

CITY OF HANFORD

FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORT

YEAR ENDED JUNE 30, 2008

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CITY OF HANFORD
June 30, 2007

CITY COUNCIL

NAME

Joaquin D. Gonzales
David G. Ayers
Marcelyn M. Buford
Dan Chin
Dave Thomas

POSITION

Mayor
Vice Mayor
Council Member
Council Member
Council Member

ADMINISTRATION

Gary W. Misenhimer
Griswold, LaSalle, Cobb, Dowel & Gin, L.L.P.
Karen McAlister
Tom Dibble
Timothy Ieronimo
Thomas J. Haglund
Carlos Mestas
John Doyel
Scott Yeager
Lou Camara

City Manager
City Attorneys
City Clerk
Treasurer/Finance Director
Fire Chief
Interim Community Development Director
Police Chief
City Engineer
Recreation Director
Public Works Director



December 3, 2008

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, 2008, 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, 2008, 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 3, 2008 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. 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.

The *management's discussion and analysis, schedule of funding progress, and required budgetary comparison* information as listed in the accompanying table of contents are not a required part of the City's basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we have not audited the information and express no opinion on it.

City of Hanford
December 3, 2008
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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

CITY OF HANFORD
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008

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, 2008. 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 2008 by about \$281.5 million. Of this amount, about \$48 million in unrestricted assets may be used to meet the City's ongoing obligations to citizens and creditors.
- As of June 30, 2008, the City's governmental funds reported combined ending fund balances of \$52.5 million.
- Approximately 2.7% of the combined fund balances is considered available for spending at the City's discretion.
- As of June 30, 2008, unreserved fund balance in the General Fund was \$.6 million, or 3% of total General Fund Expenditures.
- The City's total debt increased by \$9.79 million during the fiscal year 2008, 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 water system for arsenic remediation projects and in the general fund where internal borrowing occurred for interim financing of the vocational training facility project.

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, 2008
(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, 2008
(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, 2008
(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

This is the third year that the City has presented its financial statement under the new 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 \$281,533,336 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 \$70,971,404 approximately 87% \$61,791,931 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, 2008
(Continued)

STATEMENT OF NET ASSETS

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Assets:						
Current assets	\$ 42,696,427	\$ 38,843,503	\$ 28,274,977	\$ 22,676,357	\$ 70,971,404	\$ 61,519,860
Capital and non-current assets (net of depreciation)	<u>159,895,755</u>	<u>146,174,729</u>	<u>102,557,218</u>	<u>94,889,182</u>	<u>262,452,973</u>	<u>241,063,911</u>
Total assets	<u>202,592,182</u>	<u>185,018,232</u>	<u>130,832,195</u>	<u>117,565,539</u>	<u>333,424,377</u>	<u>302,583,771</u>
Liabilities:						
Current and other liabilities	2,847,313	3,744,139	3,008,332	2,705,166	5,855,645	6,449,305
Long-term liabilities	<u>1,702,629</u>	<u>2,027,705</u>	<u>44,332,767</u>	<u>37,584,994</u>	<u>46,035,396</u>	<u>39,612,699</u>
Total liabilities	<u>4,549,942</u>	<u>5,771,844</u>	<u>47,341,099</u>	<u>40,290,160</u>	<u>51,891,041</u>	<u>46,062,004</u>
Net Assets:						
Invested in capital assets, net of related debt	135,730,707	127,234,626	57,246,900	60,069,363	192,977,607	187,303,989
Restricted	39,926,791	24,508,190	601,120	3,524,154	40,527,911	28,032,344
Unrestricted	<u>22,384,742</u>	<u>27,503,572</u>	<u>25,643,076</u>	<u>13,681,862</u>	<u>48,027,818</u>	<u>41,185,434</u>
Total net assets	<u>\$198,042,240</u>	<u>\$179,246,388</u>	<u>\$ 83,491,096</u>	<u>\$ 77,275,379</u>	<u>\$281,533,336</u>	<u>\$256,521,767</u>

An additional portion of the City of Hanford's net assets \$40,527,911 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets \$48,027,818 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, 2008 than it was at June 30, 2007.

CITY OF HANFORD
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
(Continued)

STATEMENT OF ACTIVITIES

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
REVENUES:						
Program revenues:						
Charges for services	\$ 5,321,099	\$ 5,433,271	\$18,521,333	\$17,380,444	\$ 23,842,432	\$ 22,813,715
Operating grants and contributions	2,644,385	4,596,853			2,644,385	4,596,853
Capital grants and contributions	12,254,312	7,516,353	2,490,463	3,527,012	14,744,775	11,043,365
General revenues:						
Taxes	19,803,833	18,455,511			19,803,833	18,455,511
Investment earnings	2,242,563	2,370,605	989,149	1,036,653	3,231,712	3,407,258
Other revenues	<u>397,670</u>	<u>436,127</u>	<u>1,191,356</u>	<u>1,429,122</u>	<u>1,589,026</u>	<u>1,865,249</u>
TOTAL REVENUES	<u>42,663,862</u>	<u>38,808,720</u>	<u>23,192,301</u>	<u>23,373,231</u>	<u>65,856,163</u>	<u>62,181,951</u>
EXPENSES:						
Governmental activities:						
General government	1,686,043	1,702,003			1,686,043	1,702,003
Public safety	10,901,549	10,719,995			10,901,549	10,719,995
Public works	8,034,994	6,352,625			8,034,994	6,352,625
Recreation	1,590,229	1,487,886			1,590,229	1,487,886
Community development	1,571,562	2,890,036			1,571,562	2,890,036
Interest on long-term debt	64,730	81,486			64,730	81,486
Business-type activities:						
Water system			4,143,898	3,914,935	4,143,898	3,914,935
Wastewater system			5,517,735	5,565,846	5,517,735	5,565,846
Storm drain			611,532	582,649	611,532	582,649
Refuse			6,000,668	5,343,122	6,000,668	5,343,122
Airport			333,367	253,017	333,367	253,017
Intermodal			99,627	105,522	99,627	105,522
Courthouse square			<u>288,660</u>	<u>296,843</u>	<u>288,660</u>	<u>296,843</u>
TOTAL EXPENSES	<u>23,849,107</u>	<u>23,234,031</u>	<u>16,995,487</u>	<u>16,061,934</u>	<u>40,844,594</u>	<u>39,295,965</u>
Increase in net assets before transfers	18,814,755	15,574,689	6,196,814	7,311,297	25,011,569	22,885,986
Transfers	<u>(18,903)</u>	<u>(435,613)</u>	<u>18,903</u>	<u>435,613</u>		
Change in net assets	18,795,852	15,139,076	6,215,717	7,746,910	25,011,569	22,885,986
Net assets, beginning of year, restated	<u>179,246,388</u>	<u>164,107,312</u>	<u>77,275,379</u>	<u>69,528,469</u>	<u>256,521,767</u>	<u>233,635,781</u>
Net assets, end of year	<u>\$198,042,240</u>	<u>\$179,246,388</u>	<u>\$83,491,096</u>	<u>\$77,275,379</u>	<u>\$281,533,336</u>	<u>\$256,521,767</u>

CITY OF HANFORD
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
(Continued)

The City's revenue totaled \$65,856,163, with 36% generated from charges for services and 30% generated from taxes. The largest source of revenues in Governmental Activities comes from taxes at 46%. 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 80%. 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 \$40,844,594. The two largest categories of expense are public safety, which accounted for 27% of total costs and public works, which represents 20% of total costs. However, in relation to total Governmental Activity expenses, public safety makes up 46% 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 \$18,795,852 an increase of 10%. Net assets also increased in those funds included within the Business-Type Activities category by \$6,215,717, or 8%.

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, 2008, the City's governmental statement of activities reported total ending net assets of \$198,042,240 an increase of \$18,795,852 from the beginning of the year. Approximately 11% of this total amount, \$22,384,742, 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, unreserved fund balance of the General Fund was \$558,001 while total fund balance reached \$11,811,722. 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 unreserved fund balance of the general fund represents approximately 3% of general fund expenditures.

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Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
(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 \$26,735,585 at the end of the fiscal year. Total net assets include \$14,034,628 invested in capital assets and \$601,120 reserved for debt service, which are not available to pay for current expenses. The remaining net assets of \$12,099,837 are unrestricted and available to cover current operating and capital needs of the fund.

The Refuse Fund has total net assets of \$1,460,015 at the end of the fiscal year. Total net assets include \$192,980 invested in capital assets, which are not available to cover current expenses. The remaining net assets of \$1,267,035 are unrestricted and available to cover current operating and capital needs of the fund.

The Wastewater Fund has total net assets of \$29,643,839 at the end of the fiscal year. Total net assets include \$21,196,161 invested in capital assets, which are not available to cover current expenses. The fund has \$8,447,678 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, 2008 amounts to \$239,682,925 (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 \$15,935,193. 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:

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Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
(Continued)

- Softball complex construction \$1,333,996.
- Vocational educational facility construction \$5,360,171.
- Construction on the water system storage tanks, water wells, and water mains for \$3,235,677.
- Water system arsenic remediation projects construction for \$2,718,396.
- Contributed capital from developer improvements for \$4,781,985.
- Various street construction projects, rehabilitation and betterments for \$2,537,491.
- Fire stations land acquisition and building design \$488,142.

Capital Assets
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Land	\$ 60,079,666	\$ 59,684,267	\$ 11,038,597	\$10,924,983	\$ 71,118,263	\$ 70,609,250
Buildings	5,167,237	4,327,319	6,054,746	6,305,413	11,221,983	10,632,732
Infrastructure	57,139,906	50,411,206	77,083,847	75,412,560	134,223,753	125,823,766
Equipment	5,661,756	5,457,483	338,089	527,631	5,999,845	5,985,114
Construction in progress	<u>9,077,142</u>	<u>9,224,351</u>	<u>8,041,939</u>	<u>1,472,519</u>	<u>17,119,081</u>	<u>10,696,870</u>
Total capital assets	<u>\$137,125,707</u>	<u>\$129,104,626</u>	<u>\$102,557,218</u>	<u>\$94,643,106</u>	<u>\$239,682,925</u>	<u>\$223,747,732</u>

Long-Term Debt - At the end of the current fiscal year, the City of Hanford, primary government, had a total debt outstanding of \$47,662,944.

Outstanding Debt

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Compensated absences	\$ 637,629	\$ 632,705	\$ 141,193	\$ 107,791	\$ 778,822	\$ 740,496
Certificates of participation	1,395,000	1,870,000			1,395,000	1,870,000
Revenue bonds payable			28,205,000	29,015,000	28,205,000	29,015,000
Unamortized bond premium			178,803	187,743	178,803	187,743
Notes payable			<u>17,105,319</u>	<u>9,328,973</u>	<u>17,105,319</u>	<u>9,328,973</u>
	<u>\$2,032,629</u>	<u>\$2,502,705</u>	<u>\$45,630,315</u>	<u>\$38,639,507</u>	<u>\$47,662,944</u>	<u>\$41,142,212</u>

With respect to the Governmental Activities, the outstanding \$1,395,000 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, 2008
(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.

The notes payable portion of the outstanding \$17,105,319 debt consists of two 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.

For detail information regarding each of these bonds or notes please refer to Note 5 – Long-Term Debt, page 46.

GENERAL FUND BUDGETARY HIGHLIGHTS

The original budget was increased to add employees and equipment in various general fund activities. The actual revenues less than budget estimates by about \$1.4 million caused from reduced sales tax, investment earnings and development fees. Expenditure savings were about \$1.8 million, primarily in public safety activities, public works, and community development activities.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The key assumptions in the General Fund revenue forecast for fiscal year 2008-2009 were:

- Service charges will increase due to new services and rate increases that went into effect in July, 2008.
- Property tax revenues will increase by 5% due to a rise in assessed valuation and general growth.
- Sales tax revenues will increase by 4% as a result of anticipated growth in the retail base.
- State budget actions will not negatively affect general fund revenues.

CITY OF HANFORD
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
(Continued)

New items specifically addressed in the budget were:

Fire – Carried over land acquisition and building design for a third fire station.

