



CITY OF HUGHSON
BUDGET & FINANCE SUBCOMMITTEE
SPECIAL MEETING AGENDA
THURSDAY, JANUARY 14, 2016
@ 7:00 A.M.

COUNCIL CHAMBERS
7018 PINE STREET, HUGHSON, CA
CITY HALL

CALL TO ORDER:

Council Present: Matt Beekman, Mayor
 Jill Silva, Councilmember

Staff Present: Raul Mendez, City Manager
 Shannon Esenwein, Finance Director
 Jaylen French, Community Development Director
 Dominique Spinale Romo, Assistant to the CM/City Clerk

AMERICANS WITH DISABILITIES ACT/CALIFORNIA BROWN ACT
NOTIFICATION FOR THE CITY OF HUGHSON

This agenda shall be made available upon request in alternative formats to persons with a disability; as required by the Americans with Disabilities Act of 1990 (42 U.S.C. Section 12132) and the Ralph M. Brown Act (California Government Code Section 54954.2).

Disabled or Special needs Accommodation: In compliance with the Americans with Disabilities Act, persons requesting a disability related modification or accommodation in order to participate in the meeting and/or if you need assistance to attend or participate in a City Council meeting, please contact the City Clerk's office at (209) 883-4054. Notification at least 48-hours prior to the meeting will assist the City Clerk in assuring that reasonable accommodations are made to provide accessibility to the meeting.

Topic of Discussion:

- 1) Review and Discuss the City of Hughson Annual Financial Report for the Fiscal Year Ended June 30, 2015.
- 2) Other Items for Discussion in the City Finance Area.

ADJOURNMENT:

CERTIFICATION

I, Dominique Spinale, City Clerk, or his/her designee, do hereby declare under penalty of perjury that the foregoing Agenda was posted on the outdoor bulletin board at the Hughson City Hall, 7018 Pine Street, Hughson CA and made available for public review, prior to or on this 15TH day of January, 2016, at or before 7:00 a.m.

Dominique Spinale Romo, City Clerk

CITY OF HUGHSON
Annual Financial Report
Fiscal Year Ended June 30, 2015

CITY OF HUGHSON
ANNUAL FINANCIAL REPORT
Fiscal Year Ended June 30, 2015

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ANNUAL FINANCIAL REPORT
Fiscal Year Ended June 30, 2015

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INTRODUCTORY SECTION



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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hughson, California (City) as of and for the fiscal year ended June 30, 2015, 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, 2015, 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.

Emphasis of Matters

Change in Account Principles

As discussed in note 1 to the basic financial statements effective July 1, 2014, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, Statement No. 69, *Government Combinations and Disposals of Government Operations*, and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter.

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, Schedule of Changes in the Net Pension Liability and Related Ratios, Schedule of Pension Contributions on pages 59 through 61 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

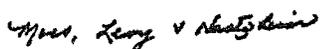
Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 4, 2016, 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
December 29, 2015

FINANCIAL SECTION

**CITY OF HUGHSON
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

This discussion and analysis provides an overview of the City of Hughson's financial performance for the fiscal year ended June 30, 2015. This report has been prepared in accordance with Generally Accepted Accounting Principles (GAAP) as established by the Governmental Accounting Standard Board (GASB). We encourage our readers to consider this information in conjunction with the information provided in the accompanying basic financial statements and notes. The City's fiscal highlights are presented below:

FINANCIAL HIGHLIGHTS

Financial highlights of fiscal year ended June 30, 2015 include the following:

Government-wide:

- The City's total net position was \$70,594,275 as of June 30, 2015. Of this total, \$32,364,880 was governmental net position and \$38,229,395 was business-type net position.
- Government-wide revenues include program revenues of \$ 8,738,379 and general revenues and transfers of \$1,861,915, for a total of \$ 10,600,294.
- Government-wide expenses were \$7,277,260.
- Business-type program revenues and interest were \$ 5,513,284 while business-type expenses and transfers were \$3,838,466.

Fund Level:

- Governmental fund balances *increased* \$1,594,702 in fiscal year 2015.
- Governmental fund revenues *increased* \$1,009,411 in fiscal year 2015.
- Governmental fund expenditures *increased* \$218,688 in fiscal year 2015.

General Fund:

- General Fund revenues of \$2,708,657 were \$570,737 *higher* than the prior year.
- General Fund expenditures of \$2,036,700 represented an *increase* of \$65,373 over the prior year.
- General Fund fund balance of \$2,429,858 as of June 30, 2015, *increased* by \$738,713 from 2014 fiscal year's fund balance of \$1,691,145.

OVERVIEW OF THE ANNUAL FINANCIAL REPORT

This Annual Financial Report is divided into five parts:

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

Government-wide Financial Statements

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

CITY OF HUGHSON
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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

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

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

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

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

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

Fund Financial Statements

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

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

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

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

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

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

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

CITY OF HUGHSON
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

FINANCIAL ACTIVITIES OF THE CITY AS A WHOLE

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

Table 1

	Governmental Activities 2015	Governmental Activities 2014
<u>Assets</u>		
Cash and investments	\$ 6,314,203	\$ 4,895,578
Other assets	2,164,885	2,160,746
Capital assets, net	25,408,440	25,324,808
Total Assets	33,887,528	32,381,132
<u>Deferred Outflows of Resources</u>		
Adjustments	13,968	
Contributions	109,508	
Total Def. Outflows	123,476	
<u>Liabilities</u>		
Long term liabilities	988,738	165,241
Other liabilities	373,381	548,926
Total Liabilities	1,362,119	714,167
<u>Deferred Inflows of Resources</u>		
Pension earnings	284,005	
Total Def. Inflows	284,005	
<u>Net Position</u>		
Net investment in capital assets	25,408,440	25,337,067
Restricted	5,705,813	4,805,306
Unrestricted	1,250,627	1,524,592
Total Net Position	\$ 32,364,880	\$ 31,666,965

The City's governmental net position amounted to \$32,364,880 as of June 30, 2015, an *increase* of \$1,677,216 over 2014 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, 2015 comprised the following:

Cash and investments comprised **\$6,314,203**. 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 **\$510,034** of current receivables and loans receivable of **\$1,654,851** that is due over longer periods of time as explained the Notes.

Capital assets of **\$25,408,440** net of depreciation charges, which included all the City's capital assets used in governmental activities.

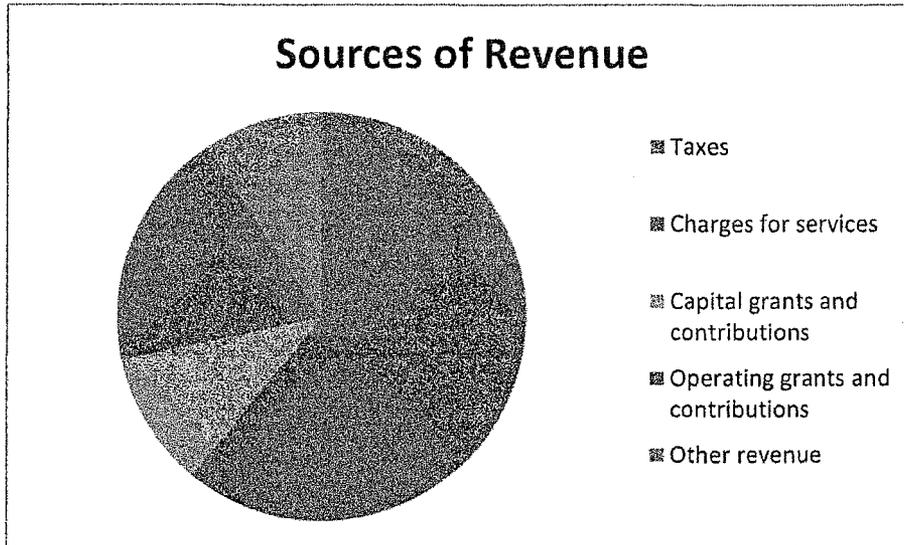
Current liabilities, including accounts payable, claims and other amounts due currently, totaled **\$373,381**.

Long-term liabilities of **\$988,738** does not include **\$9,734**, which is the current portion. The debt is related to the City's Net Pension Liability and compensated absences.

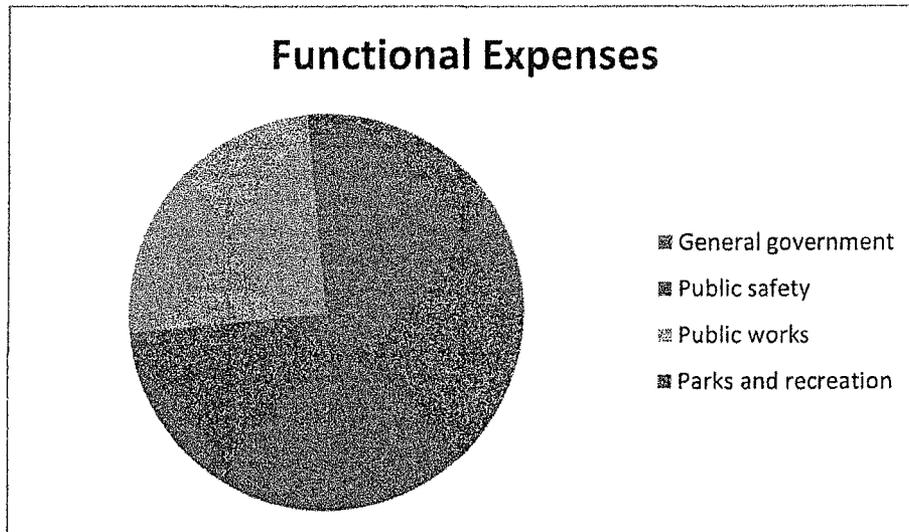
**CITY OF HUGHSON
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Net investment in capital assets of **\$25,408,440**, representing the City's investment in capital assets used in governmental activities, net of accumulated depreciation and amounts borrowed to finance those investments.

Unrestricted net position, the part of net positions that can be used to finance day to day operations without constraints established by debt covenants or other legal requirements or restrictions, was **\$1,250,627** as of June 30, 2015.



As the Sources of Revenue chart above shows, **\$1,053,386**, or **21%** of the City's fiscal year 2015 governmental activities revenue came from taxes, while **\$2,042,410**, or **40%** came from charges for services, **\$547,100** or **11%**, came from capital grants and contributions, **\$961,549** or **19%** 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 **\$1,219,563**, or **36%**, of total governmental expenses, public safety was **\$1,292,278**, or **38%**, public works was **\$857,828**, or **25%**, parks and recreation was **\$54,625**, or **1%**.

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

**CITY OF HUGHSON
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Table 2
CHANGE IN GOVERNMENTAL NET POSITION

	Governmental Activities 2015	Governmental Activities 2014
<u>Expenses</u>		
General government	\$ 1,219,563	\$ 1,181,527
Public safety	1,292,278	1,332,351
Public works	857,828	706,148
Parks and recreation	54,625	74,341
Total Expenses	3,424,294	3,294,367
<u>Revenues</u>		
<u>Program revenues</u>		
Charges for services	2,042,410	1,526,802
Operating grants and contributions	961,549	802,955
Capital grants and contributions	547,100	364,645
Total program revenues	3,551,059	2,694,402
<u>General revenues and transfers</u>		
Taxes	1,053,386	1,038,790
Use of money and property	22,848	9,120
Other revenue	459,717	360,000
Transfers	14,500	17,845
Total general revenues and transfers	1,550,451	1,425,755
Total Revenues and Transfers	5,101,510	4,120,157
Change in Net Position	\$ 1,677,216	\$ 825,790

As Table 2 above shows, \$3,551,059 or 70%, of the City's fiscal year 2015 governmental revenue, came from program revenues and \$1,550,451, or 30%, came from general revenues such as taxes and interest and transfers. Program revenues were composed of charges for services of \$2,042,410, which included permit revenues, fees and charges used to fund expenses incurred in providing services; \$961,549 of operating grants and contributions, which included gas tax revenues and housing and police grants; and capital grants and contributions of \$547,100, that consisted mainly of street project grants and developer impact fees restricted to capital outlay.

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

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

**CITY OF HUGHSON
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Table 3
GOVERNMENTAL ACTIVITIES

	Net Revenue (Expense) from Services 2015	Net Revenue (Expense) from Services 2014
General government	\$ 273,688	\$ (56,348)
Public safety	(976,561)	(1,120,663)
Community development	645,222	545,222
Public works	114,499	103,825
Parks and recreation	69,937	(72,001)
Total	\$ 126,765	\$ (599,965)

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, 2015

	Business-type Activities 2015	Business-type Activities 2014
Assets		
Cash and investments	\$ 6,779,745	\$ 5,839,742
Other assets	153,112	113,140
Capital assets, net	56,104,815	57,049,635
Total Assets	63,037,672	63,002,517
Deferred Outflows of Resources		
Adjustments	11,894	
Contributions	93,244	
Total Def. Outflows	105,138	
Liabilities		
Long term liabilities	24,537,823	25,216,882
Other liabilities	133,767	227,502
Total Liabilities	24,671,590	25,444,384
Deferred Inflows of Resources		
Pension earnings	241,825	
Total Def. Inflows	241,825	
Net Position		
Net investment in capital assets	32,429,290	31,878,026
Unrestricted	5,800,105	5,680,107
Total Net Position	\$ 38,229,395	\$ 37,558,133

The net position of business-type activities increased by \$1,645,818 in fiscal year 2015 not including prior period adjustments related to capital assets.

