

CITY OF HANFORD

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FINANCIAL STATEMENTS  
WITH  
INDEPENDENT AUDITORS' REPORT

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YEAR ENDED JUNE 30, 2011

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**CITY OF HANFORD**  
**June 30, 2011**

**CITY COUNCIL**

<b><u>NAME</u></b>	<b><u>POSITION</u></b>
Dan Chin	Mayor
Sue Sorensen	Vice Mayor
Jim Irwin	Council Member
Joleen Jameson	Council Member
Lou Martinez	Council Member

**ADMINISTRATION**

Hilary M. Straus	City Manager
Griswold, LaSalle, Cobb, Dowd & Gin, L.L.P.	City Attorneys
Karen Madruga	City Clerk
Tom Dibble	Treasurer/Finance Director
Timothy Ieronimo	Fire Chief
Cathy Cain	Interim Community Development Director
Carlos Mestas	Police Chief
John Doyel	City Engineer
Scott Yeager	Recreation Director
Lou Camara	Public Works Director



Sampson, Sampson & Patterson, LLP  
CERTIFIED PUBLIC ACCOUNTANTS

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December 21, 2011

The Honorable City Council of  
The City of Hanford  
Hanford, California

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, the aggregate remaining fund information, and the fiduciary funds of the City of Hanford, California (the City), as of and for the 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 of Hanford'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 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 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information and the fiduciary funds of the City of Hanford, California, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof 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 a separate report dated December 21, 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 conjunction with this report in considering the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 13 and budgetary comparison schedule for the General Fund, the Community Development Block Grant Special Revenue Fund, the Capital Project Fund, the Transportation Funds, and the Schedule of Funding Progress – Public Retirement systems, 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 an opinion on the financial statements that collectively comprise the City of Hanford, California's basic financial statements. The combining and individual non-major fund financial statements identified in the table of contents, where applicable, are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the City of Hanford, California. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Sampson, Sampson & Patterson, LLP*

**CITY OF HANFORD**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2011**

This discussion and analysis of the City of Hanford's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2011. We encourage readers to consider the information presented here in conjunction with the accompanying basic financial statements and the accompanying notes to those financial statements.

## **FINANCIAL HIGHLIGHTS**

- Assets of the City of Hanford exceed its liabilities at the close of the most recent fiscal year 2011 by about \$301.0 million. Of this amount, about \$48.0 million in unrestricted assets may be used to meet the City's ongoing obligations to citizens and creditors.
- As of June 30, 2011, the City's governmental funds reported combined ending fund balances of \$57.5 million.
- Approximately 10.3% of the combined governmental fund balances is considered available for spending at the City's discretion.
- As of June 30, 2011, unassigned fund balance in the General Fund was \$5.9 million, or 29.1% of total General Fund Expenditures.
- The City's total debt increased by \$1.59 million during the fiscal year 2011, which is due to the normal maturity of debt in the general fund, the water system, and the wastewater system; and additional debt in the general fund and redevelopment agency where borrowing occurred for financing of redevelopment projects and land acquisition. The water enterprise fund also borrowed additional funds to acquire and install an automated meter reading system.

## **THE FINANCIAL STATEMENTS**

The financial statements presented herein include all of the activities of the City of Hanford (City) and its component units, using the integrated approach as prescribed by Government Accounting Standards Board (GASB) Statement No. 34. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

These **Government-Wide Financial Statements** are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. The statements present the financial picture of the City from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities and business-type activities separately. Additionally, certain eliminations have occurred as prescribed by the GASB statements in regards to inter-fund activity, payables and receivables.

**CITY OF HANFORD**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2011**  
**(Continued)**

The **Fund Financial Statements** include statements for each of the three categories of activities – governmental, business-type and fiduciary. The governmental activities are prepared using the current financial resources measurement focus and modified accrual basis of accounting. The business-type activities are prepared using the economic resources measurement focus and the accrual basis of accounting. The fiduciary activities are agency funds, which only report a balance sheet and do not have a measurement focus. Reconciliations of the Fund Financial Statements to the Government-Wide Financial Statements are provided to explain the differences created by the integrated approach.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

### **Government-Wide Financial Statements**

#### **The Statement of Net Assets and the Statement of Activities and Changes in Net Assets**

The Statement of Net Assets and the Statement of Activities and Changes in Net Assets report information about the City as a whole and about its activities. These statements included all assets and liabilities of the City using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenue and expenses are taken into account, regardless of when cash is received or paid.

These two statements report the City's net assets and changes in them. Net assets are the difference between assets and liabilities, which is one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. Other factors to consider are changes in the City's property tax base and sales tax base.

The Statement of Net Assets and the Statement of Activities and Changes in Net Assets, we separate the City activities as follows:

**Governmental activities** – Most of the City's basic services are reported in this category, including General Government, Police, Fire, Public Works, Parks/Recreation, and Community Development. Property and sales taxes, user fees, interest income, franchise fees, and state and federal shared revenues and grants generally financed these activities.

**Business-Type activities** – The City charges a fee to customers to cover all or most of the cost of certain services it provides. The City's Water, Sewer, Storm Drain, Refuse, Airport, Intermodal, and Courthouse Square Funds are reported in this category.

**CITY OF HANFORD**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2011**  
**(Continued)**

## **FUND FINANCIAL STATEMENTS**

The City, like other state and local governments, uses fund accounting to account for a number of funding sources and activities. In general, fund accounting provides a mechanism for separately accounting for a variety of different funding sources, and enables the City to demonstrate compliance with legal and/or contractual requirements that may be associated with these funds. Thus, the accompanying fund financial statements present individual funds, organized into one of three groups based on the nature of the activities and their purpose: Governmental, Proprietary or Fiduciary Funds. Note that the fund financial statements only present the most significant (or "major") funds. In addition, the fund financial statements include a schedule that reconciles the fund financial statements to the Government-Wide Financial Statements. This is designed to explain the difference created by the integrated approach.

**Governmental Funds** – Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The differences between the results shown in the governmental fund financial statements and those shown in the government-wide financial statements are explained in a reconciliation schedule following each governmental fund financial statement.

**Proprietary Funds** – When the City charges customers for the services it provides, whether to outside customers or to other units of the City, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Fund Net Assets. In fact, the City's enterprise funds are the same as the business-type activities reported in the government-wide statements, but provide more detail and additional information, such as cash flows, for proprietary funds. We use internal service funds (the other component of proprietary funds) to report activities that provide supplies and services for the City's other programs and activities – such as the City's self-insurance, fleet maintenance, and computer maintenance funds. The internal service funds are reported with governmental activities in the government-wide financial statements.

**Fiduciary Funds** – The City is the trustee, or fiduciary, for certain funds held on behalf of various third parties. The City's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

**Notes to the Financial Statement** – The notes to the financial statements provide information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**CITY OF HANFORD**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2011**  
**(Continued)**

**Other Information** – In addition to the basic financial statements and accompanying notes, this report also presents certain “required supplementary information” concerning the City’s progress in funding its obligation to provide pension benefits to its employees, budgetary comparison schedules for the general fund and other major funds.

### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The City presents its financial statements under the reporting model required by Governmental Accounting Standards Board (GASB) Statement No. 34. The City is presenting prior fiscal years’ data for the purpose of providing comparative information for the Management Discussion and Analysis (MD&A).

#### **Statement of Net Assets**

As noted earlier, net assets may serve over time as a useful indicator of a government’s financial position. In the case of the City of Hanford, assets exceeded liabilities by \$301,011,511 at the close of the most recent fiscal year.

By far the largest portion of the City of Hanford’s net assets 69% reflects its investment in capital assets (e.g., land, buildings, machinery, infrastructure and equipment), less any outstanding debt used to acquire those assets. The City of Hanford uses these capital assets to provide services to citizens; consequently, their value is not available for future spending. Although the City of Hanford’s investment in its capital assets is reported net of related debt, it should be noted that the sources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

Of the total current assets \$71,476,722 approximately 94% \$66,897,170 consists of cash and investments. These funds are invested in accordance with State law and the City’s investment policy, and includes funds legally and/or contractually restricted as to their use.

**CITY OF HANFORD**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2011**  
**(Continued)**

**STATEMENT OF NET ASSETS**

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
<b>Assets:</b>						
Current assets	\$ 46,418,090	\$ 47,096,450	\$ 25,058,682	\$ 22,918,900	\$ 71,476,772	\$ 70,015,350
Capital and non-current assets (net of depreciation)	<u>167,110,846</u>	<u>160,324,947</u>	<u>111,397,334</u>	<u>111,300,513</u>	<u>278,508,180</u>	<u>271,625,460</u>
Total assets	<u>213,528,936</u>	<u>207,421,397</u>	<u>136,456,016</u>	<u>134,219,413</u>	<u>349,984,952</u>	<u>341,640,810</u>
<b>Liabilities:</b>						
Current and other liabilities	1,976,423	2,661,105	3,200,313	3,073,433	5,176,736	5,734,538
Long-term liabilities	<u>2,501,872</u>	<u>1,579,969</u>	<u>41,294,833</u>	<u>43,091,655</u>	<u>43,796,705</u>	<u>44,671,624</u>
Total liabilities	<u>4,478,295</u>	<u>4,241,074</u>	<u>44,495,146</u>	<u>46,165,088</u>	<u>48,973,441</u>	<u>50,406,162</u>
<b>Net Assets:</b>						
Invested in capital assets, net of related debt	140,241,152	136,810,213	69,249,494	66,616,354	209,490,646	203,426,567
Restricted	42,916,367	41,087,286	595,743	595,475	43,512,110	41,682,761
Unrestricted	<u>25,893,122</u>	<u>25,282,824</u>	<u>22,115,633</u>	<u>20,842,496</u>	<u>48,008,755</u>	<u>46,125,320</u>
Total net assets	<u>\$209,050,641</u>	<u>\$203,180,323</u>	<u>\$ 91,960,870</u>	<u>\$ 88,054,325</u>	<u>\$301,011,511</u>	<u>\$291,234,648</u>

An additional portion of the City of Hanford's net assets \$43,512,110 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets \$48,008,755 may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Hanford is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its governmental and business-type activities. This means the City has sufficient current assets to satisfy both its current and long-term liabilities, fulfill its obligations pursuant to external restriction imposed on City assets, and still have assets remaining for discretionary spending. In short, the City is in excellent financial condition.

**Statement of Activities**

As discussed earlier, the Statement of Net Assets provides a measure of the financial health of an entity at a specific date in time (usually year end). The Statement of Activities provides details of how net assets changed from the beginning of the year to the end of the year, and whether net assets increased or decreased. Thus, it indicates whether the City as a whole is better off at June 30, 2011 than it was at June 30, 2010.

**CITY OF HANFORD**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2011**  
**(Continued)**

**STATEMENT OF ACTIVITIES**

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
<b>REVENUES:</b>						
Program revenues:						
Charges for services	\$ 5,339,922	\$ 4,097,505	\$18,377,584	\$17,955,646	\$ 23,717,506	\$ 22,053,151
Operating grants and contributions	1,347,547	2,915,462			1,347,547	2,915,462
Capital grants and contributions	2,941,570	3,900,674	1,226,436	1,079,345	4,168,006	4,980,019
General revenues:						
Taxes	20,365,709	18,090,578			20,365,709	18,090,578
Investment earnings	1,565,434	1,293,767	78,119	210,063	1,643,553	1,503,830
Other revenues	370,540	573,856	899,174	954,311	1,269,714	1,528,167
<b>TOTAL REVENUES</b>	<b>31,930,722</b>	<b>30,871,842</b>	<b>20,581,313</b>	<b>20,199,365</b>	<b>52,512,035</b>	<b>51,071,207</b>
<b>EXPENSES:</b>						
Governmental activities:						
General government	1,655,477	1,681,989			1,655,477	1,681,989
Public safety	13,277,169	13,264,272			13,277,169	13,264,272
Public works	8,796,335	7,542,538			8,796,335	7,542,538
Recreation	2,012,493	2,069,876			2,012,493	2,069,876
Community development	1,997,387	4,414,709			1,997,387	4,414,709
Interest on long-term debt	22,270	36,000			22,270	36,000
Business-type activities:						
Water system			5,080,257	5,661,130	5,080,257	5,661,130
Wastewater system			5,276,564	5,277,040	5,276,564	5,277,040
Storm drain			853,148	795,898	853,148	795,898
Refuse			4,810,287	5,912,073	4,810,287	5,912,073
Airport			377,512	391,215	377,512	391,215
Intermodal			91,020	70,401	91,020	70,401
Courthouse square			194,470	202,506	194,470	202,506
<b>TOTAL EXPENSES</b>	<b>27,761,131</b>	<b>29,009,384</b>	<b>16,683,258</b>	<b>18,310,263</b>	<b>44,444,389</b>	<b>47,319,647</b>
Increase in net assets before transfers	4,169,591	1,862,458	3,898,055	1,889,102	8,067,646	3,751,560
Transfers	(8,490)	(100,430)	8,490	100,430		
Change in net assets	4,161,101	1,762,028	3,906,545	1,989,532	8,067,646	3,751,560
Net assets, beginning of year, as previously reported	203,180,323	201,418,295	88,054,325	86,064,793	291,234,648	287,483,088
Prior period adjustment	1,709,217				1,709,217	
Net assets, beginning of year, restated	204,889,540	201,418,295	88,054,325	86,064,793	292,943,865	287,483,088
Net assets, end of year	<b>\$209,050,641</b>	<b>\$203,180,323</b>	<b>\$91,960,870</b>	<b>\$88,054,325</b>	<b>\$301,011,511</b>	<b>\$291,234,648</b>

**CITY OF HANFORD**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2011**  
**(Continued)**

The City's revenue totaled \$52,512,035, with 45% generated from charges for services and 39% generated from taxes. The largest source of revenues in Governmental Activities comes from taxes at 64%. This is typical in that traditional services provided by a city, such as public safety, parks, recreation, and public works, are primarily funded from property, sales, transient occupancy, and other local taxes. The largest source of revenues in Business-Type Activities comes from charges for services at 89%. The Business-Type Activities include enterprise fund operations, such as Water, Sewer, Refuse, Airport and Intermodal Funds, all of which recover their costs through fees and charges just like a normal business.

Expenses of the City totaled \$44,444,389. The two largest categories of expense are public safety, which accounted for 30% of total costs and public works, which represents 20% of total costs. However, in relation to total Governmental Activity expenses, public safety makes up 48% of the total.

As depicted in the Statement of Activities, net assets increased during the year. In those funds included within the Governmental Activities category, net assets increased by \$4,161,101 an increase of 2%. Net assets also increased in those funds included within the Business-Type Activities category by \$3,906,545, or 4.3%.

#### **FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS**

As previously noted, the City of Hanford uses fund accounting to demonstrate compliance with legal and contractual requirements. This section provides an analysis and discussion of individual funds and fund types presented in the financial statements.

**Governmental Funds** – The Focus of the City of Hanford's governmental funds is on short-term inflows and outflows and balances of spendable resources. Such information is useful in assessing the City's financial requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At June 30, 2011, the City's governmental statement of activities reported total ending net assets of \$209,050,641 an increase of \$5,870,318 from the beginning of the year. Approximately 12% of this total amount, \$25,893,122, is available for spending at the government's discretion as unreserved/undesignated fund balance. The remainder of fund balance is reserved or designated to indicate that it is not available for new spending because it has already been committed to a specific future use.

The General Fund is the primary operating fund of the City of Hanford. At the end of the fiscal year, unassigned fund balance of the General Fund was \$5,929,903 while total fund balance reached \$13,843,789. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total expenditures. The unassigned fund balance of the general fund represents approximately 29% of general fund expenditures.

**CITY OF HANFORD**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2011**  
**(Continued)**

Capital Improvement Funds, which are categorized as governmental funds, show fluctuations in their ending fund balances because they are primarily used to account for capital improvement projects that span more than one year. Therefore, the change in fund balance is generally due to the timing of funding, which generally occurs in one year, in relation to the timing of expenditures, which occur over more than one year. Any remaining fund balances are either reserved or earmarked specifically for the continuing cost of the related projects.

**Proprietary Funds** – The City proprietary funds include the Water, Wastewater, Storm Drain, Refuse, Airport, Intermodal, and Courthouse Square Funds. All of the proprietary funds are highly capital intensive, requiring a significant investment in capital equipment and facilities to conduct their operations, whether it be in water and sewer lines, water and wastewater treatment facilities or runways.

The Water Fund has total net assets of \$28,699,976 at the end of the fiscal year. Total net assets include \$23,146,829 invested in capital assets and \$595,743 reserved for debt service, which are not available to pay for current expenses. The remaining net assets of \$5,553,147 are unrestricted and available to cover current operating and capital needs of the fund.

The Refuse Fund has total net assets of \$3,770,065 at the end of the fiscal year. Total net assets include \$170,944 invested in capital assets, which are not available to cover current expenses. The remaining net assets of \$3,599,121 are unrestricted and available to cover current operating and capital needs of the fund.

The Wastewater Fund has total net assets of \$29,952,198 at the end of the fiscal year. Total net assets include \$22,678,255 invested in capital assets, which are not available to cover current expenses. The fund has \$7,273,943 available to cover current operating and capital needs.

#### **CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets** – The City of Hanford's investment in capital assets for its governmental and business type activities as of June 30, 2011 amounts to \$252,008,486(net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, park facilities and roads. The net increase in the City's investment in capital assets for the current fiscal year was \$3,172,760. This increase is a result of land acquisition, normal equipment replacement, and construction of typical capital assets. Significant capital asset events during the fiscal year included the following:

**CITY OF HANFORD**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2011**  
**(Continued)**

- Construction on storm drainage facilities \$332,655.
- Construction on wastewater system treatment plan and collection system for \$1,355,207.
- Construction on the water system storage tanks, water wells, and water mains for \$6,300,293.
- Water system arsenic remediation projects construction for \$66,577.
- Contributed capital from developer improvements for \$1,005,560.
- Various street construction projects, rehabilitation and betterments for \$5,246,639.

**Capital Assets**  
**(Net of Depreciation)**

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$ 60,432,656	\$ 60,432,656	\$11,035,847	\$ 11,035,847	\$ 71,468,503	\$ 71,468,503
Buildings	11,638,810	11,829,620	7,126,000	6,513,177	18,764,810	18,342,797
Infrastructure	57,953,722	56,264,814	89,850,270	87,908,083	147,803,992	144,172,897
Equipment	6,416,231	6,133,677	136,100	215,733	6,552,331	6,349,410
Construction in progress	4,169,733	2,874,446	3,249,117	5,627,673	7,418,850	8,502,119
Total capital assets	<u>\$140,611,152</u>	<u>\$137,535,213</u>	<u>\$111,397,334</u>	<u>\$111,300,513</u>	<u>\$252,008,486</u>	<u>\$248,835,726</u>

**Long-Term Debt** - At the end of the current fiscal year, the City of Hanford, primary government, had a total debt outstanding of \$45,171,965.

**Outstanding Debt**

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Compensated absences	\$ 784,620	\$ 760,098	\$ 165,231	\$ 160,850	\$ 949,851	\$ 920,948
Certificates of participation	370,000	725,000			370,000	725,000
Revenue bonds payable			25,520,000	26,435,000	25,520,000	26,435,000
Unamortized bond premium			151,983	160,923	151,983	160,923
Notes payable	1,035,809		15,466,773	16,033,480	16,502,582	16,033,480
Lease purchase			1,677,549	1,893,833	1,677,549	1,893,833
	<u>\$2,190,429</u>	<u>\$1,485,098</u>	<u>\$42,981,536</u>	<u>\$44,684,086</u>	<u>\$45,171,965</u>	<u>\$46,169,184</u>

With respect to the Governmental Activities, the outstanding \$370,000 in certificates of participation consists of one issuance in 2001 for \$3,175,000 to finance the acquisition of the Recreational/Educational Facility Site for the Learning Center.