Airport – Continue the undergrounding project for electrical lines along 9th Avenue to clear the runway landing approach.

Redevelopment – Complete the construction of the Vocational Training Facility and development of the easterly segment of downtown commercial area.

Water – The Completion of construction of the water tank and associated water wells at the Fargo Avenue and B.N. & S.F. Railroad and progress on arsenic remediation projects.

Streets – The design and construction of widening 12th Avenue from Liberty Street to Grangeville Boulevard, extension of Greenfield Avenue to 12th Avenue, widening 11th Avenue from Hume Avenue to Houston Avenue, and widening Douty Street from Terrace Drive to Cortner Street.

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. Formal written requests should be addressed to: City of Hanford, Attn: Finance Department, 315 N. Douty Street, Hanford, California 93230.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF HANFORD
Statement of Net Assets
June 30, 2008

	Primary Government			Component Unit Redevelopment Agency
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Cash and investments	\$ 37,151,223	\$ 24,039,588	\$ 61,190,811	\$ 189,775
Receivables	3,776,796	1,809,180	5,585,976	4,602,542
Due from City of Hanford				
Due from fiduciary funds	2,703,085		2,703,085	
Internal balances	(1,179,067)	1,179,067		
Inventories	135,978	284,496	420,474	
Deposits	100,000	102,823	202,823	
Deferred charges		258,703	258,703	
Other assets	8,412		8,412	
Long-term notes receivable	14,678,548		14,678,548	1,170,793
Loan to Redevelopment Agency	8,091,500		8,091,500	
Restricted cash and investments		601,120	601,120	
Land held for resale				611,298
Capital assets:				
Non-depreciable capital assets:				
Land	60,079,666	11,038,597	71,118,263	
Construction in progress	9,077,142	8,041,939	17,119,081	
Depreciable capital assets, net of depreciation	<u>67,968,899</u>	<u>83,476,682</u>	<u>151,445,581</u>	
Total assets	<u>202,592,182</u>	<u>130,832,195</u>	<u>333,424,377</u>	<u>6,574,408</u>
LIABILITIES				
Accounts payable	1,705,698	868,482	2,574,180	769,560
Salary and benefits payable	753,277	141,406	894,683	10,066
Accrued interest payable		462,344	462,344	
Due to Redevelopment Agency				
Deposits and deferred revenue	58,338	238,553	296,891	
Long-term debt – due within one year	330,000	1,297,547	1,627,547	
Long-term debt – due in more than one year	1,065,000	44,012,771	45,077,771	8,302,309
Unamortized bond premium		178,803	178,803	
Compensated absences – long-term	<u>637,629</u>	<u>141,193</u>	<u>778,822</u>	
Total liabilities	<u>4,549,942</u>	<u>47,341,099</u>	<u>51,891,041</u>	<u>9,081,935</u>
NET ASSETS				
Invested in capital assets, net of related debt	135,730,707	57,246,900	192,977,607	
Restricted for:				
Streets	9,336,091		9,336,091	
Debt service		601,120	601,120	
Housing	16,370,497		16,370,497	1,174,003
Public safety	1,469,312		1,469,312	
Parks and recreation	1,651,448		1,651,448	
Capital projects	11,099,443		11,099,443	674,338
Unrestricted	<u>22,384,742</u>	<u>25,643,076</u>	<u>48,027,818</u>	<u>(4,355,868)</u>
Total net assets (deficit)	<u>\$198,042,240</u>	<u>\$ 83,491,096</u>	<u>\$281,533,336</u>	<u>\$(2,507,527)</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, 2008

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions			
Primary government:							
Governmental activities:							
General government	\$ 1,686,043	\$ 63,147	\$ 144,641	\$	\$ (1,478,255)		
Public safety	10,901,549	743,190	158,821	33,324	(9,966,214)		
Public works	8,034,994	2,805,029		3,362,320	(1,867,645)		
Recreation	1,590,229	618,648		3,967,286	2,995,705		
Community development	1,571,562	1,091,085	2,340,923	4,891,382	6,751,828		
Interest on long-term debt	<u>64,730</u>				<u>(64,730)</u>		
Total governmental activities	<u>23,849,107</u>	<u>5,321,099</u>	<u>2,644,385</u>	<u>12,254,312</u>	<u>(3,629,311)</u>		
Business-type activities:							
Water system	4,143,898	5,183,947		664,609	1,704,658		
Wastewater system	5,517,735	5,309,366		1,028,436	820,067		
Storm drain	611,532	1,079,106		674,304	1,141,878		
Refuse	6,000,668	6,514,476			513,808		
Airport	333,367	97,401			(235,966)		
Intermodal	99,627	43,294		123,114	66,781		
Courthouse square	<u>288,660</u>	<u>293,743</u>			<u>5,083</u>		
Total business-type activities	<u>16,995,487</u>	<u>18,521,333</u>		<u>2,490,463</u>	<u>4,016,309</u>		
Total primary government	<u>\$40,844,594</u>	<u>\$23,842,432</u>	<u>\$2,644,385</u>	<u>\$14,744,775</u>	<u>\$ 386,998</u>		
Component unit:							
Redevelopment agency	<u>\$ 6,244,228</u>	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ 4,156,254</u>	<u>\$(2,087,974)</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, 2008
(Continued)

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets			Component Unit Redevelopment Agency	
	Governmental Activities	Business-Type Activities	Total		
Primary Government:					
Governmental activities:					
General government	\$ (1,478,255)	\$	\$ (1,478,255)	\$	
Public safety	(9,966,214)		(9,966,214)		
Public works	(1,867,645)		(1,867,645)		
Recreation	2,995,705		2,995,705		
Community development	6,751,828		6,751,828		
Interest on long-term debt	(64,730)		(64,730)		
Total governmental activities	<u>(3,629,311)</u>		<u>(3,629,311)</u>		
Business-type activities:					
Water system		1,704,658	1,704,658		
Wastewater system		820,067	820,067		
Storm drain		1,141,878	1,141,878		
Refuse		513,808	513,808		
Airport		(235,966)	(235,966)		
Intermodal		66,781	66,781		
Courthouse square		<u>5,083</u>	<u>5,083</u>		
Total business-type activities		<u>4,016,309</u>	<u>4,016,309</u>		
Total primary government	<u>(3,629,311)</u>	<u>4,016,309</u>	<u>386,998</u>		
Component unit:					
Redevelopment agency				<u>(2,087,974)</u>	
General revenues:					
Taxes:					
Property taxes	10,070,737		10,070,737	1,735,323	
Sales and use tax	6,021,310		6,021,310		
Franchise taxes	848,731		848,731		
Other taxes	2,863,055		2,863,055		
Revenue from use of money and property	2,242,563	989,149	3,231,712	334,106	
Impact fees		1,190,970	1,190,970		
Miscellaneous/other	397,670	386	398,056		
Transfers – interfund	(18,903)	<u>18,903</u>			
Total general revenues and transfers	<u>22,425,163</u>	<u>2,199,408</u>	<u>24,624,571</u>	<u>2,069,429</u>	
Change in net assets	18,795,852	6,215,717	25,011,569	(18,545)	
Net assets, beginning of year	<u>179,246,388</u>	<u>77,275,379</u>	<u>256,521,767</u>	<u>(2,488,982)</u>	
Net assets, end of year	<u>\$198,042,240</u>	<u>\$83,491,096</u>	<u>\$281,533,336</u>	<u>\$2,507,527</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, 2008

	General Fund	CDBG Home/Housing Fund	Capital Project Fund	All Other Governmental Funds	Totals
ASSETS					
Cash and investments	\$ 5,466,618	\$ 687,066	\$ 4,870,698	\$12,825,571	\$23,849,953
Accounts receivable	686,887	470,596	1,228,355	1,347,960	3,733,798
Loan receivable	25,000	13,301,101	243,973	1,108,474	14,678,548
Loan to redevelopment agency	8,091,500				8,091,500
Due from other funds	2,680,963		5,813,330		8,494,293
Deposits	100,000				100,000
Other assets	7,312		1,100		8,412
Total assets	<u>\$17,058,280</u>	<u>\$14,458,763</u>	<u>\$12,157,456</u>	<u>\$15,282,005</u>	<u>\$58,956,504</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Due to other funds	4,365,000			2,708	4,367,708
Accounts payable	227,983	86,948	1,058,013	94,071	1,467,015
Accrued wages payable	595,973				595,973
Consumer deposits	57,602	736			58,338
	<u>5,246,558</u>	<u>87,684</u>	<u>1,058,013</u>	<u>96,779</u>	<u>6,489,034</u>
Total liabilities					
FUND BALANCES					
Reserved for:					
Encumbrances	456,258		4,200,720		4,656,978
Deposits	2,680,963				2,680,963
Loans and advances	8,116,500	13,301,101	6,057,303	1,108,474	28,583,378
Unreserved, reported in:					
General fund	558,001				558,001
Special revenue funds		1,069,978		14,076,752	15,146,730
Capital project funds			841,420		841,420
Total fund balances	<u>11,811,722</u>	<u>14,371,079</u>	<u>11,099,443</u>	<u>15,185,226</u>	<u>52,467,470</u>
Total liabilities and fund balances	<u>\$17,058,280</u>	<u>\$14,458,763</u>	<u>\$12,157,456</u>	<u>\$15,282,005</u>	<u>\$58,956,504</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, 2008

Total fund balances governmental funds	\$ 52,467,470
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	\$174,883,935
Accumulated depreciation	<u>(43,114,565)</u>
	131,769,370
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:	
	15,838,029
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	1,395,000
Compensated absences	<u>637,629</u>
	<u>(2,032,629)</u>
Total net assets – governmental activities	<u>\$198,042,240</u>

CITY OF HANFORD
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2008

	General Fund	CDBG Home/Housing Fund	Capital Project Fund	All Other Governmental Funds	Totals
REVENUES					
Taxes and special assessments	\$17,790,509	\$	\$	\$ 5,761,027	\$23,551,536
Aid from other government agencies	639,878	2,173,137	4,142,975	241,933	7,197,923
Licenses and permits	572,744				572,744
Fines and forfeits	130,005			99,354	229,359
Charges for services	893,991				893,991
Revenue from use of money and property	1,497,662	310,002		453,418	2,261,082
Miscellaneous	130,733	35,131	35,174		201,038
Unrealized gain/(loss) on investments			27,909	25,978	53,887
Total revenues	<u>21,655,522</u>	<u>2,518,270</u>	<u>4,206,058</u>	<u>6,581,710</u>	<u>34,961,560</u>
EXPENDITURES					
General government	1,582,505			143,292	1,725,797
Public safety	11,050,699			258,525	11,309,224
Public works	3,251,984			2,233,011	5,484,995
Recreation	1,479,590				1,479,590
Community development	1,651,410				1,651,410
Capital outlay		671,630	3,040,360		3,711,990
Debt service:					
Principal				475,000	475,000
Interest				<u>64,730</u>	<u>64,730</u>
Total expenditures	<u>19,016,188</u>	<u>671,630</u>	<u>3,040,360</u>	<u>3,174,558</u>	<u>25,902,736</u>
Excess (deficiency) of revenues over expenditures	<u>2,639,334</u>	<u>1,846,640</u>	<u>1,165,698</u>	<u>3,407,152</u>	<u>9,058,824</u>
Other financing sources (uses)					
Other sources				255,985	255,985
Transfers in	90,451	24,350		292,808	407,609
Transfers out			(317,158)	(109,354)	(426,512)
Total other financing sources (uses)	<u>90,451</u>	<u>24,350</u>	<u>(317,158)</u>	<u>439,439</u>	<u>237,082</u>
Net change in fund balances	2,729,785	1,870,990	848,540	3,846,591	9,295,906
Fund balances beginning of year	<u>9,081,937</u>	<u>12,500,089</u>	<u>10,250,903</u>	<u>11,338,635</u>	<u>43,171,564</u>
Fund balances end of year	<u>\$11,811,722</u>	<u>\$14,371,079</u>	<u>\$11,099,443</u>	<u>\$15,185,226</u>	<u>\$52,467,470</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, 2008

