

CITY OF HUGHSON
Annual Financial Report
Fiscal Year Ended June 30, 2011

CITY OF HUGHSON
ANNUAL FINANCIAL REPORT
Fiscal Year Ended June 30, 2011

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FINANCIAL SECTION



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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hughson, California (City) as of and for the fiscal year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hughson, California, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable thereof, for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 1 of the notes to basic financial statements effective July 1, 2009, The City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definition*, and Statement No. 59, *Financial Instruments Omnibus*, effective July 1, 2010.

In accordance with Government Auditing Standards, we have also issued a report dated December 31, 2011, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

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

Moss, Levy & Hartzheim

Moss, Levy & Hartzheim, LLP
Culver City, California
December 31, 2011

CITY OF HUGHSON
Statement of Net Assets
June 30, 2011

	Governmental Activities	Business-type Activities	Total
Assets:			
Cash and Investments	\$ 3,748,206	\$ 3,765,540	\$ 7,513,746
Cash and Investments with Fiscal Agent	339,799		339,799
Accounts Receivable	170,400	127,339	297,739
Notes Receivable	1,721,021		1,721,021
Deposits Receivable	71,160		71,160
Interest Receivable	138,474		138,474
Deferred charges - net	159,719		159,719
Capital Assets Not Being Depreciated	12,616,773	41,309,823	53,926,596
Capital Assets, Net of Accumulated Depreciation	16,496,466	15,803,440	32,299,906
Total Assets	<u>35,462,018</u>	<u>61,006,142</u>	<u>96,468,160</u>
Liabilities:			
Accounts Payable	150,242	1,382,960	1,533,202
Interest Payable	35,442	107,601	143,043
Deposits Payable		11,470	11,470
Noncurrent Liabilities:			
Due Within One Year	60,000	957,247	1,017,247
Due in More Than One Year	2,904,714	25,604,122	28,508,836
Total Liabilities	<u>3,150,398</u>	<u>28,063,400</u>	<u>31,213,798</u>
Net Assets:			
Invested in Capital Assets, Net of Related Debt	26,178,239	30,585,602	56,763,841
Restricted for:			
Housing	2,446,333		2,446,333
Debt Service	180,140		180,140
Streets	298,982		298,982
Public Safety	174,666		174,666
Parks	347,639		347,639
Assessment Districts	220,856		220,856
Unrestricted	2,464,765	2,357,140	4,821,905
Total Net Assets	<u>\$ 32,311,620</u>	<u>\$ 32,942,742</u>	<u>\$ 65,254,362</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, 2011

Functions	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 1,375,680	\$ 16,642	\$ -	\$ 540,863
Public Safety	1,073,531	91,346		145,322
Community Development	338,316	303,946		641,189
Public Works	814,376	320,699		32,188
Parks and Recreation	95,596	4,877		
Interest on Long-Term Liabilities	151,066			
Total Governmental Activities	3,848,565	737,510	-	1,359,562
Business-type Activities:				
Water	983,435	1,106,400		611,095
Sewer	1,974,215	2,095,247		
Community Facilities	83,898	32,257		
Total Business-Type Activities	3,041,548	3,233,904		611,095
Total Primary Government	\$ 6,890,113	\$ 3,971,414	\$ -	\$ 1,970,657

General Revenues:

Taxes:

Property Taxes

Sales and Use Taxes

Business License Taxes

Other Taxes

Investment Earnings

Other Revenue

Transfers

Total General Revenues and Transfers

Change in Net Assets

Net Assets - Beginning of Fiscal Year

Net Assets - End of Fiscal Year

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

Net (Expenses) Revenues and Changes in Net Assets

Governmental Activities	Business- Type Activities	Total
\$ (818,175)	\$ -	\$ (818,175)
(836,863)		(836,863)
606,819		606,819
(461,489)		(461,489)
(90,719)		(90,719)
(151,066)		(151,066)
<u>(1,751,493)</u>		<u>(1,751,493)</u>
	734,060	734,060
	121,032	121,032
	(51,641)	(51,641)
	<u>803,451</u>	<u>803,451</u>
<u>(1,751,493)</u>	<u>803,451</u>	<u>(948,042)</u>
664,205		664,205
408,658		408,658
23,932		23,932
71,387		71,387
33,372	60,660	94,032
749,388		749,388
(27,500)	27,500	
<u>1,923,442</u>	<u>88,160</u>	<u>2,011,602</u>
<u>171,949</u>	<u>891,611</u>	<u>1,063,560</u>
32,139,671	32,051,131	64,190,802
<u>\$ 32,311,620</u>	<u>\$ 32,942,742</u>	<u>\$ 65,254,362</u>

CITY OF HUGHSON
Balance Sheet
Governmental Funds
June 30, 2011

	<u>Special Revenue</u>		
	<u>General</u>	<u>Home Loan</u>	<u>Refuse Fund</u>
Assets:			
Cash and Investments	\$ 190,167	\$ 36,726	\$ -
Cash and Investments with Fiscal Agent			
Accounts Receivable	76,521		19,535
Loans Receivable		1,423,710	
Due from Other Funds	611,138		
Deposits	71,160		
Total Assets	<u>\$ 948,986</u>	<u>\$ 1,460,436</u>	<u>\$ 19,535</u>
Liabilities and Fund Balances:			
Liabilities:			
Accounts Payable	\$ 43,722	\$ -	\$ 91,446
Deferred Revenue		1,423,710	
Due to Other Funds			6,425
Total Liabilities	<u>43,722</u>	<u>1,423,710</u>	<u>97,871</u>
Fund Balances:			
Restricted		36,726	
Unassigned	905,264		(78,336)
Total Fund Balances	<u>905,264</u>	<u>36,726</u>	<u>(78,336)</u>
Total Liabilities and Fund Balances	<u>\$ 948,986</u>	<u>\$ 1,460,436</u>	<u>\$ 19,535</u>

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

Debt Service	Capital Projects		
Redevelopment Agency	Redevelopment Agency Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 3,413,466	\$ 3,640,359
339,799			339,799
20,846		53,498	170,400
		297,311	1,721,021
			611,138
			71,160
<u>\$ 360,645</u>	<u>\$ -</u>	<u>\$ 3,764,275</u>	<u>\$ 6,553,877</u>
\$ -	\$ -	\$ 15,074	\$ 150,242
		297,311	1,721,021
	279,741	324,972	611,138
	<u>279,741</u>	<u>637,357</u>	<u>2,482,401</u>
360,645		3,451,890	3,849,261
	(279,741)	(324,972)	222,215
<u>360,645</u>	<u>(279,741)</u>	<u>3,126,918</u>	<u>4,034,578</u>
<u>\$ 360,645</u>	<u>\$ -</u>	<u>\$ 3,764,275</u>	<u>\$ 6,553,877</u>

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CITY OF HUGHSON
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Assets
June 30, 2011

Total fund balances - governmental funds	\$	4,071,476
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In governmental funds, only current assets are reported. In the statement of net assets, all assets are reported, including capital assets and accumulated depreciation.

Capital assets at historical cost	\$	36,279,245	
Accumulated depreciation		(7,166,006)	29,113,239

In governmental funds, certain receivables are not available to pay for current period expenditures and, therefore, are offset by deferred revenue.		1,721,021
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In governmental funds, only current liabilities are reported. In the statement of net assets, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:

Tax allocation bonds payable	\$	2,935,000	
Compensated absences payable		29,714	(2,964,714)

Accrued interest payable from the current portion of interest due on long-term debt has not been reported in the governmental funds.		(35,442)
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Internal service funds are used by management to charge the costs of certain activities, such as self-insurance, to individual funds. The assets and liabilities of the internal service fund must be added to the statement of net assets.		107,847
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The assets and liabilities below are not due and payable in the current period and, therefore, are not reported in the funds:

Deferred charges, net		131,232	
Discount on obtaining bonds, net		28,487	

In governmental funds, certain accrued interest receivables on notes receivable are not available to pay for current period expenditures and, therefore, are not reported in the governmental funds.		138,474
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Total net assets - governmental activities	\$	32,311,620
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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, 2011

		<u>Special Revenue</u>	
	<u>General</u>	<u>Home Loan Fund</u>	<u>Refuse Fund</u>
Revenues			
Property Taxes	\$ 177,073	\$ -	\$ -
Sales and Use Taxes	408,658		
Business License Taxes	23,932		
Other Taxes	71,387		
Licenses and Permits	76,567		
Fines and Forfeitures	145,176		
Interest	3,197	103	-
Charges for Services	38,718		421,871
Intergovernmental	493,962	770	
Special Assessments			
Other	367,737		
Total Revenues	<u>1,806,407</u>	<u>873</u>	<u>421,871</u>
Expenditures			
Current			
General Government	488,440		405,118
Public Safety	825,121		
Public Works	454,584		
Parks and Recreation	84,142		
Community Development		770	
Capital Outlay			
Debt Service			
Principal			
Interest and Fiscal Charges			
Total Expenditures	<u>1,852,287</u>	<u>770</u>	<u>405,118</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(45,880)</u>	<u>103</u>	<u>16,753</u>
Other Financing Sources (Uses):			
Transfers In	217,365		
Transfers Out	(167,280)		
Total Other Financing Sources (Uses)	<u>50,085</u>		
Net Change in Fund Balances	<u>4,205</u>	<u>103</u>	<u>16,753</u>
Fund Balances (Deficits) - July 1, 2010	901,059	36,623	(95,089)
Fund Balances (Deficits) - June 30, 2011	<u>\$ 905,264</u>	<u>\$ 36,726</u>	<u>\$ (78,336)</u>

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

<u>Debt Service</u>	<u>Capital Projects</u>		
<u>Redevelopment Agency</u>	<u>Redevelopment Agency Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 389,704	\$ -	\$ 97,428	\$ 664,205
			408,658
			23,932
			71,387
			76,567
			145,176
1,498	7	14,126	18,931
		273,353	733,942
		864,830	1,359,562
		147,418	147,418
		12,490	380,227
<u>391,202</u>	<u>7</u>	<u>1,409,645</u>	<u>4,030,005</u>
82,463	35,900	95,690	1,107,611
		134,671	959,792
		246,052	700,636
			84,142
	225,759		226,529
	-	488,739	488,739
48,000		12,000	60,000
116,265		29,066	145,331
<u>246,728</u>	<u>261,659</u>	<u>1,006,218</u>	<u>3,772,780</u>
<u>144,474</u>	<u>(261,652)</u>	<u>403,427</u>	<u>257,225</u>
		374,234	591,599
	(26,625)	(425,194)	(619,099)
	(26,625)	(50,960)	(27,500)
<u>144,474</u>	<u>(288,277)</u>	<u>352,467</u>	<u>229,725</u>
216,171	8,536	2,774,451	3,841,751
<u>\$ 360,645</u>	<u>\$ (279,741)</u>	<u>\$ 3,126,918</u>	<u>\$ 4,071,476</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, 2011

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

Net change in fund balance-total governmental funds	\$	229,725
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those capital assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.