**CITY OF HANFORD**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2011**  
**(Continued)**

In the Business-Type Activities, the revenue bonds payable consists of five separate issues. In 2006 the City received \$8,925,000 from the issuance of Water Revenue Bonds for the purpose of refunding the EDA Loan and 1993 Water Refunding Revenue Bond as well as expanding the City's water system. Three bonds were issued to expand or upgrade the wastewater system and treatment plant. These consist of an issue in 1996 of \$7,855,000, an issue in 1999 of \$5,000,000, and an issue in 2002 of \$10,555,000. In 2007 the City received \$8,150,000 through an installment sale agreement to finance arsenic remediation projects. In 2009 the City received \$1,998,290 through a lease purchase agreement to purchase and install auto read water meters.

The notes payable portion of the outstanding \$16,502,582 debt consists of three loans. In 2003 the City obtained the loan for the purpose of expanding the wastewater treatment plant and in 2007 the City obtained \$8,150,000 to finance construction of arsenic remediation projects. In March, 2011, a resolution passed by the governing body of the Community Redevelopment Agency of the City of Hanford to transfer the existing obligation with the Kings County Economic Development Corporation for two loan agreements for the Kings County Industrial Park Project from the Redevelopment Agency to the City of Hanford.

For detail information regarding each of these bonds or notes please refer to Note 5 – Long-Term Debt, page 49.

#### **GENERAL FUND BUDGETARY HIGHLIGHTS**

The original budget was decreased reducing employees, supplies and equipment in various general fund activities to offset reduced revenues. The actual revenues were less than budget estimates by about \$1,986,000 caused from reduced sales tax, investment earnings and development fees. Expenditure savings were about \$1,778,000, primarily in public works activities.

#### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The key assumptions in the General Fund revenue forecast for fiscal year 2011-2012 were:

- Service charges will increase due to new services and rate increases that went into effect during the fiscal year.
- Property tax revenues will be flat due to depressed assessed valuation and general growth.
- Sales tax revenues will remain flat as a result of the depressed economy.
- State budget actions will negatively affect general fund revenues.

**CITY OF HANFORD**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2011**  
**(Continued)**

Items addressed in the budget were:

Wastewater – Complete upgrades to sewer lift stations and reserve funds for the 2018 sewer treatment plant.

Airport – Design and construction of improvements /overlay of the airport apron and taxiway and replacement of the airport beacon .

Redevelopment – Commence planning for development of the easterly segment of downtown commercial area, and improvements to the Industrial Park Water System.

Water – The Completion of construction of various water main replacements.

Streets – The design and construction of widening 10<sup>th</sup> Avenue from Third Street to Hanford Armona Road, widening of 12<sup>th</sup> Avenue from Grangeville Blvd. to Fargo Avenue and installation of a traffic signal at Seventh Street and Mall Drive.

General Fund Operations – The budget maintains current services with the same level of employees and anticipates minimal revenue growth with no draw from reserves.

**REQUESTS FOR INFORMATION**

This Financial Report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. Questions concerning any of the information provided in the report or requests for additional financial information can be sent via e-mail to [finance@ci.hanford.ca.us](mailto:finance@ci.hanford.ca.us). Formal written requests should be addressed to: City of Hanford, Attn: Finance Department, 315 N. Douty Street, Hanford, California 93230.

**FINANCIAL STATEMENTS**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**CITY OF HANFORD**  
**Statement of Net Assets**  
**June 30, 2011**

	Primary Government			Component Unit Redevelopment Agency
	Governmental Activities	Business-Type Activities	Total	
<b>ASSETS</b>				
Cash and investments	\$ 47,046,188	\$ 19,255,239	\$ 66,301,427	\$ 956,890
Receivables	2,310,826	1,592,122	3,902,948	125,088
Internal balances	(3,213,888)	3,213,888		
Inventories	172,638	180,833	353,471	
Deposits	100,000	10,000	110,000	
Deferred charges		210,857	210,857	
Other assets	2,326		2,326	
Long-term notes receivable	18,677,545		18,677,545	1,309,938
Loan to Redevelopment Agency	5,559,159		5,559,159	
Restricted cash and investments		595,743	595,743	
Land held for resale	2,262,990		2,262,990	
Capital assets:				
Non-depreciable capital assets:				
Land	60,432,656	11,035,847	71,468,503	
Construction in progress	4,169,733	3,249,117	7,418,850	
Depreciable capital assets, net of depreciation	<u>76,008,763</u>	<u>97,112,370</u>	<u>173,121,133</u>	
Total assets	<u>213,528,936</u>	<u>136,456,016</u>	<u>349,984,952</u>	<u>2,391,916</u>
<b>LIABILITIES</b>				
Accounts payable	1,298,875	635,807	1,934,682	141,777
Salary and benefits payable	278,520	45,415	323,935	3,065
Accrued interest payable		436,206	436,206	
Deposits and deferred revenue	29,028	228,444	257,472	
Long-term debt – due within one year	370,000	1,854,441	2,224,441	
Long-term debt – due in more than one year	1,035,809	40,809,881	41,845,690	5,559,159
Unamortized bond premium		151,983	151,983	
Compensated absences – long-term	784,620	165,231	949,851	
Net OPEB liability	<u>681,443</u>	<u>167,738</u>	<u>849,181</u>	
Total liabilities	<u>4,478,295</u>	<u>44,495,146</u>	<u>48,973,441</u>	<u>5,704,001</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	140,241,152	69,249,494	209,490,646	
Restricted for:				
Streets	8,720,630		8,720,630	
Debt service		595,743	595,743	
Housing	20,412,610		20,412,610	2,173,803
Public safety	1,739,066		1,739,066	
Parks and recreation	1,889,337		1,889,337	
Capital projects	10,154,724		10,154,724	4,820
Unrestricted	<u>25,893,122</u>	<u>22,115,633</u>	<u>48,008,755</u>	<u>(5,490,708)</u>
Total net assets (deficit)	<u>\$209,050,641</u>	<u>\$ 91,960,870</u>	<u>\$301,011,511</u>	<u>\$(3,312,085)</u>

See independent auditors' report and notes to financial statements.

**CITY OF HANFORD**  
**Statement of Activities and Changes in Net Assets**  
**For the Year Ended June 30, 2011**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions			
<b>Primary government:</b>							
<b>Governmental activities:</b>							
General government	\$ 1,655,477	\$ 50,714	\$ 274,913	\$ 258,551	\$ (1,604,763)		
Public safety	13,277,169	1,292,689		1,951,442	(11,451,016)		
Public works	8,796,335	2,273,128		1,106	(4,571,765)		
Recreation	2,012,493	478,044			(1,533,343)		
Community development	1,997,387	1,245,347	1,072,634	730,471	1,051,065		
Interest on long-term debt	<u>22,270</u>				<u>(22,270)</u>		
Total governmental activities	<u>27,761,131</u>	<u>5,339,922</u>	<u>1,347,547</u>	<u>2,941,570</u>	<u>(18,132,092)</u>		
<b>Business-type activities:</b>							
Water system	5,080,257	5,108,105		149,465	177,313		
Wastewater system	5,276,564	5,202,563		152,061	78,060		
Storm drain	853,148	1,224,984		44,210	416,046		
Refuse	4,810,287	6,591,884			1,781,597		
Airport	377,512	60,695		880,700	563,883		
Intermodal	91,020	45,819			(45,201)		
Courthouse square	<u>194,470</u>	<u>143,534</u>			<u>(50,936)</u>		
Total business-type activities	<u>16,683,258</u>	<u>18,377,584</u>		<u>1,226,436</u>	<u>2,920,762</u>		
Total primary government	<u>\$44,444,389</u>	<u>\$23,717,506</u>	<u>\$1,347,547</u>	<u>\$4,168,006</u>	<u>\$(15,211,330)</u>		
<b>Component unit:</b>							
Redevelopment agency	<u>\$ 2,114,967</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$(2,114,967)</u>		

See independent auditors' report and notes to financial statements.

**CITY OF HANFORD**  
**Statement of Activities and Changes in Net Assets**  
**For the Year Ended June 30, 2011**  
**(Continued)**

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets			Component Unit Redevelopment Agency	
	Governmental Activities	Business-Type Activities	Total		
<b>Primary Government:</b>					
<b>Governmental activities:</b>					
General government	\$ (1,604,763)	\$	\$ (1,604,763)	\$	
Public safety	(11,451,016)		(11,451,016)		
Public works	(4,571,765)		(4,571,765)		
Recreation	(1,533,343)		(1,533,343)		
Community development	1,051,065		1,051,065		
Interest on long-term debt	(22,270)		(22,270)		
Total governmental activities	<u>(18,132,092)</u>		<u>(18,132,092)</u>		
<b>Business-type activities:</b>					
Water system		177,313	177,313		
Wastewater system		78,060	78,060		
Storm drain		416,046	416,046		
Refuse		1,781,597	1,781,597		
Airport		563,883	563,883		
Intermodal		(45,201)	(45,201)		
Courthouse square		(50,936)	(50,936)		
Total business-type activities		<u>2,920,762</u>	<u>2,920,762</u>		
Total primary government	<u>(18,132,092)</u>	<u>2,920,762</u>	<u>(15,211,330)</u>		
<b>Component unit:</b>					
Redevelopment agency				<u>(2,114,967)</u>	
<b>General revenues:</b>					
Taxes:					
Property taxes	9,909,468		9,909,468	1,800,172	
Sales and use tax	5,494,262		5,494,262		
Franchise taxes	841,937		841,937		
Other taxes	4,120,042		4,120,042		
Revenue from use of money and property	1,565,434	78,119	1,643,553	241,883	
Impact fees		772,539	772,539		
Miscellaneous/other	370,540	126,635	497,175		
Transfers – interfund	(8,490)	8,490			
Total general revenues and transfers	<u>22,293,193</u>	<u>985,783</u>	<u>23,278,976</u>	<u>2,042,055</u>	
<b>Change in net assets</b>					
	4,161,101	3,906,545	8,067,646	(72,912)	
Net assets, beginning of year, as previously reported	<u>203,180,323</u>	<u>88,054,325</u>	<u>291,234,648</u>	<u>(3,239,173)</u>	
Prior period adjustment	<u>1,709,217</u>		<u>1,709,217</u>		
Net assets – beginning of year, restated	<u>204,889,540</u>	<u>88,054,325</u>	<u>292,943,865</u>	<u>(3,239,173)</u>	
Net assets, end of year	<u>\$209,050,641</u>	<u>\$91,960,870</u>	<u>\$301,011,511</u>	<u>\$(3,312,085)</u>	

See independent auditors' report and notes to financial statements.

**GOVERNMENTAL  
FUND FINANCIAL STATEMENTS**

**CITY OF HANFORD**  
**Combining Balance Sheet**  
**Governmental Funds**  
**For the Year Ended June 30, 2011**

	General Fund	CDBG Home/Housing Fund	Capital Project Fund	Transportation Funds	All Other Governmental Funds	Totals
<b>ASSETS</b>						
Cash and investments	\$ 6,776,398	\$ 617,607	\$ 8,607,768	\$380,149	\$14,023,586	\$30,405,508
Accounts receivable	706,229	161,636		75,724	254,970	1,198,559
Loan receivable	25,000	17,224,477			1,428,068	18,677,545
Loan to redevelopment agency	5,559,159					5,559,159
Due from other funds	61,984		1,593,269			1,655,253
Deposits	100,000					100,000
Other assets	1,226		1,100			2,326
Land for resale	<u>2,262,990</u>	_____	_____	_____	_____	<u>2,262,990</u>
Total assets	<u>\$15,492,986</u>	<u>\$18,003,720</u>	<u>\$10,202,137</u>	<u>\$455,873</u>	<u>\$15,706,624</u>	<u>\$59,861,340</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities						
Loans payable	1,035,809					1,035,809
Due to other funds					21,111	21,111
Accounts payable	391,984	30,822	47,413	170,442	404,126	1,044,787
Accrued wages payable	193,113					193,113
Consumer deposits	<u>28,291</u>	<u>737</u>	_____	_____	_____	<u>29,028</u>
Total liabilities	<u>1,649,197</u>	<u>31,559</u>	<u>47,413</u>	<u>170,442</u>	<u>425,237</u>	<u>2,323,848</u>
<b>FUND BALANCES</b>						
Nonspendable:						
Long-term receivables	5,584,159					5,584,159
Land for resale	1,227,181					1,227,181
Insurance deposits	100,000					100,000

See independent auditors' report and notes to financial statements.

**CITY OF HANFORD**  
**Combining Balance Sheet**  
**Governmental Funds**  
**For the Year Ended June 30, 2011**

	General Fund	CDBG Home/Housing Fund	Capital Project Fund	Transportation Funds	All Other Governmental Funds	Totals
Restricted for:						
Community development		17,972,161				17,972,161
Streets and roads					7,689,946	7,689,946
Recreation					1,889,337	1,889,337
Landscape maintenance					746,452	746,452
Public safety					1,741,214	1,741,214
Aviation					20,000	20,000
Other purposes					220,929	220,929
Committed for:				285,431		285,431
Parking and business improvement					492,652	492,652
Capital projects	1,002,546		10,154,724		2,480,857	13,638,127
Unassigned	<u>5,929,903</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>		<u>5,929,903</u>
Total fund balances	<u>13,843,789</u>	<u>17,972,161</u>	<u>10,154,724</u>	<u>285,431</u>	<u>15,281,387</u>	<u>57,537,492</u>
Total liabilities and fund balances	<u>\$15,492,986</u>	<u>\$18,003,720</u>	<u>\$10,202,137</u>	<u>\$455,873</u>	<u>\$15,706,624</u>	<u>\$59,861,340</u>

See independent auditors' report and notes to financial statements.

**CITY OF HANFORD**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**To the Government-Wide Statement of Net Assets**  
**Governmental Activities**  
**June 30, 2011**

Total fund balances governmental funds	\$ 57,537,492
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets: 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	\$191,799,981
Accumulated depreciation	<u>(56,921,727)</u>
	134,878,254
Internal service funds are used by management to charge the costs of fleet maintenance, purchasing, risk management, building usage, and computer maintenance to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net assets:	18,470,958
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:	
Certificates of participation payable	\$ 370,000
Compensated absences	784,620
Unfunded OPEB liabilities	<u>681,443</u>
	<u>(1,836,063)</u>
Total net assets – governmental activities	<u><u>\$209,050,641</u></u>

**CITY OF HANFORD**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2011**

	General Fund	CDBG Home/Housing Fund	Capital Project Fund	Transportation Funds	All Other Governmental Funds	Totals
<b>REVENUES</b>						
Taxes and special assessments	\$16,977,197	\$ 1,419,502	\$ 222,935	\$ 29,665	\$ 3,889,305	\$20,896,167
Aid from other government agencies	1,269,616			3,068,233	1,082,151	7,062,437
Licenses and permits	404,255					404,255
Fines and forfeitures	155,612					263,925
Charges for services	636,131					636,131
Revenue from use of money and property	1,010,946	320,960		10,709	384,926	1,727,541
Miscellaneous		57,769				57,769
Unrealized gain/(loss) on investments	(9,601)	659	(8,534)	(510)	(13,054)	(31,040)
Total revenues	<u>20,444,156</u>	<u>1,798,890</u>	<u>214,401</u>	<u>3,108,097</u>	<u>5,451,641</u>	<u>31,017,185</u>
<b>EXPENDITURES</b>						
General government	1,548,725				10,800	1,559,525
Public safety	13,126,571					13,126,571
Public works	3,391,688				309,110	3,700,798
Recreation	1,356,406					1,356,406
Community development	969,370					969,370
Capital outlay		911,745	618,792	3,866,293	3,949,982	9,346,812
Debt service:						
Principal					355,000	355,000
Interest					22,270	22,270
Total expenditures	<u>20,392,760</u>	<u>911,745</u>	<u>618,792</u>	<u>3,866,293</u>	<u>4,647,162</u>	<u>30,436,752</u>
Excess (deficiency) of revenues over expenditures	<u>51,396</u>	<u>887,145</u>	<u>(404,391)</u>	<u>(758,196)</u>	<u>804,479</u>	<u>580,433</u>
Other financing sources (uses)						
Other sources					253,713	253,713
Transfers in	879,072				126,857	1,005,929
Transfers out	(781,397)		(126,857)		(106,165)	(1,014,419)
Total other financing sources (uses)	<u>97,675</u>		<u>(126,857)</u>		<u>274,405</u>	<u>245,223</u>

See independent auditors' report and notes to financial statements.

**CITY OF HANFORD**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2011**

	General Fund	CDBG Home/Housing Fund	Capital Project Fund	Transportation Funds	All Other Governmental Funds	Totals
Net change in fund balances	149,071	887,145	(531,248)	(758,196)	1,078,884	825,656
Fund balance – beginning of fiscal year, as previously reported	13,694,718	15,375,799	10,685,972	1,043,627	14,202,503	55,002,619
Prior Period Adjustments	_____	<u>1,709,217</u>	_____	_____	_____	<u>1,709,217</u>
Fund balances beginning of year, restated	<u>13,694,718</u>	<u>17,085,016</u>	<u>10,685,972</u>	<u>1,043,627</u>	<u>14,202,503</u>	<u>56,711,836</u>
Fund balances end of year	<u>\$13,843,789</u>	<u>\$17,972,161</u>	<u>\$10,154,724</u>	<u>\$ 285,431</u>	<u>\$15,281,387</u>	<u>\$57,537,492</u>

See independent auditors' report and notes to financial statements.

**CITY OF HANFORD**  
**Reconciliation of the Governmental Funds Statement**  
**of Revenues, Expenditures, And Changes in Fund Balances**  
**to the Government-Wide Statement of Activities**  
**Governmental Activities**  
**For the Year ended June 30, 2011**

Total net change in fund balances – governmental funds	\$ 825,656
Amounts reported for governmental activities in the statement of activities different because:	
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period:	
Expenditures for capital outlay	\$ 6,606,362
Depreciation expense	<u>(4,607,475)</u>
	1,998,887
The net effect of various transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets:	659,824
Debt service: In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of the liabilities. Expenditures for repayment of the principal portion of the long-term debt were:	355,000
Compensated absences: In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amounts earned. The difference between compensated absences paid and those earned was:	(24,522)
Internal service funds are used by management to charge the costs of fleet maintenance, purchasing, employee welfare, workers' compensation, general and unemployment insurance to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities:	577,828
Unfunded OPEB liability: These expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in government funds.	<u>(231,572)</u>
Change in net assets of governmental activities	<u>\$4,161,101</u>

See independent auditors' report and notes to financial statements.