Total net change in fund balances – governmental funds \$ 9,295,906

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	\$ 4,348,314	474,055
Depreciation expense	<u>(3,874,259)</u>	

Donations of capital assets increase net assets in the statement of activities,
 but do not appear in the governmental funds because they are not financial
 resources. Donation of capital assets in the current year amount to: 7,446,317

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: 475,000

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: (4,924)

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: 1,109,498

Change in net assets of governmental activities \$18,795,852

PROPRIETARY FUND FINANCIAL STATEMENTS

CITY OF HANFORD
Statement of Net Assets
Proprietary Funds
June 30, 2008

	Water System Fund	Sewer Improvement Funds		
		Wastewater Fund	Storm Drain Fund	Refuse Fund
ASSETS				
Current assets:				
Cash and investments	\$11,713,285	\$ 8,512,229	\$ 2,738,450	\$ 957,211
Restricted cash – debt and deposits	601,120			
Accounts receivable, net	589,580	472,590	113,828	579,249
Due from other funds	158,353			
Deposits	32,200	36,390		34,233
Inventory	284,496			
Deferred charges	258,703			
Total current assets	<u>13,637,737</u>	<u>9,021,209</u>	<u>2,852,278</u>	<u>1,570,693</u>
Noncurrent assets:				
Capital assets:				
Land	326,864	4,135,650	3,453,076	
Buildings and improvements	30,917,101	65,552,640	13,083,011	122,850
Machinery and equipment	530,148	479,104	119,356	1,100,516
Construction in progress	7,819,651	203,538	18,750	
Less accumulated depreciation	(9,404,476)	(19,840,310)	(2,936,186)	(1,030,386)
Total capital assets (net of accumulate depreciation)	<u>30,189,288</u>	<u>50,530,622</u>	<u>13,738,007</u>	<u>192,980</u>
Total noncurrent assets	<u>30,189,288</u>	<u>50,530,622</u>	<u>13,738,007</u>	<u>192,980</u>
Total assets	<u>\$43,827,025</u>	<u>\$ 59,551,831</u>	<u>\$16,590,285</u>	<u>\$ 1,763,673</u>
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 501,396	\$ 151,713	\$ 19,970	\$ 178,471
Salaries and benefits payable	40,650	42,990		56,996
Deposits and deferred revenue	238,216			
Due to other funds				
Interest payable	119,590	342,754		
Current portion of long-term debt	415,975	881,572		
Total current liabilities	<u>1,315,827</u>	<u>1,419,029</u>	<u>19,970</u>	<u>235,467</u>
Noncurrent liabilities:				
Compensated absences payable	36,928	36,074		68,191
Unamortized bond premium	178,803			
Bonds and notes payable	15,559,882	28,452,889		
Total noncurrent liabilities	<u>15,775,613</u>	<u>28,488,963</u>		<u>68,191</u>
Total liabilities	<u>17,091,440</u>	<u>29,907,992</u>	<u>19,970</u>	<u>303,658</u>
NET ASSETS				
Invested in capital assets net of related debt	14,034,628	21,196,161	13,738,007	192,980
Restricted for debt service	601,120			
Unrestricted	12,099,837	8,447,678	2,832,308	1,267,035
Total net assets	<u>\$26,735,585</u>	<u>\$ 29,643,839</u>	<u>\$16,570,315</u>	<u>\$ 1,460,015</u>

See independent auditors' report and notes to financial statements.

CITY OF HANFORD
Statement of Net Assets
Proprietary Funds
June 30, 2008
(Continued)

	Airport Fund	Intermodal Fund	Courthouse Square	Total	Governmental Activities Internal Service Funds
ASSETS					
Current assets:					
Cash and investments	\$ 118,413	\$	\$	\$ 24,039,588	\$13,301,269
Restricted cash debt and deposits				601,120	
Accounts receivable, net	15,743		38,190	1,809,180	42,998
Due from other funds				158,353	24,830
Deposit				102,823	
Inventory				284,496	135,978
Deferred charges				258,703	
Total current assets	<u>134,156</u>		<u>38,190</u>	<u>27,254,263</u>	<u>13,505,075</u>
Noncurrent assets:					
Capital assets:					
Land	2,596,623	526,384		11,038,597	
Buildings and improvements	5,829,703	1,659,071		117,164,376	
Machinery and equipment	30,354			2,259,478	13,231,962
Construction in progress				8,041,939	
Less: Accumulated depreciation	<u>(2,276,423)</u>	<u>(459,391)</u>		<u>(35,947,172)</u>	<u>(7,875,625)</u>
Total capital assets (net of accumulate depreciation)	<u>6,180,257</u>	<u>1,726,064</u>		<u>102,557,218</u>	<u>5,356,337</u>
Total noncurrent assets	<u>6,180,257</u>	<u>1,726,064</u>		<u>102,557,218</u>	<u>5,356,337</u>
Total assets	<u>\$ 6,314,413</u>	<u>\$ 1,726,064</u>	<u>\$ 38,190</u>	<u>\$129,811,481</u>	<u>\$18,861,412</u>
LIABILITIES					
Current Liabilities:					
Accounts payable	\$ 2,699	\$ 284	\$ 13,949	\$ 868,482	\$ 238,683
Salaries and benefits payable	770			141,406	157,304
Deposits and deferred revenue	337			238,553	
Due to other funds	405,468	612,081	587,840	1,605,389	1,294
Interest payable				462,344	
Current portion of long-term debt				1,297,547	
Total current liabilities	<u>409,274</u>	<u>612,365</u>	<u>601,789</u>	<u>4,613,721</u>	<u>397,281</u>
Noncurrent liabilities:					
Compensated absence payable				141,193	
Unamortized bond premium				178,803	
Bonds and notes payable				44,012,771	
Total noncurrent liabilities	<u> </u>	<u> </u>	<u> </u>	<u>44,332,767</u>	<u> </u>
Total liabilities	<u>409,274</u>	<u>612,365</u>	<u>601,789</u>	<u>48,946,488</u>	<u>397,281</u>
NET ASSETS					
Invested in capital assets, net of related debt	6,180,257	1,726,064		57,068,097	5,356,337
Restricted for debt service				601,120	
Unrestricted	<u>(275,118)</u>	<u>(612,365)</u>	<u>(563,599)</u>	<u>23,195,776</u>	<u>13,107,794</u>
Total net assets	<u>\$ 5,905,139</u>	<u>\$ 1,113,699</u>	<u>\$ (563,599)</u>	<u>\$ 80,864,993</u>	<u>\$18,464,131</u>
Adjustments to reflect the consolidation of the Internal service funds related to enterprise funds				<u>2,626,103</u>	
Net assets of business type activities				<u>\$ 83,491,096</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, 2008

	Water System Fund	Wastewater Fund	Sewer Improvement Funds	
			Storm Drain Fund	Refuse Fund
OPERATING REVENUES				
Charges for services	\$ 5,183,947	\$ 5,309,366	\$ 1,079,106	\$6,514,476
Other revenues	445,288	509,307	172,898	62,577
Total operating revenue	<u>5,629,235</u>	<u>5,818,673</u>	<u>1,252,004</u>	<u>6,577,053</u>
OPERATING EXPENDITURES				
Personnel services	989,499	1,047,004		1,481,743
Services and supplies	2,086,728	2,164,681	451,956	4,951,741
Depreciation and amortization	<u>666,088</u>	<u>1,192,122</u>	<u>171,900</u>	<u>60,310</u>
Total operating expenses	<u>3,742,315</u>	<u>4,403,807</u>	<u>623,856</u>	<u>6,493,794</u>
Operating income (loss)	<u>1,886,920</u>	<u>1,414,866</u>	<u>628,148</u>	<u>83,259</u>
NON-OPERATING REVENUES (EXPENSES)				
Interest income	526,100	318,916	101,741	5,279
Interest expense	(536,157)	(1,229,898)		
Gain (loss) on sale of assets				
Unrealized gain (loss) on investments	7,340	20,236	6,324	2,758
Miscellaneous				
Total non-operating revenues (expenses)	<u>(2,717)</u>	<u>(890,746)</u>	<u>108,065</u>	<u>8,037</u>
Income before capital contributions and transfers	1,884,203	524,120	736,213	91,296
Capital contributions-developer improvements	664,609	1,028,436	674,304	
Transfers in				
CHANGES IN NET ASSETS	2,548,812	1,552,556	1,410,517	91,296
TOTAL NET ASSETS, Beginning of year	<u>24,186,773</u>	<u>28,091,283</u>	<u>15,159,798</u>	<u>1,368,719</u>
TOTAL NET ASSETS, End of year	<u>\$26,735,585</u>	<u>\$29,643,839</u>	<u>\$16,570,315</u>	<u>\$1,460,015</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, 2008
(Continued)

	Airport Fund	Intermodal Fund	Courthouse Square	Total Enterprise Funds	Governmental Activities Internal Service Funds
OPERATING REVENUES					
Charges for services	\$ 97,401	\$ 43,294	\$ 293,743	\$18,521,333	\$ 5,260,495
Other revenues	545	741		1,191,356	
Total operating revenue	<u>97,946</u>	<u>44,035</u>	<u>293,743</u>	<u>19,712,689</u>	<u>5,260,495</u>
OPERATING EXPENDITURES					
Personnel services	17,318		12,290	3,547,854	723,822
Services and supplies	48,990	66,445	282,531	10,053,072	2,851,802
Depreciation and amortization	<u>279,383</u>	<u>33,182</u>		<u>2,402,985</u>	<u>885,330</u>
Total operating expenses	<u>345,691</u>	<u>99,627</u>	<u>294,821</u>	<u>16,003,911</u>	<u>4,460,954</u>
Operating income (loss)	<u>(247,745)</u>	<u>(55,592)</u>	<u>(1,078)</u>	<u>3,708,778</u>	<u>799,541</u>
NON-OPERATING REVENUES (EXPENSES)					
Interest income	665			952,701	286,080
Interest expense				(1,766,055)	
Gain (loss) on sale of assets					17,416
Unrealized gain (loss) on investments	96	(66)	(240)	36,448	27,928
Miscellaneous					<u>753,012</u>
Total non-operating revenues (expenses)	<u>761</u>	<u>(66)</u>	<u>(240)</u>	<u>(776,906)</u>	<u>1,084,436</u>
Income before capital contributions and transfers	<u>(246,984)</u>	<u>(55,658)</u>	<u>(1,318)</u>	<u>2,931,872</u>	<u>1,883,977</u>
Capital contributions-developer improvements		123,114		2,490,463	
Transfers in	<u>18,903</u>			<u>18,903</u>	
CHANGE IN NET ASSETS	<u>(228,081)</u>	<u>67,456</u>	<u>(1,318)</u>	<u>5,441,238</u>	<u>1,883,977</u>
TOTAL NET ASSETS, Beginning of year	<u>6,133,220</u>	<u>1,046,243</u>	<u>(562,281)</u>		<u>16,580,154</u>
TOTAL NET ASSETS, End of year	<u>\$5,905,139</u>	<u>\$1,113,699</u>	<u>\$(563,599)</u>		<u>\$18,464,131</u>
Adjustments to reflect the consolidation of the internal service funds activities related to enterprise funds					<u>774,479</u>
Change in net assets of business type activities (Page 16)					<u>\$ 6,215,717</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, 2008

