

CITY OF HANFORD

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FINANCIAL STATEMENTS  
WITH  
INDEPENDENT AUDITORS' REPORT

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YEAR ENDED JUNE 30, 2007

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**CITY OF HANFORD**  
**June 30, 2007**

CITY COUNCIL

NAME

POSITION

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

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 Leronimo  
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



SAMPSON & SAMPSON  
Certified Public Accountants  
A Professional Corporation

Willow Professional Center  
3148 Willow • Clovis, California 93612  
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October 23, 2007

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, 2007, 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, 2007, 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 October 23, 2007 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  
October 23, 2007  
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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, 2007**

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, 2007. 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 2007 by about \$256.5 million. Of this amount, about \$41 million in unrestricted assets may be used to meet the City's ongoing obligations to citizens and creditors.
- As of June 30, 2007, the City's governmental funds reported combined ending fund balances of \$43.2 million.
- Approximately 18% of the combined fund balances is considered available for spending at the City's discretion.
- As of June 30, 2007, unreserved fund balance in the General Fund was \$1.7 million, or 9% of total General Fund Expenditures.
- The City's total debt decreased by \$1.83 million during the fiscal year 2007, which is due to the normal maturity of debt in the general fund, the water system, and the wastewater system.

**THE FINANCIAL STATEMENTS**

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

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

**CITY OF HANFORD**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2007**  
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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, 2007**  
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**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, 2007**  
**(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 \$256,521,767 at the close of the most recent fiscal year.

By far the largest portion of the City of Hanford’s net assets (73%) 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 (\$61,519,860), approximately 89% (\$54,488,801) 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, 2007**  
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STATEMENT OF NET ASSETS

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
<b>Assets:</b>						
Current assets	\$ 38,843,503	\$ 39,477,503	\$ 22,676,357	\$ 21,542,487	\$ 61,519,860	\$ 61,019,990
Capital and non-current assets (net of depreciation)	<u>146,174,729</u>	<u>128,206,617</u>	<u>94,889,182</u>	<u>89,268,197</u>	<u>241,063,911</u>	<u>217,474,814</u>
Total assets	<u>185,018,232</u>	<u>167,684,120</u>	<u>117,565,539</u>	<u>110,810,684</u>	<u>302,583,771</u>	<u>278,494,804</u>
<b>Liabilities:</b>						
Current and other liabilities	3,744,139	1,468,695	2,705,166	2,633,768	6,449,305	4,102,463
Long-term liabilities	<u>2,027,705</u>	<u>2,516,072</u>	<u>37,584,994</u>	<u>38,648,447</u>	<u>39,612,699</u>	<u>41,164,519</u>
Total liabilities	<u>5,771,844</u>	<u>3,984,767</u>	<u>40,290,160</u>	<u>41,282,215</u>	<u>46,062,004</u>	<u>45,266,982</u>
<b>Net Assets:</b>						
Invested in capital assets, net of related debt	127,234,626	112,473,821	60,069,363	54,867,009	187,303,989	167,340,830
Restricted	24,508,190	24,532,397	3,524,154	4,914,199	28,032,344	29,446,596
Unrestricted	<u>27,503,572</u>	<u>26,693,135</u>	<u>13,681,862</u>	<u>9,747,261</u>	<u>41,185,434</u>	<u>36,440,396</u>
Total net assets	<u>\$179,246,388</u>	<u>\$163,699,353</u>	<u>\$ 77,275,379</u>	<u>\$ 69,528,469</u>	<u>\$256,521,767</u>	<u>\$233,227,822</u>

An additional portion of the City of Hanford's net assets (\$28,032,344) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$41,185,434) 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, 2007 than it was at June 30, 2006.