**PROPRIETARY FUND FINANCIAL STATEMENTS**

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

	Water System Fund	Sewer Improvement Funds			
		Wastewater Fund	Storm Drain Fund	Refuse Fund	
<b>ASSETS</b>					
Current assets:					
Cash and investments	\$ 5,534,845	\$ 7,330,555	\$ 2,798,011	\$ 3,462,748	
Restricted cash	595,743				
Accounts receivable, net	472,340	416,001	110,236	535,952	
Deposits	6,000	4,000			
Inventory	180,833				
Deferred charges	210,857				
Total current assets	<u>7,000,618</u>	<u>7,750,556</u>	<u>2,908,247</u>	<u>3,998,700</u>	
Noncurrent assets:					
Capital assets:					
Land	324,114	4,135,650	3,453,076		
Buildings and improvements	45,694,787	68,208,175	15,208,438	218,590	
Machinery and equipment	540,148	489,104	129,356	1,100,516	
Construction in progress	3,223,146		25,971		
Less accumulated depreciation	(11,203,395)	(23,438,805)	(3,508,025)	(1,148,162)	
Total capital assets (net of accumulated depreciation)	<u>38,578,800</u>	<u>49,394,124</u>	<u>15,308,816</u>	<u>170,944</u>	
Total noncurrent assets	<u>38,578,800</u>	<u>49,394,124</u>	<u>15,308,816</u>	<u>170,944</u>	
Total assets	<u>\$ 45,579,418</u>	<u>\$ 57,144,680</u>	<u>\$18,217,063</u>	<u>\$ 4,169,644</u>	
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable	\$ 229,445	\$ 153,133	\$ 4,863	\$ 234,670	
Salaries and benefits payable	14,544	11,651		18,776	
Deposits and deferred revenue	223,804				
Due to other funds					
Interest payable	141,051	295,155			
Current portion of long-term debt	<u>809,594</u>	<u>1,044,846</u>			
Total current liabilities	<u>1,418,438</u>	<u>1,504,785</u>	<u>4,863</u>	<u>253,446</u>	
Noncurrent liabilities:					
Compensated absences payable	44,848	43,657		76,726	
Net OPEB liability	53,887	44,444		69,407	
Unamortized bond premium	151,983				
Bonds and notes payable	<u>15,210,286</u>	<u>25,599,596</u>			
Total noncurrent liabilities	<u>15,461,004</u>	<u>25,687,697</u>		<u>146,133</u>	
Total liabilities	<u>16,879,442</u>	<u>27,192,482</u>	<u>4,863</u>	<u>399,579</u>	
<b>NET ASSETS</b>					
Invested in capital assets net of related debt	23,146,829	22,678,255	15,308,816	170,944	
Unrestricted	<u>5,553,147</u>	<u>7,273,943</u>	<u>2,903,384</u>	<u>3,599,121</u>	
Total net assets	<u>\$ 28,699,976</u>	<u>\$ 29,952,198</u>	<u>\$18,212,200</u>	<u>\$ 3,770,065</u>	

See independent auditors' report and notes to financial statements.

**CITY OF HANFORD**  
**Statement of Net Assets**  
**Proprietary Funds**  
**June 30, 2011**  
**(Continued)**

	Airport Fund	Intermodal Fund	Courthouse Square	Total	Governmental Activities Internal Service Funds
<b>ASSETS</b>					
Current assets:					
Cash and investments	\$ 129,080	\$	\$	\$ 19,255,239	\$ 16,640,680
Restricted cash				595,743	
Accounts receivable, net	6,029		51,564	1,592,122	1,112,267
Deposit				10,000	
Inventory				180,833	172,638
Deferred charges				210,857	
Total current assets	<u>135,109</u>	<u>      </u>	<u>51,564</u>	<u>21,844,794</u>	<u>17,925,585</u>
Noncurrent assets:					
Capital assets:					
Land	2,596,623	526,384		11,035,847	
Buildings and improvements	6,710,403	1,784,997		137,825,390	
Machinery and equipment	30,354			2,289,478	15,861,870
Construction in progress				3,249,117	
Less: Accumulated depreciation	<u>(3,142,655)</u>	<u>(561,456)</u>		<u>(43,002,498)</u>	<u>(10,128,972)</u>
Total capital assets	<u>6,194,725</u>	<u>1,749,925</u>		<u>111,397,334</u>	<u>5,732,898</u>
(net of accumulated depreciation)					
Total noncurrent assets	<u>6,194,725</u>	<u>1,749,925</u>		<u>111,397,334</u>	<u>5,732,898</u>
Total assets	<u>\$ 6,329,834</u>	<u>\$1,749,925</u>	<u>\$ 51,564</u>	<u>\$133,242,128</u>	<u>\$ 23,658,483</u>
<b>LIABILITIES</b>					
Current Liabilities:					
Accounts payable	\$ 8,304	\$ 30	\$ 5,362	\$ 635,807	\$ 254,089
Salaries and benefits payable	143		301	45,415	85,407
Deposits and deferred revenue	4,640			228,444	
Due to other funds	405,468	598,652	630,022	1,634,142	
Interest payable				436,206	
Current portion of long-term debt				1,854,440	
Total current liabilities	<u>418,555</u>	<u>598,682</u>	<u>635,685</u>	<u>4,834,454</u>	<u>339,496</u>
Noncurrent liabilities:					
Compensated absence payable				165,231	
Net OPEB liability				167,738	
Unamortized bond premium				151,983	
Bonds and notes payable				40,809,882	
Total noncurrent liabilities	<u>      </u>	<u>      </u>	<u>      </u>	<u>41,294,834</u>	<u>      </u>
Total liabilities	<u>418,555</u>	<u>598,682</u>	<u>635,685</u>	<u>46,129,288</u>	<u>339,496</u>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	6,194,725	1,749,925		69,249,494	5,732,898
Unrestricted	<u>(283,446)</u>	<u>(598,682)</u>	<u>(584,121)</u>	<u>17,863,346</u>	<u>17,586,089</u>
Total net assets	<u>\$ 5,911,279</u>	<u>\$1,151,243</u>	<u>\$(584,121)</u>	<u>\$ 87,112,840</u>	<u>\$ 23,318,987</u>
Adjustments to reflect the consolidation of the Internal service funds related to enterprise funds				4,848,030	
Net assets of business type activities				\$ 91,960,870	

See independent auditors' report and notes to financial statements.

**CITY OF HANFORD**  
**Statement of Revenues, Expenses, and Changes in Net Assets**  
**Proprietary funds**  
**For the Year Ended June 30, 2011**

	Water System Fund	Sewer Improvement Funds		
		Wastewater Fund	Storm Drain Fund	Refuse Fund
<b>OPERATING REVENUES</b>				
Charges for services	\$ 5,108,105	\$ 5,202,563	\$ 1,224,984	\$6,591,884
Other revenues	<u>420,698</u>	<u>385,665</u>	<u>30,658</u>	<u>2,668</u>
Total operating revenue	<u>5,528,803</u>	<u>5,588,228</u>	<u>1,255,642</u>	<u>6,594,552</u>
<b>OPERATING EXPENSES</b>				
Personnel services	1,268,605	1,112,477		1,659,839
Services and supplies	2,237,793	2,041,899	651,726	4,692,875
Depreciation and amortization	<u>923,325</u>	<u>1,199,508</u>	<u>205,231</u>	<u>7,229</u>
Total operating expenses	<u>4,429,723</u>	<u>4,353,884</u>	<u>856,957</u>	<u>6,359,943</u>
Operating income (loss)	<u>1,099,080</u>	<u>1,234,344</u>	<u>398,685</u>	<u>234,609</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Interest income	34,867	43,217	16,724	1,611
Interest expense	(720,067)	(994,747)		
Gain (loss) on sale of assets				
Unrealized gain (loss) on investments	(6,262)	(7,310)	(2,639)	(2,012)
Miscellaneous				
Total non-operating revenues (expenses)	<u>(691,462)</u>	<u>(958,840)</u>	<u>14,085</u>	<u>(401)</u>
Income (loss) before capital contributions and transfers	407,618	275,504	412,770	234,208
Capital contributions	149,465	152,061	44,210	
Transfers in (out)				1,139,064
CHANGES IN NET ASSETS				
TOTAL NET ASSETS, Beginning of year	<u>28,142,893</u>	<u>29,524,633</u>	<u>17,755,220</u>	<u>2,396,793</u>
TOTAL NET ASSETS, End of year	<u>\$28,699,976</u>	<u>\$29,952,198</u>	<u>\$18,212,200</u>	<u>\$3,770,065</u>

See independent auditors' report and notes to financial statements.

**CITY OF HANFORD**  
**Statement of Revenues, Expenses, and Changes in Net Assets**  
**Proprietary Funds**  
**For the Year Ended June 30, 2011**  
**(Continued)**

	Airport Fund	Intermodal Fund	Courthouse Square	Total Enterprise Funds	Governmental Activities Internal Service Funds
<b>OPERATING REVENUES</b>					
Charges for services	\$ 60,695	\$ 45,819	\$ 143,534	\$18,377,584	\$ 6,860,355
Other revenues	<u>670</u>	<u>185</u>		<u>840,544</u>	
Total operating revenue	<u>61,365</u>	<u>46,004</u>	<u>143,534</u>	<u>19,218,128</u>	<u>6,860,355</u>
<b>OPERATING EXPENSES</b>					
Personnel services	15,516		26,385	4,082,822	934,557
Services and supplies	58,773	57,223	169,989	9,910,278	2,848,512
Depreciation and amortization	<u>307,467</u>	<u>35,701</u>		<u>2,678,461</u>	<u>934,045</u>
Total operating expenses	<u>381,756</u>	<u>92,924</u>	<u>196,374</u>	<u>16,671,561</u>	<u>4,717,114</u>
Operating income (loss)	<u>(320,391)</u>	<u>(46,920)</u>	<u>(52,840)</u>	<u>2,546,567</u>	<u>2,143,241</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>					
Interest income	11			96,430	62,606
Interest expense				(1,714,814)	
Gain (loss) on sale of assets					(6,495)
Unrealized gain (loss) on investments	(67)	(11)	(10)	(18,311)	(11,615)
Miscellaneous	<u>58,630</u>			<u>58,630</u>	<u>93,208</u>
Total non-operating revenues (expenses)	<u>58,574</u>	<u>(11)</u>	<u>(10)</u>	<u>(1,578,065)</u>	<u>137,704</u>
Income (loss) before capital capital contributions and transfers	(261,817)	(46,931)	(52,850)	968,502	2,280,945
Capital contributions	880,700			1,226,436	
Transfers in (out)	<u>8,490</u>			<u>1,147,554</u>	<u>(1,139,064)</u>
<b>CHANGE IN NET ASSETS</b>					
TOTAL NET ASSETS, Beginning of year	<u>5,283,906</u>	<u>1,198,174</u>	<u>(531,271)</u>		<u>22,177,106</u>
TOTAL NET ASSETS, End of year	<u>\$5,911,279</u>	<u>\$1,151,243</u>	<u>\$(584,121)</u>		<u>\$23,318,987</u>
Adjustments to reflect the consolidation of the internal service funds activities related to enterprise funds				<u>564,053</u>	
Change in net assets of business type activities (Page 16)				<u>\$ 3,906,545</u>	

See independent auditors' report and notes to financial statements.

**CITY OF HANFORD**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year ended June 30, 2011**

	Water System Fund	Sewer Improvement Funds			
	Wastewater Fund	Storm Drain Fund	Refuse Fund		Airport Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Cash received for current services					
Cash received for current services	\$ 5,136,341	\$ 5,174,105	\$1,224,577	\$ 6,649,842	\$ 65,902
Cash received for other operating revenues	420,698	385,665	30,658	2,668	670
Cash paid for services and supplies	(2,175,900)	(2,020,857)	(666,606)	(4,671,980)	(56,155)
Cash paid for salaries and benefits	<u>(1,291,037)</u>	<u>(1,128,666)</u>	_____	<u>(1,695,591)</u>	<u>(15,524)</u>
Net cash provided (used) by operating activities	<u>2,090,102</u>	<u>2,410,247</u>	<u>588,629</u>	<u>284,939</u>	<u>(5,107)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>					
Transfers (to) from other funds				1,139,064	8,490
Due to (from) other funds	_____	_____	_____	_____	_____
Net cash provided (used) by non-capital financing activities	_____	_____	_____	1,139,064	8,490
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>					
Principal paid on long-term debt	(761,089)	(920,552)			
Interest paid	(735,744)	(1,003,853)			
Capital contributions	_____	_____	_____	_____	_____
Capital expenditures	<u>(1,039,086)</u>	<u>(177,105)</u>	<u>(332,655)</u>	_____	_____
Net cash provided (used) by capital and related financing activities	<u>(2,535,919)</u>	<u>(2,101,510)</u>	<u>(332,655)</u>	_____	_____
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Unrealized gain (loss) on investments	(6,262)	(7,310)	(2,639)	(2,012)	(67)
Other non-operating revenue (expense)					58,630
Interest received	<u>37,031</u>	<u>44,628</u>	<u>16,704</u>	<u>1,645</u>	<u>11</u>
Net cash provided by investing activities	<u>30,769</u>	<u>37,318</u>	<u>14,065</u>	<u>(367)</u>	<u>58,574</u>
Net increase (decrease) in cash and cash equivalents	(415,048)	346,055	270,039	1,423,636	61,957
Cash and cash equivalents, beginning of year	<u>6,545,636</u>	<u>6,984,500</u>	<u>2,527,972</u>	<u>2,039,112</u>	<u>67,123</u>
Cash and cash equivalents, end of year	<u>\$ 6,130,588</u>	<u>\$ 7,330,555</u>	<u>\$2,798,011</u>	<u>\$ 3,462,748</u>	<u>\$129,080</u>

See independent auditors' report and notes to financial statements.

**CITY OF HANFORD**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2011**  
**(Continued)**

	Water System Fund	<u>Sewer Improvement Funds</u>			
	Wastewater Fund	Storm Drain Fund	Refuse Fund		Airport Fund
<b>Reconciliation of operating income to net cash provided by operating activities:</b>					
Operating income (loss)	\$1,099,080	\$1,234,344	\$398,685	\$234,609	\$(320,391)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation	923,325	1,199,508	205,231	7,229	307,467
(Increase) decrease in net assets:					
Accounts receivable	27,343	(28,458)	(407)	57,958	1,361
Inventory	(36,162)				
Increase (decrease) in net liabilities:					
Accounts payable	98,055	21,042	(14,880)	20,895	2,618
Salaries and benefits payable	(46,084)	(36,395)		(58,487)	(8)
Compensated absences	3,089	3,532		(2,240)	
Deposits and deferred revenue	893				3,846
OPEB liability	20,563	16,674		24,975	
Total adjustments	<u>991,022</u>	<u>1,175,903</u>	<u>189,944</u>	<u>50,330</u>	<u>315,284</u>
Net cash provided (used) by operating activities	<u>\$2,090,102</u>	<u>\$2,410,247</u>	<u>\$588,629</u>	<u>\$284,939</u>	<u>\$ (5,107)</u>
Contributions of capital assets	<u>\$ 149,465</u>	<u>\$ 152,061</u>	<u>\$ 44,210</u>	<u>\$ </u>	<u>\$ 880,700</u>

See independent auditors' report and notes to financial statements.

**CITY OF HANFORD**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2011**  
**(Continued)**

	Intermodal Fund	Courthouse Square	Total Enterprise Funds	Governmental Activities- Internal Service Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
<b>  Cash received for current services</b>				
Cash received for other operating revenues	\$ 45,819	\$ 154,099	\$18,450,685	\$ 6,860,355
Cash paid for services and supplies	185		840,544	
Cash paid for salaries and benefits	(57,381)	(174,192)	(9,823,071)	(3,957,921)
	_____	_____	(27,280)	(4,158,098)
Net cash provided (used) by operating activities	<u>(11,377)</u>	<u>(47,373)</u>	<u>5,310,060</u>	<u>2,902,434</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>				
<b>  Transfers from other funds</b>				
Due to (from) other funds	690	40,182	40,872	
Net cash provided (used) by non-capital financing activities	<u>690</u>	<u>40,182</u>	<u>1,188,426</u>	<u>(1,139,064)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
<b>  Principal paid on long-term debt</b>				
Interest paid			(1,681,641)	(1,139,064)
Capital contributions			(1,739,597)	
Capital expenditures	_____	_____	(1,548,846)	(1,097,657)
Net cash provided (used) by capital and related financing activities	_____	_____	(4,970,084)	(1,351,273)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
<b>  Unrealized gain (loss) on investments</b>				
Other non-operating revenue (expense)	(11)	(10)	(18,311)	(18,080)
Interest received			58,630	93,178
Net cash provided by investing activities	<u>(11)</u>	<u>(10)</u>	<u>140,338</u>	<u>66,223</u>
Net increase (decrease) in cash and cash equivalents	(10,698)	(7,201)	1,668,740	(544,239)
Cash and cash equivalents, beginning of year	<u>10,698</u>	<u>7,201</u>	<u>18,182,242</u>	<u>17,184,919</u>
Cash and cash equivalents, end of year	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$19,850,982</u>	<u>\$16,640,680</u>

See independent auditors' report and notes to financial statements.

**CITY OF HANFORD**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2011**  
**(Continued)**

	Intermodal Fund	Courthouse Square	Total Enterprise Funds	Governmental Activities- Internal Service Fund
<b>Reconciliation of operating income to net cash provided by operating activities:</b>				
Operating income/(loss)	\$(46,920)	\$(52,840)	\$2,546,567	\$2,143,241
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation	35,701		2,678,461	934,045
(Increase) decrease in net assets:				
Accounts receivable		10,565	68,362	
Inventory			(36,162)	(44,983)
Increase (decrease) in net liabilities:				
Accounts payable	(158)	(4,203)	123,369	(100,092)
Salaries and benefits payable		(895)	(141,869)	(29,777)
Compensated absences			4,381	
Deposits and deferred revenue			4,739	
OPEB liability			62,212	
Total adjustments	<u>35,543</u>	<u>5,467</u>	<u>2,763,493</u>	<u>759,193</u>
Net cash provided (used) by operating activities	<u>\$(11,377)</u>	<u>\$(47,373)</u>	<u>\$5,310,060</u>	<u>\$2,902,434</u>
Contributions of capital assets	<u>\$</u>	<u>\$</u>	<u>\$1,226,436</u>	<u>\$</u>

See independent auditors' report and notes to financial statements.

**FIDUCIARY FUNDS FINANCIAL STATEMENTS**

**CITY OF HANFORD**  
**Statement of Fiduciary Net Assets**  
**Trust and Agency Funds**  
**June 30, 2011**

	Community Facilities District	Civil Subpoena	Renters' Insurance Deposits	COE Park Deposits	Miscellaneous Deposits Trust	Totals
<b>ASSETS</b>						
Cash and investments	\$ 871,764	\$ 96,279	\$1,762	\$480	\$193,917	\$1,164,202
Accounts receivable		7,491			3,174	10,665
Other	<u>2,300,000</u>	_____	_____	_____	_____	<u>2,300,000</u>
Total assets	<u>\$3,171,764</u>	<u>\$103,770</u>	<u>\$1,762</u>	<u>\$480</u>	<u>\$197,091</u>	<u>\$3,474,867</u>
<b>LIABILITIES</b>						
Accounts payable		180	126	480	115,900	116,686
Deposits held for others		103,590	1,636		80,650	185,876
Bonds payable	<u>2,300,000</u>	_____	_____	_____	_____	<u>2,300,000</u>
Total liabilities	<u>2,300,000</u>	<u>103,770</u>	<u>1,762</u>	<u>480</u>	<u>196,550</u>	<u>2,602,562</u>
<b>NET ASSETS</b>						
Unreserved	<u>871,764</u>	_____	_____	_____	<u>541</u>	<u>872,305</u>
Total net assets	<u>\$ 871,764</u>	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ 541</u>	<u>\$ 872,305</u>

See independent auditors' report and notes to financial statements.