CITY OF HUGHSON
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

BUSINESS-TYPE ACTIVITIES (continued)

Table 5
CHANGE IN BUSINESS-TYPE NET POSITION

	Net Revenue (Expense) from Services 2015	Net Revenue (Expense) from Services 2014
Water	\$ 432,867	\$ 330,890
Sewer	931,304	599,996
Other	(29,817)	(27,423)
Total	\$ 1,334,354	\$ 903,463

ANALYSIS OF MAJOR FUNDS

Governmental Funds

General Fund

General Fund revenues increased **\$570,737** this fiscal year due primarily to increase in intergovernmental revenues, fines and forfeitures, license and permits, and sales and use tax. Actual revenues were greater than budgeted by **\$489,142**. Tax revenues increased **\$126,805** during the fiscal year primarily due to increasing sales tax revenue. Charges for services, licenses and permits remain relatively flat, increasing by **\$7,412**.

General Fund expenditures were **\$2,036,700**, an increase of **\$65,373** from the prior year. Expenditures increased mainly due to rising public safety contract costs.

As of June 30, 2015 the General Fund's fund balance totaled **\$2,429,858**. The unassigned portion of **\$2,361,863** 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.

CITY OF HUGHSON
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

ANALYSIS OF MAJOR FUNDS (continued)

Proprietary Funds

Water Fund

Operating revenues increased by **\$9,898** in fiscal year 2015 and expenses increased by **\$69,453** resulting in operating income of **\$353,738**. Charges for water services largely remained the same from the prior fiscal year.

The fund's net position increased by **\$674,252** before prior period adjustments of **(\$407,312)**, to a new total of **\$8,005,759**. Of this amount, **\$7,775,407** was net investment in capital assets.

Sewer Fund

Operating revenues increased **\$219,035** in the fiscal year 2015. Operating expenses decreased by **\$43,031** due to decreasing maintenance costs. The fund's net position increased by **\$993,883** in fiscal year 2015. The customer base for service increased in fiscal year 2015 along with Consumer Price Index (CPI) increases in sewer rates. This increase in 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, 2014, the fund's net position was **\$29,784,196**, of which **\$24,222,433** was net investment in capital assets and **\$5,561,763** 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 2014, 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 2014, the cost of infrastructure and other capital assets recorded on the City's financial statements is as shown in Table 6 and 7 on the following page.

CITY OF HUGHSON
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Table 6

	Balance at July 1, 2014	Additions	Deletions	Transfers	Balance at June 30, 2015
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 9,197,784	\$ -	\$ -	\$ -	\$ 9,197,784
Rights of ways	2,777,617				2,777,617
Construction in progress	347,927	453,121		(593,191)	207,857
Total capital assets, not being depreciated	<u>12,323,328</u>	<u>453,121</u>		<u>(593,191)</u>	<u>12,183,258</u>
Capital assets, being depreciated:					
Buildings	919,905				919,905
Improvements	3,501,782	71,990		593,191	4,166,963
Equipment	410,980				410,980
Machinery	241,902				241,902
Rolling stock	496,249				496,249
Infrastructure	13,397,859				13,397,859
Total capital assets being depreciated	<u>18,968,677</u>	<u>71,990</u>		<u>593,191</u>	<u>19,633,858</u>
Less accumulated depreciation for:					
Buildings	(529,247)	(22,054)			(551,301)
Improvements	(748,480)	(107,509)			(855,989)
Equipment	(350,980)	(20,001)			(370,981)
Machinery	(229,402)	(12,500)			(241,902)
Rolling stock	(496,248)				(496,248)
Infrastructure	(3,612,840)	(279,415)			(3,892,255)
Total accumulated depreciation	<u>(5,967,197)</u>	<u>(441,479)</u>			<u>(6,408,676)</u>
Total capital assets, being depreciated, net	<u>13,001,480</u>	<u>(369,489)</u>		<u>593,191</u>	<u>13,225,182</u>
Governmental activities capital assets, net	<u>\$ 25,324,808</u>	<u>\$ 83,632</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,408,440</u>
Business-type activities:					
Capital assets, not being depreciated:					
Land	\$ 18,108,769	\$ -	\$ -	\$ -	\$ 18,108,769
Construction in progress	204,181	221,857		(426,038)	
Total capital assets, not being depreciated	<u>18,312,950</u>	<u>221,857</u>		<u>(426,038)</u>	<u>18,108,769</u>
Capital assets, being depreciated:					
Buildings	28,068,657				28,068,657
Improvements	3,719,267	28,877		426,038	4,174,182
Equipment	73,866	8,940			82,806
Machinery	235,695				235,695
Infrastructure	19,002,924				19,002,924
Rolling stock	132,876	40,000			172,876
Total capital assets, being depreciated	<u>51,233,285</u>	<u>77,817</u>		<u>426,038</u>	<u>51,737,140</u>
Less accumulated depreciation for:					
Buildings	(2,040,949)	(935,621)			(2,976,570)
Improvements	(3,222,769)	(30,983)			(3,253,752)
Equipment	(39,388)	(7,602)			(46,990)
Machinery	(225,635)	(4,983)			(230,618)
Infrastructure	(6,834,981)	(265,307)			(7,100,288)
Rolling stock	(132,876)				(132,876)
Total accumulated depreciation	<u>(12,496,598)</u>	<u>(1,244,496)</u>			<u>(13,741,094)</u>
Total capital assets, being depreciated, net	<u>38,736,687</u>	<u>(1,166,679)</u>		<u>426,038</u>	<u>37,996,046</u>
Business-type activities capital assets, net	<u>\$ 57,049,637</u>	<u>\$ (944,822)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 56,104,815</u>

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

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

**CITY OF HUGHSON
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

DEBT ADMINISTRATION

The City issued no new bonded debt in fiscal year 2014. The City made all scheduled repayments of existing debt. The City's debt issues are discussed in detail in Note 7 of the financial statements. The City's debt balances as of June 30 were as follows:

Table 8
LONG-TERM LIABILITIES

	2015	2014
Governmental activities		
PERS Side Fund	\$ -	\$ 165,241-
Total governmental activities	\$ -	\$ 165,241-
Business-type activities		
Water		
Compensated absences	\$ 20,316	\$ 20,316
Net pension liability	341,473	
USDA Promissory Note	390,000	400,000
Installment Note Payable	1,587,117	1,692,467
Total for water fund	2,338,906	2,112,783
Sewer		
Compensated absences	24,956	24,956
Net pension liability	475,553	
CSWRCB Revolving Loan	16,712,318	17,792,531
Installment Note Payable	4,986,091	5,286,611
Total for sewer fund	22,198,917	23,104,098
Total business-type activities	\$ 24,537,823	\$ 25,216,881

**CITY OF HUGHSON
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

ECONOMIC CONDITION, OUTLOOK AND ACTIVITY

The City continues to see a slowly improving economy along with a gradual increase in economic activity. Property Assessment is trending upwards, and building has resumed in the Community. Hughson's diverse land use has helped to continue a growth pattern that has resulted in an upswing of 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 rise in home foreclosures, is changing.

Overall, the City continues to be in a favorable position to continue attracting jobs and retail establishments. Hughson's sales tax revenue continues to climb with expected growth in the retail sector along with the addition of businesses to the City's tax base. This type of growth helps strengthen the City's tax base and increases the diversity of where revenues are generated.

During the fiscal year ended June 30, 2015, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 68. The objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. Government employers that sponsor defined benefit pension plans must recognize a net pension liability in the statement of net position. This is the difference between total pension liability (actuarial accrued liability) and plan assets (at fair value). Pension expense is now based on the net pension liability change between reporting dates with some recognized immediately in expense and others amortized over years. The City of Hughson is a part of a cost sharing multiple employer defined benefit pension plan and as such reports a net pension liability and pension expense equal to the proportionate share of the cost-sharing plan. The implementation of GASB 68 did not change the City's pension obligations in any significant way but rather created more transparency and disclosure.

Overall the City's financial position remains in good condition. The City continues to maintain a fiscally responsible and conservative approach to its fiscal management.

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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CITY OF HUGHSON
Statement of Net Position
June 30, 2015

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets:			
Cash and Investments	\$ 6,314,203	\$ 6,779,745	\$ 13,093,948
Accounts Receivable	250,202	153,112	403,314
Notes Receivable	1,654,851		1,654,851
Deposits Receivable	67,995		67,995
Interest Receivable	191,837		191,837
Capital Assets, Not Being Depreciated	12,183,258	18,108,769	30,292,027
Capital Assets, Net of Accumulated Depreciation	13,225,182	37,996,046	51,221,228
Total Assets	<u>33,887,528</u>	<u>63,037,672</u>	<u>96,925,200</u>
Deferred Outflows of Resources:			
Adjustments to net pension liability due to differences in proportions	13,968	11,894	25,862
City's Pension Contributions Subsequent to the Measurement Date	109,508	93,244	202,752
Total Deferred Outflows of Resources	<u>123,476</u>	<u>105,138</u>	<u>228,614</u>
Liabilities:			
Accounts Payable	363,647	35,195	398,842
Interest Payable		103,119	103,119
Deposits Payable		1,637	1,637
Noncurrent Liabilities:			
Due Within One Year	9,734	1,532,578	1,542,312
Due in More Than One Year	988,738	22,999,061	23,987,799
Total Liabilities	<u>1,362,119</u>	<u>24,671,590</u>	<u>26,033,709</u>
Deferred Inflow of Resources:			
Differences Between Projected and Actual Earnings on Pension Plan Investments	284,005	241,825	525,830
Total Deferred Inflow of Resources	<u>284,005</u>	<u>241,825</u>	<u>525,830</u>
Net Position:			
Net Investment in Capital Assets	25,408,440	32,435,474	57,843,914
Restricted for:			
Home Loans	1,797,887		1,797,887
Community Development	587,115		587,115
Streets and Roads	883,285		883,285
Public Safety	60,624		60,624
Public Facilities	1,226,663		1,226,663
Parks and Recreation	972,019		972,019
Assessment Districts	178,220		178,220
Unrestricted	1,250,627	5,793,921	7,044,548
Total Net Position	<u>\$ 32,364,880</u>	<u>\$ 38,229,395</u>	<u>\$ 70,594,275</u>

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

CITY OF HUGHSON
Statement of Activities
For the Fiscal Year Ended June 30, 2015

Functions	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 1,219,563	\$ 679,939	\$ 813,292	\$ -
Public Safety	1,292,278	196,842	118,875	
Community Development		645,222		
Public Works	857,828	395,845	29,382	547,100
Parks and Recreation	54,625	124,562		
Total Governmental Activities	3,424,294	2,042,410	961,549	547,100
Business-type Activities:				
Water	1,251,607	1,519,223	165,251	250,734
Sewer	2,541,566	3,457,663	15,207	
Community Facilities	59,793	29,976		
Total Business-type Activities	3,852,966	5,006,862	180,458	250,734
Total Primary Government	\$ 7,277,260	\$ 7,049,272	\$ 1,142,007	\$ 797,834

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

<u>Governmental Activities</u>	<u>Business- type Activities</u>	<u>Total</u>
\$ 273,668	\$ -	\$ 273,668
(976,561)		(976,561)
645,222		645,222
114,499		114,499
69,937		69,937
<u>126,765</u>		<u>126,765</u>
	683,601	683,601
	931,304	931,304
	(29,817)	(29,817)
	<u>1,585,088</u>	<u>1,585,088</u>
<u>126,765</u>	<u>1,585,088</u>	<u>1,711,853</u>
284,891		284,891
632,696		632,696
22,842		22,842
112,957		112,957
22,848	75,230	98,078
459,717		459,717
14,500	(14,500)	
<u>1,550,451</u>	<u>60,730</u>	<u>1,611,181</u>
<u>1,677,216</u>	<u>1,645,818</u>	<u>3,323,034</u>
31,666,965	37,558,133	69,225,098
(979,301)	(974,556)	(1,953,857)
<u>30,687,664</u>	<u>36,583,577</u>	<u>67,271,241</u>
<u>\$ 32,364,880</u>	<u>\$ 38,229,395</u>	<u>\$ 70,594,275</u>

CITY OF HUGHSON
Balance Sheet
Governmental Funds
June 30, 2015

	Special Revenue		
	General	Home Loan	Refuse
Assets:			
Cash and Investments	\$ 2,180,851	\$ 75,041	\$ 132,469
Accounts Receivable	138,961		21,073
Loans Receivable		1,423,710	
Due from Other Funds	294,967		
Deposits	67,995		
Total Assets	\$ 2,682,774	\$ 1,498,751	\$ 153,542
Liabilities and Fund Balances:			
Liabilities:			
Accounts Payable	\$ 252,916	\$ -	\$ 110,731
Due to Other Funds			
Total Liabilities	252,916		110,731
Fund Balances:			
Nonspendable	67,995	1,423,710	
Restricted for:			
Home loans		75,041	
Parks and recreation			
Capital projects			
Public safety			
Streets and roads			
Community development			42,811
IT Projects			
Special assessments			
Unassigned	2,361,863		
Total Fund Balances	2,429,858	1,498,751	42,811
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 2,682,774	\$ 1,498,751	\$ 153,542

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

<u>Capital Projects</u>		
<u>Public Facilities</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 1,226,663	\$ 2,625,476	\$ 6,240,500
	90,168	250,202
	231,141	1,654,851
		294,967
		67,995
<u>\$ 1,226,663</u>	<u>\$ 2,946,785</u>	<u>\$ 8,508,515</u>
\$ -	\$ -	\$ 363,647
	294,967	294,967
	294,967	658,614
	231,141	1,722,846
		75,041
	972,019	972,019
1,226,663		1,226,663
	60,624	60,624
	883,285	883,285
	544,304	587,115
	77,192	77,192
	178,220	178,220
	(294,967)	2,066,896
<u>1,226,663</u>	<u>2,651,818</u>	<u>7,849,901</u>
<u>\$ 1,226,663</u>	<u>\$ 2,946,785</u>	<u>\$ 8,508,515</u>

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CITY OF HUGHSON
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2015

Total fund balances - governmental funds \$ 7,849,901

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	\$ 31,817,116	
Accumulated depreciation	<u>(6,408,676)</u>	25,408,440

Deferred outflows and inflows of resources relating to pensions: In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported.