**CITY OF HANFORD**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2007**  
**(Continued)**

STATEMENT OF ACTIVITIES

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
<b>REVENUES:</b>						
Program revenues:						
Charges for services	\$ 5,433,271	\$ 6,126,805	\$17,380,444	\$16,562,218	\$ 22,813,715	\$ 22,689,023
Operating grants and contributions	4,596,853	946,741			4,596,853	946,741
Capital grants and contributions	7,516,353	6,168,714	3,527,012	2,234,876	11,043,365	8,403,590
General revenues:						
Taxes	18,455,511	17,336,351			18,455,511	17,336,351
Investment earnings	2,370,605	1,855,483	1,036,653	688,782	3,407,258	2,544,265
Other revenues	436,127	319,734	1,429,122	2,095,035	1,865,249	2,414,769
<b>TOTAL REVENUES</b>	<u>38,808,720</u>	<u>32,753,828</u>	<u>23,373,231</u>	<u>21,580,911</u>	<u>62,181,951</u>	<u>54,334,739</u>
<b>EXPENSES:</b>						
Governmental activities:						
General government	1,702,003	1,103,343			1,702,003	1,103,343
Public safety	10,719,995	9,608,988			10,719,995	9,608,988
Public works	6,352,625	6,576,801			6,352,625	6,576,801
Recreation	1,487,886	1,511,509			1,487,886	1,511,509
Community development	2,890,036	1,795,985			2,890,036	1,795,985
Interest on long-term debt	81,486	83,523			81,486	83,523
Business-type activities:						
Water system			3,914,935	3,887,318	3,914,935	3,887,318
Wastewater system			5,565,846	5,592,654	5,565,846	5,592,654
Storm drain			582,649	697,828	582,649	697,828
Refuse			5,343,122	5,149,260	5,343,122	5,149,260
Airport			253,017	271,195	253,017	271,195
Intermodal			105,522	71,148	105,522	71,148
Courthouse square			296,843	379,189	296,843	379,189
<b>TOTAL EXPENSES</b>	<u>23,234,031</u>	<u>20,680,149</u>	<u>16,061,934</u>	<u>16,048,592</u>	<u>39,295,965</u>	<u>36,728,741</u>
Increase in net assets before transfers	15,574,689	12,073,679	7,311,297	5,532,319	22,885,986	17,605,998
Transfers	(435,613)	(1,280,215)	435,613	1,280,215		
Change in net assets	15,139,076	10,793,464	7,746,910	6,812,534	22,885,986	17,605,998
Net assets, beginning of year, restated	164,107,312	152,905,889	69,528,469	62,715,935	233,635,781	215,621,824
Net assets, end of year	<u>\$179,246,388</u>	<u>\$163,699,353</u>	<u>\$77,275,379</u>	<u>\$69,528,469</u>	<u>\$256,521,767</u>	<u>\$233,227,822</u>

**CITY OF HANFORD**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2007**  
**(Continued)**

The City's revenue totaled \$62,181,951, with 37% generated from charges for services and 30% generated from taxes. The largest source of revenues in Governmental Activities comes from taxes at 48%. 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 74%. 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 \$39,295,965. The two largest categories of expense are public safety, which accounted for 27% of total costs and public works, which represents 16% 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 \$15,547,035 an increase of 9%. Net assets also increased in those funds included within the Business-Type Activities category by \$7,746,910, or 11%.

#### **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, 2007, the City's governmental statement of activities reported total ending net assets of \$179,246,388 an increase of \$15,139,076 from the beginning of the year. Approximately 15% of this total amount, \$27,503,572, 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 \$1,732,969 while total fund balance reached \$9,081,937. 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 9% of general fund expenditures.

**CITY OF HANFORD**  
**Management's Discussion and Analysis**  
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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 \$24,186,773 at the end of the fiscal year. Total net assets include \$15,163,399 invested in capital assets and \$3,524,154 reserved for debt service, which are not available to pay for current expenses. The remaining net assets of \$5,499,220 are unrestricted and available to cover current operating and capital needs of the fund.

The Refuse Fund has total net assets of \$1,368,719 at the end of the fiscal year. Total net assets include \$253,290 invested in capital assets, which are not available to cover current expenses. The remaining net assets of \$1,115,429 are unrestricted and available to cover current operating and capital needs of the fund.