**CITY OF HANFORD**  
**Statement of Changes in Fiduciary Net Assets**  
**Trust and Agency Funds**  
**June 30, 2011**

	Community Facilities District	Miscellaneous Cash Deposits	Total
<b>ADDITIONS</b>			
Other additions	<u>\$485,265</u>	<u>\$</u>	<u>\$485,265</u>
	<u>485,265</u>	<u>      </u>	<u>485,265</u>
<b>DEDUCTIONS</b>			
General government	18,126		18,126
Unrealized (gain) loss on investments	1	236	237
Debt service:			
Principal	315,000		315,000
Interest	<u>145,765</u>	<u>      </u>	<u>145,765</u>
Total deductions	<u>478,892</u>	<u>236</u>	<u>479,128</u>
Change in net assets	6,373	(236)	6,137
Net assets – beginning of year	<u>865,391</u>	<u>777</u>	<u>866,168</u>
Net assets – end of year	<u>\$871,764</u>	<u>\$ 541</u>	<u>\$872,305</u>

See independent auditors' report and notes to financial statements.

**CITY OF HANFORD**  
**Notes to Financial Statements**  
**June 30, 2011**

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

The accompanying financial statements of the City of Hanford (the “City”) have been prepared in conformity with U.S. Generally accepted Accounting principles as prescribed by the Governmental Accounting Standards Board (GASB).

The accompanying financial statements present the financial position of the City and the various funds and fund types, the results of operations of the City and the various funds and fund types, and the cash flows of the proprietary funds. The financial statements are presented as of June 30, 2011 and for the year then ended.

**A. Description of the Reporting Entity**

The City of Hanford was incorporated as a General Law city in 1891. The City operates under a Council-Administrator form of government and provides the following services: Public safety (police and fire), community development, community services, public works, cultural, general administrative services, and capital improvements.

As required by accounting principles generally accepted in the United States of America, these financial statements present the City of Hanford (the primary government) and its component units. The component units discussed below are included in the City’s reporting entity because of the significance of their operational or financial relationship with the City. However, elected officials of the City of Hanford have a continuing accountability for fiscal matters of the other entities. The financial reporting entity consists of: (1) the City (2) organizations for which the City is financially accountable and (3) organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City’s financial statements to be misleading or incomplete.

An organization is fiscally dependent on the primary government if it is unable to adopt its budget, levy taxes or set rates or charges, or issue bonded debt without approval by the primary government. In a blended presentation, component unit balances and transactions are reported in a manner similar to the balances and transactions of the City. A component unit is presented on a blended basis when the component unit’s governing body is substantially the same as the City’s or the component unit provides services almost entirely to the City, otherwise the component unit is presented discretely.

**Blended Component Unit:**

The financial statements of the City of Hanford include the financial activities of the City as well as of the Hanford Improvement Corporation. Although the Hanford Improvement Corporation is a legally distinct unit from the City, their financial operations are overseen by the City of Hanford and, in fact, the City Council is the board of directors of the Corporation.

**Discretely presented Component Unit:**

The Hanford Redevelopment Agency (Agency) was established pursuant to the State of California Health and Safety Codes, Section 33000 entitled “Community Redevelopment Law.” Its purpose is to eliminate blighted areas by encouraging the development of residential, commercial, industrial, recreational, and public facilities. The City’s council members appoint the Agency’s directors, designate management, and have full accountability for the Agency’s fiscal matters.

**CITY OF HANFORD**  
**Notes to Financial Statements**  
**June 30, 2011**  
**(Continued)**

Complete financial statements for the Hanford Redevelopment Agency and Public Improvement Corporation can be obtained from the City of Hanford Finance Department.

B. Basis of Presentation

Government-Wide Financial Statements

The Government-wide financial statements (the statement of net assets and the statement of activities) report information of all of the non-fiduciary activities of the primary government and its component units. For the most part, eliminations have been made to minimize the double counting on internal activities. These statements distinguish between the *governmental and business type activities* of the City and between the City and its discretely presented component unit. Governmental activities, which normally are supported by taxes and inter-governmental 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.

Net assets are restricted when constraints placed on them are either externally imposed or are imposed by constitutional provisions or enabling legislation. Internally imposed designations of resources are not presented as restricted net assets. When both restricted and unrestricted resources are available for use, generally it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Governmental Fund Financial Statements

The governmental fund financial statements provide information about the City's funds, including fiduciary funds and the blended component unit. 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 non-major funds.

Proprietary fund *operating* revenues, such as charges for services, 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. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

**CITY OF HANFORD**  
**Notes to Financial Statements**  
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**(Continued)**

The City reports the following major governmental funds:

General Fund - The General fund is the principle operating fund of the City. It is used to account for all financial resources except those required to be accounted for in other funds. For the City, the general fund includes basic governmental activities such as general government, public safety, public works and community service.

CDBG Home/Housing Fund – To receive and disburse funds in accordance with grants received from the Department of Housing and Urban Development for the repair and improvement of targeted housing areas.

Capital Projects Fund – The capital projects fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities other than those financed by proprietary funds.

Transportation Funds – These are funds used to account for receipt and disbursement of Federal and State Transportation Program moneys. The funds reported here include 1971 State Transportation Development Act (TDA) Funds, Federal Congestion Management and Air Quality (CMAQ) Funds, 2006 Statewide Proposition 1-B Bond Funds, and 2009 Federal American Recovery and Reinvestment Act (ARRA) Stimulus Funds.

The City reports the following major enterprise funds:

Water Fund – The Water Fund is used to account for the financial activities of water utility of the City.

Wastewater Fund – The Wastewater Fund is used to account for financial activities of sewage collection and wastewater treatment utility of the City.

Storm Drain Fund – The Storm Drain Fund is used to account for the financial activities of the City's storm drains.

Refuse Fund – The Refuse Fund is used to account for the financial activities of the collection of solid waste and disposal utility of the City.

Airport Fund – To account for all activities necessary to provide an airport to the residents of the City and surroundings areas.

Intermodal Fund – The Intermodal Fund is used to account for the financial activities of a building used to support state regional and local transportation.

Courthouse Square Fund – The Courthouse Square Fund is used to account for the financial activities of the maintenance and improvement of the property known as the Courthouse Square in downtown Hanford.

**CITY OF HANFORD**  
**Notes to Financial Statements**  
**June 30, 2011**  
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The City reports the following fund types in aggregate as part of other non-major governmental funds:

Special Revenue Funds – Special Revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Debt Service Funds – Debt Service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs of the City other than debt service payments made by proprietary funds.

Additionally, the City reports the following fund types:

Internal Service Funds – Internal Service Funds are used to account for the financing of good or services provided by one department or agency of the City to another on a cost-reimbursement basis.

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

**C. Basis of Accounting**

The government-wide and proprietary 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 liabilities are incurred, regardless of when the related cash flows take place. Non-exchange 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 measurable and available. Property and sales taxes, interest, certain state and federal grants and charges for services are accrued when their receipt occurs within sixty days after the end of the accounting period so as to be both measurable and available. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due. General capital assets acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and capital leases are reported as other financing sources.

**CITY OF HANFORD**  
**Notes to Financial Statements**  
**June 30, 2011**  
**(Continued)**

For its government-wide 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 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 the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Revenues and expenses not meeting this definition are reporting as non-operating.

**D. Assets, Liabilities, Net Assets or Equity, and Other Financial Statement Items**

**Cash and Investments**

For purposes of the statement of cash flows, the city considers short term and highly liquid investments (including restricted assets) to be cash and cash equivalents.

**Investments**

Investments are stated at fair value (the value at which a financial instrument could be exchanged in a current transaction between willing parties, other than a forced or liquidation sale).

Further cash and investment disclosures are presented in Note 2.

**Interfund Transactions**

Interfund transactions are reflected as either loans, services provided, reimbursements or transfers. Loans are reported as receivables and payables as appropriate, are subject to elimination upon consolidation and are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statement 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 available financial resources.

**CITY OF HANFORD**  
**Notes to Financial Statements**  
**June 30, 2011**  
**(Continued)**

Services provided, deemed to be a market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide presentation.

**Receivables**

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for the governmental activities include intergovernmental and tax receivable. Business-type activities report trade and intergovernmental as their major receivables.

**Inventory**

Inventories of materials and supplies in the proprietary and internal services funds are valued at the lower of cost or market, carried on a first-in, first-out (FIFO) basis.

**Land Held for Resale**

Land held for resale is recorded at the lower of cost or estimated realizable value. Fund balances are reserved in amounts equal to the carrying value of the land held for resale because such assets are not available to finance the city's current operations.

**Capital Assets**

The accounting treatment over property, plant, and equipment (fixed assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

**Government-Wide Statements**

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation.

The City's capitalization threshold is \$5,000. In other words, fixed assets are capitalized only if they have a cost in excess of \$5,000 and have an expected useful life of three years or more. Fixed assets that have a cost below \$5,000 are expensed during the fiscal year they are acquired.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Betterments and major improvements which significantly increase values, change capacities or extend useful lives are capitalized. Upon sale or retirement of fixed assets, the cost and related accumulated depreciation are removed from the respective accounts and any resulting gain or loss is included in the results of operations.

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**Notes to Financial Statements**  
**June 30, 2011**  
**(Continued)**

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of assets is as follows:

Infrastructure	20 to 50 years
Buildings	20 to 50 years
Improvements other than buildings	20 to 50 years
Machinery and equipment	4 to 20 years

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

**Fund Financial Statements**

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

**Compensated Absences**

It is the City's policy to permit employees to accumulate earned but unused vacation, sick pay benefits and compensatory time. All vacation, sick and compensatory pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. For additional information regarding compensated absences, see Note 4.

**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 principal payments of both government and business-type activities are reported as decreases in the balance of the liability on the Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the terms of the related debt.

In the fund financial statements, however, debt principal payments of governmental funds are recognized as expenditures when paid. Governmental fund types recognize bond premiums and discounts, as well as bond 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 HANFORD**  
**Notes to Financial Statements**  
**June 30, 2011**  
**(Continued)**

**Net Assets/Fund Equity**

The government-wide and business-type activities fund financial statements utilize a net assets presentation. Net assets are categorized as invested capital assets (net of related debt), restricted and unrestricted.

- *Invested in Capital Assets, Net of Related Debt* – This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.
- *Restricted Net Assets* – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constructional provisions or enabling legislation.
- *Unrestricted net assets* – This category represents net assets of the City, not restricted for any project or other purpose.

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 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 by 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 General Fund that includes amounts not contained in the other classifications. In other funds, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

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**June 30, 2011**  
**(Continued)**

The City Council establishes, modifies or rescinds fund balance commitments and assignments by passage of an ordinance or resolution. This is done through adoption of the budget and subsequent budget amendments that occur throughout the year.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, followed by the unrestricted committed, assigned and unassigned resources as they are needed.

**Property Taxes**

In 1978, a state constitutional amendment (Proposition 13) provided that the tax rate be limited to 1% of market value, levied only by the County and shared with all other jurisdictions. Such limitation on the rate may only be increased through voter approval. The County Collects property taxes and distributes them to taxing jurisdictions on the basis of the taxing jurisdiction's assessed valuations and on the tax rate for voter-approved debt. In the fund financial statements, property tax is recorded as revenue in the period levied to the extent they are collected within 60 days of year-end.

The property tax calendar for the City and the Discretely Presented Component Unit is as follows:

Lien date	January 1
Levy dates	September 1
Due dates	November 1 – 1 <sup>st</sup> installment
	February 1 – 2 <sup>nd</sup> installment
Collection dates	December 10 – 1 <sup>st</sup> installment
	April 12 – 2 <sup>nd</sup> installment

**E. Deferred Revenue**

The City reports deferred revenue in its financial statements. Deferred revenue arises when resources are recovered by the government before it has legal claim to them.

**F. 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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

**CITY OF HANFORD**  
**Notes to Financial Statements**  
**June 30, 2011**  
**(Continued)**

G. Stewardship, Compliance, and Accountability

Budgets and Budgetary Accounting

The procedures established by the City Council in adopting the budgetary data reflected in the financial statements are as follows:

On or before the second meeting in May, the City Manager submits to the City Council a proposed operating and capital projects budget for the fiscal year commencing the following July 1. Following publication and public hearings, the budget is legally enacted by resolution.

The City Manager is authorized to transfer funds appropriated with respect to all classifications within the same department. The City Manager may transfer appropriated funds from any classification within other expenditure categories to existing capital outlay and capital projects classifications within the same department only; however, any revisions that alter the total expenditures of any department or create additional projects must be approved by the City Council.

Supplemental budgetary appropriations were negligible for the fiscal year ended June 30, 2011. All unencumbered appropriations lapse at year end.

For budgeting purposes, the General fund is composed of several departments while all other budgeted funds are considered a single department. Revenues are budgeted on a line item basis. A comparison of budgeted and actual revenues by line item would be too voluminous for this report.

Budgets for the General, Special Revenue, and Debt Service Funds are presented in the accompanying general purpose financial statements on a basis consistent with accounting principles generally accepted in the United States of America. Budgets for Capital Projects Funds are not presented because they are budgeted on a project basis rather than on an annual basis. No budgets are adopted for the Proprietary and Fiduciary Fund types.

Deficit Fund Equity/Net Assets

The Courthouse Square Proprietary Fund had deficit fund balances of \$584,121. These deficits are expected to be eliminated in future years through revenues or transfers from other funds.

Reclassification and Eliminations

Interfund balances must generally be eliminated in the government-wide financial statements, except for net residual amounts due between governmental activities. Amounts involving fiduciary funds should be reported as external transactions. Any allocations must reduce the expense of the function from which the expenses are being allocated, so that expenses are reported only once – in the function in which they are allocated.

**CITY OF HANFORD**  
**Notes to Financial Statements**  
**June 30, 2011**  
**(Continued)**

**NOTE 2 – 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	\$67,258,317
Restricted cash and investments	595,743
Fiduciary funds:	
Cash and investments	<u>1,164,202</u>
Total cash and investments	<u>\$69,018,262</u>

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

Cash on hand	\$ 1,705
Deposits with financial institutions	10,501,024
Investments	<u>58,515,533</u>
Total cash and investments	<u>\$69,018,262</u>

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

The table below identifies the **investment types** that are authorized for the City of Hanford by the California Government Code (or the City of Hanford's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the City of Hanford'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 trustees that are governed by the provisions of debt agreements of the City of Hanford, rather than the general provisions of the California Government Code or the City of Hanford's investment policy.

Authorized Investment type	Maximum Maturity	Maximum Percentage of Portfolio*	Maximum Investment in One Issuer
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptances	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Local Agency Investment Fund (LAIF)	N/A	None	None

\*Excluding amounts held by bond trustees that are not subject to California Government Code Restrictions.

**CITY OF HANFORD**  
**Notes to Financial Statements**  
**June 30, 2011**  
**(Continued)**

**Investments Authorized by Debt Agreements**

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

Authorized Investment type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury Obligations	None	None	None
U.S. Agency Securities	None	None	None
Banker's Acceptances	180 days	None	None
Commercial Paper	270 days	None	None
Money Market Mutual Funds	N/A	None	None
Investment Contracts	30 years	None	None

**Disclosure 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 of Hanford 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 and 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 of Hanford'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 of Hanford's investments by maturity.

Investment Type	Remaining Maturity (in Months)		
	12 Months or Less	13 to 24 Months	25 to 60 Months
Federal Agency Securities	\$15,926,072	\$ 1,366,910	\$14,559,162
State Investment Pool	39,615,637	39,615,637	
Negotiable Certificates of Deposits	1,506,970		303,603
Held by Bond Trustee:			1,203,367
Money Market Funds	<u>1,466,854</u>	<u>1,466,854</u>	
Total	<u>\$58,515,533</u>	<u>\$42,449,401</u>	<u>\$303,603</u>
			<u>\$15,762,529</u>

**CITY OF HANFORD**  
**Notes to Financial Statements**  
**June 30, 2011**  
**(Continued)**

**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 of Hanford's investment policy, or debt agreements and the actual rating as of year end for each investment type. The column marked "exempt from disclosure" identifies those investment types for which GASB Statement No. 40 does not require disclosure as to credit risk:

Investment Type	Minimum Legal Rating	Ratings as of Year End			Not Rated
		AAA	AA		
Federal Agency Securities	\$15,926,072	N/A	\$15,926,072	\$	\$
State Investment Pool	39,615,637	N/A			39,615,637
Negotiable Certificates of Deposits	1,506,970	N/A			1,506,970
Held by Bond Trustee:					
Money Market Funds	<u>1,466,854</u>	N/A			<u>1,466,854</u>
Total	<u>\$58,515,533</u>		<u>\$15,926,072</u>	<u>\$</u>	<u>\$42,589,461</u>

**Concentration of Credit Risk**

The investment policy of the City of Hanford contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer (other than U.S. Treasury Securities, mutual funds, and external investment pools) that represent 5% or more of **total City of Hanford investments** are as follows:

Issuer	Investment Type	Reported Amount
FHLB	Federal Agency Securities	\$6,842,541
FFCB	Federal Agency Securities	\$4,291,458

**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 (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 of Hanford'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 provisions 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 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 HANFORD**  
**Notes to Financial Statements**  
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GASB Statement No. 40 requires that the following disclosure be made with respect to custodial credit risks relating to deposits and investments: \$10,808,396 of the City of Hanford's deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. None of the City's investments were subject to custodial credit risk.