	Water System Fund	Wastewater Fund	Storm Drain Fund	Refuse Fund	Airport Fund
Sewer Improvement Funds					
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash received for current services	\$ 5,005,595	\$ 5,336,484	\$1,090,492	\$ 6,488,942	\$106,237
Other operating revenues	445,288	509,307	172,898	62,577	545
Cash paid for services and supplies	(1,762,705)	(2,202,011)	(477,934)	(5,155,105)	(48,364)
Cash paid for salaries and benefits	<u>(954,082)</u>	<u>(1,028,691)</u>	_____	<u>(1,459,458)</u>	<u>(17,027)</u>
Net cash provided (used) by operating activities	<u>2,734,096</u>	<u>2,615,089</u>	<u>785,456</u>	<u>(63,044)</u>	<u>41,391</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:					
Transfers from other funds					18,903
Loans from (to) other funds	<u>(158,353)</u>	_____	_____	_____	_____
Net cash provided (used) by non-capital financing activities	<u>(158,353)</u>	_____	_____	_____	<u>18,903</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Debt proceeds	8,150,000				
Principal paid on long-term debt	(388,083)	(804,512)			
Interest paid	(553,849)	(1,267,746)			
Acquisition of capital assets	(6,638,760)	(291,348)	(654,585)		
Proceeds from sale of equipment	_____	_____	_____	_____	_____
Net cash provided (used) by capital and related financing activities	<u>569,308</u>	<u>(2,363,606)</u>	<u>(654,585)</u>	_____	_____
CASH FLOWS FROM INVESTING ACTIVITIES:					
Investment income	533,440	339,152	108,065	8,037	761
Other non-operating revenue (expense)					
Net cash provided by investing activities	<u>533,440</u>	<u>339,152</u>	<u>108,065</u>	<u>8,037</u>	<u>761</u>
Net increase (decrease) in cash and cash equivalents	3,678,491	590,635	238,936	(55,007)	61,055
Cash and cash equivalents, beginning of year	<u>8,635,914</u>	<u>7,921,594</u>	<u>2,499,514</u>	<u>1,012,218</u>	<u>57,358</u>
Cash and cash equivalents, end of year	<u>\$12,314,405</u>	<u>\$8,512,229</u>	<u>\$2,738,450</u>	<u>\$957,211</u>	<u>\$118,413</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, 2008
(Continued)

	Water System Fund	Wastewater Fund	Sewer Improvement Funds	Refuse Fund	Airport Fund
Reconciliation of operating income to net cash provided by operating activities:					
Operating income (loss)	\$ 1,886,920	\$ 1,414,866	\$ 628,148	\$ 83,259	\$ (247,745)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation	654,219	1,192,122	171,900	60,310	279,383
Loss on disposition of assets	16,004				
(Increase) decrease in net assets:					
Accounts receivable	(188,279)	27,118	11,386	(25,200)	8,984
Deposits				(334)	
Inventory	17,427				
Increase (decrease) in net liabilities:					
Accounts payable	302,461	(37,330)	(25,978)	(203,364)	626
Salaries and benefits payable	9,869	8,911		8,211	291
Compensated absences	25,548	9,402		14,074	
Deposits and deferred revenue	9,927				(148)
Total adjustments	847,176	1,200,223	157,308	(146,303)	289,136
Net cash provided (used) by operating activities	<u>\$ 2,734,096</u>	<u>\$ 2,615,089</u>	<u>\$ 785,456</u>	<u>\$ (63,044)</u>	<u>\$ 41,391</u>
Contributions of capital assets from developers	\$ 664,609	\$ 1,028,436	\$ 674,304	\$	\$

See independent auditors' report and notes to financial statements.

CITY OF HANFORD
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2008
(Continued)

	Intermodal Fund	Courthouse Square	Total Enterprise Funds	Governmental Activities- Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received for current services				
Cash received for current services	\$ 43,294	\$ 293,960	\$ 18,365,004	\$ 5,293,843
Other operating revenues	741		1,191,356	
Cash paid for services and supplies	(66,649)	(298,063)	(10,010,831)	(2,938,372)
Cash paid for salaries and benefits		(13,111)	(3,472,369)	(594,903)
Net cash provided (used) by operating activities	(22,614)	(17,214)	6,073,160	1,760,568
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:				
Transfers (to)from other funds				
Transfers (to)from other funds	22,680	17,454	18,903	
Loans from (to) other funds			(118,219)	1,294
Net cash provided (used) by non-capital financing activities	22,680	17,454	(99,316)	1,294
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Debt proceeds				
Principal paid on long-term debt	(66)	(240)	(1,192,901)	
Interest paid			(1,821,595)	(993,669)
Acquisition of capital assets			(7,584,693)	
Proceeds from sale of equipment				17,416
Net cash provided (used) by capital and related financing activities	(66)	(240)	(2,449,189)	(976,253)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Investment income				
Other non-operating revenue (expense)			989,455	314,009
Net cash provided by investing activities			989,455	760,641
				1,074,650
Net increase (decrease) in cash and cash equivalents			4,514,110	1,860,259
Cash and cash equivalents, beginning of year			20,126,598	11,441,010
Cash and cash equivalents, end of year	\$	\$	\$ 24,640,708	\$13,301,269

See independent auditors' report and notes to financial statements.

CITY OF HANFORD
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2008
(Continued)

	Intermodal Fund	Courthouse Square	Total Enterprise Funds	Governmental Activities- Internal Service Fund
Reconciliation of operating income to net cash provided by operating activities:				
Operating income/(loss)	\$ (55,592)	\$ (1,078)	\$ 3,708,778	\$ 799,541
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation	33,182		2,391,116	885,330
Loss on disposition of assets			16,004	
(Increase) decrease in net assets:				
Accounts receivable		217	(165,774)	33,348
Deposits			(334)	
Inventory			17,427	(32,110)
Increase (decrease) in net liabilities:				
Accounts payable	(204)	(15,532)	20,679	(48,350)
Salaries and benefits payable		(821)	26,461	122,809
Compensated absences			49,024	
Deposits and deferred revenue			9,779	
Total adjustments	<u>32,978</u>	<u>(16,136)</u>	<u>2,364,382</u>	<u>961,027</u>
Net cash provided (used) by operating activities	<u><u>\$ (22,614)</u></u>	<u><u>\$ (17,214)</u></u>	<u><u>\$ 6,073,160</u></u>	<u><u>\$ 1,760,568</u></u>
Contributions of capital assets from developers	<u><u>\$123,114</u></u>	<u><u>\$ _____</u></u>	<u><u>\$ 2,490,463</u></u>	<u><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, 2008

	Community Facilities District	Civil Subpoena	Renters' Insurance Deposits	COE Park Deposits	Miscellaneous Deposits Trust	Totals
ASSETS						
Cash and investments	\$ 865,548	\$35,304	\$1,829	\$480	\$4,466,027	\$5,369,188
Accounts receivable		6,669	144		8,438	15,251
Other	<u>3,190,000</u>	—	—	—	—	<u>3,190,000</u>
Total assets	<u>\$4,055,548</u>	<u>\$41,973</u>	<u>\$1,973</u>	<u>\$480</u>	<u>\$4,474,465</u>	<u>\$8,574,439</u>
LIABILITIES						
Accounts payable		1,677	1,396		134,202	137,275
Deposits held for others		40,296	577	480	592,785	634,138
Bonds payable	3,190,000					3,190,000
Due to governmental funds	—	—	—	—	<u>2,703,085</u>	<u>2,703,085</u>
Total liabilities	<u>3,190,000</u>	<u>41,973</u>	<u>1,973</u>	<u>480</u>	<u>3,430,072</u>	<u>6,664,498</u>
NET ASSETS						
Unreserved	<u>865,548</u>	—	—	—	<u>1,044,393</u>	<u>1,909,941</u>
Total net assets	<u>\$ 865,548</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$1,044,393</u>	<u>\$1,909,941</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, 2008

	Community Facilities District	Miscellaneous Cash Deposits	Total
ADDITIONS			
Interest income	\$ 21,020	\$	\$ 21,020
Other additions	<u>456,530</u>	<u>124,679</u>	<u>581,209</u>
	<u>477,550</u>	<u>124,679</u>	<u>602,229</u>
DEDUCTIONS			
General government	18,231		18,231
Unrealized (gain) loss on investments		(10,634)	(10,634)
Debt service:			
Principal	265,000		265,000
Interest	<u>193,268</u>	<u> </u>	<u>193,268</u>
Total deductions	<u>476,499</u>	<u>(10,634)</u>	<u>465,865</u>
Change in net assets	1,051	135,313	136,364
Net assets – beginning	<u>864,497</u>	<u>909,080</u>	<u>1,773,577</u>
Net assets – ending	<u>\$865,548</u>	<u>\$1,044,393</u>	<u>\$1,909,941</u>

See independent auditors' report and notes to financial statements.

CITY OF HANFORD
Notes to Financial Statements
June 30, 2008

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, 2007 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, 2008
(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
June 30, 2008
(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.

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, 2008
(Continued)

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.

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, 2008
(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, 2008
(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.

CITY OF HANFORD
Notes to Financial Statements
June 30, 2008
(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, 2008
(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 reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

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 st installment
	February 1 – 2 nd installment
Collection dates	December 10 – 1 st installment
	April 12 – 2 nd 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.

CITY OF HANFORD
Notes to Financial Statements
June 30, 2008
(Continued)

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.

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, 2008. 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 Traffic Safety Special Revenue Fund and Courthouse Square Proprietary Fund had deficit fund balances of \$168 and \$563,599, respectively. These deficits are expected to be eliminated in future years through revenues or transfers from other funds.

CITY OF HANFORD
Notes to Financial Statements
June 30, 2008
(Continued)

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.

NOTE 2 – CASH AND INVESTMENTS

Cash and investments as of June 30, 2008 are classified in the accompanying financial statements as follows:

Statement of Net Assets:	
Cash and investments	\$61,380,586
Restricted cash and investments	601,120
Fiduciary funds:	
Cash and investments	<u>5,369,188</u>
Total cash and investments	<u>\$67,350,894</u>

Cash and investments as of June 30, 2008 consist of the following:

Cash on hand	\$ 1,305
Deposits with financial institutions	18,278,805
Investments	<u>49,070,784</u>
Total cash and investments	<u>\$67,350,894</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.

CITY OF HANFORD
Notes to Financial Statements
June 30, 2008
(Continued)

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.

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.

CITY OF HANFORD
Notes to Financial Statements
June 30, 2008
(Continued)

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	More Than 60 Months
Federal Agency Securities	\$ 6,916,445	\$	\$ 6,916,445	\$
State Investment Pool	40,000,000	40,000,000		
Money Market Funds	2,051	2,051		
Held by Bond Trustee:				
Money Market Funds	1,468,070	1,468,070		
Negotiable Certificates of Deposits	<u>684,218</u>		<u>394,722</u>	<u>289,496</u>
Total	<u>\$49,070,784</u>	<u>\$41,470,121</u>	<u>\$394,722</u>	<u>\$7,205,941</u>

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	\$ 6,916,445	N/A	\$ 6,916,445	\$	\$
State Investment Pool	40,000,000	N/A			40,000,000
Money Market Funds	2,051	N/A			2,051
Held by Bond Trustee:					
Money Market Funds	1,468,070	N/A			1,468,070
Negotiable Certificates of Deposits	<u>684,218</u>	N/A			<u>684,218</u>
Total	<u>\$49,070,784</u>		<u>\$6,916,445</u>	<u>\$</u>	<u>\$42,154,339</u>

CITY OF HANFORD
Notes to Financial Statements
June 30, 2008
(Continued)

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	\$4,016,187

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.

GASB Statement No. 40 requires that the following disclosure be made with respect to custodial credit risks relating to deposits and investments: \$19,564,353 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.