The Wastewater Fund has total net assets of \$28,091,283 at the end of the fiscal year. Total net assets include \$20,263,987 invested in capital assets, which are not available to cover current expenses. The fund has \$7,827,296 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, 2007 amounts to \$223,993,808 (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 \$19,931,790. 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**  
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- Softball complex construction \$5,630,625.
- Freedom Park construction \$3,225,118.
- Construction on the water system storage tanks, water wells, and water mains for \$3,238,523.
- 11<sup>th</sup> Avenue reconstruction from Davis Street to Houston Avenue for \$1,950,946.
- Airport taxiway, lighting and other improvements for \$482,137.
- Contributed capital from developer improvements for \$8,461,569.
- Various street construction projects, rehabilitation and betterments for \$1,779,989.

Capital Assets  
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Land	\$ 59,684,267	\$ 59,372,782	\$10,924,983	\$10,034,304	\$ 70,609,250	\$ 69,407,086
Buildings	4,327,319	4,487,401	6,305,413	6,556,080	10,632,732	11,043,481
Infrastructure	50,411,206	45,611,678	75,412,560	69,455,465	125,823,766	115,067,143
Equipment	5,457,483	4,815,144	527,631	679,211	5,985,114	5,494,355
Construction in progress	<u>9,224,351</u>	<u>506,816</u>	<u>1,472,519</u>	<u>2,543,135</u>	<u>10,696,870</u>	<u>3,049,951</u>
Total capital assets	<u>\$129,104,626</u>	<u>\$114,793,821</u>	<u>\$94,643,106</u>	<u>\$89,268,195</u>	<u>\$223,747,732</u>	<u>\$204,062,016</u>

**Long-Term Debt** - At the end of the current fiscal year, the City of Hanford, primary government, had a total debt outstanding of \$41,142,212.

Outstanding Debt

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Compensated absences	\$ 632,705	\$ 646,072	\$ 107,791	\$ 107,791	\$ 740,496	\$ 753,863
Certificates of participation	1,870,000	2,320,000			1,870,000	2,320,000
Revenue bonds payable			29,015,000	29,755,000	29,015,000	29,755,000
Unamortized bond premium			187,743	196,683	187,743	196,683
Notes payable			<u>9,328,973</u>	<u>9,560,387</u>	<u>9,328,973</u>	<u>9,560,387</u>
	<u>\$2,502,705</u>	<u>\$2,966,072</u>	<u>\$38,639,507</u>	<u>\$39,619,861</u>	<u>\$41,142,212</u>	<u>\$42,585,933</u>

With respect to the Governmental Activities, the outstanding \$1,870,000 in certificates of participation consists of two issuances. One was issued in 1997 for \$1,320,000 to refinance the 1988 Fire Station Certificates of Participation which were issued to finance the building of the City's two fire stations. The other was issued 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, 2007**  
**(Continued)**

In the Business-Type Activities, the revenue bonds payable consists of four separate bond 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. The other 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.

The notes payable portion of the outstanding \$9,328,973 debt consists of one loan. In 2003 the City obtained the loan for the purpose of expanding the wastewater treatment plant.

For detail information regarding each of these bonds or notes please refer to Note 4 – Long-Term Debt.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The original budget was increased to add employees and equipment in all general fund activities. The actual revenues exceeded budget estimates by about \$1,958,750 million, mainly from increased property taxes, sales tax, investment earnings and development fees. Expenditure savings were about \$671,200, 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 2007-2008 were:

- Service charges will increase due to new services and rate increases that went into effect in July, 2007.
- 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, 2007**  
**(Continued)**

New items specifically addressed in the budget were:

Fire – The design and construction of the third fire station is proposed as well as purchase of a 100 foot ladder truck.

Refuse – The implementation of the Blue Container Curbside Recycling program.

Airport – The undergrounding of electrical lines along 9<sup>th</sup> Avenue to clear the runway landing approach.

Redevelopment – 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 12<sup>th</sup> Avenue from Liberty Street to Grangeville Boulevard, extension of Greenfield Avenue to 12<sup>th</sup> Avenue, widening 11<sup>th</sup> 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](mailto:finance@ci.hanford.ca.us). Formal written requests should be addressed to: City of Hanford, Attn: Finance Department, 315 N. Douty Street, Hanford, California 93230.

