
|---|---|---|---|
| | Community Center Operations Fund | USF Community Center Fund | Total Nonmajor Enterprise Funds |
| **Assets** | | | |
| Current Assets: | | | |
| Cash and Investments | $ 11,143 | $ 1,627 | $ 12,770 |
| Total Current Assets | 11,143 | 1,627 | 12,770 |
| Noncurrent Assets: | | | |
| Capital Assets: | | | |
| Land | 105,073 | | 105,073 |
| Buildings | 725,283 | | 725,283 |
| Less: | | | |
| Accumulated Depreciation | (350,554) | | (350,554) |
| Total Noncurrent Assets | 479,802 | | 479,802 |
| Total Assets | 490,945 | 1,627 | 492,572 |
| **Liabilities** | | | |
| Current Liabilities: | | | |
| Accounts Payable | 4,386 | 466 | 4,852 |
| Deposits Payable | 1,540 | | 1,540 |
| Total Liabilities | 5,926 | 466 | 6,392 |
| **Net Position** | | | |
| Net Investment in Capital Assets | 479,802 | | 479,802 |
| Unrestricted | 5,217 | 1,161 | 6,378 |
| Total Net Position | $ 485,019 | $ 1,161 | $ 486,180 |

CITY OF HUGHSON
NONMAJOR PROPRIETARY FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

| | Enterprise Funds | | |
|---|---|---|---|
| | Community Center Operations Fund | USF Community Center Fund | Total Nonmajor Enterprise Funds |
| Operating Revenues | | | |
| Charges for Services | $ 16,983 | $ 15,311 | $ 32,294 |
| Total Operating Revenues | 16,983 | 15,311 | 32,294 |
| Operating Expenses | | | |
| Personnel | | 7,412 | 7,412 |
| Administrative | 17,606 | 7,117 | 24,723 |
| Maintenance | 4,693 | 314 | 5,007 |
| Depreciation | 24,176 | | 24,176 |
| Total Operating Expenses | 46,475 | 14,843 | 61,318 |
| Income (Loss) Before Transfers | (29,492) | 468 | (29,024) |
| Transfers | | | |
| Transfers In | 10,000 | | 10,000 |
| Transfers Out | | (4,500) | (4,500) |
| Changes in Net Assets | (19,492) | (4,032) | (23,524) |
| Net Position - Beginning of Fiscal Year | 504,511 | 5,193 | 509,704 |
| Net Position - End of Fiscal Year | $ 485,019 | $ 1,161 | $ 486,180 |

**CITY OF HUGHSON**
**NONMAJOR PROPRIETARY FUNDS**
**COMBINING STATEMENT OF CASH FLOWS**
**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

| | Enterprise Funds | | |
|---|---|---|---|
| | Community Center Operations Fund | USF Community Center Fund | Total Nonmajor Enterprise Funds |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| Cash Received from Users | $ 17,683 | $ 15,311 | $ 32,994 |
| Cash Payments to Suppliers and Contractors | (20,821) | (6,982) | (27,803) |
| Cash Payments to Employees | | (7,412) | (7,412) |
| Net Cash Provided (Used) By Operating Activities | (3,138) | 917 | (2,221) |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | |
| Transfers in (out) | 10,000 | (4,500) | 5,500 |
| Net Cash Provided (Used) By Noncapital Financing Activities | 10,000 | (4,500) | 5,500 |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 6,862 | (3,583) | 3,279 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF FISCAL YEAR | 4,281 | 5,210 | 9,491 |
| CASH AND CASH EQUIVALENTS, END OF FISCAL YEAR | $ 11,143 | $ 1,627 | $ 12,770 |
| Reconciliation to Statement of Net Positions: | | | |
| Cash and Cash Equivalents | $ 11,143 | $ 1,627 | $ 12,770 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| Operating Income (Loss) | $ (29,492) | $ 468 | $ (29,024) |
| Adjustment to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities: | | | |
| Depreciation Expense | 24,176 | | 24,176 |
| Changes in Assets and Liabilities: | | | |
| Increase (Decrease) in Accounts Payable | 1,478 | 449 | 1,927 |
| Increase (Decrease) in Deposits Payable | 700 | | 700 |
| Total Adjustments | 26,354 | 449 | 26,803 |
| Net Cash Provided (Used) By Operating Activities | $ (3,138) | $ 917 | $ (2,221) |