City's pension contributions subsequent to the measurement date	109,508
Differences due to changes in proportions	13,968
Differences between projected and actual earnings on pension plan investments	(284,005)

In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:

Net pension liability	(959,535)
Compensated absences payable	(38,937)

Internal service funds are used by management to charge the costs of certain activities, such as self-insurance, to individual funds. The assets and liabilities of the internal service fund must be added to the statement of net position. 73,703

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. 191,837

Total net position - governmental activities \$ 32,364,880

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, 2015

	<u>Special Revenue</u>		
	<u>General</u>	<u>Home Loan</u>	<u>Refuse</u>
Revenues			
Property Taxes	\$ 284,891	\$ -	\$ -
Sales and Use Taxes	632,696		
Business License Taxes	22,842		
Other Taxes	112,957		
Licenses and Permits	162,539		
Fines and Forfeitures	138,460		
Interest	3,678		
Charges for Services	112,369		504,804
Intergovernmental	878,225		
Special Assessments			
Other	360,000	40,000	
Total Revenues	<u>2,708,657</u>	<u>40,000</u>	<u>504,804</u>
Expenditures			
Current:			
General Government	506,983		477,381
Public Safety	1,039,404		
Public Works	435,688		
Parks and Recreation	54,625		
Capital Outlay			
Total Expenditures	<u>2,036,700</u>		<u>477,381</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>671,957</u>	<u>40,000</u>	<u>27,423</u>
Other Financing Sources (Uses):			
Transfers In	66,756		
Transfers Out			
Total Other Financing Sources (Uses)	<u>66,756</u>		
Net Change in Fund Balances	<u>738,713</u>	<u>40,000</u>	<u>27,423</u>
Fund Balances (Deficits) - July 1, 2014	1,691,145	35,041	15,388
Prior Period Adjustments		<u>1,423,710</u>	
Fund Balances (Deficits) - July 1, 2014, Restated	<u>1,691,145</u>	<u>1,458,751</u>	<u>15,388</u>
Fund Balances (Deficits) - June 30, 2015	<u>\$ 2,429,858</u>	<u>\$ 1,498,751</u>	<u>\$ 42,811</u>

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

<u>Capital Projects</u>		
<u>Public Facilities</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ 284,891
		632,696
		22,842
		112,957
		162,539
		138,460
2,521	3,308	9,507
482,883	472,981	1,573,037
	630,424	1,508,649
	168,374	168,374
	59,717	459,717
<u>485,404</u>	<u>1,334,804</u>	<u>5,073,669</u>
		984,364
	142,505	1,181,909
	216,404	652,092
		54,625
<u>258,160</u>	<u>362,317</u>	<u>620,477</u>
<u>258,160</u>	<u>721,226</u>	<u>3,493,467</u>
<u>227,244</u>	<u>613,578</u>	<u>1,580,202</u>
	30,000	96,756
	(82,256)	(82,256)
	(52,256)	14,500
<u>227,244</u>	<u>561,322</u>	<u>1,594,702</u>
999,419	1,859,355	4,600,348
	231,141	1,654,851
<u>999,419</u>	<u>2,090,496</u>	<u>6,255,199</u>
<u>\$ 1,226,663</u>	<u>\$ 2,651,818</u>	<u>\$ 7,849,901</u>

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CITY OF HUGHSON
Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2015

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

Net change in fund balances - total governmental funds **\$ 1,594,702**

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 depreciation exceeded capital outlay in the current period.

Capital outlay	\$	525,111	
Depreciation expense		<u>(441,479)</u>	83,632

Compensated absence expenditures reported in the statement of activities do not require the use of current financial resources and therefore, are not reported as expenditures in a governmental fund. This is the net change in compensated absences for the current period. (38,937)

In governmental funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This fiscal year, the difference between accrual-basis pension costs and actual employer contributions was: 24,478

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 **\$ 1,677,216**

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

CITY OF HUGHSON
Statement of Net Position
Proprietary Funds
June 30, 2015

	Business-type Activities-Enterprise Funds				Governmental Activities
	Sewer Fund	Water Fund	Nonmajor Enterprise Funds	Total	Internal Service Fund
Assets					
Current Assets:					
Cash and Investments	\$ 6,154,612	\$ 615,406	\$ 9,727	\$ 6,779,745	\$ 73,703
Accounts Receivable	64,744	88,368		153,112	
Total Current Assets	<u>6,219,356</u>	<u>703,774</u>	<u>9,727</u>	<u>6,932,857</u>	<u>73,703</u>
Noncurrent Assets:					
Capital Assets:					
Land	15,075,537	2,928,159	105,073	18,108,769	
Buildings	25,215,708	2,127,666	725,283	28,068,657	
Machinery and Equipment	439,866	51,511		491,377	
Improvements Other Than Buildings		4,174,182		4,174,182	
Infrastructure	12,900,415	6,102,509		19,002,924	
Less:					
Accumulated Depreciation	(7,710,685)	(5,631,503)	(398,906)	(13,741,094)	
Total Noncurrent Assets	<u>45,920,841</u>	<u>9,752,524</u>	<u>431,450</u>	<u>56,104,815</u>	
Deferred Outflow of Resources:					
Adjustments to net pension liability due to differences in proportions	6,923	4,971		11,894	
City's pension contributions subsequent to the measurement date	54,273	38,971		93,244	
Total Deferred Outflow of Resources	<u>61,196</u>	<u>43,942</u>		<u>105,138</u>	
Total Assets and Deferred Outflows of Resources	<u>52,201,393</u>	<u>10,500,240</u>	<u>441,177</u>	<u>63,142,810</u>	<u>73,703</u>
Liabilities					
Current Liabilities:					
Accounts Payable	1,293	33,802	100	35,195	
Interest Payable	76,232	26,887		103,119	
Deposits Payable			1,637	1,637	
Total Current Liabilities	<u>77,525</u>	<u>60,689</u>	<u>1,737</u>	<u>139,951</u>	
Noncurrent Liabilities:					
Compensated Absences	24,956	20,316		45,272	
Net Pension Liability	475,553	341,473		817,026	
Due within One Year	1,401,840	130,738		1,532,578	
Due in More Than One Year	20,296,568	1,840,195		22,136,763	
Total Noncurrent Liabilities	<u>22,198,917</u>	<u>2,332,722</u>		<u>24,531,639</u>	
Deferred Inflows of Resources:					
Differences between projected and actual earnings on pension plan investments	140,755	101,070		241,825	
Total Deferred Inflows of Resources	<u>140,755</u>	<u>101,070</u>		<u>241,825</u>	
Total Liabilities and Deferred Inflows of Resources	<u>22,417,197</u>	<u>2,494,481</u>	<u>1,737</u>	<u>24,913,415</u>	
Net Position					
Net Investment in Capital Assets	24,222,433	7,781,591	431,450	32,435,474	
Unrestricted	5,561,763	224,168	7,990	5,793,921	73,703
Total Net Position	<u>\$ 29,784,196</u>	<u>\$ 8,005,759</u>	<u>\$ 439,440</u>	<u>\$ 38,229,395</u>	<u>\$ 73,703</u>

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

CITY OF HUGHSON
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2015

	Business-type Activities - Enterprise funds				Governmental Activities
	Sewer Fund	Water Fund	Nonmajor Enterprise Funds	Total	Internal Service Fund
Operating Revenues:					
Charges for Services	\$ 3,457,663	\$ 1,519,223	\$ 29,976	\$ 5,006,862	\$ -
Total Operating Revenues	<u>3,457,663</u>	<u>1,519,223</u>	<u>29,976</u>	<u>5,006,862</u>	
Operating Expenses:					
Personnel	438,613	301,650	6,564	746,827	
Administrative	266,304	150,181	28,210	444,695	
Materials and Supplies	409,586	509,050		918,636	
Maintenance	39,390	16,820	843	57,053	
Depreciation	1,032,536	187,784	24,176	1,244,496	
Total Operating Expenses	<u>2,186,429</u>	<u>1,165,485</u>	<u>59,793</u>	<u>3,411,707</u>	
Operating Income (loss)	<u>1,271,234</u>	<u>353,738</u>	<u>(29,817)</u>	<u>1,595,155</u>	
Non-operating Revenues (Expenses):					
Interest Revenue	73,579	1,651		75,230	
Interest Expense	(355,137)	(86,122)		(441,259)	
Intergovernmental Revenue	15,207	165,251		180,458	
Capital Contribution		250,734		250,734	
Total Non-Operating Revenue (Expenses)	<u>(266,351)</u>	<u>331,514</u>		<u>65,163</u>	
Income (Loss) before transfers	1,004,883	685,252	(29,817)	1,660,318	
Transfers					
Transfers In			7,500	7,500	
Transfers Out	(11,000)	(11,000)		(22,000)	
Change in Net Position	<u>993,883</u>	<u>674,252</u>	<u>(22,317)</u>	<u>1,645,818</u>	
Net Position - Beginning of Fiscal Year	29,357,557	7,738,819	461,757	37,558,133	73,703
Prior Period Adjustments	(567,244)	(407,312)		(974,556)	
Net Position - Beginning of the Fiscal Year, Restated	<u>28,790,313</u>	<u>7,331,507</u>	<u>461,757</u>	<u>36,583,577</u>	<u>73,703</u>
Net Position - End of Fiscal Year	<u>\$ 29,784,196</u>	<u>\$ 8,005,759</u>	<u>\$ 439,440</u>	<u>\$ 38,229,395</u>	<u>\$ 73,703</u>

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

CITY OF HUGHSON
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2015

	<u>Business-type Activities - Enterprise Funds</u>				<u>Governmental</u>
	<u>Sewer</u>	<u>Water</u>	<u>Nonmajor</u>	<u>Totals</u>	<u>Activities</u>
	<u>Fund</u>	<u>Fund</u>	<u>Enterprise</u>		<u>Internal Service</u>
			<u>Funds</u>		<u>Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash Received from Users	\$ 3,442,876	\$ 1,494,038	\$ 30,608	\$ 4,967,522	\$ -
Cash Payments to Suppliers and Contractors	(768,107)	(705,074)	(34,421)	(1,507,602)	
Cash Payments to Employees	(450,745)	(310,361)	(6,564)	(767,670)	
Net Cash Provided (Used) By Operating Activities	<u>2,224,024</u>	<u>478,603</u>	<u>(10,377)</u>	<u>2,692,250</u>	
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Transfers in			6,534	6,534	
Transfers out	(11,000)	(11,000)		(22,000)	
Net Cash Provided (Used) By Noncapital Financing Activities	<u>(11,000)</u>	<u>(11,000)</u>	<u>6,534</u>	<u>(15,466)</u>	
CASH FLOWS FROM INVESTING ACTIVITIES:					
Interest Received	73,579	1,651		75,230	
Net Cash Provided (Used) in Investing Activities	<u>73,579</u>	<u>1,651</u>		<u>75,230</u>	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING					
ACTIVITIES:					
Intergovernmental		165,251		165,251	
Principal Payments on Debt Borrowings	(1,380,733)	(121,535)		(1,502,268)	
Interest Paid	(339,930)	(86,124)		(426,054)	
Acquisition of Property, Plant, and Equipment	(28,940)	(20,000)		(48,940)	
Net Cash Provided (Used) In Capital and Related					
Financing Activities	<u>(1,749,603)</u>	<u>(62,408)</u>		<u>(1,812,011)</u>	
NET INCREASE (DECREASE) IN CASH AND CASH					
EQUIVALENTS	537,000	406,846	(3,843)	940,003	
CASH AND CASH EQUIVALENTS, BEGINNING OF FISCAL YEAR	<u>5,617,612</u>	<u>208,560</u>	<u>13,570</u>	<u>5,839,742</u>	<u>73,703</u>
CASH AND CASH EQUIVALENTS, END OF FISCAL YEAR	<u>\$ 6,154,612</u>	<u>\$ 615,406</u>	<u>\$ 9,727</u>	<u>\$ 6,779,745</u>	<u>\$ 73,703</u>
Reconciliation to Statement of Net Position:					
Cash and Investments	\$ 6,154,612	\$ 615,406	\$ 9,727	\$ 6,779,745	\$ 73,703
	<u>\$ 6,154,612</u>	<u>\$ 615,406</u>	<u>\$ 9,727</u>	<u>\$ 6,779,745</u>	<u>\$ 73,703</u>
CASH FLOWS FROM OPERATING ACTIVITIES:					
Operating Income (Loss)	\$ 1,271,234	\$ 353,738	\$ (29,817)	\$ 1,595,155	\$ -
Adjustment to Reconcile Operating Income					
(Loss) to Net Cash Provided (Used) by Operating					
Activities:					
Depreciation	1,032,536	187,784	24,176	1,244,496	
Changes in Assets and Liabilities:					
(Increase) Decrease in Accounts Receivable	(14,787)	(25,185)		(39,972)	
Increase (Decrease) in Accounts Payable	(52,827)	(29,023)	(5,368)	(87,218)	
Increase (decrease) in net pension liability	(12,132)	(8,711)		(20,843)	
Increase (Decrease) in Deposits Payable			632	632	
Total Adjustments	<u>952,790</u>	<u>124,865</u>	<u>19,440</u>	<u>1,097,095</u>	
Net Cash Provided (Used) By Operating Activities	<u>\$ 2,224,024</u>	<u>\$ 478,603</u>	<u>\$ (10,377)</u>	<u>\$ 2,692,250</u>	<u>\$ -</u>