CITY OF HANFORD
Notes to Financial Statements
June 30, 2008
(Continued)

NOTE 3 – RECEIVABLES

Receivables as of June 30, 2008 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
Governmental Funds						
General	\$ 232,660	\$356,410	\$ 363,050	\$ 97,817	\$	\$ 686,887
CDBG Home/Housing	101,504		132,785	6,042		470,596
Capital Project	1,095,570					1,228,355
Nonmajor and Other	17,341	526,202	731,600	72,817		1,347,960
Total	<u>\$1,447,075</u>	<u>\$882,612</u>	<u>\$1,227,435</u>	<u>\$176,676</u>	<u>\$</u>	<u>\$3,733,798</u>
Enterprise Funds						
Water System	\$ 520,873	\$	\$	\$ 68,707	\$	\$ 589,580
Wastewater	426,974			45,616		472,590
Storm Drain	99,454			14,374		113,828
Refuse	578,405			844		579,249
Airport	95				15,648	15,743
Courthouse Square	38,190					38,190
Total	<u>\$1,663,991</u>	<u>\$</u>	<u>\$</u>	<u>\$129,541</u>	<u>\$15,648</u>	<u>\$1,809,180</u>

NOTE 4 – CAPITAL ASSETS

Capital assets activities for the year ended June 30, 2008 were as follows:

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 59,684,267	\$ 395,399	\$	\$ 60,079,666
Construction in Progress	<u>9,224,351</u>	<u>6,564,036</u>	<u>(6,711,245)</u>	<u>9,077,142</u>
Total capital assets, not being depreciated	68,908,618	6,959,435	(6,711,245)	69,156,808
Capital assets being depreciated				
Buildings	9,926,941	1,000,000		10,926,941
Infrastructure	83,029,534	10,389,686		93,419,220
Equipment	<u>13,926,794</u>	<u>1,162,403</u>	<u>(476,269)</u>	<u>14,612,928</u>
Total capital assets being depreciated	106,883,269	12,552,089	(476,269)	118,959,089
Less: Accumulated depreciation				
Buildings	(5,599,622)	(160,082)		(5,759,704)
Infrastructure	(32,618,328)	(3,660,986)		(36,279,314)
Equipment	<u>(8,469,311)</u>	<u>(938,526)</u>	<u>456,665</u>	<u>(8,951,172)</u>
Total accumulated depreciation	(46,687,261)	(4,759,594)	456,665	(50,990,190)
Total capital assets being depreciated, net	<u>60,196,008</u>	<u>7,792,495</u>	<u>(19,604)</u>	<u>67,968,899</u>
Governmental activities capital assets, net	<u>\$129,104,626</u>	<u>\$14,751,930</u>	<u>\$6,730,849</u>	<u>\$137,125,707</u>

CITY OF HANFORD
Notes to Financial Statements
June 30, 2008
(Continued)

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008
Business-type activities				
Capital assets, not being depreciated				
Land	\$ 10,924,983	\$ 123,114	\$ (9,500)	\$ 11,038,597
Construction in progress	<u>1,472,519</u>	<u>6,752,822</u>	<u>(183,402)</u>	<u>8,041,939</u>
Total capital assets, not being depreciated	<u>12,397,502</u>	<u>6,875,936</u>	<u>(192,902)</u>	<u>19,080,536</u>
Capital assets being depreciated				
Buildings and improvement	113,871,264	3,293,112		117,164,376
Machinery and equipment	<u>2,294,632</u>	<u>89,510</u>	<u>(124,664)</u>	<u>2,259,478</u>
Total capital assets being depreciated	116,165,896	3,382,622	(124,664)	119,423,854
Less: Accumulated depreciation for:				
Buildings and improvement	31,783,012	2,242,771		34,025,783
Machinery and equipment	<u>1,891,204</u>	<u>148,345</u>	<u>(118,160)</u>	<u>1,921,389</u>
Total accumulated depreciation	33,674,216	2,391,116	(118,160)	35,947,172
Total capital assets being depreciated, net	<u>82,491,680</u>	<u>991,506</u>	<u>6,504</u>	<u>83,476,682</u>
Business-type activities capital assets, net	<u>\$ 94,889,182</u>	<u>\$7,867,442</u>	<u>\$ (199,406)</u>	<u>\$102,557,218</u>

Depreciation expense for the fiscal year ending June 30, 2008 was charged to the following activities:

Governmental functions:

General governmental	\$ 26,088
Public safety	195,837
Culture and recreation	282,269
Public works	3,370,065
Capital assets held by the internal service funds were charged to the various functions based on their usage	<u>885,335</u>
Total	<u>\$4,759,594</u>

Business-type functions:

Water system	\$ 654,219
Wastewater	1,192,122
Storm drain	171,900
Refuse	60,310
Airport	279,383
Intermodal	<u>33,182</u>
Total	<u>\$2,391,116</u>

CITY OF HANFORD
Notes to Financial Statements
June 30, 2008
(Continued)

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.

NOTE 5 – LONG-TERM DEBT

The following is a summary of the long-term debt activity for the year ended June 30, 2008:

Type of Debt	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008	Amounts Due Within One Year
Governmental activities					
Certificates of participation	\$ 1,870,000	\$ 4,924	\$ (475,000)	\$ 1,395,000	\$ 330,000
Compensated absences	<u>632,705</u>			<u>637,629</u>	
Total governmental activities	<u>2,502,705</u>	<u>4,924</u>	<u>(475,000)</u>	<u>2,032,629</u>	<u>330,000</u>
Business activities					
Bonds payable	29,015,000		(810,000)	28,205,000	762,742
Add deferred amounts for issuance premium	187,743		(8,940)	178,803	
Notes payable	9,328,973	8,150,000	(373,654)	17,105,319	534,805
Compensated absences	<u>107,791</u>	<u>33,402</u>		<u>141,193</u>	
Total business activities	<u>38,639,507</u>	<u>8,183,402</u>	<u>(1,192,594)</u>	<u>45,630,315</u>	<u>1,297,547</u>
Total primary government	<u>41,142,212</u>	<u>8,188,326</u>	<u>(1,667,594)</u>	<u>47,662,944</u>	<u>1,627,547</u>
Discretely presented component					
unit Redevelopment Agency of the City of Hanford 1992 Tax Allocation Refunding and and Redevelopment Project Bonds	235,000		(235,000)		
Notes payable					
City of Hanford	4,537,871	4,270,591	(716,962)	8,091,500	
Kings County Economic Development Corp	<u>261,660</u>		<u>(50,851)</u>	<u>210,809</u>	
Total discretely presented component unit	<u>5,034,531</u>	<u>4,270,591</u>	<u>(1,002,813)</u>	<u>8,302,309</u>	
Total reporting entity	<u>\$46,176,743</u>	<u>\$12,458,917</u>	<u>\$(2,670,407)</u>	<u>\$55,965,253</u>	<u>\$1,627,547</u>

Governmental Activities –

On June 1, 1997 the City of Hanford Public Improvement Corporation issued \$1,320,000 Variable Rate Demand Refunding Certificates of Participation. The Certificates shall mature annually on March 1 and shall bear interest ranging from 2.0 to 7.0 percent. The Certificates are secured by two fire station buildings pledged as collateral. The purpose of the Certificate is to refinance the 1988 Fire Station Certificate of Participation. The City subsequently irrevocably elected to retire all the outstanding 1988 Certificates of Participation on September 1, 1997. At June 30, 2008 the outstanding balance was paid off.

CITY OF HANFORD
Notes to Financial Statements
June 30, 2008
(Continued)

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, 2008, the outstanding balance was \$1,395,000.

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

Fiscal Year	Principal	Interest	Total
2009	\$ 330,000	\$ 48,818	\$ 378,818
2010	340,000	36,000	376,000
2011	355,000	22,270	377,270
2012	<u>370,000</u>	<u>7,585</u>	<u>377,585</u>
Total	<u><u>\$1,395,000</u></u>	<u><u>\$114,673</u></u>	<u><u>\$1,509,673</u></u>

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.

\$ 637,629

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, 2008 the outstanding balance was \$6,000,000.

CITY OF HANFORD
Notes to Financial Statements
June 30, 2008
(Continued)

The future maturities of the Bonds payable were as follows:

Fiscal Year	Principal	Interest	Total
2009	\$ 300,000	\$ 219,000	\$ 519,000
2010	300,000	208,050	508,050
2011	300,000	197,100	497,100
2012	400,000	186,150	586,150
2013	400,000	171,550	571,550
2014-2018	2,000,000	638,750	2,638,750
2019-2023	<u>2,300,000</u>	<u>262,800</u>	<u>2,562,800</u>
Total	<u>\$6,000,000</u>	<u>\$1,883,400</u>	<u>\$7,883,400</u>

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, 2008, the outstanding balance was \$4,290,000.

The future maturities of the Bonds payable were as follows:

Fiscal Year	Principal	Interest	Total
2009	\$ 105,000	\$ 237,133	\$ 342,133
2010	110,000	232,105	342,105
2011	115,000	226,675	341,675
2012	125,000	220,732	345,732
2013	130,000	214,293	344,293
2014-2018	760,000	953,248	1,713,248
2019-2023	1,000,000	706,098	1,706,098
2024-2028	1,310,000	379,257	1,689,257
2029-2030	<u>635,000</u>	<u>36,943</u>	<u>671,943</u>
Total	<u>\$4,290,000</u>	<u>\$3,206,484</u>	<u>\$7,496,484</u>

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, 2008 the outstanding balance was \$9,955,000.

CITY OF HANFORD
Notes to Financial Statements
June 30, 2008
(Continued)

The future Maturities of the Bonds payable were as follows:

Fiscal Year	Principal	Interest	Total
2009	\$ 220,000	\$ 479,066	\$ 699,066
2010	230,000	469,081	699,081
2011	240,000	459,796	699,796
2012	245,000	449,974	694,974
2013	260,000	439,426	699,426
2014-2018	1,470,000	2,008,914	3,478,914
2019-2023	1,860,000	1,604,917	3,464,917
2024-2028	2,385,000	1,071,125	3,456,125
2029-2033	<u>3,045,000</u>	<u>395,625</u>	<u>3,440,625</u>
Total	<u>\$9,955,000</u>	<u>\$7,377,924</u>	<u>\$17,332,924</u>

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, 2008, the balance outstanding was \$7,960,000.

The future maturities of the Bonds payable were as follows:

Fiscal Year	Principal	Interest	Total
2009	\$ 250,000	\$ 368,894	\$ 618,894
2010	255,000	362,767	617,767
2011	260,000	355,551	615,551
2012	270,000	347,196	617,196
2013	275,000	337,723	612,723
2014-2018	1,570,000	1,491,892	3,061,892
2019-2023	1,960,000	1,084,753	3,044,753
2024-2028	2,530,000	500,588	3,030,588
2029	<u>590,000</u>	<u>15,488</u>	<u>605,488</u>
Total	<u>\$7,960,000</u>	<u>\$4,864,852</u>	<u>\$12,824,852</u>

CITY OF HANFORD
Notes to Financial Statements
June 30, 2008
(Continued)

Long-Term Debt – Loans 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, 2008, the balance outstanding was \$9,089,460.

The future maturities of the Note payable were as follows:

Fiscal Year	Principal	Interest	Total
2009	\$ 247,895	\$ 313,793	\$ 561,688
2010	256,572	304,964	561,536
2011	265,552	295,828	561,380
2012	274,846	286,372	561,218
2013	284,466	276,583	561,049
2014-2018	1,578,827	1,223,675	2,802,502
2019-2023	1,875,151	922,165	2,797,316
2024-2028	2,227,091	564,066	2,791,157
2029-2032	<u>2,079,060</u>	<u>148,662</u>	<u>2,227,722</u>
Total	<u>\$9,089,460</u>	<u>\$4,336,108</u>	<u>\$13,425,568</u>

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, 2008, the balance outstanding was \$8,015,857.

The future maturities of the Note payable were as follows:

Fiscal Year	Principal	Interest	Total
2009	\$ 278,233	\$ 317,208	\$ 595,441
2010	289,451	305,990	595,441
2011	301,121	294,320	595,441
2012	313,262	282,179	595,441
2013	325,892	269,549	595,441
2014-2018	1,837,474	1,139,731	2,977,205
2019-2023	2,238,992	738,215	2,977,207
2024-2027	<u>2,431,432</u>	<u>248,954</u>	<u>2,680,386</u>
Total	<u>\$8,015,857</u>	<u>\$3,596,146</u>	<u>\$11,612,003</u>

CITY OF HANFORD
Notes to Financial Statements
June 30, 2008
(Continued)

Component Unit

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 \$4,000,000 was loaned to the agency for construction of a Vocational Training Center related to the project area. 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, 2008 was \$8,091,500.

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, 2008 was \$210,809.

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.