Capital outlay	\$	413,978	
Depreciation expense		<u>(538,498)</u>	(124,520)

Certain notes receivable are reported in the governmental funds as expenditures and then offset by a deferred revenue as they are not available to pay current expenditures. Likewise, when the note is collected it is reflected in revenue. This is the net change between notes receivable collected and issued.	(48,481)
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The issuance of long-term debt provides current financial resources to governmental funds, while repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Issuance of bond principal is an other financing source and repayment of bond principal is an expenditure in governmental funds, but the issuance increases long-term liabilities and the repayment reduces long-term liabilities in the statement of net assets.

Tax allocation bonds - principal payment	60,000
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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.	62,950
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Accrued interest is interest due on long-term debt payable. This is the net change in accrued interest for the current period.	590
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Internal service funds are used by management to charge the costs of certain activities, such as self-insurance, to individual funds. The net revenues (expenses) of the internal service funds are reported with governmental activities.	(16,431)
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The amounts below, included in the Statement of Activities do not provide or require the use of current financial resources and, therefore, are not reported as revenue or expenditures in the governmental funds (net change):

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

Certain accrued interest revenue of notes receivable reported in the statement of activities are not available to pay for current period expenditures, and therefore, are not reported as revenues in a governmental fund. This is the net change in interest receivable for the current period.	<u>14,441</u>
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Change in net assets of governmental activities	\$	<u>171,949</u>
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The notes to the financial statements are an integral part of this statement.

CITY OF HUGHSON
Statement of Net Assets
Proprietary Funds
June 30, 2011

	Business-type Activities-Enterprise Funds				Governmental Activities
	Sewer Fund	Water Fund	Nonmajor Enterprise Funds	Total	Internal Service Fund
Assets					
Current Assets:					
Cash and Investments	\$ 3,760,914	\$ -	\$ 4,626	\$ 3,765,540	\$ 107,847
Accounts Receivable	51,844	75,495		127,339	
Due From Other Funds	1,449,724		2,143	1,451,867	
Total Current Assets	<u>5,262,482</u>	<u>75,495</u>	<u>6,769</u>	<u>5,344,746</u>	<u>107,847</u>
Noncurrent Assets:					
Capital Assets:					
Land	14,970,464	2,928,159	105,073	18,003,696	
Buildings	560,581	2,127,666	725,283	3,413,530	
Machinery and Equipment	525,610	21,510		547,120	
Improvements Other Than Buildings	17,344,111	9,955,861		27,299,972	
Construction In Progress	19,694,995	3,611,132		23,306,127	
Less:					
Accumulated Depreciation	(10,181,300)	(4,973,680)	(302,202)	(15,457,182)	
Total Noncurrent Assets	<u>42,914,461</u>	<u>13,670,648</u>	<u>528,154</u>	<u>57,113,263</u>	
Total Assets	<u>48,176,943</u>	<u>13,746,143</u>	<u>534,923</u>	<u>62,458,009</u>	<u>107,847</u>
Liabilities					
Current Liabilities:					
Accounts Payable	1,360,897	19,391	2,672	1,382,960	
Interest Payable	79,518	28,083		107,601	
Due to Other Funds		1,449,724	2,143	1,451,867	
Deposits Payable			11,470	11,470	
Total Current Liabilities	<u>1,440,415</u>	<u>1,497,198</u>	<u>16,285</u>	<u>2,953,898</u>	
Noncurrent Liabilities:					
Compensated Absences	22,293	11,415		33,708	
Due within one year	353,575			353,575	
Due in more than one year	23,759,418	2,414,668		26,174,086	
Total Noncurrent Liabilities	<u>24,135,286</u>	<u>2,426,083</u>		<u>26,561,369</u>	
Total Liabilities	<u>25,575,701</u>	<u>3,923,281</u>	<u>16,285</u>	<u>29,515,267</u>	
Net Assets (Deficit)					
Invested in Capital Assets, Net of Related Debt	18,801,468	11,255,980	528,154	30,585,602	
Unrestricted	3,799,774	(1,433,118)	(9,516)	2,357,140	107,847
Total Net Assets	<u>\$ 22,601,242</u>	<u>\$ 9,822,862</u>	<u>\$ 518,638</u>	<u>\$ 32,942,742</u>	<u>\$ 107,847</u>

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

CITY OF HUGHSON
Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Funds
For the Fiscal Year Ended June 30, 2011

	Business-type Activities - Enterprise funds				Governmental Activities
	Sewer Fund	Water Fund	Nonmajor Enterprise Funds	Total	Internal Service Fund
Operating Revenues:					
Charges for Services	\$ 2,095,247	\$ 1,106,400	\$ 32,257	\$ 3,233,904	\$ 3,569
Total Operating Revenues	<u>2,095,247</u>	<u>1,106,400</u>	<u>32,257</u>	<u>3,233,904</u>	<u>3,569</u>
Operating Expenses:					
Personnel	459,831	271,802	23,884	755,517	
Administrative	244,888	159,975	29,571	434,434	20,000
Materials and Supplies	195,284	101,296		296,580	
Maintenance	264,924	150,872	6,267	422,063	
Depreciation	444,836	185,482	24,176	654,494	
Total Operating Expenses	<u>1,609,763</u>	<u>869,427</u>	<u>83,898</u>	<u>2,563,088</u>	<u>20,000</u>
Operating Income (loss)	<u>485,484</u>	<u>236,973</u>	<u>(51,641)</u>	<u>670,816</u>	<u>(16,431)</u>
Non-operating Revenues (Expenses):					
Interest Revenue	60,490	125	45	60,660	
Interest Expense	(364,452)	(114,008)		(478,460)	
Intergovernmental Revenue		611,095		611,095	
Total Non-Operating Revenue (Expenses)	<u>(303,962)</u>	<u>497,212</u>	<u>45</u>	<u>193,295</u>	
Income (Loss) before transfers	181,522	734,185	(51,596)	864,111	(16,431)
Transfers					
Transfer In	444,836	185,482	30,000	660,318	
Transfer Out	<u>(444,836)</u>	<u>(185,482)</u>	<u>(2,500)</u>	<u>(632,818)</u>	
Change in Net Assets	<u>181,522</u>	<u>734,185</u>	<u>(24,096)</u>	<u>891,611</u>	<u>(16,431)</u>
Net Assets - Beginning of Fiscal Year	22,419,720	9,088,677	542,734	32,051,131	124,278
Net Assets - End of Fiscal Year	<u>\$ 22,601,242</u>	<u>\$ 9,822,862</u>	<u>\$ 518,638</u>	<u>\$ 32,942,742</u>	<u>\$ 107,847</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, 2011

	Business-type Activities - Enterprise Funds				Governmental Activities Internal Service Fund
	Sewer Fund	Water Fund	Nonmajor Enterprise Funds	Totals	
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash Received from Users	\$ 2,717,358	\$ 2,315,618	\$ 30,245	\$ 5,063,221	\$ 3,568
Cash Payments to Suppliers and Contractors	(930,633)	(1,187,654)	(34,029)	(2,152,316)	(40,658)
Cash Payments to Employees	(478,426)	(280,298)	(27,801)	(786,525)	
Net Cash Provided (Used) By Operating Activities	1,308,299	847,666	(31,585)	2,124,380	(37,090)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Transfers in			27,500	27,500	
Intergovernmental					
Interfund Borrowing	(382,947)	382,947			
Net Cash Provided (Used) By Noncapital Financing Activities	(382,947)	382,947	27,500	27,500	
CASH FLOWS FROM INVESTING ACTIVITIES:					
Interest Received	60,490	125	45	60,660	
Net Cash Provided (Used) in Investing Activities	60,490	125	45	60,660	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Intergovernmental		611,095		611,095	
Proceeds from Debt Borrowings	10,982,593			10,982,593	
Principal Payments on Debt Borrowings	(289,747)	(97,998)		(387,745)	
Interest Paid	(381,408)	(115,154)		(496,562)	
Acquisition of Property, Plant, and Equipment	(10,553,104)	(1,628,681)		(12,181,785)	
Net Cash Provided (Used) In Capital and Related Financing Activities	(241,666)	(1,230,738)		(1,472,404)	
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	744,176		(4,040)	740,136	(37,090)
CASH AND CASH EQUIVALENTS, BEGINNING OF FISCAL YEAR	3,016,738		8,666	3,025,404	144,937
CASH AND CASH EQUIVALENTS, END OF FISCAL YEAR	\$ 3,760,914	\$ -	\$ 4,626	\$ 3,765,540	\$ 107,847
Reconciliation to Statement of Net Assets:					
Cash and Investments	\$ 3,760,914	\$ -	\$ 4,626	\$ 3,765,540	\$ 107,847
	<u>\$ 3,760,914</u>	<u>\$ -</u>	<u>\$ 4,626</u>	<u>\$ 3,765,540</u>	<u>\$ 107,847</u>
CASH FLOWS FROM OPERATING ACTIVITIES:					
Operating Income (Loss)	\$ 485,484	\$ 236,973	\$ (51,641)	\$ 670,816	\$ (16,431)
Adjustment to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Depreciation Expense	444,836	185,482	24,176	654,494	
Changes in Assets and Liabilities:					
(Increase) Decrease in Accounts Receivable	622,111	1,209,218		1,831,329	(1)
Increase (Decrease) in Accounts Payable	(225,537)	(775,511)	1,808	(999,240)	(20,658)
Increase (Decrease) in Deposits Payable			(2,012)	(2,012)	
Increase (Decrease) in Compensated Absences	(18,595)	(8,496)	(3,916)	(31,007)	
Total Adjustments	822,815	610,693	20,056	1,453,564	(20,659)
Net Cash Provided (Used) By Operating Activities	<u>\$ 1,308,299</u>	<u>\$ 847,666</u>	<u>\$ (31,585)</u>	<u>\$ 2,124,380</u>	<u>\$ (37,090)</u>

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

CITY OF HUGHSON
Statement of Fiduciary Assets and Liabilities
Fiduciary Fund
June 30, 2011

	<u>Agency Fund</u>
Assets:	
Cash and Investments	<u>\$ 26,560</u>
Total Assets	<u><u>\$ 26,560</u></u>
Liabilities:	
Deposits Payable	<u>\$ 26,560</u>
Total Liabilities	<u><u>\$ 26,560</u></u>

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

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NOTES TO BASIC FINANCIAL STATEMENTS

CITY OF HUGHSON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

Blended Component Unit

The Hughson Redevelopment Agency (Agency) was activated by the City in January 2002, by Ordinance No. 01-11 pursuant to Community Redevelopment Law of the State of California to conduct economic development and other redevelopment activities in order to eliminate blight in the project area designated by its Board. The Agency is controlled by the City and has the same governing board as the City, which also performs all accounting and administrative functions for the Agency. The financial activities of the Agency have been aggregated and merged (termed "blending") with those of the City. Complete financial statements of the Hughson Redevelopment Agency can be obtained from: City of Hughson, 7018 Pine Street, P.O. Box 9, Hughson, CA 95326.