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

FIDUCIARY FUNDS

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

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, 2015**

	Private Purpose Trust Fund	Agency Fund
	RDA	
	Successor Agency	Water Deposits
ASSETS		
Cash and investments	\$ 331,625	\$ 54,966
Loans receivable	67,028	
Capital assets, net of accumulated depreciation	684,927	
Total Assets	1,083,580	\$ 54,966
LIABILITIES		
Interest payable	\$ 33,526	\$ -
Deposits payable		54,966
Long-term debt, due within one year	70,000	
Long-term debt, due in more than one year	2,610,000	
Total Liabilities	2,713,526	\$ 54,966
NET POSITION		
Held in trust for others	(1,629,946)	
Total Net Position	\$ (1,629,946)	

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, 2015**

	Private Purpose Trust Fund
	RDA
	Successor
	Agency
Additions:	
Tax increment	\$ 430,883
Interest	169
Total additions	431,052
Deductions:	
Community development	12,060
Depreciation	27,491
Interest expense	134,739
Transfer to City	31,680
Total deductions	205,970
Change in net position	225,082
Net Position - July 1, 2014	(1,922,056)
Prior period adjustment	67,028
Net Position, July 1, 2014, Restated	(1,855,028)
Net Position - June 30, 2015	\$ (1,629,946)

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

NOTES TO BASIC FINANCIAL STATEMENTS

CITY OF HUGHSON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

Individual Component Unit Disclosures

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

B. Basis of Presentation

Government-wide Financial Statements

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

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

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

CITY OF HUGHSON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation (Continued)

Fund Financial Statements

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

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

The City reports four major governmental funds:

- The *General Fund* is used to account for all revenues and expenditures necessary to carry out basic governmental activities of the City that are not accounted for through other funds. For the City, the General Fund includes activities such as public protection, public works and facilities, parks and recreation, and community development.
- The *Home Loan Special Revenue Fund* was established to account for all proceeds of grant revenues from the federal government under the First Time Home Buyer federal grant program and from the State of California's CalHome grant program. The expenditures relate to payments made to eligible recipients for buying homes subject to fulfillment of conditions.
- The *Refuse Special Revenue Fund* was established to account for monies collected on behalf of a franchise garbage collection company.
- The *Public Facilities Capital Projects Fund* was established to account for all proceeds from traffic mitigation fees, whose purpose is to defray the actual costs of constructing improvements to mitigate traffic and circulation impacts resulting from proposed new development.

The City reports the following two major enterprise funds:

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

CITY OF HUGHSON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation (Continued)

The City reports the following additional fund types:

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

Fiduciary Funds

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

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

C. Basis of Accounting and Measurement Focus

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

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

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

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

CITY OF HUGHSON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

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.

CITY OF HUGHSON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

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.

CITY OF HUGHSON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

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 are deferred and amortized over the life of the indebtedness using the straight line method. Notes payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize debt premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

CITY OF HUGHSON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

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, 2015:

Governmental Accounting Standards Board Statement No. 68

For the fiscal year ended June 30, 2015, City implemented Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions. This Statement is effective for periods beginning after June 15, 2014. The objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. This Statement replaces the requirements of Statement No. 27, Accounting for Pensions by State and Local Governmental Employers as well as the requirements of Statement No. 50, Pension Disclosures. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses related to pensions. Implementation of GASB Statement No. 68 did have an impact on the City's financial statements for the fiscal year ended June 30, 2015, see Note 12 and 14.

CITY OF HUGHSON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. New Accounting Pronouncements (Continued)

Governmental Accounting Standards Board Statement No. 69

For the fiscal year ended June 30, 2015, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 69, Government Combinations and Disposals of Government Operations. This Statement is effective for periods beginning after December 15, 2013. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. Implementation of the GASB Statement No. 69 did not have an impact on the City's financial statements for the fiscal year ended June 30, 2015.

Governmental Accounting Standards Board Statement No. 71

For the fiscal year ended June 30, 2015, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. This Statement is effective for periods beginning after June 15, 2014. The objective of this Statement is to address an issue regarding application of the transition of GASB Statement No. 68 Accounting and Financial Reporting for Pensions. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. This statement will eliminate the source of potential significant understatement of restated beginning net position and expense in the first year of implementation of GASB Statement No. 68 in the accrual-basis financial statements of employers and non-employer contributing entities. Implementation of the GASB Statement No. 71 did have an impact on the City's financial statements for the fiscal year ended June 30, 2015, see Note 12 and 14.

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.

CITY OF HUGHSON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

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.
5. The City Manager is authorized to make transfers between operational expenditure categories within certain departments and funds.
6. City Council approval is required for all fund to fund transfers, department to department transfers, fund reserve to appropriations transfers, transfers for new revenue sources with offsetting appropriations, and for transfer to/from the capital expenditure category.

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, 2015, no funds had expenditures over appropriation.

D. Deficit Fund Equity

At June 30, 2015, the following funds had an accumulated deficit:

Fund	Amount
<u>Nonmajor Fund:</u>	
Transportation Capital Projects Fund	\$ 294,967
<u>Private Purpose Trust Fund:</u>	
RDA Successor Agency	1,629,946

CITY OF HUGHSON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

NOTE 3 – CASH AND INVESTMENTS

Cash and investments as of June 30, 2015 are classified in the accompanying financial statements as follows:

Statement of net position:		
Cash and investments	\$	13,093,948
Fiduciary funds:		
Cash and investments		<u>386,591</u>
Total cash and investments	<u>\$</u>	<u>13,480,539</u>

Cash and investments as of June 30, 2015 consist of the following:

Cash on hand	\$	100
Deposits with financial institutions		516,466
Investments		<u>12,963,973</u>
Total cash and investments	<u>\$</u>	<u>13,480,539</u>

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

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

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.

CITY OF HUGHSON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

NOTE 3 – CASH AND INVESTMENTS (Continued)

B. Investments Authorized by Debt Agreements

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

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

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

C. Disclosures Relating to Interest Rate Risk

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

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

<u>Investment Type</u>	<u>Totals</u>	<u>Remaining maturity (in Months)</u>			
		<u>12 Months or Less</u>	<u>13 to 24 Months</u>	<u>25-60 Months</u>	<u>More Than 60 Months</u>
State Investment Pool (LAIF)	\$ 78,717	\$ 78,717	\$ -	\$ -	\$ -
Money Market Funds	10,405,630	10,405,630			
Certificates of Deposit	2,479,626	2,479,626			
	<u>\$ 12,963,973</u>	<u>\$ 12,963,973</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF HUGHSON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

NOTE 3 – CASH AND INVESTMENTS (Continued)

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

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

E. Disclosures Relating to Credit Risk

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

<u>Investment Type</u>	<u>Amount</u>	<u>Minimum Legal Rating</u>	<u>Exempt From Disclosure</u>	<u>Rating as of Fiscal Year End</u>			
				<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>Not Rated</u>
State Investment Pool	\$ 78,717	N/A	\$ -	\$ -	\$ -	\$ -	\$ 78,717
Money Market Funds	10,405,630	N/A					10,405,630
Certificates of Deposit	2,479,626	N/A					2,479,626
Total	\$ 12,963,973		\$ -	\$ -	\$ -	\$ -	\$ 12,963,973

F. Concentration of Credit Risk

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

G. Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The fair 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, 2015, none of the City's deposits with financial institutions in excess of federal depository insurance limits were held in collateralized accounts.

CITY OF HUGHSON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

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, 2015.

<u>Receivable Fund</u>	<u>Amount</u>	<u>Payable Fund</u>	<u>Amount</u>
Major Governmental Fund:		Nonmajor Governmental Fund:	
General Fund	\$ 294,967	Transportation Capital Projects Fund	\$ 294,967
Totals	<u>\$ 294,967</u>	Totals	<u>\$ 294,967</u>

B. Transfers between Funds

Transfers are indicative of funding for capital projects, lease payments or debt service, subsidies of various City operations, and re-allocations of special revenues. All 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, 2015:

<u>Fund</u>	<u>Transfers-in</u>	<u>Transfers-out</u>
Major Governmental Funds:		
General Fund	\$ 66,756	\$ -
Major Enterprise Funds:		
Water Fund		11,000
Sewer Fund		11,000
Nonmajor Governmental Funds:		
Gas Tax Special Revenue Fund		50,000
Vehicle Abatement Special Revenue Fund		10,000
Traffic Special Revenue Fund		11,600
Lighting and Landscaping Special Revenue Fund		170
Benefit Assessment Special Revenue Fund		10,486
IT Reserve Special Revenue Fund	30,000	
Nonmajor Enterprise Funds:		
Community Center Operations Fund	7,500	
Totals	<u>\$ 104,256</u>	<u>\$ 104,256</u>

CITY OF HUGHSON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

NOTE 5 – CAPITAL ASSETS

Capital Asset activity for the fiscal year ended June 30, 2015 was as follows:

	Balance at July 1, 2014	Additions	Deletions	Transfers	Balance at June 30, 2015
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 9,197,784	\$ -	\$ -	\$ -	\$ 9,197,784
Rights of ways	2,777,617				2,777,617
Construction in progress	347,927	453,121		(593,191)	207,857
Total capital assets, not being depreciated	<u>12,323,328</u>	<u>453,121</u>		<u>(593,191)</u>	<u>12,183,258</u>
Capital assets, being depreciated:					
Buildings	919,905				919,905
Improvements	3,501,782	71,990		593,191	4,166,963
Equipment	410,980				410,980
Machinery	241,902				241,902
Rolling stock	496,249				496,249
Infrastructure	13,397,859				13,397,859
Total capital assets being depreciated	<u>18,968,677</u>	<u>71,990</u>		<u>593,191</u>	<u>19,633,858</u>
Less accumulated depreciation for:					
Buildings	(529,247)	(22,054)			(551,301)
Improvements	(748,480)	(107,509)			(855,989)
Equipment	(350,980)	(20,001)			(370,981)
Machinery	(229,402)	(12,500)			(241,902)
Rolling stock	(496,248)				(496,248)
Infrastructure	(3,612,840)	(279,415)			(3,892,255)
Total accumulated depreciation	<u>(5,967,197)</u>	<u>(441,479)</u>			<u>(6,408,676)</u>
Total capital assets, being depreciated, net	<u>13,001,480</u>	<u>(369,489)</u>		<u>593,191</u>	<u>13,225,182</u>
Governmental activities capital assets, net	<u>\$ 25,324,808</u>	<u>\$ 83,632</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,408,440</u>
Business-type activities:					
Capital assets, not being depreciated:					
Land	\$ 18,108,769	\$ -	\$ -	\$ -	\$ 18,108,769
Construction in progress	204,181	221,857		(426,038)	
Total capital assets, not being depreciated	<u>18,312,950</u>	<u>221,857</u>		<u>(426,038)</u>	<u>18,108,769</u>
Capital assets, being depreciated:					
Buildings	28,068,657				28,068,657
Improvements	3,719,267	28,877		426,038	4,174,182
Equipment	73,866	8,940			82,806
Machinery	235,695				235,695
Infrastructure	19,002,924				19,002,924
Rolling stock	132,876	40,000			172,876
Total capital assets, being depreciated	<u>51,233,285</u>	<u>77,817</u>		<u>426,038</u>	<u>51,737,140</u>
Less accumulated depreciation for:					
Buildings	(2,040,949)	(935,621)			(2,976,570)
Improvements	(3,222,769)	(30,983)			(3,253,752)
Equipment	(39,388)	(7,602)			(46,990)
Machinery	(225,635)	(4,983)			(230,618)
Infrastructure	(6,834,981)	(265,307)			(7,100,288)
Rolling stock	(132,876)				(132,876)
Total accumulated depreciation	<u>(12,496,598)</u>	<u>(1,244,496)</u>			<u>(13,741,094)</u>
Total capital assets, being depreciated, net	<u>38,736,687</u>	<u>(1,166,679)</u>		<u>426,038</u>	<u>37,996,046</u>
Business-type activities capital assets, net	<u>\$ 57,049,637</u>	<u>\$ (944,822)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 56,104,815</u>