**BASIC FINANCIAL STATEMENTS**  
**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**CITY OF HANFORD**  
**Statement of Net Assets**  
**June 30, 2007**

	Primary Government			Component Unit Redevelopment Agency
	Governmental Activities	Business-Type Activities	Total	
<b>ASSETS</b>				
Cash and investments	\$ 34,362,203	\$ 16,602,444	\$ 50,964,647	\$ 317,337
Receivables	1,848,008	1,643,406	3,491,414	508,347
Due from City of Hanford				7,740
Due from fiduciary funds	2,710,823		2,710,823	
Internal balances	(286,369)	286,369		
Inventories	103,868	301,923	405,791	
Deposits	100,000	102,489	202,489	
Deferred charges		215,572	215,572	
Other assets	4,970		4,970	
Long-term notes receivable	12,532,232		12,532,232	796,473
Loan to Redevelopment Agency	4,537,871		4,537,871	
Restricted cash and investments		3,524,154	3,524,154	232,322
Land held for resale				760,860
Capital assets:				
Non-depreciable capital assets:				
Land	59,684,267	10,924,983	70,609,250	
Construction in progress	9,224,351	1,472,519	10,696,870	
Depreciable capital assets, net of depreciation	<u>60,196,008</u>	<u>82,491,680</u>	<u>142,687,688</u>	
Total assets	<u>185,018,232</u>	<u>117,565,539</u>	<u>302,583,771</u>	<u>2,623,079</u>
<b>LIABILITIES</b>				
Accounts payable	2,666,153	847,803	3,513,956	68,563
Salary and benefits payable	531,902	114,945	646,847	8,967
Accrued interest payable		474,753	474,753	
Due to Redevelopment Agency	7,740		7,740	
Deposits and deferred revenue	63,344	213,153	276,497	
Long-term debt – due within one year	475,000	1,054,512	1,529,512	235,000
Long-term debt – due in more than one year	1,395,000	37,289,461	38,684,461	4,799,531
Unamortized bond premium		187,743	187,743	
Compensated absences – long-term	<u>632,705</u>	<u>107,790</u>	<u>740,495</u>	
Total liabilities	<u>5,771,844</u>	<u>40,290,160</u>	<u>46,062,004</u>	<u>5,112,061</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	127,234,626	60,069,363	187,303,989	
Restricted for:				
Streets	1,757,198		1,757,198	
Debt service		3,524,154	3,524,154	
Housing	12,500,089		12,500,089	799,683
Capital projects	10,250,903		10,250,903	765,390
Unrestricted	<u>27,503,572</u>	<u>13,681,862</u>	<u>41,185,434</u>	<u>(4,054,055)</u>
Total net assets (deficit)	<u>\$179,246,388</u>	<u>\$ 77,275,379</u>	<u>\$256,521,767</u>	<u>\$(2,488,982)</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, 2007**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary government:</b>					
<b>Governmental activities:</b>					
General government	\$ 1,702,003	\$ 58,874	\$ 130,155	\$	\$(1,512,974)
Public safety	10,719,995	860,943	519,110	666,311	(8,673,631)
Public works	6,352,625	1,723,813		6,745,420	2,116,608
Recreation	1,487,886	1,021,888		104,622	(361,376)
Community development	2,890,036	1,767,753	3,947,588		2,825,305
Interest on long-term debt	81,486				(81,486)
Total governmental activities	<u>23,234,031</u>	<u>5,433,271</u>	<u>4,596,853</u>	<u>7,516,353</u>	<u>(5,687,554)</u>
<b>Business-type activities:</b>					
Water system	3,914,935	4,378,253		1,448,333	1,911,651
Wastewater system	5,565,846	5,418,093		1,193,123	1,045,370
Storm drain	582,649	1,052,373		885,556	1,355,280
Refuse	5,343,122	6,221,248			878,126
Airport	253,017	75,380			(177,637)
Intermodal	105,522	17,817			(87,705)
Courthouse square	296,843	217,280			(79,563)
Total business-type activities	<u>16,061,934</u>	<u>17,380,444</u>		<u>3,527,012</u>	<u>4,845,522</u>
Total primary government	<u>\$39,295,965</u>	<u>\$22,813,715</u>	<u>\$4,596,853</u>	<u>\$11,043,365</u>	<u>\$ (842,032)</u>
<b>Component unit:</b>					
Redevelopment agency	<u>\$ 1,418,446</u>	<u>\$</u>	<u>\$</u>	<u>\$ 141,493</u>	<u>\$(1,276,953)</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, 2007**  
**(Continued)**