B. Basis of Presentation

Government-wide Financial Statements

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

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

CITY OF HUGHSON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation (Continued)

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

Fund Financial Statements

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

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

The City reports five major governmental funds:

- The *General Fund* is used to account for all revenues and expenditures necessary to carry out basic governmental activities of the City that are not accounted for through other funds. For the City, the General Fund includes activities such as public protection, public works and facilities, parks and recreation, and community development.
- The *Home Loan Special Revenue Fund* was established to account for all proceeds of grant revenues from the federal government under the First Time Home Buyer federal grant program and from the State of California's CalHome grant program. The expenditures relate to payments made to eligible recipients for buying homes subject to fulfillment of conditions.
- The *Refuse Special Revenue Fund* was established to account for monies collected on behalf of a franchise garbage collection company.
- The *Redevelopment Agency Debt Service Fund* was established to account for the accumulation of resources for, and the payment of, long-term debt principal and interest.
- The *Redevelopment Agency Capital Projects Fund* was established to undertake projects aimed at eliminating blight within the redevelopment project area. The Agency Board has identified a particular geographic area within the City of Hughson as comprising the project area. In addition to tax increment financing, the City also advances funds for certain capital projects within the project area.

The City reports the following two major enterprise funds:

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

CITY OF HUGHSON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation (Continued)

The City reports the following additional fund types:

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

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

C. Basis of Accounting and Measurement Focus

The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property and sales taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from sales tax are recognized when the underlying transactions take place. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligible requirements have been satisfied.

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

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

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

CITY OF HUGHSON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting and Measurement Focus (Continued)

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

D. Assets, Liabilities, and Equity

1. Deposits and Investments

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

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

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

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

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

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

CITY OF HUGHSON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011

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. Restricted Assets

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

5. Capital Assets

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

CITY OF HUGHSON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Equity (Continued)

5. Capital Assets (Continued)

Depreciation is charged to operations using the straight-line method over the estimated useful lives of the assets as follows:

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

6. Compensated Absences

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

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

7. Long-term Obligations

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

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

CITY OF HUGHSON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Equity (Continued)

8. Net Assets

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

9. Use of Estimates

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

10. New Accounting Pronouncements

The Agency has implemented the requirements of GASB Statement No. 54 and No. 59 during the fiscal year ended June 30, 2011.

Governmental Accounting Standards Board Statement No. 54

For the fiscal year ended June 30, 2011, the Agency implemented Governmental Accounting Standards Board Statement No. 54 (GASB 54), "*Fund Balance Reporting and Governmental Fund Type Definitions*," The requirements of this statement are effective for financial statement periods beginning after June 15, 2010. GASB 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied, and is clarifies the existing governmental fund type definitions. It establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. These classifications are described in the Fund Equity section of this footnote.

Governmental Accounting Standards Board Statement No. 59

For the fiscal year ended June 30, 2011, the Agency implemented GASB Statement No. 59, "*Financial Instrument Omnibus*". This Statement establishes standards to update and improve existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. The implementation of this Statement did not have an effect on these financial statements.

CITY OF HUGHSON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Equity (Continued)

11. Fund Balance

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

- Nonspendable fund balance – amounts that cannot be spent because they are either (a) not spendable in form or (b) legally or contractually required to be maintained intact.
- Restricted fund balance – amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
- Committed fund balance – amounts that can only be used for specific purposes determined by formal action of the City's highest level of decision-making authority (the City Council) and that remain binding unless removed in the same manner. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.
- Assigned fund balance – amounts that are constrained by the City's intent to be used for specific purposes. The intent can be established at either the highest level of decision making, or by a body or an official designated for that purpose.
- Unassigned fund balance – the residual classification for the City's funds that include amounts not contained in the other classifications.

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

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

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

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

CITY OF HUGHSON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011

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

A. Budgetary Information (Continued)

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

B. Budget/USGAAP Reconciliation

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

C. Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2011, expenditures exceeded appropriations in the following funds:

Fund	Final Appropriation	Expenditures	Excess
<u>Major Funds:</u>			
Home Loan Special Revenue Fund	\$ -	\$ 700	\$ 700
Refuse Special Revenue Fund	338,580	405,118	66,538
RDA Debt Service Fund	166,265	246,728	80,463
<u>Nonmajor Funds:</u>			
CLEEP Special Revenue Fund		201	201
Transportation Capital Projects Fund	88,104	226,964	138,860

D. Deficit Fund Equity

At June 30, 2011, the following funds had an accumulated deficit:

Fund	Amount
<u>Major Fund:</u>	
Refuse Special Revenue Fund	\$ 78,336
RDA Capital Projects Fund	279,741
<u>Nonmajor Funds:</u>	
Misc. Grants Special Revenue Fund	36,898
Transportation Capital Projects Fund	288,074

CITY OF HUGHSON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 3 – CASH AND INVESTMENTS

Cash and investments as of June 30, 2011 are classified in the accompanying financial statements as follows:

Statement of net assets:		
Cash and investments	\$	7,513,746
Cash and investments with fiscal agents		339,799
Fiduciary fund:		
Cash and investments		26,560
Total cash and investments	\$	<u>7,880,105</u>

Cash and investments as of June 30, 2011 consist of the following:

Cash on hand	\$	300
Deposits with financial institutions		426,599
Investments		<u>7,453,206</u>
Total cash and investments	\$	<u>7,880,105</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.

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

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

CITY OF HUGHSON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011

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)	\$ 77,882	\$ 77,882	\$ -	\$ -	\$ -
Money Market Funds	4,179,830	4,179,830			
Certificates of Deposit	2,855,695	2,855,695			
Held by Bond Trustees:					
Money Market Funds	339,799	339,799			
	<u>\$ 7,453,206</u>	<u>\$ 7,453,206</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF HUGHSON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 3 – CASH AND INVESTMENTS (Continued)

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

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

E. Disclosures Relating to Credit Risk

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

Investment Type	Amount	Minimum Legal Rating	Exempt From Disclosure	Rating as of Fiscal Year End			
				AAA	AA	A	Not Rated
State Investment Pool	\$ 77,882	N/A	\$ -	\$ -	\$ -	\$ -	\$ 77,882
Money Market Funds	4,179,830	N/A					4,179,830
Certificates of Deposit	2,855,695	N/A					2,855,695
Held by Bond Trustee:							
Money Market Funds	339,799	A		339,799			
Total	<u>\$ 7,453,206</u>		<u>\$ -</u>	<u>\$ 339,799</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,113,407</u>

F. Concentration of Credit Risk

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

G. Custodial Credit Risk

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

CITY OF HUGHSON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011

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, 2011.

Receivable Fund	Amount	Payable Fund	Amount
Major Governmental Fund:		Major Enterprise Fund:	
General	\$ 611,138	Water	\$ 1,449,724
Major Enterprise Fund:		Major Governmental Funds:	
Sewer	1,449,724	Refuse Special Revenue Fund	6,425
Nonmajor Enterprise Fund:		RDA Capital Projects Fund	279,741
USF Community Center Fund	2,143	Nonmajor Governmental Funds:	
Totals	<u>\$ 2,063,005</u>	Misc. Grants Special Revenue Fund	36,898
		Transportation Capital Projects Fund	288,074
		Nonmajor Enterprise Fund:	
		Community Center Operations Fund	2,143
		Totals	<u>\$ 2,063,005</u>

B. Transfers between Funds

Transfers are indicative of funding for capital projects, lease payments or debt service, subsidies of various City operations, re-allocations of special revenues, and debt service transfers to pay principal and interest payments on bonds. All inter-fund transfers between individual government funds have been eliminated on the government-wide statements. The following schedule briefly summarizes the City's transfer activity for the fiscal year ended June 30, 2011:

Fund	Transfers-in	Transfers-out
Major Governmental Funds:		
General	\$ 217,365	\$ 167,280
Redevelopment Agency Capital Projects		26,625
Major Enterprise Funds:		
Water	185,482	185,482
Sewer	444,836	444,836
Nonmajor Governmental Funds:		
Solid Waste Special Revenue Fund		19,095
Parks Development Impact Fees Capital Projects Fund	232,000	
Public Facilities Capital Projects Fund	37,200	
Public Safety Augmentation Special Revenue Fund		22,718
Equipment Replacement Special Revenue Fund		25,682
Benefit Assessment Special Revenue Fund		17,594
Lighting and Landscaping Special Revenue Fund		23,843
Misc. Grants Special Revenue Fund		269,200
RDA Housing Special Revenue Fund	37,250	4,438
Traffic Special Revenue Fund		11,600
SLESF Special Revenue Fund		1,024
Vehicle Abatement Special Revenue Fund	67,784	
Gas Tax Special Revenue Fund		30,000
Nonmajor Enterprise Funds:		
Community Center Operations Fund	30,000	
USF Community Center Fund		2,500
Totals	<u>\$ 1,251,917</u>	<u>\$ 1,251,917</u>

CITY OF HUGHSON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 5 – CAPITAL ASSETS

Capital Assets activity for the fiscal year ended June 30, 2011 was as follows:

	Balance at July 1, 2010	Additions	Deletions	Prior Period Adjustment	Balance at June 30, 2011
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 9,678,610	\$ -	\$ -	\$ -	\$ 9,678,610
Right of way	2,777,617				2,777,617
Construction in progress	160,546				160,546
Total capital assets, not being depreciated	<u>12,616,773</u>				<u>12,616,773</u>
Capital assets, being depreciated:					
Buildings	1,000,677	220,119			1,220,796
Improvements	8,190,222				8,190,222
Equipment	321,726				321,726
Machinery	241,902				241,902
Rolling stock	530,299				530,299
Infrastructure	12,963,668	193,859			13,157,527
Total capital assets being depreciated	<u>23,248,493</u>	<u>413,978</u>			<u>23,662,472</u>
Less accumulated depreciation for:					
Buildings	(487,778)	(24,747)			(512,525)
Improvements	(2,937,276)	(185,022)			(3,122,298)
Equipment	(298,894)	(49,292)			(348,186)
Machinery	(140,752)	(20,934)			(161,686)
Rolling stock	(450,640)	(56,908)			(507,548)
Infrastructure	(2,312,168)	(201,595)			(2,513,763)
Total accumulated depreciation	<u>(6,627,508)</u>	<u>(538,498)</u>			<u>(7,166,006)</u>
Total capital assets, being depreciated, net	<u>16,620,985</u>	<u>(124,520)</u>			<u>16,496,466</u>
Governmental activities capital assets, net	<u>\$ 29,237,758</u>	<u>\$ (124,520)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29,113,239</u>
Business-type activities:					
Capital assets, not being depreciated:					
Land	\$ 18,003,696	\$ -	\$ -	\$ -	\$ 18,003,696
Construction in progress	11,124,342	12,181,785			23,306,127
Total capital assets, not being depreciated	<u>29,128,038</u>	<u>12,181,785</u>			<u>41,309,823</u>
Capital assets, being depreciated:					
Buildings	3,413,530				3,413,530
Improvements	27,321,481				27,321,481
Equipment	157,040				157,040
Machinery	235,695				235,695
Rolling stock	132,876				132,876
Total capital assets, being depreciated	<u>31,260,622</u>				<u>31,260,622</u>
Less accumulated depreciation for:					
Buildings	(948,628)	(103,785)			(1,052,413)
Improvements	(13,474,762)	(502,808)			(13,977,570)
Equipment	(111,473)	(13,805)			(125,278)
Machinery	(189,986)	(9,564)			(199,550)
Rolling stock	(77,839)	(24,532)			(102,371)
Total accumulated depreciation	<u>(14,802,688)</u>	<u>(654,494)</u>			<u>(15,457,182)</u>
Total capital assets, being depreciated, net	<u>16,457,934</u>	<u>(654,494)</u>			<u>15,803,440</u>
Business-type activities capital assets, net	<u>\$ 45,585,972</u>	<u>\$ 11,527,291</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 57,113,263</u>

CITY OF HUGHSON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 5 – CAPITAL ASSETS (Continued)

Depreciation

Depreciation expense was charged to governmental functions as follows:

General Government	\$ 311,019
Public Safety	113,739
Public Works	<u>113,740</u>
Total depreciation expense – governmental functions	<u>\$ 538,498</u>

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

Sewer	\$ 444,836
Water	185,482
Community Facilities	<u>24,176</u>
Total depreciation expense – business-type functions	<u>\$ 654,494</u>

NOTE 6 – NOTES RECEIVABLE

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

NOTE 7 – LONG-TERM LIABILITIES

The following is a schedule of long-term liabilities for Governmental Activities and Business-type Activities for the fiscal year ended June 30, 2011:

	Balance at July 1, 2010	Additions	Repayments	Balance at June 30, 2011	Due Within One Year
Governmental Activities:					
Compensated absences	\$ 92,664	\$ -	\$ (62,950)	\$ 29,714	\$ -
Tax allocation bonds payable	2,995,000		(60,000)	2,935,000	60,000
Total	<u>\$ 3,087,664</u>	<u>\$ -</u>	<u>\$ (122,950)</u>	<u>\$ 2,964,714</u>	<u>\$ 60,000</u>
Business-type Activities:					
Compensated absences	\$ 64,716	\$ -	\$ (31,008)	\$ 33,708	\$ -
USDA Promissory Note	434,000		(8,000)	426,000	8,000
Installment note payable - Water	2,078,666		(89,998)	1,988,668	94,231
Installment note payable - Sewer	6,298,631		(240,151)	6,058,480	250,344
Capital Lease	49,596		(49,596)		
CSWRCB Revolving Loan	7,071,920	10,982,593		18,054,513	604,672
Total	<u>\$ 15,997,529</u>	<u>\$ 10,982,593</u>	<u>\$ (418,753)</u>	<u>\$ 26,561,369</u>	<u>\$ 957,247</u>

CITY OF HUGHSON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 7 – LONG-TERM LIABILITIES (Continued)

1. Governmental Activities – 2006 Tax Allocation Bonds Payable

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

The bonds are secured by a pledge of the tax increment revenues, other than those deposited in the low and moderate income set-aside fund, for the Agency's project area. These revenues have been pledged until the year 2037. Interest and principal paid on the bonds for the fiscal year ended June 30, 2011, was \$147,631 and \$60,000 respectively. The principal balance outstanding at June 30, 2011 was \$2,935,000.

The remaining annual debt service requirements on the bond as of June 30, 2011 are as follows:

Fiscal Year Ended June 30,	2006 Tax Allocation Bond		
	Principal	Interest	Total
2012	\$ 60,000	\$ 142,930	\$ 202,930
2013	60,000	140,456	200,456
2014	65,000	137,760	202,760
2015	70,000	134,763	204,763
2016	70,000	131,613	201,613
2017-2021	405,000	604,743	1,009,743
2022-2026	520,000	493,079	1,013,079
2027-2031	655,000	346,775	1,001,775
2032-2036	835,000	160,448	995,448
2037	195,000	4,972	199,972
	<u>\$ 2,935,000</u>	<u>\$ 2,297,539</u>	<u>\$ 5,232,539</u>

2. Business -type Activities - USDA Rural Development Promissory Note

In 1998, the City executed a promissory note with the United States Department of Agriculture with the proceeds to be used for water system development. The note bears interest at 4.5%, with interest and principal (varying from \$4,500 to \$28,000) payable semi-annually beginning April 1, 1998 and continuing until April 1, 2037. Annual debt service requirements for the USDA Rural Development Promissory Note are shown below:

Fiscal Year Ended June 30,	USDA Rural Development Promissory Note		
	Principal	Interest	Total
2012	\$ 8,000	\$ 19,170	\$ 27,170
2013	9,000	18,810	27,810
2014	9,000	18,406	27,406
2015	10,000	18,000	28,000
2016	10,000	17,550	27,550
2017-2021	59,000	80,416	139,416
2022-2026	75,000	65,748	140,748
2027-2031	95,000	47,252	142,252
2032-2036	123,000	23,094	146,094
2037	28,000	1,660	29,660
	<u>\$ 426,000</u>	<u>\$ 310,106</u>	<u>\$ 736,106</u>

CITY OF HUGHSON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 7 – LONG-TERM LIABILITIES (Continued)

3. Business -type Activities – Installment Notes Payable

On February 27, 2006 the City executed an installment note agreement with Municipal Finance Corporation for the acquisition and construction of a 750,000 gallon water storage tank to meet fire flow requirements. The note bears interest at 4.7%, with principal payments varying from \$37,010 to \$90,702, payable semi-annually beginning September 29, 2006, and continuing until March 29, 2026. The balance outstanding at June 30, 2011 is \$1,988,668.

On March 7, 2008, the City executed an installment note agreement with Municipal Finance Corporation for the acquisition and construction for a wastewater treatment plant in the amount of \$6,750,000. The note bears interest at 4.2%, with principal payments varying from \$126,472 to \$245,934, payable semi-annually beginning September 7, 2008, and continuing until March 7, 2028. The balance outstanding at June 30, 2011 is \$6,058,480.

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

Fiscal Year Ended June 30,	Installment Notes Payable - Water		
	Principal	Interest	Total
2012	\$ 94,231	\$ 91,390	\$ 185,621
2013	98,664	86,957	185,621
2014	103,305	82,317	185,622
2015	108,165	77,457	185,622
2016	113,253	72,369	185,622
2017-2021	651,370	276,737	928,107
2022-2026	819,680	108,429	928,109
	<u>\$ 1,988,668</u>	<u>\$ 795,656</u>	<u>\$ 2,784,324</u>

Fiscal Year Ended June 30,	Installment Notes Payable - Sewer		
	Principal	Interest	Total
2012	\$ 250,344	\$ 251,855	\$ 502,199
2013	260,968	241,230	502,198
2014	272,045	230,155	502,200
2015	283,590	218,609	502,199
2016	295,626	206,572	502,198
2017-2021	1,677,324	833,668	2,510,992
2022-2026	2,064,782	446,210	2,510,992
2027-2028	953,801	50,595	1,004,396
	<u>\$ 6,058,480</u>	<u>\$ 2,478,894</u>	<u>\$ 8,537,374</u>

CITY OF HUGHSON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 7 – LONG-TERM LIABILITIES (Continued)

4. Business -type Activities – Capital Lease

In 2007, the City entered into a capital lease agreement with Vactor Manufacturing, Inc. to purchase a sewer vacuum truck. The capital lease bears interest at 5.3%, with interest and principal, payable annually beginning July 1, 2006 and continuing until July 1, 2010. This capital lease has been paid off as of June 30, 2011.

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

On September 10, 2009, the City entered into a project finance agreement with the California State Water Resource Control Board (Water Control Board). Through the use of ARRA funds, the Water Control Board provided funding assistance in the amount of \$23,100,000 for the rehabilitation and upgrade of the wastewater treatment plant. The City must repay the project funds at an interest rate of 1% per annum. The term of the agreement is June 16, 2009, to June 7, 2031. To date, \$18,054,513 of the loan has been drawn down.

6. Compensated Absences

The City's policy relating to compensated absences is described in Note (1). Compensated absences are liquidated primarily by the general fund and proprietary funds. The total amount outstanding at June 30, 2011, was \$29,714 for governmental activities and \$33,708 for business-type activities.

NOTE 8 – RISK MANAGEMENT

Central San Joaquin Valley Risk Management Authority

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

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

CITY OF HUGHSON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 8 – RISK MANAGEMENT (Continued)

Central San Joaquin Valley Risk Management Authority (Continued)

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

NOTE 9 – PROPRIETARY FUNDS INFORMATION

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

NOTE 10 – CONTINGENT LIABILITIES

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

SERAF Contingency

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

ERAF Contribution

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

SERAF Contributions

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

CITY OF HUGHSON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 10 – CONTINGENT LIABILITIES (CONTINUED)

ERAF Contribution (Continued)

The Agency's SERAF contributions are \$35,900 for the fiscal year 2010-2011 and estimated to be \$220,771 for 2011-2012. It is the position of Agency officials that the SERAF contributions required by AB 26x4 are unconstitutional, and that the Agency is not obligated to make these contributions, however, the Agency has made the contribution for 2010-2011.