CITY OF HUGHSON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

NOTE 5 – CAPITAL ASSETS (Continued)

Depreciation

Depreciation expense was charged to governmental functions as follows:

General Government	\$ 220,740
Public Safety	110,369
Public Works	<u>110,370</u>
Total depreciation expense – governmental functions	<u>\$ 441,479</u>

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

Sewer	\$ 1,032,536
Water	187,784
Community Facilities	<u>24,176</u>
Total depreciation expense – business-type functions	<u>\$ 1,244,496</u>

NOTE 6 – NOTES RECEIVABLE

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

NOTE 7 – LONG-TERM LIABILITIES

The following is a schedule of long-term liabilities for Governmental Activities and Business-type Activities for the fiscal year ended June 30, 2015:

	Balance at June 30, 2014	Prior Period Adjustment	Additions	Repayments	Balance at June 30, 2015	Due Within One Year
Governmental Activities:						
PERS side fund	\$ 165,241	\$ (165,241)	\$ -	\$ -	\$ -	\$ -
Compensated absences			38,937		38,937	9,734
Net pension liability		1,144,542	458,599	(643,606)	959,535	
Total	\$ 165,241	\$ 979,301	\$ 497,536	\$ (643,606)	\$ 998,472	\$ 9,734
Business-type Activities:						
Compensated absences	\$ 45,272	\$ -	\$ 33,329	\$ (33,329)	\$ 45,272	\$ -
USDA Promissory Note	400,000			(10,000)	390,000	10,000
Installment note payable - Water	1,692,468			(111,535)	1,580,933	120,738
Installment note payable - Sewer	5,286,611			(300,520)	4,986,091	310,825
Net pension liability		974,556	390,658	(548,188)	817,026	
CSWRCB Revolving Loan	17,792,531			(1,080,213)	16,712,318	1,091,015
Total	\$ 25,216,882	\$ 974,556	\$ 423,987	\$ (2,083,785)	\$ 24,531,640	\$ 1,532,578

CITY OF HUGHSON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

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, 2015 is \$390,000.

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
2016	\$ 10,000	\$ 17,550	\$ 27,550
2017	11,000	17,100	28,100
2018	11,000	16,606	27,606
2019	12,000	16,110	28,110
2020	12,000	15,570	27,570
2021-2025	72,000	68,988	140,988
2026-2030	90,000	51,302	141,302
2031-2035	117,000	28,358	145,358
2036-2037	55,000	4,136	59,136
	<u>\$ 390,000</u>	<u>\$ 235,720</u>	<u>\$ 625,720</u>

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 3.4%, 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, 2015 is \$1,580,933.

On March 7, 2008, the City executed an installment note agreement with Municipal Finance Corporation for the acquisition and construction for a wastewater treatment plant in the amount of \$6,750,000, later amended to \$6,780,000. The note bears interest at 3.4%, 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, 2015 is \$4,986,091.

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

Fiscal Year Ended June 30,	Installment Notes Payable - Water		
	Principal	Interest	Total
2016	\$ 120,738	\$ 52,734	\$ 173,472
2017	124,878	48,594	173,472
2018	129,160	44,312	173,472
2019	133,590	39,884	173,474
2020	138,170	35,303	173,473
2021-2025	765,250	102,114	867,364
2026	169,147	4,326	173,473
	<u>\$ 1,580,933</u>	<u>\$ 327,267</u>	<u>\$ 1,908,200</u>

CITY OF HUGHSON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

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
2016	\$ 310,825	\$ 206,572	\$ 517,397
2017	321,482	194,026	515,508
2018	332,506	180,946	513,452
2019	343,907	167,312	511,219
2020	355,699	153,100	508,799
2021-2025	1,970,028	530,274	2,500,302
2026-2028	1,351,644	104,815	1,456,459
	<u>\$ 4,986,091</u>	<u>\$ 1,537,045</u>	<u>\$ 6,523,136</u>

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, 2015 is \$16,712,318. Annual debt service requirements for the CSWRCB Loan are shown below:

Fiscal Year Ended June 30,	CSWRCB Loan		
	Principal	Interest	Total
2016	\$ 1,091,015	\$ 167,123	\$ 1,258,138
2017	1,101,925	156,213	1,258,138
2018	1,112,944	145,194	1,258,138
2019	1,124,074	134,064	1,258,138
2020	1,135,315	122,823	1,258,138
2021-2025	5,849,158	441,532	6,290,690
2026-2030	5,297,887	143,166	5,441,053
	<u>\$ 16,712,318</u>	<u>\$ 1,310,115</u>	<u>\$ 18,022,433</u>

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, 2015, was \$45,272 for business-type activities.

CITY OF HUGHSON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

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 – PENSION PLAN

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plans and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

A. General Information about the Pension Plan

Plan Descriptions - All qualified employees are eligible to participate in the City's separate Safety (police and fire) and Miscellaneous (all other) Plans, agent multiple-employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plans are established by State statute and Local Government resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

CITY OF HUGHSON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

NOTE 12 – PENSION PLAN (Continued)

A. General Information about the Pension Plan (Continued)

Benefits Provided - CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plans' provisions and benefits in effect at June 30, 2015, are summarized as follows:

	City Misc Plan		City Safety Plan
	Prior to January 1, 2013	On or after January 1, 2013	Prior to January 1, 2013
Hire date	1, 2013	1, 2013	2013
Benefit formula	2.7% @ 55	2% @ 62	3.0% @ 50
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	55	62	50
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	1.0% to 2.5%	3.0%
Required employee contribution rates	8.0%*	6.25%	n/a
Required employer contribution rates	20.491%	6.25%	n/a

* City made 6.0% contribution on behalf of employees

Contributions - Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2015, the City reported net pension liabilities for its proportionate share of the net position liability of the Plan as follows:

Proportionate Share of Net Pension Liability	
Misc. Plan	Safety Plan
\$ 1,313,993	\$ 462,568

CITY OF HUGHSON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

NOTE 12 – PENSION PLAN (Continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

The City's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2014, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The City's proportionate share of the net pension liability for the Plan as of June 30, 2013 and 2014 was as follows:

	City Miscellaneous Plan	City Safety Plan
Proportion - June 30, 2013	0.05240%	0.01268%
Proportion - June 30, 2014	0.05317%	0.01233%
Change - Increase (Decrease)	0.00077%	-0.00035%

For the fiscal year ended June 30, 2015, the Local Government recognized pension expense of \$157,432. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 202,752	\$ -
Net differences between projected and actual earnings on pension plan investments		(525,830)
Adjustment due to differences in proportions	25,862	
Total	<u>\$ 228,614</u>	<u>\$ (525,830)</u>

\$202,752 reported as deferred outflows of resources related to contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and will be recognized as pension expense as follows:

Fiscal Year Ended June 30,	
2016	\$ (123,458)
2017	(123,458)
2018	(124,479)
2019	(128,573)
Total	<u>\$ (499,968)</u>

CITY OF HUGHSON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

NOTE 12 – PENSION PLAN (Continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

The City's net pension liability for each Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of each of the Plans is measured as of June 30, 2014, using an annual actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

Actuarial Assumptions - The total pension liabilities in the June 30, 2013 actuarial valuations were determined using the following actuarial assumptions:

	Miscellaneous	Safety
Valuation Date	June 30, 2013	June 30, 2013
Measurement Date	June 30, 2014	June 30, 2014
Actuarial Cost Method	Entry-Age Normal Cost Method	
Actuarial Assumptions:		
Discount Rate	7.50%	7.50%
Inflation	2.75%	2.75%
Payrol Growth	3.00%	3.00%
Projected Salary Increase	3.30%-14.20% (1)	3.30%-14.20% (1)
Investment Rate of Return	7.50% (2)	7.50% (2)
Mortality	Derived using CalPERS' Membership Data for all Funds	

- (1) Depending on age, service and type of employment
- (2) Net of pension plan investment expenses, including inflation

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2013 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can found on the CalPERS website.

Discount Rate - The discount rate used to measure the total pension liability was 7.50% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

CITY OF HUGHSON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

NOTE 12 – PENSION PLAN (Continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as we have changed our methodology.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Year 1 - 10(a)	Real Return Years 11+(b)
Global Equity	47.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	12.00%	6.83%	6.95%
Real Estate	11.00%	4.50%	5.13%
Infrastructure and Forestland	3.00%	4.50%	5.09%
Liquidity	2.00%	-0.55%	-1.05%
Total	100.00%		

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

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

CITY OF HUGHSON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

NOTE 12 – PENSION PLAN (Continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate -The following presents the net pension liability of the Local Government for each Plan, calculated using the discount rate for each Plan, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	Miscellaneous	Safety
1% Decrease	6.50%	6.50%
Net Pension Liability	\$2,220,816	\$787,000
Current Discount Rate	7.50%	7.50%
Net Pension Liability	\$1,313,993	\$462,568
1% Increase	8.50%	8.50%
Net Pension Liability	\$561,415	\$195,250

Pension Plan Fiduciary Net Position - Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

NOTE 13 - 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 until they are distributed to other units of state and local government. On January 10, 2012, the City Council elected to become the Successor Agency for the former redevelopment agency in accordance with the Bill as part of the City resolution number 2012-04.

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

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

CITY OF HUGHSON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

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

A. Capital assets of the Successor Agency as of June 30, 2015 consisted of the following:

	July 1, 2014 Balance	Additions	Deletions	June 30, 2015 Balance
Capital assets, being depreciated:				
Buildings and Improvements	\$ 795,929	\$ -	\$ -	\$ 795,929
Infrastructure	47,930			47,930
Total capital assets, being depreciated	843,859			843,859
Less accumulated depreciation for:				
Buildings and Improvements	(124,729)	(26,531)		(151,260)
Infrastructure	(6,713)	(959)		(7,672)
Total accumulated depreciation, net	(131,442)	(27,490)		(158,932)
Total capital assets, net	\$ 712,417	\$ (27,490)	\$ -	\$ 684,927

B. Long-term debt of the Successor Agency as of June 30, 2015, consisted of the following:

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015	Due within one year
Tax Allocation Bonds	\$ 2,750,000	\$ -	\$ (70,000)	\$ 2,680,000	\$ 70,000
Totals	\$ 2,750,000	\$ -	\$ (70,000)	\$ 2,680,000	\$ 70,000

Tax Allocation Bonds – Series 2006

The former redevelopment agency issued \$3,200,000 of tax allocation refunding bonds on February 1, 2006. The principal balance outstanding at June 30, 2015 was \$2,680,000. The remaining annual debt service requirements as of June 30, 2015 are as follows:

Fiscal Year Ended June 30,	2006 Tax Allocation Bonds		
	Principal	Interest	Total
2016	\$ 70,000	\$ 131,613	\$ 201,613
2017	75,000	128,303	203,303
2018	75,000	124,834	199,834
2019	80,000	121,200	201,200
2020	85,000	117,281	202,281
2021-2025	495,000	518,199	1,013,199
2026-2030	625,000	378,775	1,003,775
2031-2035	795,000	201,791	996,791
2036-2039	380,000	19,634	399,634
	\$ 2,680,000	\$ 1,741,630	\$ 4,421,630

CITY OF HUGHSON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

NOTE 14 – PRIOR PERIOD ADJUSTMENTS

A prior period adjustment of \$165,241 was made which affects the government-wide financial statement under governmental activities due to the CalPERS side fund liability being combined with the Net Pension Liability as part of the implement of The City implemented GASB Statement No. 68 and 71.

Prior period adjustments of \$1,423,710 and \$231,141 were made to the Home Loan special revenue fund and CDBG Rehab special revenue fund respectively on the fund statements only due to loans/notes receivable being considered nonspendable and no longer being offset with deferred revenue on the fund statements. No changes are necessary on the government-wide statements.

A prior period adjustment of \$67,028 was made in the RDA Successor Agency Private Purpose Trust Fund due to loans/notes receivable no longer being offset with deferred revenue.