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets			Component Unit Redevelopment Agency
	Governmental Activities	Business-Type Activities	Total	
<b>Primary Government:</b>				
<b>Governmental activities:</b>				
General government	\$ (1,512,974)	\$	\$ (1,512,974)	\$
Public safety	(8,673,631)		(8,673,631)	
Public works	2,116,608		2,116,608	
Recreation	(361,376)		(361,376)	
Community development	2,825,305		2,825,305	
Interest on long-term debt	(81,486)		(81,486)	
Total governmental activities	<u>(5,687,554)</u>		<u>(5,687,554)</u>	
<b>Business-type activities:</b>				
Water system		1,911,651	1,911,651	
Wastewater system		1,045,370	1,045,370	
Storm drain		1,355,280	1,355,280	
Refuse		878,126	878,126	
Airport		(177,637)	(177,637)	
Intermodal		(87,705)	(87,705)	
Courthouse square		(79,563)	(79,563)	
Total business-type activities		<u>4,845,522</u>	<u>4,845,522</u>	
Total primary government	<u>(54,687,554)</u>	<u>4,845,522</u>	<u>( 842,032)</u>	
<b>Component unit:</b>				
Redevelopment agency				<u>(1,276,953)</u>
<b>General revenues:</b>				
Taxes:				
Property taxes	9,389,335		9,389,335	1,494,793
Sales and use tax	5,969,501		5,969,501	
Franchise taxes	838,431		838,431	
Other taxes	2,258,244		2,258,244	
Revenue from use of money and property	2,370,605	1,036,653	3,407,258	125,089
Impact fees		1,398,213	1,398,213	
Miscellaneous/other	436,127	30,909	467,036	
Transfers – interfund	(435,613)	435,613		
Total general revenues and transfers	<u>20,826,630</u>	<u>2,901,388</u>	<u>23,728,018</u>	<u>1,619,882</u>
<b>Change in net assets</b>	15,139,076	7,746,910	22,885,986	342,929
Net assets, beginning of year	163,699,353	69,528,469	233,227,822	(884,499)
Prior period adjustment	407,959		407,959	(1,947,412)
Net assets, beginning of year, restated	<u>164,107,312</u>	<u>69,528,469</u>	<u>233,635,781</u>	<u>(2,831,911)</u>
Net assets, end of year	<u>\$179,246,388</u>	<u>\$77,275,379</u>	<u>\$256,521,767</u>	<u>\$(2,488,982)</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, 2007**

	General Fund	State Gas Tax Fund	CDBG Home/Housing Fund	Capital Project Fund	All Other Governmental Funds	Totals
<b>ASSETS</b>						
Cash and investments	\$1,055,405	\$2,601,901	\$ 1,221,233	\$ 9,632,780	\$ 8,409,874	\$22,921,193
Accounts receivable	893,244	112,181	11,827	1,100	753,310	1,771,662
Loan receivable	25,000		11,579,950		927,282	12,532,232
Loan to redevelopment agency	4,537,871					4,537,871
Due from other funds	3,259,109			1,448,330		4,707,439
Deposits	100,000					100,000
Other assets	4,970					4,970
<b>Total assets</b>	<u>\$9,875,599</u>	<u>\$2,714,082</u>	<u>\$12,813,010</u>	<u>\$11,082,210</u>	<u>\$10,090,466</u>	<u>\$46,575,367</u>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities</b>						
Due to other funds					463,931	463,931
Accounts payable	233,647	956,884	312,185	831,307	45,097	2,379,120
Accrued wages payable	497,407					497,407
Consumer deposits	62,608		736			63,344
<b>Total liabilities</b>	<u>793,662</u>	<u>956,884</u>	<u>312,921</u>	<u>831,307</u>	<u>509,028</u>	<u>3,403,802</u>
<b>FUND BALANCES</b>						
Reserved for:						
Encumbrances	4,620	457,610	231,500	2,574,280	1,026,130	4,294,140
Deposits	2,781,477					2,781,477
Loans and advances	4,562,871		11,579,950	1,448,330	927,282	18,518,433
Unreserved, reported in:						
General fund	1,732,969					1,732,969
Special revenue funds		1,299,588	688,639		7,628,026	9,616,253
Capital project funds				6,228,293		6,228,293
<b>Total fund balances</b>	<u>9,081,937</u>	<u>1,757,198</u>	<u>12,500,089</u>	<u>10,250,903</u>	<u>9,581,438</u>	<u>43,171,565</u>
<b>Total liabilities and fund balances</b>	<u>\$9,875,599</u>	<u>\$2,714,082</u>	<u>\$12,813,010</u>	<u>\$11,082,210</u>	<u>\$10,090,466</u>	<u>\$46,575,367</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, 2007**