NOTE 11 – OTHER POST EMPLOYMENT BENEFITS

The City does not offer any other post employment benefits.

NOTE 12 – DEFINED BENEFIT PENSION PLANS

Public Employees Retirement System (PERS)

Plan Description and Funding Policy

Substantially all full-time City employees are eligible to participate in pension plans offered by California Public Employee Retirement System (CalPERS), a cost-sharing multiple-employer defined benefit pension plan which acts as a common investment and administrative agent for its participating member employers. CalPERS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. The City's employees participate in the separate Safety (police and fire) and Miscellaneous (all other) Employee Plans. There are currently no active employees enrolled in the Safety Plan. Benefit provisions under both plans are established by State statute and City resolution. Benefits are based on years of credited service, equal to one year of full time employment. Funding contributions for both plans are determined annually on an actuarial basis as of June 30 by CalPERS; the City must contribute these amounts. The current required contribution rate is 13.932% for the miscellaneous plan.

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

Annual Pension Cost

For the fiscal year 2010/2011, the City's annual pension cost of \$129,564 for PERS was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2007, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses), (b) overall payroll growth of 3.25% compounded annually; and (c) an inflation rate of 3.0% compounded annually. The actuarial value of PERS was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three-year period (smoothed market value). PERS unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2009, was 21 year for miscellaneous.

CITY OF HUGHSON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 12 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

Public Employees Retirement System (PERS) (Continued)

Annual Pension Cost (Continued)

Three-Year Trend Information for Miscellaneous Plan

<u>Fiscal Year</u> <u>Ending</u>	<u>Annual Pension Cost</u> <u>(APC)</u>	<u>Percentage of APC</u> <u>Contributed</u>	<u>Net Pension Obligation</u>
06/30/09	\$ 169,338	100%	\$ -
06/30/10	157,966	100%	-
06/30/11	129,564	100%	-

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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, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
Revenues				
Property Taxes	\$ 304,100	\$ 304,100	\$ 177,073	\$ (127,027)
Sales and Use Taxes	394,000	394,000	408,658	14,658
Business License Taxes	23,000	23,000	23,932	932
Other Taxes	123,000	123,000	71,387	(51,613)
Licenses and Permits	54,500	54,500	76,567	22,067
Fines and Forfeitures	103,700	103,700	145,176	41,476
Interest	4,000	4,000	3,197	(803)
Charges for Services	48,800	48,800	38,718	(10,082)
Intergovernmental	468,000	468,000	493,962	25,962
Other	362,000	362,000	367,737	5,737
Total Revenues	<u>1,885,100</u>	<u>1,885,100</u>	<u>1,806,407</u>	<u>(78,693)</u>
Expenditures				
Current				
General Government	586,435	586,435	488,440	97,995
Public Safety	899,557	899,557	825,121	74,436
Public Works	406,854	406,854	454,584	(47,730)
Parks and Recreation	64,585	64,585	84,142	(19,557)
Total Expenditures	<u>1,957,431</u>	<u>1,957,431</u>	<u>1,852,287</u>	<u>105,144</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(72,331)</u>	<u>(72,331)</u>	<u>(45,880)</u>	<u>26,451</u>
Other Financing Sources (uses):				
Transfers In	166,674	166,674	217,365	50,691
Transfers Out	(30,000)	(30,000)	(167,280)	(137,280)
Total Other Financing Sources (Uses)	<u>136,674</u>	<u>136,674</u>	<u>50,085</u>	<u>(86,589)</u>
Net Change in Fund Balance	64,343	64,343	4,205	(60,138)
Fund Balance - July 1, 2010	<u>901,059</u>	<u>901,059</u>	<u>901,059</u>	
Fund Balance - June 30, 2011	<u>\$ 965,402</u>	<u>\$ 965,402</u>	<u>\$ 905,264</u>	<u>\$ (60,138)</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, 2011

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Interest	\$ 250	\$ 250	\$ 103	\$ (147)
Intergovernmental			770	770
Total Revenues	250	250	873	623
Expenditures				
Current:				
Community Development			770	(770)
Total Expenditures			770	(770)
Net Change in Fund Balance	250	250	103	(147)
Fund Balance - July 1, 2010	36,623	36,623	36,623	
Fund Balance - June 30, 2011	<u>\$ 36,873</u>	<u>\$ 36,873</u>	<u>\$ 36,726</u>	<u>\$ (147)</u>

CITY OF HUGHSON
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
REFUSE SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<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	<u>\$ 421,000</u>	<u>\$ 421,000</u>	<u>\$ 421,871</u>	<u>\$ 871</u>
Total Revenues	<u>421,000</u>	<u>421,000</u>	<u>421,871</u>	<u>871</u>
Expenditures				
Current:				
General Government	<u>338,580</u>	<u>338,580</u>	<u>405,118</u>	<u>(66,538)</u>
Total Expenditures	<u>338,580</u>	<u>338,580</u>	<u>405,118</u>	<u>(66,538)</u>
Net Change in Fund Balance	82,420	82,420	16,753	(65,667)
Fund Balance (Deficit) - July 1, 2010	<u>(95,089)</u>	<u>(95,089)</u>	<u>(95,089)</u>	
Fund Balance (Deficit) - June 30, 2011	<u><u>\$ (12,669)</u></u>	<u><u>\$ (12,669)</u></u>	<u><u>\$ (78,336)</u></u>	<u><u>\$ (65,667)</u></u>

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OTHER SUPPLEMENTAL INFORMATION

CITY OF HUGHSON
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
REDEVELOPMENT AGENCY DEBT SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues			
Property Taxes	\$ 391,302	\$ 389,704	\$ (1,598)
Interest	18,500	1,498	(17,002)
Total Revenues	409,802	391,202	(18,600)
Expenditures			
Current:			
General Government	2,000	82,463	(80,463)
Debt Service:			
Principal	48,000	48,000	
Interest and Fiscal Charges	116,265	116,265	
Total Expenditures	166,265	246,728	(80,463)
Net Change in Fund Balance	243,537	144,474	(99,063)
Fund Balance - July 1, 2010	216,171	216,171	
Fund Balance - June 30, 2011	\$ 459,708	\$ 360,645	\$ (99,063)

CITY OF HUGHSON
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
REDEVELOPMENT AGENCY CAPITAL PROJECTS FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues			
Interest	\$ 2,800	\$ 7	\$ (2,793)
Total Revenues	<u>2,800</u>	<u>7</u>	<u>(2,793)</u>
Expenditures			
Current:			
General Government		35,900	(35,900)
Community Development	265,370	225,759	39,611
Capital Outlay	<u>52,000</u>		<u>52,000</u>
Total Expenditures	<u>317,370</u>	<u>261,659</u>	<u>55,711</u>
Excess (deficiency) of Revenues over (under) Expenditures	<u>(314,570)</u>	<u>(261,652)</u>	<u>52,918</u>
Other Financing Sources (Uses)			
Transfers out	<u>(52,000)</u>	<u>(26,625)</u>	<u>25,375</u>
Total Other Financing Sources (Uses)	<u>(52,000)</u>	<u>(26,625)</u>	<u>25,375</u>
Net Change in Fund Balance	(366,570)	(288,277)	78,293
Fund Balance - July 1, 2010	<u>8,536</u>	<u>8,536</u>	
Fund Balance - June 30, 2011	<u><u>\$ (358,034)</u></u>	<u><u>\$ (279,741)</u></u>	<u><u>\$ 78,293</u></u>

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

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

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

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

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

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

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

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

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

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

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

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

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

CAPITAL PROJECTS FUNDS

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

The Transportation Fund was established to account for the 6" 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, 2011

	Special Revenue Funds				
	Asset Forfeiture	Gas Tax	Vehicle Abatement	CDBG Rehab	CDBG Grants
Assets					
Cash and Investments	\$ 1,660	\$ 208,385	\$ 31	\$ 163,922	\$ 93,988
Accounts Receivable		11,546		55	
Loans Receivable				230,283	
Total Assets	<u>\$ 1,660</u>	<u>\$ 219,931</u>	<u>\$ 31</u>	<u>\$ 394,260</u>	<u>\$ 93,988</u>
Liabilities					
Accounts Payable and Accrued Liabilities	\$ -	\$ 4,357	\$ -	\$ -	\$ -
Deferred Revenue				230,283	
Due To Other Funds					
Total Liabilities		<u>4,357</u>		<u>230,283</u>	
Fund Balances (Deficits)					
Restricted	1,660	215,574	31	163,977	93,988
Unassigned					
Total Fund Balances (Deficits)	<u>1,660</u>	<u>215,574</u>	<u>31</u>	<u>163,977</u>	<u>93,988</u>
Total Liabilities and Fund Balances	<u>\$ 1,660</u>	<u>\$ 219,931</u>	<u>\$ 31</u>	<u>\$ 394,260</u>	<u>\$ 93,988</u>

Special Revenue Funds

Public Safety Augmentation	Equipment Replacement	Solid Waste Management	Storm Drain	Traffic	SLESF
\$ -	\$ -	\$ -	\$ 25,084	\$ 72,307 9,871	\$ 168,995 25,504
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,084</u>	<u>\$ 82,178</u>	<u>\$ 194,499</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,717
					<u>10,717</u>
			25,084	82,178	183,782
			<u>25,084</u>	<u>82,178</u>	<u>183,782</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,084</u>	<u>\$ 82,178</u>	<u>\$ 194,499</u>

Continued

CITY OF HUGHSON
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2011
(CONTINUED)

	Special Revenue Funds				
	CLEEP	Redevelopment Housing	Lighting and Landscaping	Benefit Assessment	Misc. Grants
Assets					
Cash and Investments	\$ -	\$ 804,767	\$ 121,075	\$ 49,511	\$ -
Accounts Receivable		5,211	729	582	
Loans Receivable		67,028			
Total Assets	<u>\$ -</u>	<u>\$ 877,006</u>	<u>\$ 121,804</u>	<u>\$ 50,093</u>	<u>\$ -</u>
Liabilities					
Accounts Payable and Accrued Liabilities	\$ -	\$ -	\$ -	\$ -	\$ -
Deferred Revenue		67,028			
Due To Other Funds					36,898
Total Liabilities		<u>67,028</u>			<u>36,898</u>
Fund Balances (Deficits)					
Restricted		809,978	121,804	50,093	
Unassigned					(36,898)
Total Fund Balances (Deficits)		<u>809,978</u>	<u>121,804</u>	<u>50,093</u>	<u>(36,898)</u>
Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ 877,006</u>	<u>\$ 121,804</u>	<u>\$ 50,093</u>	<u>\$ -</u>

