

CITY OF HUGHSON

Local Transportation Fund

**Financial Statements with
Independent Auditor's Report**

For the Year Ended June 30, 2008

CITY OF HUGHSON
Local Transportation Fund
Financial Statements with Independent Auditor's Report
For the Year Ended June 30, 2008

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The Honorable City Council of
the City of Hughson, California

Independent Auditor's Report

We have audited the accompanying financial statements of the Local Transportation Fund of the City of Hughson, California, as of and for the year ended June 30, 2008, as listed in the table of contents. These financial statements are the responsibility of City of Hughson's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As discussed in Note (1)(b), the financial statements present only the Local Transportation Fund and do not purport to, and do not, present fairly the financial position of the City of Hughson as of June 30, 2008 or the changes in its financial position for the year ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Local Transportation Fund of the City of Hughson, as of June 30, 2008, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 26, 2009, on our consideration of the City's internal control over financial reporting as it relates to the Local Transportation Fund and on our test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters for the fiscal year ended June 30, 2008. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Honorable City Council of
the City of Hughson, California
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Our audit was conducted for the purpose of forming an opinion on the financial statements of the Local Transportation Fund of the City of Hughson. The budgetary comparison schedule listed as supplementary information in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the fund financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the fund financial statements taken as a whole.

Macias Fini & O'Connell LLP

Certified Public Accountants
Newport Beach, California

January 26, 2009

CITY OF HUGHSON
Local Transportation Fund
Balance Sheet
June 30, 2008

Assets:	
Revenues receivable	<u>\$ 74,599</u>
Liabilities:	
Due to other City funds	203,510
Fund balance:	
Fund balance, unreserved-undesignated	<u>(128,911)</u>
Total liabilities and fund balance	<u>\$ 74,599</u>

See Accompanying Notes to Financial Statements.

CITY OF HUGHSON
Local Transportation Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2008

Revenues:	
Grant from Stanislaus Council of Governments	\$ 120,499
Expenditures:	
Street improvement projects	<u>23,555</u>
Net change in fund balance	96,944
Fund balance (deficit), beginning	<u>(225,855)</u>
Fund balance (deficit), ending	<u><u>\$ (128,911)</u></u>

See Accompanying Notes to Financial Statements.

CITY OF HUGHSON
Local Transportation Fund
Notes to Financial Statements
For the Year Ended June 30, 2008

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Hughson (City) has carried out several street improvement programs under the Transportation Development Act (TDA), Article 3.0. The Projects are funded by grants approved by the Stanislaus Council of Governments (StanCOG).

The following is a summary of significant accounting policies of the City of Hughson which conform to generally accepted accounting principles as applicable to governments.

(a) Project Description and Location

During fiscal year ended June 30, 2008 the City used TDA funds to help pay for improvements on Charles Street.

(b) Fund Accounting

The project costs are recorded in the Local Transportation Fund of the City. This fund is a set of self-balancing accounts which comprise its assets, liabilities, fund balance, revenues and expenditures. These financial statements do not present the financial position of the City of Hughson and the changes in its financial position.

(c) Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized. The Local Transportation Fund's financial statements are prepared utilizing the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available by the City if they are collected by the City within 60 days after year end. Expenditures generally are recorded when a liability is incurred.

(2) TDA ARTICLE 3.0 REVENUE

During the year ended June 30, 2008 the Fund incurred expenditures which were funded by Transportation Development Act grants from StanCOG.

<u>Project Name</u>	<u>StanCOG Allocation #</u>	<u>TDA Grant</u>	<u>Expenditures June 30, 2008</u>	<u>Due from StanCOG</u>
Charles Street	2004-9 FY 07/08	\$ 80,048	\$ 23,555	\$ 74,599

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SUPPLEMENTARY INFORMATION

CITY OF HUGHSON
Local Transportation Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2008

	<u>Budget</u>		<u>Actual</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Grant from Stanislaus				
Council of Governments	\$ 95,000	\$ 95,000	\$ 120,499	\$ 25,499
Intergovernmental revenue	<u>25,000</u>	<u>25,000</u>	<u>-</u>	<u>(25,000)</u>
Total revenues	120,000	120,000	120,499	499
Expenditures:				
Street improvement projects	<u>90,000</u>	<u>90,000</u>	<u>23,555</u>	<u>66,445</u>
Net change in fund balance	30,000	30,000	96,944	66,944
Fund balance (deficit), beginning	<u>(225,855)</u>	<u>(225,855)</u>	<u>(225,855)</u>	<u>-</u>
Fund balance (deficit), ending	<u><u>\$ (195,855)</u></u>	<u><u>\$ (195,855)</u></u>	<u><u>\$ (128,911)</u></u>	<u><u>\$ 66,944</u></u>



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**Independent Auditor's 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* and the
Transportation Development Act**

We have audited the accompanying financial statements of the Local Transportation Fund of the City of Hughson, California as of and for the year ended June 30, 2008, and have issued our report thereon dated January 26, 2009. Our report includes an explanatory paragraph indicating that the financial statements present only the Local Transportation Fund and do not present the financial position of the City of Hughson. 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 of Hughson's internal control over financial reporting as it relates to the Local Transportation Fund as a basis for designing our auditing procedures for the purpose of expressing our opinions on the City's 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 control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Local Transportation Fund of the City of Hughson'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. Our audit was further made to determine that Transportation Development Act (TDA) funds allocated to and received by the City were expended in accordance with applicable statutes, rules and regulations of the TDA and the allocation instructions and resolutions of the Stanislaus Council of Governments as required by Section 6664 of Title 21 of the California Code of Regulations. 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* and the Transportation Development Act.

This report is intended solely for the information and use of the City Council, management and others within the City of Hughson, and officials of applicable State grantor agencies and is not intended to be and should not be used by anyone other than these specified parties.

Macias Jini & O'Connell LLP

Certified Public Accountants
Newport Beach, California

January 26, 2009