CITY OF HANFORD
Notes to Financial Statements
June 30, 2008
(Continued)

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, 2008 was 24.053% for miscellaneous employees. The required employer contribution rate for police safety employees was 26.694% for the period July 1, 2007 through June 30, 2008. The required employer contribution rate for the fire safety employees was 22.805% for the period July 1, 2007 through June 30, 2008. The contribution requirements of plan members are established by State Statute and the employer contribution rate is established and may be amended by CalPERS.

Annual Pension Costs

For the fiscal year ended June 30, 2008, the City's annual pension cost of \$4,043,161 for PERS was equal to the City's required and actual contributions. The required contribution for the fiscal year ended June 30, 2008 was determined as part of the June 30, 2005 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 4.27% to 11.59% for police and fire safety members), and (c) 3.25% payroll growth. Both (a) and (b) included an inflation component of 3.5%. 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, 2008 was 21 years for Miscellaneous, 15 years for Police Safety, and 15 years for Fire Safety.

CITY OF HANFORD
Notes to Financial Statements
June 30, 2008
(Continued)

Fiscal Year	Three-Year Trend Information for PERS		
	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/06	\$3,020,446	100.0%	
6/30/07	\$3,747,922	100.0%	
6/30/08	\$4,043,161	100.0%	

Funded Status and Funding Progress

As of June 30, 2007, the most recent actuarial valuation date, the plan was 88.9% funded for non-safety employees and 99.7% funded for safety employees. The actuarial accrued liability for benefits was 1.6 million for non-safety employees and 1.6 Billion for safety employees and the actuarial value of assets was 43 million for non-safety employees and 1.4 Billion for safety employees, resulting in an unfunded actuarial accrued liability (UAAL) of \$13 million for non-safety employees and \$226 million for safety employees. The covered payroll (annual payroll of active employees covered by the plan) was \$7.5 million for non-safety members and \$2.01 million for safety members, and the ratio of UAAL to the covered payroll was 77.2% and 86.3% 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.

NOTE 7 – 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 \$25,000,000.

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 \$300,000,000.

CITY OF HANFORD
Notes to Financial Statements
June 30, 2008
(Continued)

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

	As of and for the Year Ended June 30, 2008
Total Assets	<u>\$55,090,154</u>
Total Liabilities	\$45,390,299
Total Net Assets	<u>9,699,855</u>
Total Liabilities and Net Assets	<u>\$55,090,154</u>
Total Revenues for Year	\$27,634,859
Total Expenses for Year	<u>26,458,594</u>
Changes in Net Assets	<u>\$ 1,176,265</u>

NOTE 8 – 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.

CITY OF HANFORD
Notes to Financial Statements
June 30, 2008
(Continued)

Interfund due from/to other funds at June 30, 2008 were as follows:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
Governmental Funds		
General Fund	\$2,680,963	\$4,365,000
Capital Projects	5,813,330	
Traffic Safety		2,708
Proprietary Funds		
Water System Fund	158,353	
Airport Fund		405,468
Intermodal Fund		612,081
Courthouse Square		587,840
Internal Service Fund	24,830	1,294
Trust and Agency Funds		
Miscellaneous Cash Deposits		<u>2,703,085</u>
Total	<u>\$8,677,476</u>	<u>\$8,677,476</u>

Interfund transfers consist of operating transfers from funds receiving resources to funds through which the resources are to be expended. Interfund transfers for the 2007/08 fiscal year as follows:

	<u>Transfers Ins</u>	<u>Transfers Out</u>
General Fund	\$ 90,451	\$
CDBG Home/Housing Fund	24,350	
Capital Project Fund		317,158
Other Governmental funds	292,808	109,354
Proprietary Funds:		
Airport Fund	<u>18,903</u>	
	<u>\$426,512</u>	<u>\$426,512</u>

NOTE 9 – 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.

CITY OF HANFORD
Notes to Financial Statements
June 30, 2008
(Continued)

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, 2008, 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.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF HANFORD
Required Supplementary Information
June 30, 2008

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, 2008

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>6/30/2005</u>						
Miscellaneous	\$ 46,868,000	\$ 35,262,000	\$ 11,606,000	75.2%	\$ 7,261,000	159.8%
*Police Safety	\$1,325,511,000	\$1,105,298,000	\$220,213,000	83.4%	\$161,446,000	136.4%
*Fire Safety	\$1,325,511,000	\$1,105,298,000	\$220,213,000	83.4%	\$161,446,000	136.4%
<u>6/30/2006</u>						
Miscellaneous	\$ 51,218,000	\$ 38,772,000	\$ 12,446,000	75.7%	\$ 7,339,000	169.6%
Police Safety	\$1,473,285,000	\$1,252,059,000	\$221,226,000	85.0%	\$177,089,000	124.9%
Fire Safety	\$1,473,285,000	\$1,252,059,000	\$221,226,000	85.0%	\$177,089,000	124.9%
<u>6/30/2007</u>						
Miscellaneous	\$ 55,689,000	\$ 42,965,000	\$ 12,724,000	77.2%	\$ 7,530,000	169.0%
Police Safety	\$1,648,160,000	\$1,422,143,000	\$226,017,000	86.3%	\$200,537,000	112.7%
Fire Safety	\$1,648,160,000	\$1,422,143,000	\$226,017,000	86.3%	\$200,537,000	112.7%

*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, 2008

	General Fund			Variance With Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
REVENUES				
Taxes and special assessments	\$17,623,740	\$17,623,740	\$17,790,509	\$ 166,769
Aid from other governmental agencies	908,080	1,303,340	639,878	(663,462)
License and permits	776,220	776,220	572,744	(203,476)
Fines and forfeits	157,490	157,490	130,005	(27,485)
Charges for services	1,200,160	1,300,160	893,991	(406,169)
Revenue from use of money and property	1,233,970	1,233,970	1,497,662	263,692
Miscellaneous	<u>612,180</u>	<u>632,180</u>	<u>130,733</u>	<u>(501,447)</u>
Total revenues	<u>22,511,840</u>	<u>23,027,100</u>	<u>21,655,522</u>	<u>(1,371,578)</u>
EXPENDITURES				
General government	1,522,710	1,453,420	1,582,505	(129,085)
Public safety	11,562,150	12,122,603	11,050,699	1,071,904
Public works	3,780,700	3,877,573	3,251,984	625,589
Recreation	1,545,010	1,545,010	1,479,590	65,420
Community development	<u>1,801,010</u>	<u>1,801,010</u>	<u>1,651,410</u>	<u>149,600</u>
Total expenditures	<u>20,211,580</u>	<u>20,799,616</u>	<u>19,016,188</u>	<u>1,783,428</u>
Excess (deficiency) of revenue over expenditures	2,300,260	2,227,484	2,639,334	411,850
Other financing sources (uses)				
Operating transfers in	100,000	100,000	90,451	(9,549)
Operating transfers out	<u>(2,161,440)</u>	<u>(2,161,440)</u>	<u>_____</u>	<u>2,161,440</u>
Total other financing sources (uses)	<u>(2,061,440)</u>	<u>(2,061,440)</u>	<u>90,451</u>	<u>2,151,891</u>
Net change in fund balances	238,820	166,044	2,729,785	2,563,741
Fund balances, beginning of year	<u>9,081,937</u>	<u>9,081,937</u>	<u>9,081,937</u>	<u>_____</u>
Fund balances, end of year	<u>\$ 9,320,757</u>	<u>\$ 9,247,981</u>	<u>\$11,811,722</u>	<u>\$ 2,563,741</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, 2008
(Continued)

	CDBG Home/Housing			Variance With Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
REVENUES				
Aid from other governmental agencies	\$ 675,640	\$ 2,551,390	\$ 2,173,137	\$ (378,253)
Revenue from use of money and property	800,840	821,160	310,002	(511,158)
Miscellaneous	<u>320</u>	<u>35,131</u>	<u>35,131</u>	<u>35,131</u>
Total revenues	<u>1,476,800</u>	<u>3,372,550</u>	<u>2,518,270</u>	<u>(854,280)</u>
EXPENDITURES				
Community development	113,600	261,690	261,690	
Capital outlay	<u>725,060</u>	<u>5,483,620</u>	<u>671,630</u>	<u>4,811,990</u>
Total expenditures	<u>838,660</u>	<u>5,745,310</u>	<u>671,630</u>	<u>5,073,680</u>
Excess (deficiency) of revenue over expenditures	<u>638,140</u>	<u>(2,372,760)</u>	<u>1,846,640</u>	<u>4,219,400</u>
Other financing sources (uses)				
Operating transfers in	<u> </u>	<u> </u>	<u>24,350</u>	<u>24,350</u>
Total other financing sources (uses)	<u> </u>	<u> </u>	<u>24,350</u>	<u>24,350</u>
Net change in fund balances	638,140	(2,372,760)	1,870,990	4,243,750
Fund balances, beginning of year	<u>12,500,089</u>	<u>12,500,089</u>	<u>12,500,089</u>	<u> </u>
Fund balances, end of year	<u>\$13,138,229</u>	<u>\$10,127,329</u>	<u>\$14,371,079</u>	<u>\$4,243,750</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, 2008
(Continued)

	Capital Projects Fund			Variance With Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
REVENUES				
Aid from other governmental agencies	\$ 54,040	\$ 2,339,320	\$ 4,142,975	\$1,803,655
Miscellaneous		29,690	35,174	5,484
Unrealized gain (loss) on investments	_____	_____	27,909	27,909
Total revenues	<u>54,040</u>	<u>2,369,010</u>	<u>4,206,058</u>	<u>1,837,048</u>
EXPENDITURES				
Capital outlay	<u>1,607,500</u>	<u>7,574,110</u>	<u>3,040,360</u>	<u>4,533,750</u>
Total expenditures	<u>1,607,500</u>	<u>7,574,110</u>	<u>3,040,360</u>	<u>4,533,750</u>
Excess (deficiency) of revenue over expenditures	<u>(1,553,460)</u>	<u>(5,205,100)</u>	<u>1,165,698</u>	<u>6,370,798</u>
Other financing sources (uses)				
Operating transfers in	860,000			
Operating transfers out	<u>(1,634,150)</u>	_____	<u>(317,158)</u>	<u>(317,158)</u>
Total other financing sources (uses)	<u>(774,150)</u>	_____	<u>(317,158)</u>	<u>(317,158)</u>
Net change in fund balances	(2,327,610)	(5,205,100)	848,540	6,053,640
Fund balances, beginning of year	<u>10,250,903</u>	<u>10,250,903</u>	<u>10,250,903</u>	_____
Fund balances, end of year	<u>\$ 7,923,293</u>	<u>\$ 5,045,803</u>	<u>\$11,099,443</u>	<u>\$6,053,640</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, 2008

	Total Non-Major Special Revenue Funds	Debt Service Fund	Total Non-Major Funds
ASSETS			
Cash and investments	\$12,825,041	\$530	\$12,825,571
Accounts receivable	1,347,960		1,347,960
Loan receivable	<u>1,108,474</u>		<u>1,108,474</u>
Total assets	<u>\$15,281,475</u>	<u>\$530</u>	<u>\$15,282,005</u>
LIABILITIES AND FUND BALANCES			
Due to other funds	\$ 2,708	\$	\$ 2,708
Accounts payable	<u>93,771</u>	<u>300</u>	<u>94,071</u>
Total liabilities	<u>96,479</u>	<u>300</u>	<u>96,779</u>
Fund balances			
Reserved	4,697,515		4,697,515
Unreserved	<u>10,487,481</u>	<u>230</u>	<u>10,487,711</u>
Total fund balances	<u>15,184,996</u>	<u>230</u>	<u>15,185,226</u>
Total liabilities and fund balances	<u>\$15,281,475</u>	<u>\$530</u>	<u>\$15,282,005</u>

CITY OF HANFORD
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Non-Major Governmental Funds
For the Year Ended June 30, 2008

	Total Non-Major Special Revenue Funds	Debt Service Fund	Total Non-Major Funds
REVENUES			
Taxes and special assessments	\$ 5,761,027	\$	\$ 5,761,027
Aid from other governmental agencies	241,933		241,933
Fines and forfeits	99,354		99,354
Revenues from use of money and property	453,316	102	453,418
Unrealized gain (loss) on investments	<u>25,978</u>		<u>25,978</u>
Total revenues	<u>6,581,608</u>	<u>102</u>	<u>6,581,710</u>
EXPENDITURES			
General government	139,092	4,200	143,292
Public works	258,525		258,525
Capital outlay	2,233,011		2,233,011
Debt service			
Principal		475,000	475,000
Interest	<u>64,730</u>		<u>64,730</u>
Total expenditures	<u>2,630,628</u>	<u>543,930</u>	<u>3,174,558</u>
Excess (deficiency) of revenues over expenditures	3,950,980	(543,828)	3,407,152
Other financing sources (uses)			
Other sources		255,985	255,985
Operating transfers in		292,808	292,808
Operating transfers out	<u>(109,354)</u>		<u>(109,354)</u>
Total other financing sources (uses)	<u>(109,354)</u>	<u>548,793</u>	<u>439,439</u>
Net change in fund balances	3,841,626	4,965	3,846,591
Fund balances, beginning of year	<u>11,343,370</u>	<u>(4,735)</u>	<u>11,338,635</u>
Fund balances, end of year	<u>\$15,184,996</u>	<u>\$ 230</u>	<u>\$15,185,226</u>

See independent auditors' report and notes to financial statements.