Special Revenue Funds		Capital Projects Funds				Total
Community Enhancement	Local Transportation Fund	Public Facilities	Transportation	Municipal Park	Parks Development Impact Fees	Nonmajor Governmental Funds
\$ 86,761	\$ 39,686	\$ 1,165,107	\$ -	\$ 309,301	\$ 102,886	\$ 3,413,466
						53,498
						297,311
<u>\$ 86,761</u>	<u>\$ 39,686</u>	<u>\$ 1,165,107</u>	<u>\$ -</u>	<u>\$ 309,301</u>	<u>\$ 102,886</u>	<u>\$ 3,764,275</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,074
						297,311
			288,074			324,972
			288,074			637,357
86,761	39,686	1,165,107		309,301	102,886	3,451,890
			(288,074)			(324,972)
86,761	39,686	1,165,107	(288,074)	309,301	102,886	3,126,918
<u>\$ 86,761</u>	<u>\$ 39,686</u>	<u>\$ 1,165,107</u>	<u>\$ -</u>	<u>\$ 309,301</u>	<u>\$ 102,886</u>	<u>\$ 3,764,275</u>

CITY OF HUGHSON
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2011

	Special Revenue Funds				
	Asset Forfeiture	Gas Tax	Vehicle Abatement	CDBG Rehab	CDBG Grants
Revenues:					
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Interest		566		436	257
Charges for Services			7,239		
Intergovernmental		102,872			
Special Assessments					
Other				12,490	
Total Revenues		103,438	7,239	12,926	257
Expenditures:					
Current:					
General Government					
Public Safety			59,168	328	
Public Works		91,112			
Capital Outlay					
Debt Service:					
Principal					
Interest and Fiscal Charges					
Total Expenditures		91,112	59,168	328	
Excess (Deficiency) of Revenues over (Under) Expenditures		12,326	(51,929)	12,598	257
Other Financing Sources (Uses):					
Transfers In			67,784		
Transfers Out		(30,000)			
Total Other Financing Sources (Uses)		(30,000)	67,784		
Net Change in Fund Balances		(17,674)	15,855	12,598	257
Fund Balances (Deficits) - July 1, 2010	1,660	233,248	(15,824)	151,379	93,731
Fund Balances (Deficits) - June 30, 2011	\$ 1,660	\$ 215,574	\$ 31	\$ 163,977	\$ 93,988

Special Revenue Funds					
Public Safety Augmentation	Equipment Replacement	Solid Waste Management	Storm Drain	Traffic	SLESF
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5,038		35		190	450
		837	49,408	60,705	101,555
<u>5,038</u>		<u>872</u>	<u>49,408</u>	<u>60,895</u>	<u>102,005</u>
				2,851	72,324
				30,000	
				32,851	72,324
<u>5,038</u>		<u>872</u>	<u>49,408</u>	<u>28,044</u>	<u>29,681</u>
<u>(22,718)</u>	<u>(25,682)</u>	<u>(19,095)</u>		<u>(11,600)</u>	<u>(1,024)</u>
<u>(22,718)</u>	<u>(25,682)</u>	<u>(19,095)</u>		<u>(11,600)</u>	<u>(1,024)</u>
<u>(17,680)</u>	<u>(25,682)</u>	<u>(18,223)</u>	<u>49,408</u>	<u>16,444</u>	<u>28,657</u>
17,680	25,682	18,223	(24,324)	65,734	155,125
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,084</u>	<u>\$ 82,178</u>	<u>\$ 183,782</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, 2011
(CONTINUED)

	Special Revenue Funds				
	CLEEP	Redevelopment Housing	Lighting and Landscaping	Benefit Assessment	Misc. Grants
Revenues:					
Property Taxes	\$ -	\$ 97,428	\$ -	\$ -	\$ -
Interest		5,248			
Charges for Services					
Intergovernmental					231,454
Special Assessments			76,658	70,760	
Other					
Total Revenues		<u>102,676</u>	<u>76,658</u>	<u>70,760</u>	<u>231,454</u>
Expenditures:					
Current:					
General Government		95,690			
Public Safety					
Public Works			76,178	78,762	
Capital Outlay	201				
Debt Service:					
Principal		12,000			
Interest and Fiscal Charges		29,066			
Total Expenditures	<u>201</u>	<u>136,756</u>	<u>76,178</u>	<u>78,762</u>	
Excess (Deficiency) of Revenues over (Under) Expenditures	<u>(201)</u>	<u>(34,080)</u>	<u>480</u>	<u>(8,002)</u>	<u>231,454</u>
Other Financing Sources (Uses):					
Transfers In		37,250			
Transfers Out		(4,438)	(23,843)	(17,594)	(269,200)
Total Other Financing Sources (Uses)		<u>32,812</u>	<u>(23,843)</u>	<u>(17,594)</u>	<u>(269,200)</u>
Net Change in Fund Balances	<u>(201)</u>	<u>(1,268)</u>	<u>(23,363)</u>	<u>(25,596)</u>	<u>(37,746)</u>
Fund Balances (Deficits) - July 1, 2010	201	811,246	145,167	75,689	848
Fund Balances (Deficits) - June 30, 2011	<u>\$ -</u>	<u>\$ 809,978</u>	<u>\$ 121,804</u>	<u>\$ 50,093</u>	<u>\$ (36,898)</u>

Special Revenue Funds		Capital Project Funds				Total
Community Enhancement	Local Transportation Fund	Public Facilities	Transportation	Municipal Park	Parks Development Impact Fees	Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 97,428
208		5,812		802	122	14,126
16,128		131,505		25,883	37,315	273,353
	75,197		293,047			864,830
						147,418
						12,490
16,336	75,197	137,317	293,047	26,685	37,437	1,409,645
						95,690
						134,671
						246,052
			226,964		231,574	488,739
						12,000
						29,066
			226,964		231,574	1,006,218
16,336	75,197	137,317	66,083	26,685	(194,137)	403,427
		37,200			232,000	374,234
						(425,194)
		37,200			232,000	(50,960)
16,336	75,197	174,517	66,083	26,685	37,863	352,467
70,425	(35,511)	990,590	(354,157)	282,616	65,023	2,774,451
\$ 86,761	\$ 39,686	\$ 1,165,107	\$ (288,074)	\$ 309,301	\$ 102,886	\$ 3,126,918

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CITY OF HUGHSON
 ASSET FORFEITURE SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL
 For the Fiscal Year Ended June 30, 2011

	Final Budget	Actual Amount	Variance Positive (Negative)
Revenues:			
Interest	\$ -	\$ -	\$ -
Total Revenue			
Net Change in Fund Balance			
Fund Balance - July 1, 2010	1,660	1,660	
Fund Balance - June 30, 2011	\$ 1,660	\$ 1,660	\$ -

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, 2011

	Final Budget	Actual Amount	Variance Positive (Negative)
Revenues:			
Interest	\$ 1,520	\$ 566	\$ (954)
Intergovernmental	<u>104,011</u>	<u>102,872</u>	<u>(1,139)</u>
Total Revenue	<u>105,531</u>	<u>103,438</u>	<u>(2,093)</u>
Expenditures:			
Current:			
Public Works	85,393	91,112	(5,719)
Capital Outlay	<u>30,000</u>	<u></u>	<u>30,000</u>
Total Expenditures	<u>115,393</u>	<u>91,112</u>	<u>24,281</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(9,862)</u>	<u>12,326</u>	<u>22,188</u>
Other Financing Sources (Uses):			
Transfers Out	<u>(30,000)</u>	<u>(30,000)</u>	<u></u>
Total Other Financing Sources (Uses)	<u>(30,000)</u>	<u>(30,000)</u>	<u></u>
Net Change in Fund Balance	(39,862)	(17,674)	22,188
Fund Balance - July 1, 2010	<u>233,248</u>	<u>233,248</u>	<u></u>
Fund Balance - June 30, 2011	<u>\$ 193,386</u>	<u>\$ 215,574</u>	<u>\$ 22,188</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, 2011

	Final Budget	Actual Amount	Variance Positive (Negative)
Revenues:			
Charges For Services	\$ 15,000	\$ 7,239	\$ (7,761)
Total Revenue	<u>15,000</u>	<u>7,239</u>	<u>(7,761)</u>
Expenditures:			
Current:			
Public Safety	<u>71,424</u>	<u>59,168</u>	<u>12,256</u>
Total Expenditures	<u>71,424</u>	<u>59,168</u>	<u>12,256</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(56,424)</u>	<u>(51,929)</u>	<u>4,495</u>
Other Financing Sources (Uses):			
Transfers In	<u>71,000</u>	<u>67,784</u>	<u>(3,216)</u>
Total Other Financing Sources (Uses)	<u>71,000</u>	<u>67,784</u>	<u>(3,216)</u>
Net Change in Fund Balance	14,576	15,855	1,279
Fund Balance (Deficit) - July 1, 2010	<u>(15,824)</u>	<u>(15,824)</u>	
Fund Balance (Deficit) - June 30, 2011	<u>\$ (1,248)</u>	<u>\$ 31</u>	<u>\$ 1,279</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, 2011

	Final Budget	Actual Amount	Variance Positive (Negative)
Revenues:			
Interest	\$ 3,036	\$ 436	\$ (2,600)
Other Revenue	<u>10,135</u>	<u>12,490</u>	<u>2,355</u>
Total Revenue	<u>13,171</u>	<u>12,926</u>	<u>(245)</u>
Expenditures:			
Current:			
Public Safety	<u>8,000</u>	<u>328</u>	<u>7,672</u>
Total Expenditures	<u>8,000</u>	<u>328</u>	<u>7,672</u>
Net Change in Fund Balance	<u>5,171</u>	<u>12,598</u>	<u>7,427</u>
Fund Balance - July 1, 2010	151,379	151,379	
Fund Balance - June 30, 2011	<u>\$ 156,550</u>	<u>\$ 163,977</u>	<u>\$ 7,427</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, 2011