The City implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, during fiscal year 2015. The cumulative effect of applying GASB No. 68 and 71 has resulted in a decrease to the net position at July 1, 2014 as follows:

Major Enterprise Funds	Net Pension Liability	Deferred Outflow of Resources
Water	\$ (446,675)	\$ 39,362
Sewer	(622,062)	54,819
Governmental Activities	(1,255,150)	110,608

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REQUIRED SUPPLEMENTAL INFORMATION

**CITY OF HUGHSON
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$ 286,000	\$ 286,000	\$ 284,891	\$ (1,109)
Sales and Use Taxes	520,000	520,000	632,696	112,696
Business License Taxes	22,000	22,000	22,842	842
Other Taxes	83,500	83,500	112,957	29,457
Licenses and Permits	109,140	109,140	162,539	53,399
Fines and Forfeitures	126,975	126,975	138,460	11,485
Interest	2,200	2,200	3,678	1,478
Charges for Services	78,900	78,900	112,369	33,469
Intergovernmental	665,180	665,180	878,225	213,045
Other	360,000	360,000	360,000	
Total Revenues	<u>2,253,895</u>	<u>2,253,895</u>	<u>2,708,657</u>	<u>454,762</u>
Expenditures				
Current				
General Government	604,811	637,934	506,983	130,951
Public Safety	1,081,996	1,081,996	1,039,404	42,592
Public Works	481,448	481,448	435,688	45,760
Parks and Recreation	94,302	94,302	54,625	39,677
Total Expenditures	<u>2,262,557</u>	<u>2,295,680</u>	<u>2,036,700</u>	<u>258,980</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(8,662)</u>	<u>(41,785)</u>	<u>671,957</u>	<u>713,742</u>
Other Financing Sources (uses):				
Transfers In	<u>82,258</u>	<u>82,258</u>	<u>66,756</u>	<u>(15,502)</u>
Total Other Financing Sources (Uses)	<u>82,258</u>	<u>82,258</u>	<u>66,756</u>	<u>(15,502)</u>
Net Change in Fund Balance	73,596	40,473	738,713	698,240
Fund Balance - July 1, 2014	<u>1,691,145</u>	<u>1,691,145</u>	<u>1,691,145</u>	
Fund Balance - June 30, 2015	<u>\$ 1,764,741</u>	<u>\$ 1,731,618</u>	<u>\$ 2,429,858</u>	<u>\$ 698,240</u>

CITY OF HUGHSON
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
HOME LOAN SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Other	\$ -	\$ -	\$ 40,000	\$ 40,000
Total Revenues			40,000	40,000
Expenditures				
Current:				
Community Development	1,000	1,000		1,000
Total Expenditures	1,000	1,000		1,000
Net Change in Fund Balance	(1,000)	(1,000)	40,000	41,000
Fund Balance - July 1, 2014	35,041	35,041	35,041	
Prior Period Adjustment			1,423,710	1,423,710
Fund Balance - July 1, 2014, Restated	35,041	35,041	1,458,751	1,423,710
Fund Balance - June 30, 2015	\$ 34,041	\$ 34,041	\$ 1,498,751	\$ 1,464,710

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, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Charges for Services	\$ 475,000	\$ 475,000	\$ 504,804	\$ 29,804
Total Revenues	<u>475,000</u>	<u>475,000</u>	<u>504,804</u>	<u>29,804</u>
Expenditures				
Current:				
General Government	<u>452,200</u>	<u>480,000</u>	<u>477,381</u>	<u>2,619</u>
Total Expenditures	<u>452,200</u>	<u>480,000</u>	<u>477,381</u>	<u>2,619</u>
Net Change in Fund Balance	22,800	(5,000)	27,423	32,423
Fund Balance - July 1, 2014	<u>15,388</u>	<u>15,388</u>	<u>15,388</u>	
Fund Balance - June 30, 2015	<u>\$ 38,188</u>	<u>\$ 10,388</u>	<u>\$ 42,811</u>	<u>\$ 32,423</u>

**CITY OF HUGHSON
REQUIRED SUPPLEMENTAL INFORMATION
JUNE 30, 2015**

Cost Sharing Defined Benefit Pension Plans

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

	June 30, 2015	
	Miscellaneous Plan	Safety Plan
Proportion of the net pension liability	0.05317%	0.01233%
Proportionate share of the net pension liability	\$ 1,313,993	\$ 462,568
Covered-employee payroll	\$ 838,193	n/a
Proportionate Share of the net pension liability as a percentage of covered-employee payroll	156.76%	n/a
Plan's fiduciary net position	\$ 5,521,563	\$ 1,959,516
Plan's total pension liability	\$ 6,835,556	\$ 2,422,084
Plan fiduciary net position as a percentage of total pension liability	80.78%	80.90%

Notes to Schedule

Change in Benefit Terms: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2013 as they have minimal cost impact. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a Golden Handshakes).

Change in Assumptions: None

*Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

**CITY OF HUGHSON
REQUIRED SUPPLEMENTAL INFORMATION
JUNE 30, 2015**

Cost Sharing Defined Benefit Pension Plans

Schedule of Contributions – Last 10 Years*

	June 30, 2015	
	Miscellaneous Plan	Safety Plan
Contractual required contribution (actuarially determined)	\$ 127,295	\$ 22,606
Contributions in relation to the actuarially determined contributions	(127,295)	(22,606)
Contribution deficiency (excess)	\$ -	\$ -
 Covered employee payroll	 \$ 838,193	 n/a
 Contributions as a percentage of covered employee payroll	 15.19%	 n/a

Notes to Schedule

Valuation Date: June 30, 2013

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry-Age Normal Cost Method
Amortization Method	Level Percent of Payroll
Asset Valuation Method	Market Value
Inflation	2.75%
Salary Increases	3.30% to 14.20% depending on age, service, and type of employment
Investment Rate of Return	7.50%, net of pension plan investment and administrative Expenses; includes Inflation
Mortality Rate Table ⁽¹⁾	Derived using CalPERS' Membership Data for all Funds

⁽¹⁾The mortality table was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

*Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

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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, 2015

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
	<u> </u>	<u> </u>	<u> </u>
Revenues:			
Interest	\$ 3,000	\$ 2,521	\$ (479)
Charges for Services	<u>178,775</u>	<u>482,883</u>	<u>304,108</u>
Total Revenues	<u>181,775</u>	<u>485,404</u>	<u>303,629</u>
 Expenditures:			
Capital Outlay	<u>282,400</u>	<u>258,160</u>	<u>24,240</u>
Total Expenditures	<u>282,400</u>	<u>258,160</u>	<u>24,240</u>
 Net Change in Fund Balance	(100,625)	227,244	327,869
 Fund Balance - July 1, 2014	<u>999,419</u>	<u>999,419</u>	<u> </u>
 Fund Balance - June 30, 2015	<u>\$ 898,794</u>	<u>\$ 1,226,663</u>	<u>\$ 327,869</u>

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NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

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

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

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

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

The Community Enhancement Fund was established to bridge the gap between old development and new development where Landscaping and Lighting Districts are not set up.

The Local Transportation 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.

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

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

The Trench Cut Fund was established to account for trench cutting costs to be paid with specified charges designed for that specific use.

The Public Safety Realignment Fund was established to account for public safety costs to be paid from a special intergovernmental funding source.

The IT Reserve Fund was established to account for amounts set aside and transferred from all City funds for future IT upgrades.

CAPITAL PROJECTS FUNDS

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

The Transportation Fund was established to account for street reconstruction.

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

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

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**CITY OF HUGHSON
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2015**

	Special Revenue Funds				
	Asset Forfeiture	Gas Tax	Vehicle Abatement	CDBG Rehab	CDBG Grants
Assets					
Cash and Investments	\$ 6,995	\$ 40,614	\$ 13,874	\$ 355,516	\$ 93,999
Accounts Receivable		10,239			
Loans Receivable				231,141	
Total Assets	<u>\$ 6,995</u>	<u>\$ 50,853</u>	<u>\$ 13,874</u>	<u>\$ 586,657</u>	<u>\$ 93,999</u>
Liabilities					
Due To Other Funds	\$ -	\$ -	\$ -	\$ -	\$ -
Total Liabilities					
Fund Balances (Deficits)					
Nonspendable				231,141	
Restricted	6,995	50,853	13,874	355,516	93,999
Unassigned					
Total Fund Balances (Deficits)	<u>6,995</u>	<u>50,853</u>	<u>13,874</u>	<u>586,657</u>	<u>93,999</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 6,995</u>	<u>\$ 50,853</u>	<u>\$ 13,874</u>	<u>\$ 586,657</u>	<u>\$ 93,999</u>

Special Revenue Funds

Community Enhancement	Local Transportation	Storm Drain	Traffic	SLESF
\$ 94,789	\$ 187,437 73,941	\$ 350,999	\$ 138,339 5,988	\$ 11,278
<u>\$ 94,789</u>	<u>\$ 261,378</u>	<u>\$ 350,999</u>	<u>\$ 144,327</u>	<u>\$ 11,278</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
94,789	261,378	350,999	144,327	11,278
<u>94,789</u>	<u>261,378</u>	<u>350,999</u>	<u>144,327</u>	<u>11,278</u>
<u>\$ 94,789</u>	<u>\$ 261,378</u>	<u>\$ 350,999</u>	<u>\$ 144,327</u>	<u>\$ 11,278</u>

Continued

**CITY OF HUGHSON
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2015
 (CONTINUED)**

	<u>Special Revenue Funds</u>				
	Lighting and Landscaping	Benefit Assessment	Trench Cut	Public Safety Realignment	IT Reserve
Assets					
Cash and Investments	\$ 76,334	\$ 101,886	\$ 75,728	\$ 28,477	\$ 77,192
Accounts Receivable					
Loans Receivable					
Total Assets	<u>\$ 76,334</u>	<u>\$ 101,886</u>	<u>\$ 75,728</u>	<u>\$ 28,477</u>	<u>\$ 77,192</u>
Liabilities					
Due To Other Funds	\$ -	\$ -	\$ -	\$ -	\$ -
Total Liabilities					
Fund Balances (Deficits)					
Nonspendable					
Restricted	76,334	101,886	75,728	28,477	77,192
Unassigned					
Total Fund Balances (Deficits)	<u>76,334</u>	<u>101,886</u>	<u>75,728</u>	<u>28,477</u>	<u>77,192</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 76,334</u>	<u>\$ 101,886</u>	<u>\$ 75,728</u>	<u>\$ 28,477</u>	<u>\$ 77,192</u>

<u>Capital Projects Funds</u>			Total
<u>Transportation</u>	<u>Municipal Park</u>	<u>Parks Development Impact Fees</u>	<u>Nonmajor Governmental Funds</u>
\$ -	\$ 554,098	\$ 417,921	\$ 2,625,476
			90,168
			231,141
<u>\$ -</u>	<u>\$ 554,098</u>	<u>\$ 417,921</u>	<u>\$ 2,946,785</u>
<u>\$ 294,967</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 294,967</u>
<u>294,967</u>			<u>294,967</u>
			231,141
	554,098	417,921	2,715,644
<u>(294,967)</u>			<u>(294,967)</u>
<u>(294,967)</u>	<u>554,098</u>	<u>417,921</u>	<u>2,651,818</u>
<u>\$ -</u>	<u>\$ 554,098</u>	<u>\$ 417,921</u>	<u>\$ 2,946,785</u>

CITY OF HUGHSON
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2015

	Special Revenue Funds				
	Asset Forfeiture	Gas Tax	Vehicle Abatement	CDBG Rehab	CDBG Grants
Revenues:					
Interest	\$ -	\$ -	\$ -	\$ 609	\$ -
Charges for Services			9,068		
Intergovernmental		117,074			
Special Assessments					
Other				59,717	
Total Revenues		<u>117,074</u>	<u>9,068</u>	<u>60,326</u>	
Expenditures:					
Current:					
Public Safety					
Public Works		61,268		84	
Capital Outlay					
Total Expenditures		<u>61,268</u>		<u>84</u>	
Excess (Deficiency) of Revenues over (Under) Expenditures		<u>55,806</u>	<u>9,068</u>	<u>60,242</u>	
Other Financing Sources (Uses):					
Transfers In					
Transfers Out		(50,000)	(10,000)		
Total Other Financing Sources (Uses)		<u>(50,000)</u>	<u>(10,000)</u>		
Net Change in Fund Balances		<u>5,806</u>	<u>(932)</u>	<u>60,242</u>	
Fund Balances (Deficits) - July 1, 2014	6,995	45,047	14,806	295,274	93,999
Prior Period Adjustments				231,141	
Fund Balances (Deficits) - July 1, 2014, Restated	<u>6,995</u>	<u>45,047</u>	<u>14,806</u>	<u>526,415</u>	<u>93,999</u>
Fund Balances (Deficits) - June 30, 2015	<u>\$ 6,995</u>	<u>\$ 50,853</u>	<u>\$ 13,874</u>	<u>\$ 586,657</u>	<u>\$ 93,999</u>

Special Revenue Funds

Community Enhancement	Local Transportation Fund	Storm Drain	Traffic	SLESF
\$ -	\$ 276	\$ 541	\$ 220	\$ -
56,663	150,457	151,597	65,893	106,367
<u>56,663</u>	<u>150,733</u>	<u>152,138</u>	<u>66,113</u>	<u>106,367</u>
	11,800	42,103	31,518	107,112
21,579	86,072			
<u>21,579</u>	<u>97,872</u>	<u>42,103</u>	<u>31,518</u>	<u>107,112</u>
35,084	52,861	110,035	34,595	(745)
			(11,600)	
			(11,600)	
<u>35,084</u>	<u>52,861</u>	<u>110,035</u>	<u>22,995</u>	<u>(745)</u>
59,705	208,517	240,964	121,332	12,023
<u>59,705</u>	<u>208,517</u>	<u>240,964</u>	<u>121,332</u>	<u>12,023</u>
<u>\$ 94,789</u>	<u>\$ 261,378</u>	<u>\$ 350,999</u>	<u>\$ 144,327</u>	<u>\$ 11,278</u>

Continued

CITY OF HUGHSON
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2015
(CONTINUED)