CITY OF HANFORD
Combining Balance Sheet
Non-Major Special Revenue Funds
June 30, 2008

	Transportation Funds	Transportation Impact Fees	Park Impact Fees	Parking Fund	Downtown Reinvestment Fund
ASSETS					
Cash and investments	\$308,440	\$5,766,897	\$1,642,587	\$31,706	\$177,035
Accounts receivable	661,964	31,864	8,861	898	953
Loan receivable	—	—	—	—	124,813
Total assets	<u>\$970,404</u>	<u>\$5,798,761</u>	<u>\$1,651,448</u>	<u>\$32,604</u>	<u>\$302,801</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Due to other funds					
Accounts payable	<u>\$ 13,708</u>	<u>\$ 49,286</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Total liabilities	<u>13,708</u>	<u>49,286</u>	—	—	—
Fund balances					
Reserved	956,696	1,394,660	259,390	32,604	124,813
Unreserved	—	4,354,815	1,392,058	32,604	177,988
Total fund balances	<u>956,696</u>	<u>5,749,475</u>	<u>1,651,448</u>	<u>32,604</u>	<u>302,801</u>
Total liabilities and fund balances	<u>\$970,404</u>	<u>\$5,798,761</u>	<u>\$1,651,448</u>	<u>\$32,604</u>	<u>\$302,801</u>

CITY OF HANFORD
Combining Balance Sheet
Non-Major Special Revenue Funds
June 30, 2008
(Continued)

	Landscaping Assessment District	City Housing Fund	Central Parking and Business Improvement	Fire Protection Impact Fees	Police Protection Impact Fees	Special Aviation
ASSETS						
Cash and investments	\$540,151	\$ 930,521	\$98,984	\$455,557	\$1,005,882	\$60,202
Accounts receivable	14,545	85,236	526	2,453	5,420	
Loan receivable	—	983,661	—	—	—	—
Total assets	<u>\$554,696</u>	<u>\$1,999,418</u>	<u>\$99,510</u>	<u>\$458,010</u>	<u>\$1,011,302</u>	<u>\$60,202</u>
LIABILITIES AND FUND BALANCES						
Liabilities						
Due to other funds						
Accounts payable	<u>\$ 13,465</u>	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$13,327</u>
Total liabilities	<u>13,465</u>	—	—	—	—	<u>13,327</u>
Fund balances						
Reserved		983,661		322,750		46,875
Unreserved	<u>541,231</u>	<u>1,015,757</u>	<u>99,510</u>	<u>135,260</u>	<u>1,011,302</u>	—
Total fund balances	<u>541,231</u>	<u>1,999,418</u>	<u>99,510</u>	<u>458,010</u>	<u>1,011,302</u>	<u>46,875</u>
Total liabilities and fund balances	<u>\$554,696</u>	<u>\$1,999,418</u>	<u>\$99,510</u>	<u>\$458,010</u>	<u>\$1,011,302</u>	<u>\$60,202</u>

See independent auditors' report and notes to financial statements.

CITY OF HANFORD
Combining Balance Sheet
Non-Major Special Revenue Funds
June 30, 2008
(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>
ASSETS						
Cash and investments	\$229,694	\$13,562	\$3,253	\$1,198	\$1,559,372	\$12,825,041
Accounts receivable	2,578	73	2,795		529,794	1,347,960
Loan receivable	—	—	—	—	—	1,108,474
Total assets	<u>\$232,272</u>	<u>\$13,635</u>	<u>\$6,048</u>	<u>\$1,198</u>	<u>\$2,089,166</u>	<u>\$15,281,475</u>
LIABILITIES AND FUND BALANCES						
Liabilities						
Due to other funds	\$	\$	\$2,708	\$	\$	\$ 2,708
Accounts payable	—	—	<u>3,508</u>	—	<u>477</u>	<u>93,771</u>
Total liabilities	—	—	<u>6,216</u>	—	<u>477</u>	<u>96,479</u>
Fund balances						
Reserved					608,670	4,697,515
Unreserved	<u>232,272</u>	<u>13,635</u>	<u>(168)</u>	<u>1,198</u>	<u>1,480,019</u>	<u>10,487,481</u>
Total fund balances	<u>232,272</u>	<u>13,635</u>	<u>(168)</u>	<u>1,198</u>	<u>2,088,689</u>	<u>15,184,996</u>
Total liabilities and fund balances	<u>\$232,272</u>	<u>\$13,635</u>	<u>\$6,048</u>	<u>\$1,198</u>	<u>\$2,089,166</u>	<u>\$15,281,475</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, 2008

	Transportation Funds	Transportation Impact Fees	Park Impact Fees	Parking Fund	Downtown Reinvestment Fund
REVENUES					
Taxes and special assessments	\$ 815,463	\$2,299,054	\$ 328,181	\$	\$
Aid from other governmental agencies	234,433				
Fines and forfeits					
Revenue from use of money and property	16,707	175,326	59,112	14,815	11,841
Unrealized gain (loss) on investments	(1,379)	8,798	2,902	34	592
Total revenues	<u>1,065,224</u>	<u>2,483,178</u>	<u>390,195</u>	<u>14,849</u>	<u>12,433</u>
EXPENDITURES					
General government					30
Public works					
Capital outlay	<u>229,736</u>	<u>748,312</u>	<u>6,188</u>		
Total expenditures	<u>229,736</u>	<u>748,312</u>	<u>6,188</u>		<u>30</u>
Excess (deficiency) of revenue over expenditures	<u>835,488</u>	<u>1,734,866</u>	<u>384,007</u>	<u>14,849</u>	<u>12,403</u>
Other financing sources (uses)					
Operating transfers out					
Total other financing sources (uses)					
Net change in fund balances	<u>835,488</u>	<u>1,734,866</u>	<u>384,007</u>	<u>14,849</u>	<u>12,403</u>
Fund balances, beginning of year	<u>121,208</u>	<u>4,014,609</u>	<u>1,267,441</u>	<u>17,755</u>	<u>290,398</u>
Fund balances end of year	<u>\$ 956,696</u>	<u>\$5,749,475</u>	<u>\$1,651,448</u>	<u>\$32,604</u>	<u>\$302,801</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, 2008
(Continued)

	Landscaping Assessment District	City Housing Fund	Central Parking and Business Improvement	Fire Protection Impact Fees	Police Protection Impact Fees	Special Aviation
REVENUES						
Taxes and special assessments	\$384,728	\$ 263,890	\$109,792	\$ 63,355	\$ 120,656	\$ 7,500
Aid from other governmental agencies						
Fines and forfeits						
Revenue from use of money and property		37,802	3,364	16,163	35,870	
Unrealized gain (loss) on investments	950	2,713	232	920	2,061	(54)
Total revenues	<u>385,678</u>	<u>304,405</u>	<u>113,388</u>	<u>80,438</u>	<u>158,587</u>	<u>7,446</u>
EXPENDITURES						
General government		138,631				
Public works	249,192					
Capital outlay		9,456	106,000	4,700		6,393
Total expenditures	<u>249,192</u>	<u>148,087</u>	<u>106,000</u>	<u>4,700</u>		<u>6,393</u>
Excess (deficiency) of revenue over expenditures	<u>136,486</u>	<u>156,318</u>	<u>7,388</u>	<u>75,738</u>	<u>158,587</u>	<u>1,053</u>
Other financing sources (uses)						
Operating transfers out						(10,000)
Total other financing sources (uses)						(10,000)
Net change in fund balances	<u>136,486</u>	<u>156,318</u>	<u>7,388</u>	<u>75,738</u>	<u>158,587</u>	<u>(8,947)</u>
Fund balances, beginning of year	<u>404,745</u>	<u>1,843,100</u>	<u>92,122</u>	<u>382,272</u>	<u>852,715</u>	<u>55,822</u>
Fund balances end of year	<u>\$541,231</u>	<u>\$1,999,418</u>	<u>\$ 99,510</u>	<u>\$458,010</u>	<u>\$1,011,302</u>	<u>\$ 46,875</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, 2008
(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>
REVENUES						
Taxes and special assessments	\$	\$	\$	\$	\$1,375,908	\$ 5,761,027
Aid from other governmental agencies						241,933
Fines and forfeits			99,354			99,354
Revenue from use of money and property	8,935	3,313			70,068	453,316
Unrealized gain (loss) on investments	602	24	(161)	3	7,741	25,978
Total revenues	<u>9,537</u>	<u>3,337</u>	<u>99,193</u>	<u>3</u>	<u>1,453,717</u>	<u>6,581,608</u>
EXPENDITURES						
General government	431					139,092
Public works	9,333					258,525
Capital outlay					<u>1,122,226</u>	<u>2,233,011</u>
Total expenditures	<u>9,764</u>				<u>1,122,226</u>	<u>2,630,628</u>
Excess (deficiency) of revenue over expenditures	<u>(227)</u>	<u>3,337</u>	<u>99,193</u>	<u>3</u>	<u>331,491</u>	<u>3,950,980</u>
Other financing sources (uses)						
Operating transfers out			(99,354)			(109,354)
Total other financing sources (uses)						(109,354)
Net change in fund balances	<u>(227)</u>	<u>3,337</u>	<u>(161)</u>	<u>3</u>	<u>331,491</u>	<u>3,841,626</u>
Fund balances, beginning of year	<u>232,499</u>	<u>10,298</u>	<u>(7)</u>	<u>1,195</u>	<u>1,757,198</u>	<u>11,343,370</u>
Fund balances end of year	<u>\$232,272</u>	<u>\$13,635</u>	<u>\$ (168)</u>	<u>\$1,198</u>	<u>\$2,088,689</u>	<u>\$15,184,996</u>

See independent auditors' report and notes to financial statements.

CITY OF HANFORD
Combining Statement of Net Assets
Internal Service Funds
June 30, 2008

	<u>City Payroll Fund</u>	<u>Risk Management Fund</u>	<u>Computer Maintenance Fund</u>	<u>Building Fund</u>
ASSETS				
Current assets				
Cash and investments	\$97,011	\$3,298,279	\$1,032,888	\$770,196
Receivables, net				
Due from other funds				7,930
Inventory	—	—	—	—
Total current assets	<u>97,011</u>	<u>3,298,279</u>	<u>1,032,888</u>	<u>778,126</u>
Capital assets				
Machinery and equipment				12,341
Accumulated depreciation	—	—	—	(11,206)
Capital assets, net	—	—	—	1,135
Total assets	<u>\$97,011</u>	<u>\$3,298,279</u>	<u>\$1,032,888</u>	<u>\$779,261</u>
LIABILITIES				
Accounts payable	\$ 6,110	\$ 91,591	\$ 8,798	\$ 16,532
Salaries and benefits payable	90,988			31,243
Due to other funds	—	—	—	—
Total liabilities	<u>97,098</u>	<u>91,591</u>	<u>8,798</u>	<u>47,775</u>
NET ASSETS				
Investment in capital assets, net of related debt				1,135
Unrestricted	(87)	3,206,688	1,024,090	730,351
Total net assets	<u>(87)</u>	<u>3,206,688</u>	<u>1,024,090</u>	<u>731,486</u>
Total liabilities and net assets	<u>\$97,011</u>	<u>\$3,298,279</u>	<u>\$1,032,888</u>	<u>\$779,261</u>

See independent auditors' report and notes to financial statements.