Investment in State Investment Pool

The City of Hanford is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the City of Hanford's investment in this pool is reported in the accompanying financial statements at amounts based upon the City of Hanford'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 3 – RECEIVABLES**

Receivables as of June 30, 2011 for the City's individual major funds, nonmajor funds and internal service funds in the aggregate are as follows:

	Accounts	Taxes	Grants	Interest	Loans	Total
<b>Governmental Funds</b>						
General	\$ 271,307	\$310,002	\$ 85,688	\$39,232	\$	\$ 706,229
CDBG Home/Housing			161,500	136		161,636
Transportation Funds		16,910	55,581	3,233		75,724
Nonmajor and Other	207	198,477	39,539	16,747		254,970
Total	<u>\$ 271,514</u>	<u>\$525,389</u>	<u>\$ 342,308</u>	<u>\$59,348</u>	<u>\$</u>	<u>\$1,198,559</u>
<b>Enterprise Funds</b>						
Water System	\$ 464,114	\$	\$	\$ 8,226	\$	\$ 472,340
Wastewater	404,940			11,061		416,001
Storm Drain	105,851			4,385		110,236
Refuse	535,542			410		535,952
Airport	2,104				3,925	6,029
Courthouse Square	<u>51,564</u>	<u>\$</u>	<u>\$</u>	<u>\$24,082</u>	<u>\$3,925</u>	<u>51,564</u>
Total	<u>\$1,564,115</u>	<u>\$</u>	<u>\$</u>	<u>\$24,082</u>	<u>\$3,925</u>	<u>\$1,592,122</u>
<b>Internal Service Funds</b>						
Fleet Maintenance Fund	<u>\$</u>	<u>\$</u>	<u>\$1,097,657</u>	<u>\$14,610</u>	<u>\$</u>	<u>\$1,112,267</u>
Total	<u>\$</u>	<u>\$</u>	<u>\$1,097,657</u>	<u>\$14,610</u>	<u>\$</u>	<u>\$1,112,267</u>

**CITY OF HANFORD**  
**Notes to Financial Statements**  
**June 30, 2011**  
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**NOTE 4 – CAPITAL ASSETS**

Capital assets activities for the year ended June 30, 2011 were as follows:

	Balance July 1, 2010	Addition Completions	Retirements/ Adjustments	Balance June 30, 2011
<b>Governmental activities</b>				
Capital assets, not being depreciated				
Land	\$ 60,432,656	\$	\$	\$ 60,432,656
Construction in Progress	<u>2,874,446</u>	<u>3,642,866</u>	<u>(2,347,579)</u>	<u>4,169,733</u>
Total capital assets, not being depreciated	63,307,102	3,642,866	(2,347,579)	64,602,389
Capital assets being depreciated				
Buildings	17,953,688	125,491		18,079,179
Infrastructure	101,191,249	5,839,886		107,031,135
Equipment	<u>16,695,418</u>	<u>1,545,828</u>	<u>(292,098)</u>	<u>17,949,148</u>
Total capital assets being depreciated	135,840,355	7,511,205	(292,098)	143,059,462
Less: Accumulated depreciation				
Buildings	(6,124,068)	(316,311)	10	(6,440,369)
Infrastructure	(44,926,435)	(4,157,693)	6,715	(49,077,413)
Equipment	<u>(10,561,741)</u>	<u>(1,085,592)</u>	<u>114,416</u>	<u>(11,532,917)</u>
Total accumulated depreciation	(61,612,244)	(5,559,596)	121,141	(67,050,699)
Total capital assets being depreciated, net	<u>74,228,111</u>	<u>1,951,609</u>	<u>(170,957)</u>	<u>76,008,763</u>
Governmental activities capital assets, net	<u>\$137,535,213</u>	<u>\$ 5,594,475</u>	<u>\$2,518,536</u>	<u>\$140,611,152</u>
<b>Business-type activities</b>				
Capital assets, not being depreciated				
Land	\$ 11,035,847	\$	\$	\$ 11,035,847
Construction in progress	<u>5,627,673</u>	<u>186,354</u>	<u>(2,564,910)</u>	<u>3,249,117</u>
Total capital assets, not being depreciated	<u>16,663,520</u>	<u>186,354</u>	<u>(2,564,910)</u>	<u>14,284,964</u>
Capital assets being depreciated				
Buildings and improvement	132,687,317	5,138,072	1	137,825,390
Machinery and equipment	<u>2,289,478</u>	<u>                  </u>	<u>                  </u>	<u>2,289,478</u>
Total capital assets being depreciated	134,976,795	5,138,072	1	140,114,868
Less: Accumulated depreciation for:				
Buildings and improvement	(38,266,057)	(2,583,063)		(40,849,120)
Machinery and equipment	<u>(2,073,745)</u>	<u>(79,633)</u>	<u>                  </u>	<u>(2,153,378)</u>
Total accumulated depreciation	(40,339,802)	(2,662,696)		(43,002,498)
Total capital assets being depreciated, net	<u>94,636,993</u>	<u>2,475,376</u>	<u>1</u>	<u>97,212,369</u>
Business-type activities capital assets, net	<u>\$111,300,513</u>	<u>\$ 2,661,730</u>	<u>\$2,564,909</u>	<u>\$111,397,334</u>

**CITY OF HANFORD**  
**Notes to Financial Statements**  
**June 30, 2011**  
**(Continued)**

Depreciation expense for the fiscal year ending June 30, 2011 was charged to the following activities:

**Governmental functions:**

General governmental	\$ 43,018
Public safety	295,110
Culture and recreation	658,678
Public works	3,490,441
Community development	138,304
Capital assets held by the internal service funds were charged to the various functions based on their usage	<u>934,045</u>

Total \$5,559,596

**Business-type functions:**

Water system	\$ 907,560
Wastewater	1,199,508
Storm drain	205,231
Refuse	7,229
Airport	307,467
Intermodal	<u>35,701</u>

Total \$2,662,696

**Component Unit**

The capital assets of the Redevelopment Agency (Component Unit) are now accounted for and reported in the Government Activities section of these financial statements.

**CITY OF HANFORD**  
**Notes to Financial Statements**  
**June 30, 2011**  
**(Continued)**

**NOTE 5 – LONG-TERM DEBT**

The following is a summary of the long-term debt activity for the year ended June 30, 2011:

Type of Debt	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011	Amounts Due Within One Year
Governmental activities					
Certificates of participation	\$ 725,000	\$ 1,035,809	\$ (355,000)	\$ 370,000	\$ 370,000
Notes payable	<u>760,098</u>	<u>24,522</u>		<u>1,035,809</u>	
Compensated absences				<u>784,620</u>	
Total governmental activities	<u>1,485,098</u>	<u>1,060,331</u>	<u>(355,000)</u>	<u>2,190,429</u>	<u>370,000</u>
Business activities					
Bonds payable	26,435,000		(915,000)	25,520,000	1,045,000
Add deferred amounts for issuance premium	160,923		(8,940)	151,983	
Notes payable	16,033,480		(566,707)	15,466,773	588,108
Capital lease	1,893,833		(216,284)	1,677,549	221,333
Compensated absences	<u>160,850</u>	<u>4,381</u>		<u>165,231</u>	
Total business activities	<u>44,684,086</u>	<u>4,381</u>	<u>(1,706,931)</u>	<u>42,981,536</u>	<u>1,854,441</u>
Total primary government	<u>46,169,184</u>	<u>1,064,712</u>	<u>(2,061,931)</u>	<u>45,171,965</u>	<u>2,224,441</u>
Discretely presented component unit Redevelopment Agency of the City of Hanford					
Notes payable					
City of Hanford	6,344,116	1,145,085	(702,862)	6,786,339	
Kings County Economic Development Corp	<u>1,035,809</u>		<u>(1,035,809)</u>		
Total discretely presented component unit	<u>7,379,925</u>	<u>1,145,085</u>	<u>(1,738,671)</u>	<u>6,786,339</u>	
Total reporting entity	<u>\$53,549,109</u>	<u>\$2,209,797</u>	<u>\$(3,800,602)</u>	<u>\$51,958,304</u>	<u>\$2,224,441</u>

**Governmental Activities –**

On December 1, 2001, the City of Hanford Public Improvement Corporation issued \$3,175,000 Variable Rate Certificates of Participation. The Certificates shall mature annually on December 1, and shall bear interest ranging from 2.5 to 7.5 percent interest with respect to the Certificates shall be payable on June 1 and December 1 of each year, commencing June 1, 2002. Payment of the principal and interest on the Certificates when due are insured by a financial guaranty insurance policy issued by the MBIA Insurance Corporation. The Certificates are secured by Hanford's City Hall and auditorium building pledged as collateral. The purpose of the Certificates is to finance the acquisition of the Recreational/Educational Facility Site for the Learning Center. In conjunction with the issuance, the City entered into an agreement with the College of Sequoias and the Hanford Union High School District that requires each party to pay one-third share of the Certificate. At June 30, 2011, the outstanding balance was \$370,000.

**CITY OF HANFORD**  
**Notes to Financial Statements**  
**June 30, 2011**  
**(Continued)**

The future maturities of the Certificates of Participation were as follows:

Fiscal Year	Principal	Interest	Total
2012	<u>\$370,000</u>	<u>\$7,585</u>	<u>\$377,585</u>
Total	<u>\$370,000</u>	<u>\$7,585</u>	<u>\$377,585</u>

Notes Payable:

In March, 2011 a resolution was passed by the governing body of the Community Redevelopment Agency of the City of Hanford to transfer the existing obligation for the following notes:

On December 28, 1999, the Redevelopment Agency of the City of Hanford entered into a loan agreement with the Kings County Economic Development Corporation in the amount of \$300,533 to purchase 100 acres of real property for the Kings County Industrial Park Project. The Agency is required to pay \$3,095 in principal for each acre of property it sells. The note does not accrue interest at a fixed rate; rather the Agency must pay 34% in interest on the amount it receives per acre from the sale, if the sales price is at least above \$9,103. The principal balance due at June 30, 2011 was \$210,809.

On November 18, 2009, the Agency entered into a loan agreement with the Kings County Economic Development Corporation in the amount of \$825,000 to fund 50% of the purchase price of 110 acres of real property for the Kings County Industrial Park Project. The Agency is required to pay \$7,500 in principal for each acre of property it sells. The note does not accrue interest at a fixed rate, rather the Agency must pay 50% in interest, on the amount it receives per acre from the sale, if the sales price is at least above \$15,000. The principal balance at June 30, 2011 was \$825,000.

Compensated Absences:

The City accounts for compensated absences (unpaid vacation, sick leave and compensatory time) in accordance with GASB Code Sec. C60. In governmental funds, compensated absences are recorded as expenditures in the year paid, as it is the City's intention to liquidate any unpaid compensated absences at June 30 from future resources, rather than current available financial resources.

Accordingly, the unpaid liability for governmental funds is recorded in the government-wide statement of net assets.

\$784,620

Business Type Activities –

On April 1, 1996, the City of Hanford issued \$7,855,000 of Variable Rate Demand Sewer System Refunding Revenue Bonds. The Bonds are payable from and secured by a lien on and pledge of the net revenues of the City Sewer System. The Bond shall mature on April 1, 2023, and shall bear interest annually, ranging from 2.0 to 7.5 percent. Interest on the Bonds is payable on the first day of January, April, July, and October, commencing July 1, 1996. The purpose of the bonds is to provide funds to refund the City of Hanford Certificates of Participation dated April 1, 1987 and February 1, 1993. At June 30, 2011 the outstanding balance was \$5,100,000.

**CITY OF HANFORD**  
**Notes to Financial Statements**  
**June 30, 2011**  
**(Continued)**

The future maturities of the Bonds payable were as follows:

Fiscal Year	Principal	Interest	Total
2012	\$ 400,000	\$ 186,150	\$ 586,150
2013	400,000	171,550	571,550
2014	400,000	156,950	556,950
2015	400,000	142,350	542,350
2016	400,000	127,750	527,750
2017-2021	2,100,000	419,750	2,519,750
2022-2023	<u>1,000,000</u>	<u>54,750</u>	<u>1,054,750</u>
<b>Total</b>	<b><u>\$5,100,000</u></b>	<b><u>\$1,259,250</u></b>	<b><u>\$6,359,250</u></b>

On October 1, 1999, the City of Hanford issued \$5,000,000 California Statewide Communities Development Authority (CSCDA) Water and Wastewater Revenue Bonds. The Bonds shall mature on October 1, 2029, and shall bear interest annually, ranging from 3.5 to 5.75 percent. Interest on the Bonds is payable semiannually on each April 1 and October 1, commencing April, 2000. Payment of the principal and interest on the Bonds when due are insured by a financial guaranty insurance policy issued by the Financial Security Assurance Inc. The purpose of the Bonds is to provide financing of the expansion of the Wastewater Treatment Plan. As of June 30, 2011, the outstanding balance was \$3,960,000.

The future maturities of the Bonds payable were as follows:

Fiscal Year	Principal	Interest	Total
2012	\$ 125,000	\$ 220,732	\$ 345,732
2013	130,000	214,293	344,293
2014	135,000	207,198	342,198
2015	145,000	199,358	344,358
2016	150,000	191,097	341,097
2017-2021	900,000	813,703	1,713,703
2022-2026	1,170,000	520,873	1,690,873
2027-2030	<u>1,205,000</u>	<u>143,319</u>	<u>1,348,319</u>
<b>Total</b>	<b><u>\$3,960,000</u></b>	<b><u>\$2,510,573</u></b>	<b><u>\$6,470,573</u></b>

On April 16, 2002, the City of Hanford issued \$10,555,000 CSCDA Water and Wastewater Revenue Bonds. The Bonds shall mature on October 1, 2023, and shall bear interest annually, ranging from 3.9 to 5.0 percent. Interest on the Bonds is payable semiannually on each April 1 and October 1, commencing October 1, 2002. Payment of the principal and interest on the Bonds when due are insured by a financial guaranty insurance policy issued by the Financial Security Assurance Inc. The purpose of the Bonds is to provide additional financing for the expansion of the Wastewater Treatment Plant. As of June 30, 2011 the outstanding balance was \$9,265,000.

**CITY OF HANFORD**  
**Notes to Financial Statements**  
**June 30, 2011**  
**(Continued)**

The future Maturities of the Bonds payable were as follows:

Fiscal Year	Principal	Interest	Total
2012	\$ 245,000	\$ 449,974	\$ 694,974
2013	260,000	439,426	699,426
2014	270,000	427,995	697,995
2015	280,000	415,789	695,789
2016	295,000	402,704	697,704
2017-2021	1,685,000	1,782,830	3,467,830
2022-2026	2,160,000	1,289,622	3,449,622
2027-2031	2,760,000	685,750	3,445,750
2032-2033	<u>1,310,000</u>	<u>66,250</u>	<u>1,376,250</u>
<b>Total</b>	<b><u>\$9,265,000</u></b>	<b><u>\$5,960,340</u></b>	<b><u>\$15,225,340</u></b>

On December 1, 2003, the City of Hanford issued \$8,925,000 CSCDA Water Revenue Bonds Series 2003 C. The Bonds shall mature on October 1, 2028, and shall bear interest annually ranging from 2.0 to 5.25 percent. Interest on the Bonds is payable semiannually on each April 1 and October 1, commencing April 1, 2004. The proceeds were used to refund the EDP Loan and 1993 Water Refunding Revenue Bond as well as to fund improvements to the City's water treatment facilities. As of June 30, 2011, the balance outstanding was \$7,195,000.

The future maturities of the Bonds payable were as follows:

Fiscal Year	Principal	Interest	Total
2012	\$ 270,000	\$ 347,196	\$ 617,196
2013	275,000	337,723	612,723
2014	285,000	327,218	612,218
2015	295,000	313,988	608,988
2016	315,000	297,975	612,975
2017-2021	1,790,000	1,264,847	3,054,847
2022-2026	2,285,000	753,244	3,038,244
2027-2029	<u>1,680,000</u>	<u>135,450</u>	<u>1,815,450</u>
<b>Total</b>	<b><u>\$7,195,000</u></b>	<b><u>\$3,777,641</u></b>	<b><u>\$10,972,641</u></b>

**CITY OF HANFORD**  
**Notes to Financial Statements**  
**June 30, 2011**  
**(Continued)**

**Long-Term Debt – Notes Payable**

On May 28, 2004, the City of Hanford obtained a loan from the California Infrastructure and Economic Development Bank in the amount of \$10,000,000. The term of the agreement is thirty (30) years with a maturity date of February 1, 2034, and an annual interest rate of 3.50%. Prior to the Bond Date, there is a .26% reduction in the interest rate, resulting in an initial rate of 3.24%. Interest on the loan is payable semi-annually on each February 1 and August 1, commencing August 1, 2003. As of June 30, 2011, the balance outstanding was \$8,319,442.

The future maturities of the Note payable were as follows:

Fiscal Year	Principal	Interest	Total
2012	\$ 274,846	\$ 286,372	\$ 561,218
2013	284,466	276,583	561,049
2014	294,422	266,452	560,874
2015	304,727	255,967	560,694
2016	315,392	245,115	560,507
2017-2021	1,750,474	1,049,516	2,799,990
2022-2026	2,079,014	714,736	2,793,750
2027-2031	2,469,216	317,705	2,786,921
2032	<u>546,885</u>	<u>9,571</u>	<u>556,456</u>
<b>Total</b>	<b><u>\$8,319,442</u></b>	<b><u>\$3,422,017</u></b>	<b><u>\$11,741,459</u></b>

On December 20, 2007, the City of Hanford entered into an installment sale agreement with the City of Hanford Public Improvement Corporation in the amount of \$8,150,000. The agreement was to enable the City to finance the costs of acquisition and construction of certain public facilities constituting a part of the City's water enterprise. The term of the agreement is thirty (30) years with a maturity date of December 1, 2027 and an annual interest rate of 2.0% to 5.25%. Interest on the loan is payable semi-annually on each June 1 and December 1, commencing June 1, 2008. As of June 30, 2011, the balance outstanding was \$7,147,331.

The future maturities of the Note payable were as follows:

Fiscal Year	Principal	Interest	Total
2012	\$ 313,262	\$ 282,179	\$ 595,441
2013	325,892	269,549	595,441
2014	339,032	256,409	595,441
2015	352,701	242,740	595,441
2016	366,921	228,520	595,441
2017-2021	2,068,807	908,398	2,977,205
2022-2026	2,520,875	456,330	2,977,205
2027-2028	<u>859,841</u>	<u>33,286</u>	<u>893,127</u>
<b>Total</b>	<b><u>\$7,147,331</u></b>	<b><u>\$2,677,411</u></b>	<b><u>\$9,824,742</u></b>

**CITY OF HANFORD**  
**Notes to Financial Statements**  
**June 30, 2011**  
**(Continued)**

**Capital Lease**

In August, 2009, the City entered into a capital lease agreement with Government Capital Corporation, to lease water meters and AMR devices. The purchase price of the equipment was approximately \$3,050,000 and a down payment of \$950,000 was applied to the purchase. Semi-annual payments commenced on February, 2010, are \$151,096 including interest of 4.668%, with a final payment in August, 2017. The balance outstanding as of June 30, 2011 was \$1,677,549.

The annual debt service requirements for the 2009 Capital Lease outstanding at June 30, 2011 are as follows:

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2012	\$ 226,498	\$ 75,694	\$ 302,192
2013	237,195	64,997	302,192
2014	248,396	53,796	302,192
2015	260,126	42,066	302,192
2016	272,410	29,782	302,192
2017-2018	<u>432,924</u>	<u>20,364</u>	<u>453,288</u>
<b>Total</b>	<b><u>\$1,677,549</u></b>	<b><u>\$286,699</u></b>	<b><u>\$1,964,248</u></b>

**Component Unit**

**Note Payable – City of Hanford**

On June 19, 1984, the Redevelopment Agency of the City of Hanford entered into a loan agreement with the City of Hanford whereby the City would loan the Agency money in order to complete the Kings County Industrial Park Project. During the year an additional \$1,145,085 was loaned to the agency for administration and public improvements. The loan agreement requires the Agency to pay 10% interest on the unpaid principal balance. The Agency's yearly principal repayment amounts vary yearly based on the amount of funding available and by the amount of the yearly tax increment. The principal balance due at June 30, 2011 was \$6,786,339.

**Note Payable – Kings County Economic Development Corporation**

In March, 2011, a resolution was passed by the governing body of the Community Redevelopment Agency of the City of Hanford to transfer the existing obligations for the notes payable to the Kings County Economic Development Corporation totaling \$1,035,809 to the City of Hanford.

**CITY OF HANFORD**  
**Notes to Financial Statements**  
**June 30, 2011**  
**(Continued)**

**NOTE 6 – PENSION PLAN**

**Plan Description**

The City's defined benefit plans, the Miscellaneous, Police Safety and Fire Safety Plans of the City of Hanford, provide retirement and disability benefits, annual cost-of living adjustments, and death benefits to plan members and beneficiaries. The Miscellaneous, Police Safety and Fire Safety plans of the City of Hanford are part of the Public Agency portion of the California Public Employees' Retirement System (CalPERS), an agent multiple-employer plan administered to by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. A menu of benefit provisions as well as other requirements are established by State Statutes within the Public Employees' Retirement Law. The City of Hanford selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office – 400 P Street – Sacramento, CA 95814.

**Funding Policy**

The City makes the contributions required by City employees on their behalf and for their account. The present required contribution rates of annual covered salaries are as follows:

Category	Members Rates as a Percentage of Wages
Local miscellaneous members	8%
Local police safety members	9%
Local fire safety members	9%

The City is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for the fiscal year ended June 30, 2011 was 25.542% for miscellaneous employees. The required employer contribution rate for police safety employees was 28.228% for the period July 1, 2010 through June 30, 2011. The required employer contribution rate for the fire safety employees was 25.238% for the period July 1, 2010 through June 30, 2011. The contribution requirements of plan members are established by State Statute and the employer contribution rate is established and may be amended by CalPERS.