	Special Revenue Funds				
	Lighting and Landscaping	Benefit Assessment	Trench Cut	Public Safety Realignment	IT Reserve
Revenues:					
Interest	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for Services			263		
Intergovernmental				14,480	
Special Assessments	131,021	37,353			
Other					
Total Revenues	<u>131,021</u>	<u>37,353</u>	<u>263</u>	<u>14,480</u>	
Expenditures:					
Current:					
Public Safety				3,875	
Public Works	92,833	8,316			
Capital Outlay					3,664
Total Expenditures	<u>92,833</u>	<u>8,316</u>		<u>3,875</u>	<u>3,664</u>
Excess (Deficiency) of Revenues over (Under) Expenditures	<u>38,188</u>	<u>29,037</u>	<u>263</u>	<u>10,605</u>	<u>(3,664)</u>
Other Financing Sources (Uses):					
Transfers In					30,000
Transfers Out	(170)	(10,486)			
Total Other Financing Sources (Uses)	<u>(170)</u>	<u>(10,486)</u>			<u>30,000</u>
Net Change in Fund Balances	<u>38,018</u>	<u>18,551</u>	<u>263</u>	<u>10,605</u>	<u>26,336</u>
Fund Balances (Deficits) - July 1, 2014	38,316	83,335	75,465	17,872	50,856
Prior Period Adjustments					
Fund Balances (Deficits) - July 1, 2014, Restated	<u>38,316</u>	<u>83,335</u>	<u>75,465</u>	<u>17,872</u>	<u>50,856</u>
Fund Balances (Deficits) - June 30, 2015	<u>\$ 76,334</u>	<u>\$ 101,886</u>	<u>\$ 75,728</u>	<u>\$ 28,477</u>	<u>\$ 77,192</u>

Capital Project Funds			Total
Transportation	Municipal Park	Parks Development Impact Fees	Nonmajor Governmental Funds
\$ -	\$ 919	\$ 743	\$ 3,308
	108,049	147,341	472,981
176,153			630,424
			168,374
			59,717
<u>176,153</u>	<u>108,968</u>	<u>148,084</u>	<u>1,334,804</u>
			142,505
			216,404
179,012		71,990	362,317
<u>179,012</u>		<u>71,990</u>	<u>721,226</u>
(2,859)	108,968	76,094	613,578
			30,000
			(82,256)
			(52,256)
(2,859)	108,968	76,094	561,322
(292,108)	445,130	341,827	1,859,355
			231,141
<u>(292,108)</u>	<u>445,130</u>	<u>341,827</u>	<u>2,090,496</u>
<u>\$ (294,967)</u>	<u>\$ 554,098</u>	<u>\$ 417,921</u>	<u>\$ 2,651,818</u>

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, 2015

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Revenues:			
Charges for Services	\$ 500	\$ -	\$ (500)
Total Revenues	<u>500</u>	<u> </u>	<u>(500)</u>
Net Change in Fund Balance	500		(500)
Fund Balance - July 1, 2014	<u>6,995</u>	<u>6,995</u>	<u> </u>
Fund Balance - June 30, 2015	<u>\$ 7,495</u>	<u>\$ 6,995</u>	<u>\$ (500)</u>

CITY OF HUGHSON
GAS TAX SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2015

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Revenues:			
Interest	\$ 300	\$ -	\$ (300)
Intergovernmental	<u>134,982</u>	<u>117,074</u>	<u>(17,908)</u>
Total Revenues	<u>135,282</u>	<u>117,074</u>	<u>(18,208)</u>
Expenditures:			
Current:			
Public Works	<u>69,000</u>	<u>61,268</u>	<u>7,732</u>
Total Expenditures	<u>69,000</u>	<u>61,268</u>	<u>7,732</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>66,282</u>	<u>55,806</u>	<u>(10,476)</u>
Other Financing Sources (Uses):			
Transfers Out	<u>(50,000)</u>	<u>(50,000)</u>	
Total Other Financing Sources (Uses)	<u>(50,000)</u>	<u>(50,000)</u>	
Net Change in Fund Balance	16,282	5,806	(10,476)
Fund Balance - July 1, 2014	<u>45,047</u>	<u>45,047</u>	
Fund Balance - June 30, 2015	<u>\$ 61,329</u>	<u>\$ 50,853</u>	<u>\$ (10,476)</u>

CITY OF HUGHSON
VEHICLE ABATEMENT SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2015

	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Charges For Services	\$ 10,000	\$ 9,068	\$ (932)
Total Revenues	<u>10,000</u>	<u>9,068</u>	<u>(932)</u>
Other Financing Sources (Uses):			
Transfers Out	<u>(10,000)</u>	<u>(10,000)</u>	<u> </u>
Total Other Financing Sources (Uses)	<u>(10,000)</u>	<u>(10,000)</u>	<u> </u>
Net Change in Fund Balance		(932)	(932)
Fund Balance - July 1, 2014	<u>14,806</u>	<u>14,806</u>	<u> </u>
Fund Balance - June 30, 2015	<u>\$ 14,806</u>	<u>\$ 13,874</u>	<u>\$ (932)</u>

CITY OF HUGHSON
CDBG REHAB SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2015

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Revenues:			
Interest	\$ 475	\$ 609	\$ 134
Other Revenue	<u>12,700</u>	<u>59,717</u>	<u>47,017</u>
Total Revenues	<u>13,175</u>	<u>60,326</u>	<u>47,151</u>
Expenditures:			
Current:			
Public Works	<u>4,100</u>	<u>84</u>	<u>4,016</u>
Total Expenditures	<u>4,100</u>	<u>84</u>	<u>4,016</u>
Net Change in Fund Balance	<u>9,075</u>	<u>60,242</u>	<u>51,167</u>
Fund Balance - July 1, 2014	295,274	295,274	
Prior Period Adjustment	<u> </u>	<u>231,141</u>	<u>231,141</u>
Fund Balance - July 1, 2014, Restated	<u>295,274</u>	<u>526,415</u>	<u>231,141</u>
Fund Balance - June 30, 2015	<u>\$ 304,349</u>	<u>\$ 586,657</u>	<u>\$ 282,308</u>

CITY OF HUGHSON
 CDBG GRANTS SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL
 For the Fiscal Year Ended June 30, 2015

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Revenues:			
Interest	\$ -	\$ -	\$ -
Total Revenues	<u> </u>	<u> </u>	<u> </u>
Net Change in Fund Balance			
Fund Balance - July 1, 2014	<u>93,999</u>	<u>93,999</u>	<u> </u>
Fund Balance - June 30, 2015	<u>\$ 93,999</u>	<u>\$ 93,999</u>	<u>\$ -</u>

CITY OF HUGHSON
COMMUNITY ENHANCEMENT SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2015

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Revenues:			
Interest	\$ 200	\$ -	\$ (200)
Charges For Services	<u>25,200</u>	<u>56,663</u>	<u>31,463</u>
Total Revenues	<u>25,400</u>	<u>56,663</u>	<u>31,263</u>
Expenditures:			
Capital Outlay	<u>20,000</u>	<u>21,579</u>	<u>(1,579)</u>
Total Expenditures	<u>20,000</u>	<u>21,579</u>	<u>(1,579)</u>
Net Change in Fund Balance	5,400	35,084	29,684
Fund Balance - July 1, 2014	<u>59,705</u>	<u>59,705</u>	<u> </u>
Fund Balance - June 30, 2015	<u>\$ 65,105</u>	<u>\$ 94,789</u>	<u>\$ 29,684</u>

CITY OF HUGHSON
 LOCAL TRANSPORTATION SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL
 For the Fiscal Year Ended June 30, 2015

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Interest	\$ -	\$ 276	\$ 276
Intergovernmental	118,600	150,457	31,857
Total Revenues	<u>118,600</u>	<u>150,733</u>	<u>32,133</u>
Expenditures:			
Current:			
Public Works	13,500	11,800	1,700
Capital Outlay	105,303	86,072	19,231
Total Expenditures	<u>118,803</u>	<u>97,872</u>	<u>20,931</u>
Net Change in Fund Balance	(203)	52,861	53,064
Fund Balance - July 1, 2014	<u>208,517</u>	<u>208,517</u>	
Fund Balance - June 30, 2015	<u>\$ 208,314</u>	<u>\$ 261,378</u>	<u>\$ 53,064</u>

CITY OF HUGHSON
 STORM DRAIN SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL
 For the Fiscal Year Ended June 30, 2015

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Revenues:			
Interest	\$ 100	\$ 541	\$ 441
Charges for Services	<u>70,350</u>	<u>151,597</u>	<u>81,247</u>
Total Revenues	<u>70,450</u>	<u>152,138</u>	<u>81,688</u>
Expenditures:			
Current:			
Public Works	<u>90,000</u>	<u>42,103</u>	<u>47,897</u>
Total Expenditures	<u>90,000</u>	<u>42,103</u>	<u>47,897</u>
Net Change in Fund Balance	(19,550)	110,035	129,585
Fund Balance - July 1, 2014	<u>240,964</u>	<u>240,964</u>	<u> </u>
Fund Balance - June 30, 2015	<u>\$ 221,414</u>	<u>\$ 350,999</u>	<u>\$ 129,585</u>

CITY OF HUGHSON
 TRAFFIC SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL
 For the Fiscal Year Ended June 30, 2015

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Revenues:			
Interest	\$ 50	\$ 220	\$ 170
Intergovernmental	<u>73,900</u>	<u>65,893</u>	<u>(8,007)</u>
Total Revenues	<u>73,950</u>	<u>66,113</u>	<u>(7,837)</u>
Expenditures:			
Current:			
Public Works	<u>31,500</u>	<u>31,518</u>	<u>(18)</u>
Total Expenditures	<u>31,500</u>	<u>31,518</u>	<u>(18)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>42,450</u>	<u>34,595</u>	<u>(7,855)</u>
Other Financing Sources (Uses):			
Transfers Out	<u>(11,600)</u>	<u>(11,600)</u>	<u></u>
Total Other Financing Sources (Uses)	<u>(11,600)</u>	<u>(11,600)</u>	<u></u>
Net Change in Fund Balance	30,850	22,995	(7,855)
Fund Balance - July 1, 2014	<u>121,332</u>	<u>121,332</u>	<u></u>
Fund Balance - June 30, 2015	<u>\$ 152,182</u>	<u>\$ 144,327</u>	<u>\$ (7,855)</u>

CITY OF HUGHSON
SLESF SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2015

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Revenues:			
Interest	\$ 400	\$ -	\$ (400)
Intergovernmental	<u>100,000</u>	<u>106,367</u>	<u>6,367</u>
Total Revenues	<u>100,400</u>	<u>106,367</u>	<u>5,967</u>
Expenditures:			
Current:			
Public Safety	<u>100,000</u>	<u>107,112</u>	<u>(7,112)</u>
Total Expenditures	<u>100,000</u>	<u>107,112</u>	<u>(7,112)</u>
Net Change in Fund Balance	400	(745)	(1,145)
Fund Balance - July 1, 2014	<u>12,023</u>	<u>12,023</u>	<u> </u>
Fund Balance - June 30, 2015	<u>\$ 12,423</u>	<u>\$ 11,278</u>	<u>\$ (1,145)</u>

CITY OF HUGHSON
 LIGHTING AND LANDSCAPING SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL
 For the Fiscal Year Ended June 30, 2015

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Revenues:			
Special Assessments	\$ 129,181	\$ 131,021	\$ 1,840
Total Revenue	<u>129,181</u>	<u>131,021</u>	<u>1,840</u>
Expenditures:			
Current:			
Public works	<u>93,661</u>	<u>92,833</u>	<u>828</u>
Total Expenditures	<u>93,661</u>	<u>92,833</u>	<u>828</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>35,520</u>	<u>38,188</u>	<u>2,668</u>
Other Financing Sources (Uses)			
Transfers Out	<u>(6,479)</u>	<u>(170)</u>	<u>6,309</u>
Total Other financing Sources (Uses)	<u>(6,479)</u>	<u>(170)</u>	<u>6,309</u>
Net Change in Fund Balance	29,041	38,018	8,977
Fund Balance - July 1, 2014	<u>38,316</u>	<u>38,316</u>	<u></u>
Fund Balance - June 30, 2015	<u>\$ 67,357</u>	<u>\$ 76,334</u>	<u>\$ 8,977</u>

CITY OF HUGHSON
 BENEFIT ASSESSMENT SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL
 For the Fiscal Year Ended June 30, 2015

	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Special Assessments	\$ 38,445	\$ 37,353	\$ (1,092)
Total Revenue	<u>38,445</u>	<u>37,353</u>	<u>(1,092)</u>
Expenditures:			
Current:			
Public Works	<u>21,372</u>	<u>8,316</u>	<u>13,056</u>
Total Expenditures	<u>21,372</u>	<u>8,316</u>	<u>13,056</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>17,073</u>	<u>29,037</u>	<u>11,964</u>
Other Financing Sources (Uses)			
Transfers Out	<u>(2,137)</u>	<u>(10,486)</u>	<u>(8,349)</u>
Total Other financing Sources (Uses)	<u>(2,137)</u>	<u>(10,486)</u>	<u>(8,349)</u>
Net Change in Fund Balance	14,936	18,551	3,615
Fund Balance - July 1, 2014	<u>83,335</u>	<u>83,335</u>	<u></u>
Fund Balance - June 30, 2015	<u>\$ 98,271</u>	<u>\$ 101,886</u>	<u>\$ 3,615</u>

CITY OF HUGHSON
TRENCH CUT SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2015