Total fund balances governmental funds \$ 43,171,565

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	\$163,153,143	
Accumulated depreciation	<u>(39,304,145)</u>	123,848,998

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: 14,728,530

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	1,870,000	
Compensated absences	<u>632,705</u>	<u>(2,502,705)</u>

Total net assets – governmental activities \$179,246,388



**CITY OF HANFORD**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2007**

	General Fund	State Gas Tax Fund	CDBG Home/Housing Fund	Capital Project Fund	All Other Governmental Funds	Totals
<b>REVENUES</b>						
Taxes and special assessments	\$17,150,485	\$ 839,125	\$	\$	\$2,900,877	\$20,890,487
Aid from other government agencies	1,850,492	561,194	3,890,560	184,733	991,787	7,478,766
Licenses and permits	884,136					884,136
Fines and forfeits	132,372				100,355	232,727
Charges for services	1,195,226					1,195,226
Revenue from use of money and property	1,523,373	182,636	192,734		453,238	2,351,981
Miscellaneous	152,395		495	92,000		244,890
Unrealized gain/(loss) on investments				63,370	28,333	91,703
Total revenues	<u>22,888,479</u>	<u>1,582,955</u>	<u>4,083,789</u>	<u>340,103</u>	<u>4,474,590</u>	<u>33,369,916</u>
<b>EXPENDITURES</b>						
General government	1,495,219				168,083	1,663,302
Public safety	10,924,847					10,924,847
Public works	3,358,337				199,131	3,557,468
Recreation	1,316,904					1,316,904
Community development	1,560,973		246,432			1,807,405
Capital outlay		2,333,257	181,086	7,264,068	3,354,427	13,132,838
Debt service:						
Principal					450,000	450,000
Interest					81,486	81,486
Total expenditures	<u>18,656,280</u>	<u>2,333,257</u>	<u>427,518</u>	<u>7,264,068</u>	<u>4,253,127</u>	<u>32,934,250</u>
Excess (deficiency) of revenues over expenditures	<u>4,232,199</u>	<u>(750,302)</u>	<u>3,656,271</u>	<u>(6,923,965)</u>	<u>221,463</u>	<u>435,666</u>
Other financing sources (uses)						
Other sources					253,365	253,365
Transfers in	100,355			4,035,000	309,170	4,444,525
Transfers out	<u>(4,022,476)</u>			<u>(309,170)</u>	<u>(548,492)</u>	<u>(4,880,138)</u>
Total other financing sources (uses)	<u>(3,922,121)</u>			<u>3,725,830</u>	<u>14,043</u>	<u>(182,248)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>310,078</u>	<u>(750,302)</u>	<u>3,656,271</u>	<u>(3,198,135)</u>	<u>235,506</u>	<u>253,418</u>
Fund balances beginning of year, as restated	<u>8,771,859</u>	<u>2,507,500</u>	<u>8,843,818</u>	<u>13,449,038</u>	<u>9,345,932</u>	<u>42,918,147</u>
Fund balances end of year	<u>\$ 9,081,937</u>	<u>\$1,757,198</u>	<u>\$12,500,089</u>	<u>\$10,250,903</u>	<u>\$9,581,438</u>	<u>\$43,171,565</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, 2007**