The actuarial cost method used for determining the benefit obligations is the Projected Unit Credit Cost Method. The actuarial assumptions include a 4.5 percent investment rate of return, covered payroll increases of 3.25 percent per year, an inflation rate of 3.25 percent per year, and a medical increase trend rate starting at 10 percent per year, and decreasing gradually over a 10 year period to an ultimate rate of 4.50 percent per year. The unfunded actuarial accrued liability (UAAL) is being amortized as a level percentage of projected payroll over 30 years.

**CITY OF HANFORD**  
**Notes to Financial Statements**  
**June 30, 2011**  
**(Continued)**

Annual Pension Costs

For the fiscal year ended June 30, 2011, the City's annual pension cost of \$4,937,372 for PERS was equal to the City's required and actual contributions. The required contribution for the fiscal year ended June 30, 2011 was determined as part of the June 30, 2008 actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expense), (b) projected annual salary increases that vary by duration of service ranging from 3.25% to 14.45% for miscellaneous members (from 3.25% to 14.45% for police and fire safety members), and (c) 3.25% payroll growth. Both (a) and (b) included an inflation component of 3.00%. The actuarial values of the Miscellaneous, Police Safety and Fire Safety Plans of the City of Hanford's assets were determined by using a technique that smoothes the effects of short-term volatility in the next market value of investments over a two to five year period, depending on the size of investment gains and/or losses. The Miscellaneous and the Safety Plans of the City of Hanford's unfunded actuarial accrued liabilities (or excess assets) are being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2011 was 20 years for Miscellaneous, 16 years for Police Safety, and 16 years for Fire Safety.

Fiscal Year	Three-Year Trend Information for PERS		
	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/09	\$4,519,124	100.0%	
6/30/10	\$4,857,266	100.0%	
6/30/11	\$4,937,372	100.0%	

Funded Status and Funding Progress

As of June 30, 2010, the most recent actuarial valuation date, the plan was 78.2% funded for non-safety employees and 85.1% funded for safety employees. The actuarial accrued liability for benefits was 69 million for non-safety employees and 1.92 billion for safety employees and the actuarial value of assets was 54 million for non-safety employees and 1.6 billion for safety employees, resulting in an unfunded actuarial accrued liability (UAAL) of \$15 million for non-safety employees and \$286 million for safety employees. The covered payroll (annual payroll of active employees covered by the plan) was \$8.3 million for non-safety members and \$2.25 million for safety members, and the ratio of UAAL to the covered payroll was 78.2% and 85.1% respectively.

The schedule of funding progress presented as RSI following the notes to financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**CITY OF HANFORD**  
**Notes to Financial Statements**  
**June 30, 2011**  
**(Continued)**

**NOTE 7 – POST EMPLOYMENT HEALTH CARE BENEFITS**

**Plan Description**

During the fiscal year ended June 30, 2009, the City implemented GASB Statement No. 45, Accounting and Financial Reporting for Post-employment Benefits Other than Pensions. This statement establishes uniform financial reporting standards for employers providing post-employment benefits. The provisions of this statement are applied on a prospective basis.

The City participates in the CalPERS medical program under the Public Employees' Medical and Hospital and Care Act (PEMHCA). As such, the City is obligated to contribute toward the cost of retiree medical coverage for the retiree's lifetime or until coverage is discontinued. The City has selected the equal contribution method, where it resolves to contribute the same amount for retirees as is contributed toward active employee medical plan coverage. The City currently pays the minimum employer contribution (MEC) for both active and retired employees as well as their survivors, if covered at the time of the employee's death. The MEC is \$108 per month for 2011.

Dental insurance is available to retired employees as well, though the cost of coverage is paid entirely by the retiree. Once the retiree reaches age 65 the City no longer allows the retiree to stay on the dental plan.

The above coverage is available for employees who satisfy the requirements for retirement under CalPERS (attained age 50 with 5 years of State or public agency service or approved disability retirement). An employee cannot terminate employment before meeting the age condition and be entitled to receive benefits.

**Funding Policy**

Currently the City funds retiree healthcare benefits on a pay-as-you-go basis, paying a maximum of \$108 per month for retiree benefits from the City funds as they are due with no prefunding for future years. The City recognizes expenditures for its share of the annual premiums as these benefits become due. For fiscal years 2010-2011, the City paid \$41,379 for benefits of 36 retirees or their beneficiaries receiving benefits.

**Annual PPEB and Net OPEB Obligation**

The City's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), and amount which was determined as part of the July 1, 2009 actuarial valuation in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The ARC is subject to change with each actuarial valuation date performed no less than every three years.

The City's OPEB unfunded actuarial accrued liability as of July 1, 2009, the date of the most recent actuarial valuation, was a total of \$555,397. The OPEB obligation has been adjusted by an annual inflation percentage of 3.25% based on the assumptions of the actuarial valuation and a general salary increase of 3.25%.

**CITY OF HANFORD**  
**Notes to Financial Statements**  
**June 30, 2011**  
**(Continued)**

The City has calculated and recorded the Net OPEB obligation, representing the difference between the ARC, amortization and contributions, as follows:

Annual required contributions (ARC) and annual OPEB cost	\$334,440
Interest on net OPEB obligation	24,993
Adjustment to the ARC	<u>(24,270)</u>
Annual required contribution annual OPEB cost (expense)	335,163
Less: Employer contribution	<u>(41,379)</u>
Increase in net OPEB obligation	293,784
Net OPEB obligations, beginning of year	<u>555,397</u>
Net OPEB obligations, end of year	<u>\$849,181</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2011 and the two proceeding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/09	\$302,753	10.48%	\$271,012
6/30/10	\$314,949	9.70%	\$555,397
6/30/11	\$335,163	12.35%	\$849,181

Note: Disclosure of annual OPEB cost, percent contributed, and net OPEB obligation, if any, is required for the current fiscal year and each of the two preceding fiscal years. The fiscal year ended June 30, 2009 is the first year of implementation of the City's post-retirement health care plan accounted for and reported in accordance with the requirements of GASB 45.

### **Funded Status and Funding Progress**

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about investment return, future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

**CITY OF HANFORD**  
**Notes to Financial Statements**  
**June 30, 2011**  
**(Continued)**

The funded status of the plan as of June 30, 2011 was as follows:

Actuarial accrued liability	\$ 3,283,849
Actuarial value of plan assets	0
Unfunded Actuarial accrued liability (UAAL)	<u>\$ 3,283,849</u>
Funded ratio (actuarial value of plan assets/AAL)	.0%
Covered payroll (active plan members)	\$15,403,769
UAAL as a percentage of covered payroll	21.32%

**Actuarial Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive plan as understood by the employer and plan members, and include the types of plan benefits provided at the time of the valuation and the historical pattern of sharing benefit costs between employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial assets, consistent with the long-term perspective of the calculations.

**NOTE 8 – RISK MANAGEMENT**

The City is a member of the Central San Joaquin Valley Risk Management Authority (CSJVRMA), a public entity risk pool for workers' compensation and general liability insurance. The CSJVRMA is a consortium of fifty-four cities located in California's San Joaquin Valley. It was established under the provisions of California Government Code Section 6500 et. Seq. CSJVRMA is governed by a Board of Directors, consisting of one member appointed by each member city. The day-to-day business operations are handled by a management group employed by CSJVRMA. The relationship between the City and CSJVRMA is such the CSJVRMA is not considered a component unit of the City for financial reporting purposes.

For liability insurance, the risk pool covers the City above its self-insurance retention level of \$100,000 up to \$1,000,000. CSJVRMA participates in an excess pool, which provides general liability coverage from \$1,000,000 to \$29,000,000.

The City maintains a self-insured retention level of \$200,000 for workers' compensation insurance. Coverage between \$200,000 and \$500,000 is provided through the risk pool. CSJVRMA participates in an excess pool, which provides workers' compensation coverage from \$500,000 to \$5,000,000 and purchases excess insurance above \$5,000,000 to the statutory limit.

**CITY OF HANFORD**  
**Notes to Financial Statements**  
**June 30, 2011**  
**(Continued)**

The most recent condensed financial information of CSJVRMA is as follows:

	As of and for the Year Ended June 30, 2011
Total Assets	<u>\$69,444,059</u>
Total Liabilities	\$55,945,081
Total Net Assets	<u>13,498,978</u>
Total Liabilities and Net Assets	<u>\$69,444,059</u>
Total Revenues for Year	\$27,941,713
Total Expenses for Year	<u>26,326,659</u>
Changes in Net Assets	<u>\$ 1,615,054</u>

**NOTE 9 – INTERFUND TRANSACTIONS**

Interfund transactions are reported as either loans, service provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables, as appropriate, and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers among governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

Interfund due from/to other funds at June 30, 2011 were as follows:

	Due From Other Funds	Due To Other Funds
<b>Governmental Funds</b>		
General Fund	\$ 61,984	\$
Capital Project Fund	1,593,269	
Other Governmental Funds		21,111
<b>Proprietary Funds</b>		
Airport Fund		405,468
Intermodal Fund		598,652
Courthouse Square		<u>630,022</u>
Total	<u>\$1,655,253</u>	<u>\$1,655,253</u>

**CITY OF HANFORD**  
**Notes to Financial Statements**  
**June 30, 2011**  
**(Continued)**

Interfund transfers consist of operating transfers from funds receiving resources to funds through which the resources are to be expended. Interfund transfers for the 2010/11 fiscal year as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
<b>Governmental Funds</b>		
General Fund	\$ 879,072	\$ 781,397
Capital Project Fund	126,857	126,857
Other Governmental funds	126,857	106,165
<b>Proprietary Funds</b>		
Airport Fund	8,490	
Refuse Fund	1,139,064	
<b>Internal Service Funds</b>		
Fleet Management Fund	<u>1,139,064</u>	<u>1,139,064</u>
	<u><u>\$2,153,483</u></u>	<u><u>\$2,153,483</u></u>

**NOTE 10 – CONTINGENT LIABILITIES**

**Litigation**

The City is involved as a defendant in various legal proceedings. While it is not feasible to predict or determine the outcome in these cases, it is the opinion of the City that the outcome will have no material effect on the financial position of the City.

**Special Tax Bond Series 1998**

The City, by resolution, issued \$5,365,000 of “Special Tax Bonds, Series 1998,” pursuant to the Mello-Roos Community Facilities Act of 1982, as amended commencing with Section 53311, et seq., of the Government Code of the State of California. Neither the full faith and credit nor the taxing power (except with respect to the special taxes) of the City of Hanford, the State of California or any political subdivision thereof is pledged to the payment of the bonds. The bonds are not general or special obligations of the City or general obligations of the Community Facilities District No. 91-1, but are limited obligations of the district payable solely from the special taxes and funds held pursuant to that agreement. The City is acting only as an agent for the property owners.

The City participates in a number of programs that are fully or partially funded by grants received from federal, state, and county governments. Expenditures financed by grants are subject to audit by the appropriate grantor agency. If expenditures are disallowed due to non-compliance with grant program regulations, the City may be required to reimburse the grantor agency. As of June 30, 2011, significant amounts of grant expenditures have not been audited by the grantor agencies, but the City believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the City’s overall financial position.

**CITY OF HANFORD**  
**Notes to Financial Statements**  
**June 30, 2011**  
**(Continued)**

**NOTE 11 – PRIOR PERIOD ADJUSTMENT**

The beginning net asset fund balances have been adjusted as follows:

	Government-Wide Financial Statements	Fund Financial Statements
	Governmental Activities	CDBG Home/Housing Fund
Net asset/fund balances – beginning of year, as previously reported	\$203,180,323	\$15,375,799
Prior period adjustments:		
Notes receivable were adjusted to correct the treatment of loans made in prior years that were erroneously expensed	<u>1,709,217</u>	<u>1,709,217</u>
Net asset/fund balances – beginning of year, restated	<u><u>\$204,889,540</u></u>	<u><u>\$17,085,016</u></u>

**NOTE 12 – SUBSEQUENT EVENTS**

On June 29, 2011, the Governor of the State of California signed Assembly Bills X1 26 and 27 as part of the State's budget package. Assembly Bill X1 26 requires each California redevelopment agency to suspend nearly all activities except to implement existing contracts, meet already-incurred obligations, preserve its assets and prepare for the impending dissolution of the agency. Assembly Bill X1 27 provides a means for redevelopment agencies to continue to exist and operate by means of a Voluntary Alternative Redevelopment Program. Under this program, each city would adopt an ordinance agreeing to make certain payments to the County Auditor Controller in fiscal year 2011-12 and annual payments each fiscal year thereafter.

On October 18, 2011, the City Council adopted an ordinance electing to participate in the Voluntary Alternative Redevelopment Program in order to permit the continued existence and operation of the agency, in the event Assembly Bills X1 26 and/or 27 are upheld as constitutional. The initial payment by the City is estimated to be \$678,000. Thereafter, an estimated \$161,000 will be due annually.

The League of California Cities and the California Redevelopment Association (CRA) filed a lawsuit on July 18, 2011 on behalf of cities, counties and redevelopment agencies petitioning the California Supreme Court to overturn Assembly Bills X1 26 and 27 on the grounds that these bills violate the California Constitution. The California Supreme Court is expected to make a decision on the lawsuit before January 15, 2012.

Management believes that the Agency will have sufficient funds to pay its obligations as they become due during the fiscal year ending June 30, 2012. The nature and extent of the operation of redevelopment agencies in the State of California beyond that time frame are dependent upon the outcome of litigation surrounding the actions of the state. In the event that Assembly Bills X1 26 and 27 are specifically found by the courts to be unconstitutional, there is a possibility that future legislative acts may create new challenges to the ability of redevelopment agencies in the State of California to continue in view of the California State Legislature's stated intent to eliminate California redevelopment agencies and to reduce their funding.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF HANFORD**  
**Required Supplementary Information**  
**June 30, 2011**

Required supplementary information includes financial information and disclosures that are required by the GASB but are not considered a part of the basic financial statements. Such information includes:

Schedule of Funding Progress – Defined Benefit Retirement Plan

Budgetary Comparison Schedule – General Fund, all major Special Revenue Funds, and Capital Projects Fund.

**CITY OF HANFORD**  
**Schedule of Funding Progress**  
**June 30, 2011**

Actuarial Valuation Date	(A) Entry Age Actuarial Accrued Liability	(B) Actuarial Asset Value	(C) Unfunded Liability (Excess Assets) (A)-(B)	(D) Funded Ratio (B)/(A)	(E) Covered Payroll	(F) Unfunded Actuarial Liability as Percentage of Covered Payroll (A)-(B)/(E)
<u>6/30/2008</u>						
Miscellaneous	\$ 60,076,239	\$ 46,989,616	\$ 13,086,623	78.0%	\$ 7,922,800	165.2%
Police Safety	\$1,755,559,311	\$1,517,609,609	\$237,949,702	86.5%	\$210,590,567	113.0%
Fire Safety	\$1,755,559,311	\$1,517,609,609	\$237,949,702	86.5%	\$210,590,567	113.0%
<u>6/30/2009</u>						
Miscellaneous	\$ 66,619,342	\$ 50,395,886	\$ 16,223,456	75.6 %	\$ 8,614,584	188.3%
Police Safety	\$1,802,882,330	\$1,520,081,328	\$282,801,002	84.3%	\$221,600,192	127.6%
Fire Safety	\$1,802,882,330	\$1,520,081,328	\$282,801,002	84.3%	\$221,600,192	127.6%
<u>6/30/2010</u>						
Miscellaneous	\$ 69,202,177	\$ 54,144,195	\$ 15,057,982	78.2%	\$ 8,277,932	181.9%
Police Safety	\$1,915,095,826	\$1,628,915,283	\$286,180,543	85.1%	\$224,562,018	127.4%
Fire Safety	\$1,915,095,826	\$1,628,915,283	\$286,180,543	85.1%	\$224,562,018	127.4%

\*Pooled as of July 1, 2003 with similar agencies throughout the State, pursuant to State law.

**CITY OF HANFORD**  
**Schedule of Revenues, Expenditures, and Changes in**  
**Fund Balances – Budget and Actual (GAAP Basis)**  
**General Fund**  
**For the Year Ended June 30, 2011**

	General Fund			Variance With Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
<b>REVENUES</b>				
Taxes and special assessments	\$18,373,670	\$18,373,670	\$16,977,197	\$(1,396,473)
Aid from other governmental agencies	1,044,410	1,178,920	1,269,616	90,696
License and permits	228,220	228,220	404,255	176,035
Fines and forfeits	142,490	142,490	155,612	13,122
Charges for services	717,520	717,520	636,131	\$(81,389)
Revenue from use of money and property	831,540	831,540	1,010,946	179,406
Miscellaneous	957,640	957,640		\$(957,640)
Unrealized gain (loss) on investments			(9,601)	(9,601)
 Total revenues	 <u>22,295,490</u>	 <u>22,430,000</u>	 <u>20,444,156</u>	 <u>(1,985,844)</u>
<b>EXPENDITURES</b>				
General government	1,450,070	1,491,630	1,548,725	(57,095)
Public safety	13,171,240	13,682,840	13,126,571	556,269
Public works	3,584,950	3,927,650	3,391,688	535,962
Recreation	1,593,140	1,593,930	1,356,406	237,524
Community development	<u>1,475,000</u>	<u>1,475,000</u>	<u>969,370</u>	<u>505,630</u>
 Total expenditures	 <u>21,274,400</u>	<u>22,171,050</u>	<u>20,392,760</u>	<u>1,778,290</u>
 Excess (deficiency) of revenue over expenditures	 1,021,090	 258,950	 51,396	 (207,554)
 Other financing sources (uses)				
Operating transfers in	125,800	312,650	879,072	566,422
Operating transfers out	<u>(1,146,890)</u>	<u>(953,550)</u>	<u>(781,397)</u>	<u>172,153</u>
 Total other financing sources (uses)	 <u>(1,021,090)</u>	<u>(640,900)</u>	<u>97,675</u>	<u>738,575</u>
 Net change in fund balances		(381,950)	149,071	531,021
 Fund balances, beginning of year	 <u>13,694,718</u>	<u>13,694,718</u>	<u>13,694,718</u>	
 Fund balances, end of year	 <u>\$13,694,718</u>	<u>\$13,312,768</u>	<u>\$13,843,789</u>	<u>\$ 531,021</u>

See independent auditors' report and notes to financial statements.

**CITY OF HANFORD**  
**Schedule of Revenues, Expenditures, and Changes in**  
**Fund Balances – Budget and Actual (GAAP Basis)**  
**CDBG Home/Housing**  
**For the Year Ended June 30, 2011**

	<b>CDBG Home/Housing</b>			Variance With Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
<b>REVENUES</b>				
Aid from other governmental agencies	\$ 133,960	\$ 133,960	\$ 1,419,502	\$1,419,502
Revenue from use of money and property			320,960	187,000
Miscellaneous			57,769	57,769
Unrealized gain (loss) on investments			659	659
Total revenues	<u>133,960</u>	<u>133,960</u>	<u>1,798,890</u>	<u>1,664,930</u>
<b>EXPENDITURES</b>				
Capital outlay	<u>107,100</u>	<u>2,179,795</u>	<u>911,745</u>	<u>1,268,050</u>
Total expenditures	<u>107,100</u>	<u>2,179,795</u>	<u>911,745</u>	<u>1,268,050</u>
Excess (deficiency) of revenue over expenditures	<u>26,860</u>	<u>(2,045,835)</u>	<u>887,145</u>	<u>2,932,980</u>
Other financing sources (uses)				
Operating transfers out	<u>(24,720)</u>	<u>(24,720)</u>	<u></u>	<u>24,720</u>
Total other financing sources (uses)	<u>(24,720)</u>	<u>(24,720)</u>	<u></u>	<u>24,720</u>
Net change in fund balances	2,140	(2,070,555)	887,145	2,957,700
Fund balance, beginning of fiscal year, as previously reported	<u>15,375,799</u>	<u>15,375,799</u>	<u>15,375,799</u>	<u></u>
Prior period adjustments	<u></u>	<u></u>	<u>1,709,217</u>	<u>1,709,217</u>
Fund balance, beginning of fiscal year, restated	<u>15,375,799</u>	<u>15,375,799</u>	<u>17,085,016</u>	<u>1,709,217</u>
Fund balance, end of fiscal year	<u>\$15,377,939</u>	<u>\$13,305,244</u>	<u>\$17,972,161</u>	<u>\$4,666,917</u>

See independent auditors' report and notes to financial statements.