	Final Budget	Actual Amount	Variance Positive (Negative)
Revenues:			
Interest	\$ 500	\$ 257	\$ (243)
Total Revenue	<u>500</u>	<u>257</u>	<u>(243)</u>
Net Change in Fund Balance	<u>500</u>	<u>257</u>	<u>(243)</u>
Fund Balance - July 1, 2010	93,731	93,731	
Fund Balance - June 30, 2011	<u>\$ 94,231</u>	<u>\$ 93,988</u>	<u>\$ (243)</u>

CITY OF HUGHSON
PUBLIC SAFETY AUGMENTATION SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2011

	Final Budget	Actual Amount	Variance Positive (Negative)
Revenues:			
Charges For Services	\$ 6,000	\$ 5,038	\$ (962)
Total Revenue	<u>6,000</u>	<u>5,038</u>	<u>(962)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>6,000</u>	<u>5,038</u>	<u>(962)</u>
Other Financing Sources (Uses):			
Transfers Out	<u>(10,000)</u>	<u>(22,718)</u>	<u>(12,718)</u>
Total Other Financing Sources (Uses)	<u>(10,000)</u>	<u>(22,718)</u>	<u>(12,718)</u>
Net Change in Fund Balance	(4,000)	(17,680)	(13,680)
Fund Balance - July 1, 2010	<u>17,680</u>	<u>17,680</u>	<u></u>
Fund Balance - June 30, 2011	<u>\$ 13,680</u>	<u>\$ -</u>	<u>\$ (13,680)</u>

CITY OF HUGHSON
SOLID WASTE MANAGEMENT SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2011

	Final Budget	Actual Amount	Variance Positive (Negative)
Revenues:			
Interest	\$ 300	\$ 35	\$ (265)
Charges for Services	<u>5,000</u>	<u>837</u>	<u>(4,163)</u>
Total Revenue	<u>5,300</u>	<u>872</u>	<u>(4,428)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>5,300</u>	<u>872</u>	<u>(4,428)</u>
Other Financing Sources (Uses):			
Transfers Out	<u>(5,000)</u>	<u>(19,095)</u>	<u>(14,095)</u>
Total Other Financing Sources (Uses)	<u>(5,000)</u>	<u>(19,095)</u>	<u>(14,095)</u>
Net Change in Fund Balance	300	(18,223)	(18,523)
Fund Balance - July 1, 2010	<u>18,223</u>	<u>18,223</u>	<u></u>
Fund Balance - June 30, 2011	<u>\$ 18,523</u>	<u>\$ -</u>	<u>\$ (18,523)</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, 2011

	Final Budget	Actual Amount	Variance Positive (Negative)
Revenues:			
Charges for Services	\$ 7,500	\$ 49,408	\$ 41,908
Total Revenue	<u>7,500</u>	<u>49,408</u>	<u>41,908</u>
Net Change in Fund Balance	7,500	49,408	41,908
Fund Balance (Deficit) - July 1, 2010	<u>(24,324)</u>	<u>(24,324)</u>	<u></u>
Fund Balance (Deficit) - June 30, 2011	<u>\$ (16,824)</u>	<u>\$ 25,084</u>	<u>\$ 41,908</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, 2011

	Final Budget	Actual Amount	Variance Positive (Negative)
Revenues:			
Interest	\$ 275	\$ 190	\$ (85)
Intergovernmental	<u>64,125</u>	<u>60,705</u>	<u>(3,420)</u>
Total Revenue	<u>64,400</u>	<u>60,895</u>	<u>(3,505)</u>
Expenditures:			
Current:			
Public Safety	4,000	2,851	1,149
Capital Outlay	<u>40,000</u>	<u>30,000</u>	<u>10,000</u>
Total Expenditures	<u>44,000</u>	<u>32,851</u>	<u>11,149</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>20,400</u>	<u>28,044</u>	<u>7,644</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	8,800	16,444	7,644
Fund Balance - July 1, 2010	<u>65,734</u>	<u>65,734</u>	<u></u>
Fund Balance - June 30, 2011	<u><u>\$ 74,534</u></u>	<u><u>\$ 82,178</u></u>	<u><u>\$ 7,644</u></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, 2011

	Final Budget	Actual Amount	Variance Positive (Negative)
Revenues:			
Interest	\$ 700	\$ 450	\$ (250)
Intergovernmental	<u>100,000</u>	<u>101,555</u>	<u>1,555</u>
Total Revenue	<u>100,700</u>	<u>102,005</u>	<u>1,305</u>
Expenditures:			
Current:			
Public Safety	<u>100,000</u>	<u>72,324</u>	<u>27,676</u>
Total Expenditures	<u>100,000</u>	<u>72,324</u>	<u>27,676</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>700</u>	<u>29,681</u>	<u>28,981</u>
Other Financing Sources (Uses)			
Transfers Out	<u> </u>	<u>(1,024)</u>	<u>(1,024)</u>
Total Other financing Sources (Uses)	<u> </u>	<u>(1,024)</u>	<u>(1,024)</u>
Net Change in Fund Balance	700	28,657	27,957
Fund Balance - July 1, 2010	<u>155,125</u>	<u>155,125</u>	<u> </u>
Fund Balance - June 30, 2011	<u>\$ 155,825</u>	<u>\$ 183,782</u>	<u>\$ 27,957</u>

CITY OF HUGHSON
CLEEP SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2011

	Final Budget	Actual Amount	Variance Positive (Negative)
Revenues:			
Interest	\$ -	\$ -	\$ -
Total Revenue			
Expenditures:			
Capital Outlay		201	(201)
Total Expenditures		201	(201)
Net Change in Fund Balance		(201)	(201)
Fund Balance - July 1, 2010	201	201	
Fund Balance - June 30, 2011	\$ 201	\$ -	\$ (201)

CITY OF HUGHSON
REDEVELOPMENT HOUSING SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2011

	Final Budget	Actual Amount	Variance Positive (Negative)
Revenues:			
Property Tax	\$ 97,876	\$ 97,428	\$ (448)
Interest	21,500	5,248	(16,252)
Total Revenue	<u>119,376</u>	<u>102,676</u>	<u>(16,700)</u>
Expenditures:			
Current:			
General Government	1,012,199	95,690	916,509
Debt Service:			
Principal	12,000	12,000	
Interest and Fiscal Charges	29,066	29,066	
Total Expenditures	<u>1,053,265</u>	<u>136,756</u>	<u>916,509</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(933,889)</u>	<u>(34,080)</u>	<u>899,809</u>
Other Financing Sources (Uses)			
Transfers Out	(17,500)	(4,438)	13,062
Transfers In	<u> </u>	<u>37,250</u>	<u>37,250</u>
Total Other financing Sources (Uses)	<u>(17,500)</u>	<u>32,812</u>	<u>50,312</u>
Net Change in Fund Balance	(951,389)	(1,268)	950,121
Fund Balance - July 1, 2010	<u>811,246</u>	<u>811,246</u>	<u> </u>
Fund Balance - June 30, 2011	<u>\$ (140,143)</u>	<u>\$ 809,978</u>	<u>\$ 950,121</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, 2011

	Final Budget	Actual Amount	Variance Positive (Negative)
Revenues:			
Special Assessments	\$ 98,255	\$ 76,658	\$ (21,597)
Total Revenue	<u>98,255</u>	<u>76,658</u>	<u>(21,597)</u>
Expenditures:			
Current:			
Public works	<u>111,184</u>	<u>76,178</u>	<u>35,006</u>
Total Expenditures	<u>111,184</u>	<u>76,178</u>	<u>35,006</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(12,929)</u>	<u>480</u>	<u>13,409</u>
Other Financing Sources (Uses)			
Transfers Out	<u>(25,257)</u>	<u>(23,843)</u>	<u>1,414</u>
Total Other financing Sources (Uses)	<u>(25,257)</u>	<u>(23,843)</u>	<u>1,414</u>
Net Change in Fund Balance	(38,186)	(23,363)	14,823
Fund Balance - July 1, 2010	<u>145,167</u>	<u>145,167</u>	<u></u>
Fund Balance - June 30, 2011	<u><u>\$ 106,981</u></u>	<u><u>\$ 121,804</u></u>	<u><u>\$ 14,823</u></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, 2011

	Final Budget	Actual Amount	Variance Positive (Negative)
Revenues:			
Special Assessments	\$ 86,940	\$ 70,760	\$ (16,180)
Total Revenue	<u>86,940</u>	<u>70,760</u>	<u>(16,180)</u>
Expenditures:			
Current:			
Public Works	<u>90,954</u>	<u>78,762</u>	<u>12,192</u>
Total Expenditures	<u>90,954</u>	<u>78,762</u>	<u>12,192</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(4,014)</u>	<u>(8,002)</u>	<u>(3,988)</u>
Other Financing Sources (Uses)			
Transfers Out	<u>(19,008)</u>	<u>(17,594)</u>	<u>1,414</u>
Total Other financing Sources (Uses)	<u>(19,008)</u>	<u>(17,594)</u>	<u>1,414</u>
Net Change in Fund Balance	(23,022)	(25,596)	(2,574)
Fund Balance - July 1, 2010	<u>75,689</u>	<u>75,689</u>	<u></u>
Fund Balance - June 30, 2011	<u><u>\$ 52,667</u></u>	<u><u>\$ 50,093</u></u>	<u><u>\$ (2,574)</u></u>

CITY OF HUGHSON
 MISCELLANEOUS GRANTS SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL
 For the Fiscal Year Ended June 30, 2011

	Final Budget	Actual Amount	Variance Positive (Negative)
Revenues:			
Intergovernmental	\$ 269,200	\$ 231,454	\$ (37,746)
Total Revenue	<u>269,200</u>	<u>231,454</u>	<u>(37,746)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>269,200</u>	<u>231,454</u>	<u>(37,746)</u>
Other Financing Sources (Uses)			
Transfers Out	<u>(269,200)</u>	<u>(269,200)</u>	<u></u>
Total Other financing Sources (Uses)	<u>(269,200)</u>	<u>(269,200)</u>	<u></u>
Net Change in Fund Balance		(37,746)	(37,746)
Fund Balance (Deficit) - July 1, 2010	<u>848</u>	<u>848</u>	<u></u>
Fund Balance (Deficit) - June 30, 2011	<u>\$ 848</u>	<u>\$ (36,898)</u>	<u>\$ (37,746)</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, 2011