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Revenues:			
Charges for Services	\$ -	\$ 263	\$ 263
Total Revenue	<u> </u>	<u>263</u>	<u>263</u>
Net Change in Fund Balance		263	263
Fund Balance - July 1, 2014	<u>75,465</u>	<u>75,465</u>	<u> </u>
Fund Balance - June 30, 2015	<u>\$ 75,465</u>	<u>\$ 75,728</u>	<u>\$ 263</u>

CITY OF HUGHSON
PUBLIC SAFETY REALIGNMENT SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2015

	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Intergovernmental	\$ 5,000	\$ 14,480	\$ 9,480
Total Revenue	<u>5,000</u>	<u>14,480</u>	<u>9,480</u>
Expenditures:			
Current:			
Public Works	17,000	3,875	13,125
Total Expenditures	<u>17,000</u>	<u>3,875</u>	<u>13,125</u>
Net Change in Fund Balance	(12,000)	10,605	22,605
Fund Balance - July 1, 2014	<u>17,872</u>	<u>17,872</u>	<u> </u>
Fund Balance - June 30, 2015	<u>\$ 5,872</u>	<u>\$ 28,477</u>	<u>\$ 22,605</u>

CITY OF HUGHSON
IT RESERVE SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2015

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Expenditures:			
Capital Outlay	\$ 25,000	\$ 3,664	\$ 21,336
Total Expenditures	<u>25,000</u>	<u>3,664</u>	<u>21,336</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(25,000)</u>	<u>(3,664)</u>	<u>21,336</u>
Other Financing Sources (Uses)			
Transfers In	<u>30,000</u>	<u>30,000</u>	
Total Other financing Sources (Uses)	<u>30,000</u>	<u>30,000</u>	
Net Change in Fund Balance	5,000	26,336	21,336
Fund Balance - July 1, 2014	<u>50,856</u>	<u>50,856</u>	
Fund Balance - June 30, 2015	<u><u>\$ 55,856</u></u>	<u><u>\$ 77,192</u></u>	<u><u>\$ 21,336</u></u>

CITY OF HUGHSON
TRANSPORTATION CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2015

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Revenues:			
Interest	\$ 150	\$ -	\$ (150)
Intergovernmental	<u>268,600</u>	<u>176,153</u>	<u>(92,447)</u>
Total Revenues	<u>268,750</u>	<u>176,153</u>	<u>(92,597)</u>
Expenditures:			
Capital Outlay	<u>192,600</u>	<u>179,012</u>	<u>13,588</u>
Total Expenditures	<u>192,600</u>	<u>179,012</u>	<u>13,588</u>
Net Change in Fund Balance	76,150	(2,859)	(79,009)
Fund Balance (Deficit) - July 1, 2014	<u>(292,108)</u>	<u>(292,108)</u>	<u> </u>
Fund Balance (Deficit) - June 30, 2015	<u>\$ (215,958)</u>	<u>\$ (294,967)</u>	<u>\$ (79,009)</u>

CITY OF HUGHSON
MUNICIPAL PARK CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2015

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Revenues:			
Interest	\$ 1,200	\$ 919	\$ (281)
Charges for Services	<u>49,775</u>	<u>108,049</u>	<u>58,274</u>
Total Revenues	<u>50,975</u>	<u>108,968</u>	<u>57,993</u>
Net Change in Fund Balance	50,975	108,968	57,993
Fund Balance - July 1, 2014	<u>445,130</u>	<u>445,130</u>	<u></u>
Fund Balance - June 30, 2015	<u>\$ 496,105</u>	<u>\$ 554,098</u>	<u>\$ 57,993</u>

CITY OF HUGHSON
 PARKS DEVELOPMENT IMPACT FEES CAPITAL PROJECTS FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL
 For the Fiscal Year Ended June 30, 2015

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Revenues:			
Interest	\$ 450	\$ 743	\$ 293
Charges for Services	<u>66,675</u>	<u>147,341</u>	<u>80,666</u>
Total Revenues	<u>67,125</u>	<u>148,084</u>	<u>80,959</u>
Expenditures:			
Capital Outlay	<u>80,000</u>	<u>71,990</u>	<u>8,010</u>
Total Expenditures	<u>80,000</u>	<u>71,990</u>	<u>8,010</u>
Net Change in Fund Balance	(12,875)	76,094	88,969
Fund Balance - July 1, 2014	<u>341,827</u>	<u>341,827</u>	<u></u>
Fund Balance - June 30, 2015	<u>\$ 328,952</u>	<u>\$ 417,921</u>	<u>\$ 88,969</u>

NONMAJOR PROPRIETARY FUNDS

PROPRIETARY FUNDS

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

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

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

CITY OF HUGHSON
NONMAJOR PROPRIETARY FUNDS
COMBINING STATEMENT OF NET POSITION
June 30, 2015

	Enterprise Funds		
	Community Center Operations Fund	USF Community Center Fund	Total Nonmajor Enterprise Funds
Assets			
Current Assets:			
Cash and Investments	\$ 9,727	\$ -	\$ 9,727
Total Current Assets	9,727		9,727
Noncurrent Assets:			
Capital Assets:			
Land	105,073		105,073
Buildings	725,283		725,283
Less:			
Accumulated Depreciation	(398,906)		(398,906)
Total Noncurrent Assets	431,450		431,450
Total Assets	441,177		441,177
Liabilities			
Current Liabilities:			
Accounts Payable		100	100
Deposits Payable	1,637		1,637
Total Liabilities	1,637	100	1,737
Net Position			
Net Investment in Capital Assets	431,450		431,450
Unrestricted	8,090	(100)	7,990
Total Net Position	\$ 439,540	\$ (100)	\$ 439,440

CITY OF HUGHSON
NONMAJOR PROPRIETARY FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Enterprise Funds		Total Nonmajor Enterprise Funds
	Community Center Operations Fund	USF Community Center Fund	
Operating Revenues			
Charges for Services	\$ 14,990	\$ 14,986	\$ 29,976
Total Operating Revenues	<u>14,990</u>	<u>14,986</u>	<u>29,976</u>
Operating Expenses			
Personnel		6,564	6,564
Administrative	21,243	6,967	28,210
Maintenance	765	78	843
Depreciation	24,176		24,176
Total Operating Expenses	<u>46,184</u>	<u>13,609</u>	<u>59,793</u>
Income (Loss) Before Transfers	(31,194)	1,377	(29,817)
Transfers			
Transfers In	<u>7,500</u>		<u>7,500</u>
Changes in Net Position	(23,694)	1,377	(22,317)
Net Position - Beginning of Fiscal Year	<u>463,234</u>	<u>(1,477)</u>	<u>461,757</u>
Net Position - End of Fiscal Year	<u>\$ 439,540</u>	<u>\$ (100)</u>	<u>\$ 439,440</u>

**CITY OF HUGHSON
NONMAJOR PROPRIETARY FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	Enterprise Funds		Total Nonmajor Enterprise Funds
	Community Center Operations Fund	USF Community Center Fund	
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash Received from Users	\$ 15,622	\$ 14,986	\$ 30,608
Cash Payments to Suppliers and Contractors	(26,965)	(7,456)	(34,421)
Cash Payments to Employees		(6,564)	(6,564)
Net Cash Provided (Used) By Operating Activities	<u>(11,343)</u>	<u>966</u>	<u>(10,377)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers in (out)	<u>7,500</u>	<u>(966)</u>	<u>6,534</u>
Net Cash Provided (Used) By Noncapital Financing Activities	<u>7,500</u>	<u>(966)</u>	<u>6,534</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(3,843)		(3,843)
CASH AND CASH EQUIVALENTS, BEGINNING OF FISCAL YEAR	<u>13,570</u>		<u>13,570</u>
CASH AND CASH EQUIVALENTS, END OF FISCAL YEAR	<u>\$ 9,727</u>	<u>\$ -</u>	<u>\$ 9,727</u>
Reconciliation to Statement of Net Positions:			
Cash and Cash Equivalents	<u>\$ 9,727</u>	<u>\$ -</u>	<u>\$ 9,727</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Operating Income (Loss)	<u>\$ (31,194)</u>	<u>\$ 1,377</u>	<u>\$ (29,817)</u>
Adjustment to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	24,176		24,176
Changes in Assets and Liabilities:			
Increase (Decrease) in Accounts Payable	(4,957)	(411)	(5,368)
Increase (Decrease) in Deposits Payable	<u>632</u>		<u>632</u>
Total Adjustments	<u>19,851</u>	<u>(411)</u>	<u>19,440</u>
Net Cash Provided (Used) By Operating Activities	<u>\$ (11,343)</u>	<u>\$ 966</u>	<u>\$ (10,377)</u>

CITY OF HUGHSON
MANAGEMENT REPORT
AND
AUDITOR'S COMMUNICATION LETTER

June 30, 2015

CITY OF HUGHSON
June 30, 2015

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MOSS, LEVY & HARTZHEIM LLP

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January 4, 2016

Members of the City Council
City of Hughson
Hughson, California

In planning and performing our audit of the financial statements of the City of Hughson (City), as of and for the fiscal year ended June 30, 2015, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

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

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies presented in the current year recommendations section as findings 2015-1 through 2015-3 to be significant deficiencies in internal control.

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

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

Moss, Levy & Hartzheim

MOSS, LEVY & HARTZHEIM, LLP
Culver City, CA



MOSS, LEVY & HARTZHEIM LLP

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January 4, 2016

Members of the City Council
City of Hughson
Hughson, California

We have audited the financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining information of the City of Hughson (City) for the fiscal year ended June 30, 2015. Professional standards require that we provide you with the information about our responsibilities under auditing standards generally accepted in the United States of America, *Government Auditing Standards*, and OMB Circular A-133 as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 29, 2015. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City of Hughson are described in Note 1 to the financial statements. As discussed in note 1 to the basic financial statements effective July 1, 2014, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, Statement No. 69, *Government Combinations and Disposals of Government Operations*, and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter.

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

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated January 4, 2016.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

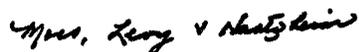
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City of Hughson's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses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

Other Matters

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

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

Very truly yours,



MOSS, LEVY & HARTZHEIM, LLP
Culver City, CA

CURRENT YEAR RECOMMENDATIONS

Significant Deficiencies

2015-1 Finding – Lack of segregation of duties over cash receipts:

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

Effect:

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

Recommendation:

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

Management's response:

The staff for City of Hughson is small. Two employees manage all counter activities (which includes opening the mail). With the help of a supervisor, all things are doubled checked. The supervisor does the bank reconciliations while the two Account Clerks handle cash receipts and deposit preparation. A review of duties is taking place and implementation of a more thorough process will be evaluated.

2015-2 Finding – Two sets of cash receipts utilized:

During the review of internal controls, it was noted that the City did not use the cash receipt generated from the cash register which is integrated with MOM software. Instead, the City issued manual receipts from a separate cash receipt ledger.

Effect:

When two different sets of cash receipts are utilized, there is a lack of an audit trail which is needed to keep track and to reconcile the accuracy of fees collected and a misappropriation of funds could occur and go undetected.

Recommendation:

We recommend that the City ensure that receipts are issued exclusively from the cash register which is integrated with MOM software.

Management's response:

We use the MoM software for receipt issuing most of the time. There are two rare cases that a hand written receipt may be issued:

1. When a building permit is issued and the account numbers have not been assigned. If clerk assigning the numbers is not present, staff accepts builder's check and provides him with a hand written receipt.
2. When a customer signs up and pays for a utility deposit. The utility account must be set up in MoM before issuing a receipt. This takes time and to expedite the process, the customer is given a hand written receipt and the account is set up later.

The purpose of this method is to alleviate the waiting time for customers. All receipts are keyed in to the MoM software system at some point in time.

2015-3 Finding – Lack of segregation of duties over payroll:

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

Effect:

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

Recommendation:

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

Management's response:

Currently, payroll time slips/sheets are verified and approved by Department Heads and Supervisors. These are keyed in to generate payroll by Finance Personnel. A second employee proofs keying in and any changes made to the record. Further enhancements are being made to proof the payroll process. Additionally, only two Finance employees have access to payroll. Two is necessary to provide adequate coverage to do the process. Others (such as the Manager) have access to "view" payroll files.

STATUS OF PRIOR YEAR RECOMMENDATIONS

Significant Deficiencies

2014-1 Finding – Lack of segregation of duties over cash receipts:

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

Effect:

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

Recommendation:

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

Status:

Not implemented, see Finding 2015-1.

2014-2 Finding – Two sets of cash receipts utilized:

During the review of internal controls, it was noted that the City did not use the cash receipt generated from the cash register which is integrated with MOM software. Instead, the City issued manual receipts from a separate cash receipt ledger.

Effect:

When two different sets of cash receipts are utilized, there is a lack of an audit trail which is needed to keep track and to reconcile the accuracy of fees collected and a misappropriation of funds could occur and go undetected.

Recommendation:

We recommend that the City ensure that receipts are issued exclusively from the cash register which is integrated with MOM software.

Status:

Not implemented, see Finding 2015-2.

2014-3 Finding – Lack of segregation of duties over payroll:

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

Effect:

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

Recommendation:

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

Status:

Not implemented, see Finding 2015-3.