**CITY OF HANFORD**  
**Schedule of Revenues, Expenditures, and Changes in**  
**Fund Balances – Budget and Actual (GAAP Basis)**  
**Capital Projects Fund**  
**For the Year Ended June 30, 2011**

	<b>Capital Projects Fund</b>			Variance With Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
<b>REVENUES</b>				
Aid from other governmental agencies	\$	\$	\$ 222,935	\$ 222,935
Unrealized gain (loss) on investments			(8,534)	(8,534)
Total revenues			214,401	214,401
<b>EXPENDITURES</b>				
Capital outlay	<u>1,543,200</u>	<u>2,606,000</u>	<u>618,792</u>	<u>1,987,208</u>
Total expenditures	<u>1,543,200</u>	<u>2,606,000</u>	<u>618,792</u>	<u>1,987,208</u>
Excess (deficiency) of revenue over expenditures	<u>(1,543,200)</u>	<u>(2,606,000)</u>	<u>(404,391)</u>	<u>2,201,609</u>
Other financing sources (uses)				
Operating transfers in	10,000	10,000		(10,000)
Operating transfers out	<u>(1,712,720)</u>	<u>(1,712,720)</u>	<u>(126,857)</u>	<u>1,585,863</u>
Total other financing sources (uses)	<u>(1,702,720)</u>	<u>(1,702,720)</u>	<u>(126,857)</u>	<u>1,575,863</u>
Net change in fund balances	(3,245,920)	(4,308,720)	(531,248)	3,777,472
Fund balances, beginning of year	<u>10,685,972</u>	<u>10,685,972</u>	<u>10,685,972</u>	<u>      </u>
Fund balances, end of year	<u>\$ 7,440,052</u>	<u>\$ 6,377,252</u>	<u>\$10,154,724</u>	<u>\$3,777,472</u>

See independent auditors' report and notes to financial statements.

**CITY OF HANFORD**  
**Schedule of Revenues, Expenditures, and Changes in**  
**Fund Balances – Budget and Actual (GAAP Basis)**  
**Transportation Funds**  
**For the Year Ended June 30, 2011**

	Transportation Funds			Variance With Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
<b>REVENUES</b>				
Taxes and special assessments	\$ 23,610	\$ 23,610	\$ 29,665	\$ 6,055
Aid from other governmental agencies	3,062,620	3,062,620	3,068,233	5,613
Revenue from use of money and property			10,709	10,709
Unrealized gain (loss) on investments			(510)	(510)
 Total revenues	<u>3,086,230</u>	<u>3,086,230</u>	<u>3,108,097</u>	<u>21,867</u>
<b>EXPENDITURES</b>				
Capital outlay	<u>1,763,800</u>	<u>6,432,550</u>	<u>3,866,293</u>	<u>2,566,257</u>
 Total expenditures	<u>1,763,800</u>	<u>6,432,550</u>	<u>3,866,293</u>	<u>2,566,257</u>
 Excess (deficiency) of revenue over expenditures	1,322,430	(3,346,320)	(758,196)	2,588,124
 Other financing sources (uses)				
Operating transfers in				
Operating transfers out				
 Total other financing sources (uses)				
 Net change in fund balances	1,322,430	(3,346,320)	(758,196)	2,588,124
 Fund balances, beginning of year	<u>1,043,627</u>	<u>1,043,627</u>	<u>1,043,627</u>	<u>      </u>
 Fund balances, end of year	<u>\$2,366,057</u>	<u>\$(2,302,693)</u>	<u>\$ 285,431</u>	<u>\$2,588,124</u>

See independent auditors' report and notes to financial statements.

**SUPPLEMENTARY INFORMATION SECTION**

**CITY OF HANFORD**  
**Combining Balance Sheet**  
**Non-Major Governmental Funds**  
**June 30, 2011**

	Total Non-Major Special Revenue Funds	Debt Service Fund	Total Non-Major Funds
<b>ASSETS</b>			
Cash and investments	\$14,023,586	\$	\$14,023,586
Accounts receivable	254,970	_____	254,970
Loan receivable	<u>1,428,068</u>	_____	<u>1,428,068</u>
Total assets	<u>\$15,706,624</u>	<u>\$</u>	<u>\$15,706,624</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Due to other funds	\$ 21,111	\$	\$ 21,111
Accounts payable	<u>404,126</u>	_____	<u>404,126</u>
Total liabilities	<u>425,237</u>	_____	<u>425,237</u>
Fund balances			
Restricted for:			
Streets and roads	7,689,946	7,689,946	
Recreation	1,889,337	1,889,337	
Landscape maintenance	746,452	746,452	
Public safety	1,741,214	1,741,214	
Aviation	20,000	20,000	
Other purposes	220,929	220,929	
Committed to:			
Parking and business improvement	492,652	492,652	
Community development	<u>2,480,857</u>	_____	<u>2,480,857</u>
Total fund balances	<u>15,281,387</u>	_____	<u>15,281,387</u>
Total liabilities and fund balances	<u>\$15,706,624</u>	<u>\$</u>	<u>\$15,706,624</u>

See independent auditors' report and notes to financial statements.

**CITY OF HANFORD**  
**Combining Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances**  
**Non-Major Governmental Funds**  
**For the Year Ended June 30, 2011**

	Total Non-Major Special Revenue Funds	Debt Service Fund	Total Non-Major Funds
<b>REVENUES</b>			
Taxes and special assessments	\$ 3,889,305	\$	\$ 3,889,305
Aid from other governmental agencies	1,082,151		1,082,151
Fines and forfeits	108,313		108,313
Revenues from use of money and property	384,926		384,926
Unrealized gain (loss) on investments	<u>(13,054)</u>		<u>(13,054)</u>
 Total revenues	 <u>5,451,641</u>		 <u>5,451,641</u>
<b>EXPENDITURES</b>			
General government	7,500	3,300	10,800
Public works	309,110		309,110
Capital outlay	3,949,982		3,949,982
Debt service			
Principal		355,000	355,000
Interest	<u>                  </u>	<u>22,270</u>	<u>22,270</u>
 Total expenditures	 <u>4,266,592</u>	<u>380,570</u>	<u>4,647,162</u>
 Excess (deficiency) of revenues over expenditures	 1,185,049	 (380,570)	 804,479
 Other financing sources (uses)			
Other sources		253,713	253,713
Operating transfers in		126,857	126,857
Operating transfers out	<u>(106,165)</u>		<u>(106,165)</u>
 Total other financing sources (uses)	 <u>(106,165)</u>	<u>380,570</u>	<u>274,405</u>
 Net change in fund balances	 1,078,884		 1,078,884
 Fund balances, beginning of year	 <u>14,202,503</u>		 <u>14,202,503</u>
 Fund balances, end of year	 <u>\$15,281,387</u>	 \$ <u>                  </u>	 <u>\$15,281,387</u>

See independent auditors' report and notes to financial statements.

**CITY OF HANFORD**  
**Combining Balance Sheet**  
**Non-Major Special Revenue Funds**  
**June 30, 2011**

	Transportation Impact Fees	Park Impact Fees	Parking Fund	Downtown Reinvestment Fund	Landscaping Assessment District
<b>ASSETS</b>					
Cash and investments	\$5,024,957	\$1,905,481	\$55,445	\$230,805	\$722,020
Accounts receivable	4,076	2,882		342	37,167
Loan receivable	_____	_____	_____	94,399	_____
Total assets	<u>\$5,029,033</u>	<u>\$1,908,363</u>	<u>\$55,445</u>	<u>\$325,546</u>	<u>\$759,187</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities					
Due to other funds	\$	\$	\$	\$	\$
Accounts payable	<u>328,658</u>	<u>19,026</u>	_____	_____	<u>13,934</u>
Total liabilities	<u>328,658</u>	<u>19,026</u>	_____	_____	<u>13,934</u>
Fund balances					
Restricted for:					
Streets and roads	4,700,375				
Recreation		1,889,337			
Landscape maintenance					745,253
Public safety					
Aviation					
Committed to:					
Parking and business improvement			55,445	325,546	
Community development	_____	_____	_____	_____	_____
Total fund balances	<u>4,700,375</u>	<u>1,889,337</u>	<u>55,445</u>	<u>325,546</u>	<u>745,253</u>
Total liabilities and fund balances	<u>\$5,029,033</u>	<u>\$1,908,363</u>	<u>\$55,445</u>	<u>\$325,546</u>	<u>\$759,187</u>

See independent auditors' report and notes to financial statements.

**CITY OF HANFORD**  
**Combining Balance Sheet**  
**Non-Major Special Revenue Funds**  
**June 30, 2011**  
**(Continued)**

	City Housing Fund	Central Parking and Business Improvement	Fire Protection Impact Fees	Police Protection Impact Fees	Special Aviation
<b>ASSETS</b>					
Cash and investments	\$1,105,221	\$111,497	\$452,193	\$1,284,299	\$
Accounts receivable	1,559	164	670	1,904	39,625
Loan receivable	<u>1,333,669</u>	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>
Total assets	<u><u>\$2,440,449</u></u>	<u><u>\$111,661</u></u>	<u><u>\$452,863</u></u>	<u><u>\$1,286,203</u></u>	<u><u>\$39,625</u></u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities					
Due to other funds	\$	\$	\$	\$	\$19,625
Accounts payable	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>
Total liabilities	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>	<u>19,625</u>
Fund balances					
Restricted for:					
Streets and roads					
Recreation					
Landscape maintenance					
Public safety			452,863	1,286,203	
Aviation					20,000
Committed to:					
Parking and business improvement		111,661			
Community development	<u>2,440,449</u>	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>
Total fund balances	<u><u>2,440,449</u></u>	<u><u>111,661</u></u>	<u><u>452,863</u></u>	<u><u>1,286,203</u></u>	<u><u>20,000</u></u>
Total liabilities and fund balances	<u><u>\$2,440,449</u></u>	<u><u>\$111,661</u></u>	<u><u>\$452,863</u></u>	<u><u>\$1,286,203</u></u>	<u><u>\$39,625</u></u>

See independent auditors' report and notes to financial statements.

**CITY OF HANFORD**  
**Combining Balance Sheet**  
**Non-Major Special Revenue Funds**  
**June 30, 2011**  
**(Continued)**

	<u>GWF Environment Oversight</u>	<u>Learning Center Operation</u>	<u>Traffic Safety</u>	<u>Street Tree Committee</u>	<u>State Gas Tax Fund</u>	<u>Totals</u>
<b>ASSETS</b>						
Cash and investments	\$220,650	\$40,408	\$6,484	\$1,199	\$2,862,927	\$14,023,586
Accounts receivable	328		1,607		164,646	254,970
Loan receivable	—	—	—	—	—	1,428,068
Total assets	<u>\$220,978</u>	<u>\$40,408</u>	<u>\$8,091</u>	<u>\$1,199</u>	<u>\$3,027,573</u>	<u>\$15,706,624</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities						
Due to other funds	\$	\$	\$1,486	\$	\$	\$ 21,111
Accounts payable	49	—	4,457	—	38,002	404,126
Total liabilities	<u>49</u>	<u>—</u>	<u>5,943</u>	<u>—</u>	<u>38,002</u>	<u>425,237</u>
Fund balances						
Restricted for:						
Streets and roads					2,989,571	7,689,946
Recreation						1,889,337
Landscape maintenance				1,199		746,452
Public safety			2,148			1,741,214
Aviation						20,000
Other purposes	220,929					220,929
Committed to:						
Parking and business improvement						492,652
Community development	—	<u>40,408</u>	—	—	—	<u>2,480,857</u>
Total fund balances	<u>220,929</u>	<u>40,408</u>	<u>2,148</u>	<u>1,199</u>	<u>2,989,571</u>	<u>15,281,387</u>
Total liabilities and fund balances	<u>\$220,978</u>	<u>\$40,408</u>	<u>\$8,091</u>	<u>\$1,199</u>	<u>\$3,027,573</u>	<u>\$15,706,624</u>

See independent auditors' report and notes to financial statements.

**CITY OF HANFORD**  
**Combining Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances**  
**Non-Major Special Revenue Funds**  
**For the Year Ended June 30, 2011**

	Transportation Impact Fees	Park Impact Fees	Parking Fund	Downtown Reinvestment Fund	Landscaping Assessment District
<b>REVENUES</b>					
Taxes and special assessments	\$1,792,849	\$ 156,243	\$	\$	\$399,867
Aid from other governmental agencies					
Fines and forfeits					
Revenue from use of money and property	19,061	11,681	7,829	5,890	
Unrealized gain (loss) on investments	(4,825)	(2,016)	(50)	(227)	(676)
Total revenues	<u>1,807,085</u>	<u>165,908</u>	<u>7,779</u>	<u>5,663</u>	<u>399,191</u>
<b>EXPENDITURES</b>					
General government					
Public works					299,056
Capital outlay	<u>1,734,594</u>	<u>200,745</u>	—	—	—
Total expenditures	<u>1,734,594</u>	<u>200,745</u>	—	—	<u>299,056</u>
Excess (deficiency) of revenue over expenditures	<u>72,491</u>	<u>(34,837)</u>	<u>7,779</u>	<u>5,663</u>	<u>100,135</u>
Other financing sources (uses)					
Operating transfers out	—	—	—	—	—
Total other financing sources (uses)	—	—	—	—	—
Net change in fund balances	<u>72,491</u>	<u>(34,837)</u>	<u>7,779</u>	<u>5,663</u>	<u>100,135</u>
Fund balances, beginning of year	<u>4,627,884</u>	<u>1,924,174</u>	<u>47,666</u>	<u>319,883</u>	<u>645,118</u>
Fund balances end of year	<u>\$4,700,375</u>	<u>\$1,889,337</u>	<u>\$55,445</u>	<u>\$325,546</u>	<u>\$745,253</u>

See independent auditors' report and notes to financial statements.

**CITY OF HANFORD**  
**Combining Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances**  
**Non-Major Special Revenue Funds**  
**For the Year Ended June 30, 2011**  
**(Continued)**

	City Housing Fund	Central Parking and Business Improvement	Fire Protection Impact Fees	Police Protection Impact Fees	Special Aviation
<b>REVENUES</b>					
Taxes and special assessments	\$ 351,680	\$ 92,782	\$ 48,209	\$ 92,007	\$21,245
Aid from other governmental agencies					
Fines and forfeits					
Revenue from use of money and property	310,134	633	2,643	7,547	
Unrealized gain (loss) on investments	<u>(695)</u>	<u>(114)</u>	<u>(419)</u>	<u>(1,239)</u>	<u>20</u>
Total revenues	<u>661,119</u>	<u>93,301</u>	<u>50,433</u>	<u>98,315</u>	<u>21,265</u>
<b>EXPENDITURES</b>					
General government					
Public works					
Capital outlay	<u>                  </u>	<u>90,184</u>	<u>                  </u>	<u>                  </u>	<u>1,244</u>
Total expenditures	<u>                  </u>	<u>90,184</u>	<u>                  </u>	<u>                  </u>	<u>1,244</u>
Excess (deficiency) of revenue over expenditures	<u>661,119</u>	<u>3,117</u>	<u>50,433</u>	<u>98,315</u>	<u>20,021</u>
Other financing sources (uses)					
Operating transfers out	<u>                  </u>	<u>                  </u>	<u>                  </u>	<u>                  </u>	<u>                  </u>
Total other financing sources (uses)	<u>                  </u>	<u>                  </u>	<u>                  </u>	<u>                  </u>	<u>                  </u>
Net change in fund balances	<u>661,119</u>	<u>3,117</u>	<u>50,433</u>	<u>98,315</u>	<u>20,021</u>
Fund balances, beginning of year	<u>1,779,330</u>	<u>108,544</u>	<u>402,430</u>	<u>1,187,888</u>	<u>(21)</u>
Fund balances end of year	<u>\$2,440,449</u>	<u>\$111,661</u>	<u>\$452,863</u>	<u>\$1,286,203</u>	<u>\$20,000</u>

See independent auditors' report and notes to financial statements.

**CITY OF HANFORD**  
**Combining Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances**  
**Non-Major Special Revenue Funds**  
**For the Year Ended June 30, 2011**  
**(Continued)**

	<u>GWF</u> <u>Environment</u> <u>Oversight</u>	<u>Learning</u> <u>Center</u> <u>Operation</u>	<u>Traffic</u> <u>Safety</u>	<u>Street</u> <u>Tree</u> <u>Committee</u>	<u>State</u> <u>Gas Tax</u> <u>Fund</u>	<u>Totals</u>
<b>REVENUES</b>						
Taxes and special assessments	\$	\$	\$	\$	\$1,286,103	\$ 3,889,305
Aid from other governmental agencies		730,471				1,082,151
Fines and forfeits			108,313			108,313
Revenue from use of money and property	1,332				18,176	384,926
Unrealized gain (loss) on investments	(241)	537	(3)	(1)	(3,105)	(13,054)
Total revenues	<u>1,091</u>	<u>731,008</u>	<u>108,310</u>	<u>(1)</u>	<u>1,301,174</u>	<u>5,451,641</u>
<b>EXPENDITURES</b>						
General government					7,500	7,500
Public works	10,054					309,110
Capital outlay	—	204,048	—	—	1,719,167	3,949,982
Total expenditures	<u>10,054</u>	<u>204,048</u>	<u>—</u>	<u>—</u>	<u>1,726,667</u>	<u>4,266,592</u>
Excess (deficiency) of revenue over expenditures	<u>(8,963)</u>	<u>526,960</u>	<u>108,310</u>	<u>(1)</u>	<u>(425,493)</u>	<u>1,185,049</u>
Other financing sources (uses)						
Operating transfers out	—	—	(106,165)	—	—	(106,165)
Total other financing sources (uses)	—	—	(106,165)	—	—	(106,165)
Net change in fund balances	<u>(8,963)</u>	<u>526,960</u>	<u>2,145</u>	<u>(1)</u>	<u>(425,493)</u>	<u>1,078,884</u>
Fund balances, beginning of year	<u>229,892</u>	<u>(486,552)</u>	<u>3</u>	<u>1,200</u>	<u>3,415,064</u>	<u>14,202,503</u>
Fund balances end of year	<u>\$220,929</u>	<u>\$ 40,408</u>	<u>\$ 2,148</u>	<u>\$1,199</u>	<u>\$2,989,571</u>	<u>\$15,281,387</u>

See independent auditors' report and notes to financial statements.