CITY OF HANFORD
Combining Statement of Net Assets
Internal Service Funds
June 30, 2008
(Continued)

	Central Stores Fund	Fleet Maintenance Fund	Totals
ASSETS			
Current assets			
Cash and investments	\$	8,102,895	\$13,301,269
Receivables, net		42,998	42,998
Due from other funds		16,900	24,830
Inventory	2,297	133,681	135,978
Total current assets	2,297	8,296,474	13,505,075
Capital assets			
Machinery and equipment		13,219,621	13,231,962
Accumulated depreciation		(7,864,419)	(7,875,625)
Capital assets, net		5,355,202	5,356,337
Total assets	<u>\$2,297</u>	<u>\$13,651,676</u>	<u>\$18,861,412</u>
LIABILITIES			
Accounts payable	\$ 7	115,645	\$ 238,683
Salaries and benefits payable		35,073	157,304
Due to other funds	1,294		1,294
Total liabilities	1,301	150,718	397,281
NET ASSETS			
Investment in capital assets, net of related debt		5,355,202	5,356,337
Unrestricted	996	8,145,756	13,107,794
Total net assets	996	13,500,958	18,464,131
Total liabilities and net assets	<u>\$2,297</u>	<u>\$13,651,676</u>	<u>\$18,861,412</u>

CITY OF HANFORD
Combining Statement of Revenues, Expenses,
and Changes in Net Assets
Internal Service funds
For the Year Ended June 30, 2008

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, 2008
(Continued)

	Central Stores Fund	Fleet Management Fund	Totals
REVENUES			
Charges for services	\$ 313	\$ 3,105,690	\$ 5,260,495
EXPENDITURES			
Personnel services		407,200	723,822
Services and supplies	1,615	1,502,913	2,851,802
Depreciation	—	884,762	885,330
Total expenditures	1,615	2,794,875	4,460,954
Excess (deficiency) of revenue over expenditures	(1,302)	310,815	799,541
Non-operating revenues (expenses)			
Gain (loss) on sale of assets		17,416	17,416
Interest revenue		286,080	286,080
Unrealized gain (loss) on investments		17,942	27,928
Miscellaneous	1	340,170	753,012
Total non-operating revenue (expenses)	1	661,608	1,084,436
Changes in net assets	(1,301)	972,423	1,883,977
Net assets, beginning of year	2,297	12,528,535	16,580,154
Net assets, end of year	\$ 996	\$13,500,958	\$18,464,131

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, 2008

	City Payroll Fund	Risk Management Fund	Computer Maintenance Fund	Building Fund
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received for current services	\$	\$ 1,104,411	\$ 277,040	\$ 773,041
Cash paid for services and supplies	92,390	(1,018,743)	(163,627)	(294,201)
Cash paid for salaries and benefits				(271,590)
Net cash provided by (used for) operating activities	<u>92,390</u>	<u>85,668</u>	<u>113,413</u>	<u>207,250</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Loans from other funds				
Net cash provided by noncapital financing activities				
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Capital expenditures				
Proceeds from sale of equipment				
Net cash provided by capital and related financing activities				
CASH FLOWS FROM INVESTING ACTIVITIES:				
Unrealized gain (loss) on investments	(71)	6,461	2,295	1,301
Other non-operating revenue (expense)		407,966		12,505
Interest received				
Net cash provided by investing activities	<u>(71)</u>	<u>414,427</u>	<u>2,295</u>	<u>13,806</u>
Net increase (decrease) in cash and cash equivalents	92,319	500,095	115,708	221,056
Cash and cash equivalents, beginning of year	<u>4,692</u>	<u>2,798,184</u>	<u>917,180</u>	<u>549,140</u>
Cash and cash equivalents, end of year	<u><u>\$97,011</u></u>	<u><u>\$ 3,298,279</u></u>	<u><u>\$1,032,888</u></u>	<u><u>\$ 770,196</u></u>
Reconciliation of operating income to net cash provided by (used for) operating activities:				
CASH FLOWS FROM OPERATING ACTIVITIES:				
Operating income/(loss)	\$	\$ 201,761	\$ 106,086	\$ 182,181
Adjustments to reconcile operating income (loss) to cash flows from operating activities:				
Depreciation and amortization				568
(Increase) decrease in net assets:				
Accounts receivable				
Inventory				
Increase (decrease) in net liabilities:				
Accounts payable	6,110	(116,093)	7,327	2,080
Salaries and benefits payable	<u>86,280</u>	<u>—</u>	<u>—</u>	<u>22,421</u>
Cash flows from operating activities	<u><u>\$92,390</u></u>	<u><u>\$ 85,668</u></u>	<u><u>\$ 113,413</u></u>	<u><u>\$ 207,250</u></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, 2008
(Continued)

	Central Stores Fund	Fleet Maintenance Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received for current services	\$ 313	\$ 3,139,038	\$ 5,293,843
Cash paid for services and supplies		(1,482,804)	(2,938,372)
Cash paid for salaries and benefits	(1,608)	(393,092)	(594,903)
Net cash provided by (used for) operating activities	<u>(1,295)</u>	<u>1,263,142</u>	<u>1,760,568</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Loans from other funds	1,294		1,294
Net cash provided by noncapital financing activities	<u>1,294</u>		<u>1,294</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Capital expenditures		(993,669)	(993,669)
Proceeds from sale of equipment		17,416	17,416
Net cash provided by capital and related financing activities	<u>—</u>	<u>(976,253)</u>	<u>(976,253)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Unrealized gain (loss) on investments	1	17,942	27,929
Other non-operating revenue (expense)		340,170	760,641
Interest received		286,080	286,080
Net cash provided by investing activities	<u>1</u>	<u>644,192</u>	<u>1,074,650</u>
Net increase (decrease) in cash and cash equivalents		931,081	1,860,259
Cash and cash equivalents, beginning of year		<u>7,171,814</u>	<u>11,441,010</u>
Cash and cash equivalents, end of year	<u>—</u>	<u>\$ 8,102,895</u>	<u>\$13,301,269</u>
Reconciliation of operating income to net cash provided by (used for) operating activities:			
CASH FLOWS FROM OPERATING ACTIVITIES:			
Operating income/(loss)	\$(1,302)	\$ 310,815	\$ 799,541
Adjustments to reconcile operating income (loss) to cash flows from operating activities:			
Depreciation and amortization		884,762	885,330
(Increase) decrease in net assets:			
Accounts receivable		33,348	33,348
Inventory		(32,110)	(32,110)
Increase (decrease) in net liabilities:			
Accounts payable	7	52,219	(48,350)
Salaries and benefits payable	<u>—</u>	<u>14,108</u>	<u>122,809</u>
Cash flows from operating activities	<u><u>\$(1,295)</u></u>	<u><u>\$ 1,263,142</u></u>	<u><u>\$ 1,760,568</u></u>

See independent auditors' report and notes to financial statements.

SINGLE AUDIT REPORTS



December 3, 2008

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

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

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, 2008, which collectively comprise the City of Hanford's basic financial statements and have issued our report thereon dated December 3, 2008. 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 Organization's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weakness, as defined above. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the City in a separate letter dated December 3, 2008.

City of Hanford
December 3, 2008
Page 2

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 that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management, City Council, 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



December 3, 2008

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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Compliance

We have audited the compliance of the City of Hanford with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. 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 audits.

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 requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of the City of Hanford is responsible for establishing and maintaining effective internal control over compliance with 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 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 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.

City of Hanford
December 3, 2008
Page 2

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal controls over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over 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

FINANCIAL STATEMENTS

CITY OF HANFORD
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2008

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal Catalog Number	Pass-Through Grantors Number	Expenditures
<u>U.S. Department of Homeland Security</u>			
Homeland Security	97.004		<u>\$ 8,197</u>
Total U.S. Department of Homeland Security			<u>8,197</u>
<u>U.S. Department of Transportation</u>			
Federal Aviation Administration			
Airport Improvement	20.106	N/A	6,392
Federal Highway Administration			
Highway Planning & Construction	20.205	CML-5091	205,000
Alcohol Traffic Safety and Drunk Driving Grants (B)	20.601	A8C 06G-LA12	<u>60,101</u>
Total U.S. Department of Transportation			<u>271,493</u>
<u>U.S. Department of Justice</u>			
Bureau of Justice Administration			
Bullet Proof Vest Program	16.607	N/A	<u>2,680</u>
Total Department of Justice			<u>2,680</u>
<u>U.S. Department of Housing and Urban Development</u>			
Office of Community Planning and Development			
CDBG/Entitlement Grants (A)	14.218	N/A	1,063,697
Home-Investment Partnership Program	14.239	07-HOME-3419	414,700
Home-Investment Partnership Program	14.239	04-HOME-0725	347,000
Home-Investment Partnership Program	14.239	06-HOME-2465	<u>144,271</u>
Total U.S. Department of Housing and Urban Development			<u>1,969,668</u>
<u>U.S. Department of Commerce</u>			
Public Works and Economic Development Facility Program	11.300	N/A	<u>1,878,780</u>
Total U.S. Department of Commerce			<u>1,878,780</u>
Total Expenditures of Federal Awards			<u>\$4,130,818</u>

See accompanying notes to schedule of expenditures of federal awards.

CITY OF HANFORD
Notes to Schedule of Expenditures of Federal Awards
June 30, 2008

1. Summary of Significant Accounting Policies:

Basis of Accounting

The accompanying Schedule of Expenditures on Federal Awards includes the awards transactions of the City recorded in the governmental 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.

FINDINGS AND QUESTIONED COSTS

CITY OF HANFORD
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2008

Part I - Summary of Auditors' Results

Financial Statements

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

Federal Awards

Internal control over major programs:		
Material weakness(es) identified?	<input type="checkbox"/>	Yes
	<input checked="" type="checkbox"/>	No
Significant deficiency(s) identified not considered to be material weakness(es)?	<input type="checkbox"/>	Yes
	<input checked="" type="checkbox"/>	No
Type of auditors' report issued on compliance for major programs:		

	Unqualified	
Any audit findings disclosed that are required to be reported in accordance with Circular A-133 (section .510 (a))?	<input type="checkbox"/>	Yes
	<input checked="" type="checkbox"/>	No

Programs Subjected to Audit Procedures as Major Programs

	Name of Federal Program or Cluster	
14.218	CDBG/Entitlement Grants	
11.300	Public Works and Economic Development	
	Facility Program	
Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 300,000</u>	
Auditee qualified as low-risk auditee?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No

CITY OF HANFORD
Schedule of Findings and Recommendations
For the Fiscal Year Ended June 30, 2008

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.

APPROPRIATIONS LIMIT REPORT



December 3, 2008

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, 2008. 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

CITY OF HANFORD
Appropriations Limit
Schedules A and B
June 30, 2008

Schedule A	Fiscal Year 2007-2008	Amount
A. Last Years Limit – 2007		\$38,838,338
B. Add: Adjustment for Annexation Service Deliver Charge		<u>278</u>
Subtotal		<u>38,838,616</u>
Apply ratio of Change Factor (Schedule B)		1.0791
C. Appropriations Limit – Fiscal Year 2007-2008		<u>\$41,910,751</u>

Schedule B	Worksheet for Permitted Growth in Appropriations Limit 2006-2007		
Kings County Population Change	(1)	3.4%	
Converted to a Ratio		1.0334	
California Per Capita Income Change	(1)	4.42%	
Converted to a Ratio			
Calculation of Factor for 2007-2008		1.0334 x 1.0442	
Ratio of Change Factor		<u>1.0791</u>	

(1) Provided by the California State Department of Finance