	Final Budget	Actual Amount	Variance Positive (Negative)
Revenues:			
Interest	\$ 500	\$ 208	\$ (292)
Charges for Services	<u>7,000</u>	<u>16,128</u>	<u>9,128</u>
Total Revenue	<u>7,500</u>	<u>16,336</u>	<u>8,836</u>
Net Change in Fund Balance	7,500	16,336	8,836
Fund Balance - July 1, 2010	<u>70,425</u>	<u>70,425</u>	<u></u>
Fund Balance - June 30, 2011	<u><u>\$ 77,925</u></u>	<u><u>\$ 86,761</u></u>	<u><u>\$ 8,836</u></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, 2011

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Intergovernmental	\$ 30,843	\$ 75,197	\$ 44,354
Total Revenues	<u>30,843</u>	<u>75,197</u>	<u>44,354</u>
Net Change in Fund Balance	30,843	75,197	44,354
Fund Balance (Deficit) - July 1, 2010	<u>(35,511)</u>	<u>(35,511)</u>	
Fund Balance (Deficit) - June 30, 2011	<u><u>\$ (4,668)</u></u>	<u><u>\$ 39,686</u></u>	<u><u>\$ 44,354</u></u>

CITY OF HUGHSON
PUBLIC FACILITIES CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2011

	Final Budget	Actual Amount	Variance Positive (Negative)
Revenues:			
Interest	\$ 12,000	\$ 5,812	\$ (6,188)
Charges for Services	<u>92,000</u>	<u>131,505</u>	<u>39,505</u>
Total Revenue	<u>104,000</u>	<u>137,317</u>	<u>33,317</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>104,000</u>	<u>137,317</u>	<u>33,317</u>
Other Financing Sources (Uses)			
Transfers In	<u>37,200</u>	<u>37,200</u>	
Total Other financing Sources (Uses)	<u>37,200</u>	<u>37,200</u>	
Net Change in Fund Balance	141,200	174,517	33,317
Fund Balance - July 1, 2010	<u>990,590</u>	<u>990,590</u>	
Fund Balance - June 30, 2011	<u><u>\$ 1,131,790</u></u>	<u><u>\$ 1,165,107</u></u>	<u><u>\$ 33,317</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, 2011

	Final Budget	Actual Amount	Variance Positive (Negative)
Revenues:			
Interest	\$ 150	\$ -	\$ (150)
Intergovernmental	<u>66,997</u>	<u>293,047</u>	<u>226,050</u>
Total Revenue	<u>67,147</u>	<u>293,047</u>	<u>225,900</u>
Expenditures:			
Capital Outlay	<u>88,104</u>	<u>226,964</u>	<u>(138,860)</u>
Total Expenditures	<u>88,104</u>	<u>226,964</u>	<u>(138,860)</u>
Net Change in Fund Balance	(20,957)	66,083	87,040
Fund Balance (Deficit) - July 1, 2010	<u>(354,157)</u>	<u>(354,157)</u>	<u> </u>
Fund Balance (Deficit) - June 30, 2011	<u><u>\$ (375,114)</u></u>	<u><u>\$ (288,074)</u></u>	<u><u>\$ 87,040</u></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, 2011

	Final Budget	Actual Amount	Variance Positive (Negative)
Revenues:			
Interest	\$ 2,100	\$ 802	\$ (1,298)
Charges for Services	<u>4,000</u>	<u>25,883</u>	<u>21,883</u>
Total Revenue	<u>6,100</u>	<u>26,685</u>	<u>20,585</u>
Expenditures:			
Capital Outlay	<u>288,000</u>	<u></u>	<u>288,000</u>
Total Expenditures	<u>288,000</u>	<u></u>	<u>288,000</u>
Net Change in Fund Balance	(281,900)	26,685	308,585
Fund Balance - July 1, 2010	<u>282,616</u>	<u>282,616</u>	<u></u>
Fund Balance - June 30, 2011	<u><u>\$ 716</u></u>	<u><u>\$ 309,301</u></u>	<u><u>\$ 308,585</u></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, 2011

	Final Budget	Actual Amount	Variance Positive (Negative)
Revenues:			
Interest	\$ 500	\$ 122	\$ (378)
Charges for Services	8,900	37,315	28,415
Total Revenue	<u>9,400</u>	<u>37,437</u>	<u>28,037</u>
Expenditures:			
Capital Outlay	232,000	231,574	426
Total Expenditures	<u>232,000</u>	<u>231,574</u>	<u>426</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(222,600)</u>	<u>(194,137)</u>	<u>28,463</u>
Other Financing Sources (Uses)			
Transfers In	<u>232,000</u>	<u>232,000</u>	
Total Other financing Sources (Uses)	<u>232,000</u>	<u>232,000</u>	
Net Change in Fund Balance	9,400	37,863	28,463
Fund Balance - July 1, 2010	<u>65,023</u>	<u>65,023</u>	
Fund Balance - June 30, 2011	<u><u>\$ 74,423</u></u>	<u><u>\$ 102,886</u></u>	<u><u>\$ 28,463</u></u>

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NONMAJOR PROPRIETARY FUNDS

PROPRIETARY FUNDS

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

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

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

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CITY OF HUGHSON
NONMAJOR PROPRIETARY FUNDS
COMBINING STATEMENT OF NET ASSETS
June 30, 2011

	Enterprise Funds		
	Community Center Operations Fund	USF Community Center Fund	Total Nonmajor Enterprise Funds
Assets			
Current Assets:			
Cash and Investments	\$ -	\$ 4,626	\$ 4,626
Due From Other Funds		2,143	2,143
Total Current Assets		6,769	6,769
Noncurrent Assets:			
Capital Assets:			
Land	105,073		105,073
Buildings	725,283		725,283
Less:			
Accumulated Depreciation	(302,202)		(302,202)
Total Noncurrent Assets	528,154		528,154
Total Assets	528,154	6,769	534,923
Liabilities			
Current Liabilities:			
Accounts Payable	2,177	495	2,672
Due to Other Funds	2,143		2,143
Deposits Payable	11,470		11,470
Total Liabilities	15,790	495	16,285
Net Assets (Deficit)			
Invested in Capital Assets	528,154		528,154
Unrestricted	(15,790)	6,274	(9,516)
Net Assets	\$ 512,364	\$ 6,274	\$ 518,638

CITY OF HUGHSON
NONMAJOR PROPRIETARY FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Enterprise Funds		Total Nonmajor Enterprise Funds
	Community Center Operations Fund	USF Community Center Fund	
Operating Revenues			
Charges for Services	\$ 17,384	\$ 14,873	\$ 32,257
Total Operating Revenues	<u>17,384</u>	<u>14,873</u>	<u>32,257</u>
Operating Expenses			
Personnel	17,366	6,518	23,884
Administrative	13,730	15,841	29,571
Maintenance	6,224	43	6,267
Depreciation	24,176		24,176
Total Operating Expenses	<u>61,496</u>	<u>22,402</u>	<u>83,898</u>
Operating Income (Loss)	<u>(44,112)</u>	<u>(7,529)</u>	<u>(51,641)</u>
Non-Operating Revenue (Expenses)			
Interest Revenue		45	45
Total Non-Operating Revenue (Expenses)		<u>45</u>	<u>45</u>
Income (Loss) Before Transfers	(44,112)	(7,484)	(51,596)
Transfers			
Transfers In	30,000		30,000
Transfers Out		(2,500)	(2,500)
Changes in Net Assets	(14,112)	(9,984)	(24,096)
Net Assets - Beginning of Fiscal Year	<u>526,476</u>	<u>16,258</u>	<u>542,734</u>
Net Assets - End of Fiscal Year	<u>\$ 512,364</u>	<u>\$ 6,274</u>	<u>\$ 518,638</u>

CITY OF HUGHSON
NONMAJOR PROPRIETARY FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Enterprise Funds		
	Community Center Operations Fund	USF Community Center Fund	Total Nonmajor Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash Received from Users	\$ 15,372	\$ 14,873	\$ 30,245
Cash Payments to Suppliers and Contractors	(18,530)	(15,499)	(34,029)
Cash Payments to Employees	(20,662)	(7,139)	(27,801)
Net Cash Provided (Used) By Operating Activities	(23,820)	(7,765)	(31,585)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers	30,000	(2,500)	27,500
Interfund Borrowing	(6,180)	6,180	
Net Cash Provided (Used) By Noncapital Financing Activities	23,820	3,680	27,500
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest Received		45	45
Net Cash Provided (Used) in Investing Activities		45	45
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(4,040)	(4,040)
CASH AND CASH EQUIVALENTS, BEGINNING OF FISCAL YEAR		8,666	8,666
CASH AND CASH EQUIVALENTS, END OF FISCAL YEAR	\$ -	\$ 4,626	\$ 4,626
Reconciliation to Statement of Net Assets:			
Cash and Cash Equivalents	\$ -	\$ 4,626	\$ 4,626
CASH FLOWS FROM OPERATING ACTIVITIES:			
Operating Income (Loss)	\$ (44,112)	\$ (7,529)	\$ (51,641)
Adjustment to Reconcile Operating Income (loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	24,176		24,176
Changes in Assets and Liabilities:			
Increase (Decrease) in Accounts Payable	1,423	385	1,808
Increase (Decrease) in Deposits Payable	(2,012)		(2,012)
Increase (Decrease) in Compensated Absences	(3,295)	(621)	(3,916)
Total Adjustments	20,292	(236)	20,056
Net Cash Provided (Used) By Operating Activities	\$ (23,820)	\$ (7,765)	\$ (31,585)

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FIDUCIARY FUNDS

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

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

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CITY OF HUGHSON
AGENCY FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the Fiscal Year Ended June 30, 2011

		<u>Balance</u> <u>July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2011</u>
ASSETS					
Cash and Investments		\$ 24,259	\$ 2,301	\$ -	\$ 26,560
Total Assets		<u>\$ 24,259</u>	<u>\$ 2,301</u>	<u>\$ -</u>	<u>\$ 26,560</u>
LIABILITIES					
Deposits Payable		\$ 24,259	\$ 2,301	\$ -	\$ 26,560
Total Liabilities		<u>\$ 24,259</u>	<u>\$ 2,301</u>	<u>\$ -</u>	<u>\$ 26,560</u>

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MOSS, LEVY & HARTZHEIM LLP

CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hughson (City), California, as of and for the fiscal year ended June 30, 2011, which collectively comprise the City of Hughson's basic financial statements and have issued our report thereon dated December 31, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. These material weaknesses along with other significant deficiencies and other matters have been presented in a separate management report dated December 31, 2011.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. We noted certain matters that we reported to the management of the City in a separate letter dated December 31, 2011.

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



Moss, Levy & Hartzheim, LLP
Culver City, CA
December 31, 2011