**CITY OF HANFORD**  
**Combining Statement of Net Assets**  
**Internal Service Funds**  
**June 30, 2011**

	<u>City Payroll Fund</u>	<u>Risk Management Fund</u>	<u>Computer Maintenance Fund</u>
<b>ASSETS</b>			
Current assets			
Cash and investments	\$28,771	\$3,785,699	\$1,763,954
Receivables, net			
Inventory	_____	_____	_____
Total current assets	<u>28,771</u>	<u>3,785,699</u>	<u>1,763,954</u>
Capital assets			
Machinery and equipment			
Accumulated depreciation	_____	_____	_____
Capital assets, net	_____	_____	_____
Total assets	<u>28,771</u>	<u>3,785,699</u>	<u>1,763,954</u>
<b>LIABILITIES</b>			
Accounts payable	\$	\$ 134,031	\$ 283
Salaries and benefits payable	<u>28,769</u>	_____	<u>1,182</u>
Total liabilities	<u>28,769</u>	<u>134,031</u>	<u>1,465</u>
<b>NET ASSETS</b>			
Investment in capital assets, net of related debt			
Unrestricted	____ 2	3,651,668	1,762,489
Total net assets	____ 2	3,651,668	1,762,489
Total liabilities and net assets	<u>28,771</u>	<u>3,785,699</u>	<u>1,763,954</u>

See independent auditors' report and notes to financial statements.

**CITY OF HANFORD**  
**Combining Statement of Net Assets**  
**Internal Service Funds**  
**June 30, 2011**  
**(Continued)**

	Building Fund	Fleet Maintenance Fund	Totals
<b>ASSETS</b>			
Current assets			
Cash and investments	\$895,826	\$ 10,166,430	\$ 16,640,680
Receivables, net		1,112,267	1,112,267
Inventory	_____	<u>172,638</u>	<u>172,638</u>
Total current assets	<u>895,826</u>	<u>11,451,335</u>	<u>17,925,585</u>
Capital assets			
Machinery and equipment	12,341	15,849,529	15,861,870
Accumulated depreciation	<u>(12,341)</u>	<u>(10,116,631)</u>	<u>(10,128,972)</u>
Capital assets, net	_____	<u>5,732,898</u>	<u>5,732,898</u>
Total assets	<u>895,826</u>	<u>\$ 17,184,233</u>	<u>\$ 23,658,483</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 12,074	\$ 107,701	\$ 254,089
Salaries and benefits payable	<u>24,413</u>	<u>31,043</u>	<u>85,407</u>
Total liabilities	<u>36,487</u>	<u>138,744</u>	<u>339,496</u>
<b>NET ASSETS</b>			
Investment in capital assets, net of related debt		5,732,898	5,732,898
Unrestricted	<u>859,339</u>	<u>11,312,591</u>	<u>17,586,089</u>
Total net assets	<u>859,339</u>	<u>17,045,489</u>	<u>23,318,987</u>
Total liabilities and net assets	<u>895,826</u>	<u>\$ 17,184,233</u>	<u>\$ 23,658,483</u>

See independent auditors' report and notes to financial statements.

**CITY OF HANFORD**  
**Combining Statement of Revenues, Expenses,**  
**and Changes in Net Assets**  
**Internal Service funds**  
**For the Year Ended June 30, 2011**

	City Payroll Fund	Risk Management Fund	Computer Maintenance Fund
<b>REVENUES</b>			
Charges for services	\$ ____	<u>\$1,081,749</u>	<u>\$ 220,070</u>
<b>EXPENSES</b>			
Personnel services			32,695
Services and supplies		972,672	142,286
Depreciation	____	____	____
Total expenses	____	<u>972,672</u>	<u>174,981</u>
Operating income (loss)	____	<u>109,077</u>	<u>45,089</u>
Non-operating revenues (expenses)			
Gain (loss) on sale of assets		(3,849)	(1,808)
Interest income			
Unrealized gain (loss) on investments	(30)	____	
Miscellaneous	____	<u>85,199</u>	<u>274</u>
Total non-operating revenue (expenses)	<u>(30)</u>	<u>81,350</u>	<u>(1,534)</u>
Income before contributions and transfers	<u>(30)</u>	<u>190,427</u>	<u>43,555</u>
Capital contributions			
Operating transfers	____	____	____
Change in net assets	(30)	190,427	43,555
Net assets, beginning of year	<u>32</u>	<u>3,461,241</u>	<u>1,718,934</u>
Net assets, end of year	<u>\$ 2</u>	<u>\$3,651,668</u>	<u>\$1,762,489</u>

See independent auditors' report and notes to financial statements.

**CITY OF HANFORD**  
**Combining Statement of Revenues, Expenses,**  
**And Changes in Net Assets**  
**Internal Service Funds**  
**For the Year Ended June 30, 2011**  
**(Continued)**

	Building Fund	Fleet Management Fund	Totals
<b>REVENUES</b>			
Charges for services	<u>\$723,065</u>	<u>\$ 3,675,995</u>	<u>\$ 5,700,879</u>
<b>EXPENSES</b>			
Personnel services	393,184	508,678	934,557
Services and supplies	226,785	1,506,769	2,848,512
Depreciation	<u>                  </u>	<u>934,045</u>	<u>934,045</u>
Total expenses	<u>619,969</u>	<u>2,949,492</u>	<u>4,717,114</u>
Operating income (loss)	<u>103,096</u>	<u>726,503</u>	<u>983,765</u>
Non-operating revenues (expenses)			
Gain (loss) on sale of assets	(838)		(6,495)
Interest income		62,606	62,606
Unrealized gain (loss) on investments		(11,585)	(11,615)
Miscellaneous	<u>                  </u>	<u>7,735</u>	<u>93,208</u>
Total non-operating revenue (expenses)	<u>(838)</u>	<u>58,756</u>	<u>137,704</u>
Income before contributions and transfers	<u>102,258</u>	<u>785,259</u>	<u>1,121,469</u>
Capital contributions		1,159,476	1,159,476
Operating transfers	<u>                  </u>	<u>(1,139,064)</u>	<u>(1,139,064)</u>
Change in net assets	102,258	805,671	1,141,881
Net assets, beginning of year	<u>757,081</u>	<u>16,239,818</u>	<u>22,177,106</u>
Net assets, end of year	<u>\$859,339</u>	<u>\$17,045,489</u>	<u>\$23,318,987</u>

See independent auditors' report and notes to financial statements.

**CITY OF HANFORD**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**For the Year Ended June 30, 2011**

	City Payroll Fund	Risk Management Fund	Computer Maintenance Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash received for current services	\$	\$ 1,081,749	\$ 220,070
Cash paid for services and supplies	(179)	(1,051,888)	(179,747)
Cash paid for salaries and benefits			
Net cash provided (used) by operating activities	<u>(179)</u>	<u>29,861</u>	<u>40,323</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Transfer (to) from other funds	____	____	____
Net cash provided by noncapital financing activities	____	____	____
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Capital contributions	____	____	____
Capital expenditures	____	____	____
Proceeds from sale of equipment	____	____	____
Net cash provided by capital and related financing activities	____	____	____
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Unrealized gain (loss) on investments		(3,849)	(1,808)
Other non-operating revenue (expense)	(30)	85,199	274
Interest received			
Net cash provided by investing activities	<u>(30)</u>	<u>81,350</u>	<u>(1,534)</u>
Net increase (decrease) in cash and cash equivalents	(209)	111,211	38,789
Cash and cash equivalents, beginning of year	<u>28,980</u>	<u>3,674,488</u>	<u>1,725,165</u>
Cash and cash equivalents, end of year	<u>\$28,771</u>	<u>\$ 3,785,699</u>	<u>\$1,763,954</u>
<b>Reconciliation of operating income to net cash provided by (used for) operating activities:</b>			
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Operating income/(loss)	\$	\$ 109,077	\$ 45,089
Adjustments to reconcile operating income (loss) to cash flows from operating activities:			
Depreciation and amortization			
(Increase) decrease in net assets:			
Inventory			
Increase (decrease) in net liabilities:			
Accounts payable		(79,216)	(1,224)
Salaries and benefits payable	<u>(179)</u>	____	<u>(3,542)</u>
Net cash provided (used) by operating activities	<u>\$ (179)</u>	<u>\$ 29,861</u>	<u>\$ 40,323</u>

See independent auditors' report and notes to financial statements.

**CITY OF HANFORD**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**For the Year Ended June 30, 2011**  
**(Continued)**

	Building Fund	Fleet Maintenance Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash received for current services	\$ 723,065	\$ 3,675,995	\$ 5,700,879
Cash paid for services and supplies	(630,046)	(1,571,244)	(3,433,104)
Cash paid for salaries and benefits		(524,817)	(524,817)
Net cash provided by (used for) operating activities	<u>93,019</u>	<u>1,579,934</u>	<u>1,742,958</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Transfers (to) from other funds	_____	(1,139,064)	(1,139,064)
Net cash provided by noncapital financing activities	<u>_____</u>	<u>(1,139,064)</u>	<u>(1,139,064)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Capital contributions		61,819	61,819
Capital expenditures		(1,351,273)	(1,351,273)
Proceeds from sale of equipment	_____	66,223	66,223
Net cash provided by capital and related financing activities	<u>_____</u>	<u>(1,289,454)</u>	<u>(1,289,454)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Unrealized gain (loss) on investments	(838)	(11,585)	(18,080)
Other non-operating revenue (expense)		7,735	93,178
Interest received	_____	66,223	66,223
Net cash provided by investing activities	<u>(838)</u>	<u>62,373</u>	<u>141,321</u>
Net increase (decrease) in cash and cash equivalents	92,181	(786,211)	(544,239)
Cash and cash equivalents, beginning of year	<u>803,645</u>	<u>10,952,641</u>	<u>17,184,919</u>
Cash and cash equivalents, end of year	<u>\$ 895,826</u>	<u>\$10,166,430</u>	<u>\$16,640,680</u>
<b>Reconciliation of operating income to net cash provided by (used for) operating activities:</b>			
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Operating income/(loss)	\$ 103,096	\$ 726,503	\$ 983,765
Adjustments to reconcile operating income (loss) to cash flows from operating activities:			
Depreciation and amortization		934,045	934,045
(Increase) decrease in net assets:			
Inventory		(44,983)	(44,983)
Increase (decrease) in net liabilities:			
Accounts payable	(160)	(19,492)	(100,092)
Salaries and benefits payable	<u>(9,917)</u>	<u>(16,139)</u>	<u>(29,777)</u>
Net cash provided (used) by operating activities	<u>\$ 93,019</u>	<u>\$ 1,579,934</u>	<u>\$ 1,742,958</u>

See independent auditors' report and notes to financial statements.

**SINGLE AUDIT REPORTS**



Sampson, Sampson & Patterson, LLP  
CERTIFIED PUBLIC ACCOUNTANTS

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December 21, 2011

The Honorable Mayor and Members of the City Council  
City of Hanford  
Hanford, California

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Hanford as of and for the year ended June 30, 2011 which collectively comprise the City of Hanford's basic financial statements and have issued our report thereon dated December 21, 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 of Hanford's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Hanford's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Hanford's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We 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 City of Hanford'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*.

This report is intended solely for the information and use of management, City Council, others within the entity, and 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.

*Sampson, Sampson & Patterson, LLP*



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CERTIFIED PUBLIC ACCOUNTANTS

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December 21, 2011

The Honorable Mayor and Members of the City Council  
City of Hanford  
Hanford, California

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD  
HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL  
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

**Compliance**

We have audited the compliance of the City of Hanford (City) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2011. The City of Hanford's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Hanford's management. Our responsibility is to express an opinion on the City of Hanford's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, "*Audits of States, Local Governments, and Non-Profit Organizations*." Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Hanford's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Hanford's compliance with those requirements.

In our opinion, the City of Hanford Complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

**Internal Control Over Compliance**

Management of the City of Hanford is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Hanford's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Hanford's internal control over compliance.

A *deficiency in internal control* over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness* in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance 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 compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

*Sampson, Sampson & Patterson, LLP*

**CITY OF HANFORD**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2011**

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal Catalog Number	Pass-Through Grantors Number	Expenditures
<b><u>U.S. Department of Homeland Security</u></b>			
Passed through State Office of Homeland Security State Domestic Preparedness Equipment and Support Program	97.004	2009-0019	<u>\$ 10,495</u>
Total U.S. Department of Homeland Security			
			<u>10,495</u>
<b><u>U.S. Department of Transportation</u></b>			
Federal Aviation Administration Airport Improvement	20.106	3-06-0098	1,245
Federal Highway Administration Passed through California Department of Transportation Highway Planning and Construction	20.205	CML-5091	1,279,016
ARRA-Highway Planning and Construction	20.205	ESPL-5091	1,150,247
Highway Planning and Construction	20.205	STOLR-7500(044)	140,674
Passed through California Office of Traffic Safety National Highway Safety Programs	20.601	TSCAL1157	20,387
National Highway Safety Programs	20.601	TSCCS10069	1,404
National Highway Safety Programs	20.601	TSCCT00169	5,765
National Highway Safety Programs	20.601	OTSAL0832	<u>10,361</u>
Total U.S. Department of Transportation			<u>2,609,099</u>
<b><u>U.S. Department of Housing and Urban Development</u></b>			
Office of Community Planning and Development CDBG/Entitlement Grants (A)	14.218	B-06-MC-06-0061	6,221
CDBG/Entitlement Grants (A)	14.218	B-07-MC-06-0061	75,810
CDBG/Entitlement Grants (A)	14.218	B-08-MC-06-0061	67,821
CDBG/Entitlement Grants (A)	14.218	A-09-MC-06-0061	13,784
CDBG/Entitlement Grants (A)	14.218	A-10-MC-06-0061	204,605
CDBG/Entitlement Grants (A)	14.218	B-11-MC-06-0061	181,174
CDBG/Entitlement Grants (A)	14.228	09-NSPI-6266	158,993
Home-Investment Partnership Program	14.239	08-HOME-4985	<u>210,860</u>
Total U.S. Department of Housing and Urban Development			<u>919,268</u>
<b><u>U.S. Department of Justice</u></b>			
Direct Program Public Safety Partnership and Community Policing Grants	16.710	N/A	52,442
ARRA – Edward Byrne Justice Assistance Grant	16.804	N/A	<u>20,659</u>
Total U.S. Department of Justice			<u>73,101</u>
Total Expenditures of Federal Awards			<u>\$3,611,963</u>

See accompanying notes to schedule of expenditures of federal awards.

**CITY OF HANFORD**  
**Notes to Schedule of Expenditures of Federal Awards**  
**June 30, 2011**

**1. Summary of Significant Accounting Policies:**

Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards includes the awards transactions of the City recorded in the governmental and proprietary fund types.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

The accrual basis of accounting is utilized by proprietary funds. Under this method revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Proprietary funds distinguish operating revenues and expenses for nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Schedule of Expenditures of Federal Awards

The accompanying Schedule presents the activity of all federal financial assistance programs of the City. Federal financial assistance received directly from federal agencies as well as federal financial assistance passed through the State of California are included in the Schedule.

The Schedule was presented only from the accounts of various grant programs and, therefore, does not present the financial position or results of operations of the City.

## **FINDINGS AND QUESTIONED COSTS**

**CITY OF HANFORD**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2011**

**Part I - Summary of Auditors' Results**

**Financial Statements**

Type of auditors' report issued:	<u>Unqualified</u>	
Internal control over financial reporting:		
Material weakness(es) identified?	<u>      </u> Yes	<u>X</u> No
Significant deficiency(s) identified not considered to be material weakness(es)?	<u>      </u> Yes	<u>X</u> No
Noncompliance material to financial statements notes?	<u>      </u> Yes	<u>X</u> No

**Federal Awards**

Internal control over major programs:	<u>Unqualified</u>	
Material weakness(es) identified?	<u>      </u> Yes	<u>X</u> No
Significant deficiency(s) identified not considered to be material weakness(es)?	<u>      </u> Yes	<u>X</u> No
Type of auditors' report issued on compliance for major programs:		

Any audit findings disclosed that are required to be reported in accordance with Circular A-133 (section .510 (a))?	<u>      </u> Yes	<u>X</u> No
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**Programs Subjected to Audit Procedures as Major Programs**

	<u>Name of Federal Program or Cluster</u>
20.205	ARRA – Highway Planning and Construction
14.218	CDBG Entitlement Grants
Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 300,000</u>
Auditee qualified as low-risk auditee?	<u>X</u> Yes
	<u>      </u> No

**CITY OF HANFORD**  
**Schedule of Findings and Recommendations**  
**For the Fiscal Year Ended June 30, 2011**

**Part II - Financial Statement Finding Section**

Significant Deficiencies, Material Weaknesses and Instances of Noncompliance Related to the Financial Statements:

None.

**Part III - Federal Award Findings and Questioned Costs Section**

Significant Deficiencies, Material Weaknesses and Instances of Noncompliance Related to the Audit of Major Federal Programs:

None.

**CITY OF HANFORD**  
**Summary Schedule of Prior Audit Findings**  
**For the Year Ended June 30, 2011**

There were no reportable audit findings in the prior fiscal year ended June 30, 2010.

**APPROPRIATIONS LIMIT REPORT**



December 21, 2011

The Honorable City Council  
City of Hanford  
Hanford, California

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
WITH ARTICLE XIIIIB – APPROPRIATIONS LIMIT

We have applied the procedures enumerated below to the accompanying appropriations limit of the City of Hanford for the year ended June 30, 2011. These procedures, which were agreed to by the League of California Cities and presented in their Article XIIIIB Appropriations Limitation Uniform Guidelines, were performed solely to assist you in meeting the requirement of Section 1.5 of Article XIIIIB of the California Constitution. This report is intended for the information of management and the City Council. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

The procedures performed and our findings were as follows:

1. We obtained computations from the City of Hanford and determined that the limit and annual adjustment factors were adopted by resolution of the City Council. We also determined that the population and inflation options were selected by a recorded vote of the City Council.
2. For the accompanying Appropriations Limit, we added last year's limit to total adjustments, and agreed the resulting amount of this year's limit.
3. We agreed the current year information presented in the accompanying Appropriations Limit to the other computations described above.
4. We agreed the prior year Appropriations Limit presented in the accompanying Appropriations Limit to the Prior year Appropriations Limit adopted by the City Council during the prior year.

These agreed upon procedures are substantially less in scope than an audit, the objective of which is the expression of an opinion on the accompanying Appropriations Limit. Accordingly, we do not express such an opinion.

Based on the application of the procedures referred to above, nothing came to our attention that caused us to believe that the accompanying Appropriations Limit was not computed in accordance with Article XIIIIB of the California Constitution. Had we performed additional procedures or had we made an audit of the accompanying Appropriations Limit and the other completed worksheets described above, matters might have come to our attention that would have been reported to you.

*Sampson, Sampson & Patterson, LLP*

**CITY OF HANFORD**  
**Appropriations Limit**  
**Schedules A and B**  
**June 30, 2011**

Schedule A	Fiscal Year 2010-2011	Amount
A. Last Years Limit – 2010		\$46,253,291
B. Add: Adjustment for Annexation Service Deliver Charge		0
Subtotal		<u>\$46,253,291</u>
Apply ratio of Change Factor (Schedule B)		0.9917
C. Appropriations Limit – Fiscal Year 2010-2011		<u><u>\$45,869,389</u></u>

Schedule B	Worksheet for Permitted Growth in Appropriations Limit 2009-2010		
Kings County Population Change	(1)	1.70%	
Converted to a Ratio		1.0170	
California Per Capita Income Change	(1)	-2.54%	
Converted to a Ratio		.9746	
Calculation of Factor for 2010-2011		1.0170 x 0.9746	
Ratio of Change Factor		0.9917	

(1) Provided by the California State Department of Finance