Total net change in fund balances – governmental funds		\$ 253,418
Amounts reported for governmental activities in the statement of activities different because:		
<p>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:</p>		
Expenditures for capital outlay	\$11,899,591	
Depreciation expense	<u>(3,480,139)</u>	8,419,452
<p>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:</p>		
		5,185,439
<p>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:</p>		
		450,000
<p>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:</p>		
		13,367
<p>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:</p>		
		<u>817,400</u>
Change in net assets of governmental activities		<u>\$15,139,076</u>

**PROPRIETARY FUND FINANCIAL STATEMENTS**

**CITY OF HANFORD**  
**Statement of Net Assets**  
**Proprietary Funds**  
**June 30, 2007**

	Water System Fund	Sewer Improvement Funds		Refuse Fund
		Wastewater Fund	Storm Drain Fund	
<b>ASSETS</b>				
Current assets:				
Cash and investments	\$ 5,111,760	\$ 7,921,594	\$ 2,499,514	\$1,012,218
Restricted cash – debt and deposits	3,524,154			
Accounts receivable, net	401,301	499,708	125,214	554,049
Due from other funds				
Deposits	32,200	36,390		33,899
Inventory	301,923			
Deferred charges	215,572			
Total current assets	<u>9,586,910</u>	<u>8,457,692</u>	<u>2,624,728</u>	<u>1,600,166</u>
Capital assets:				
Land	336,364	4,135,650	3,453,076	
Buildings and improvements	30,188,168	64,417,778	11,653,694	122,850
Machinery and equipment	573,882	470,524	119,356	1,100,516
Construction in progress	1,326,145	27,196	119,178	
Less accumulated depreciation	(8,868,417)	(18,648,188)	(2,764,286)	(970,076)
Total capital assets, net	<u>23,556,142</u>	<u>50,402,960</u>	<u>12,581,018</u>	<u>253,290</u>
Total assets	<u>\$33,143,052</u>	<u>\$ 58,860,652</u>	<u>\$15,205,746</u>	<u>\$1,853,456</u>
<b>LIABILITIES AND FUND EQUITY</b>				
Current liabilities:				
Accounts payable	\$ 198,935	\$ 189,043	\$ 45,948	\$ 381,835
Salaries and benefits payable	30,781	34,079		48,785
Deposits and deferred revenue	212,668			
Due to other funds				
Interest payable	94,151	380,602		
Current portion of long-term debt	245,000	809,512		
Total current liabilities	<u>781,535</u>	<u>1,413,236</u>	<u>45,948</u>	<u>430,620</u>
Long-term debt, less current portion:				
Compensated absences payable	27,001	26,672		54,117
Unamortized bond premium	187,743			
Bonds and notes payable	7,960,000	29,329,461		
Total long-term liabilities	<u>8,174,744</u>	<u>29,356,133</u>		<u>54,117</u>
Total liabilities	<u>8,956,279</u>	<u>30,769,369</u>	<u>45,948</u>	<u>484,737</u>
Net assets:				
Invested in capital assets net of related debt	15,163,399	20,263,987	12,581,018	253,290
Restricted for debt service	3,524,154			
Unrestricted	5,499,220	7,827,296	2,578,780	1,115,429
Total net assets	<u>\$24,186,773</u>	<u>\$ 28,091,283</u>	<u>\$15,159,798</u>	<u>\$1,368,719</u>

See independent auditors' report and notes to financial statements.

**CITY OF HANFORD**  
**Statement of Net Assets**  
**Proprietary Funds**  
**June 30, 2007**  
**(Continued)**

	Airport Fund	Intermodal Fund	Courthouse Square	Total Enterprise Funds	Governmental Activities Internal Service Funds
<b>ASSETS</b>					
Current assets:					
Cash and investments	\$ 57,358	\$	\$	\$ 16,602,444	\$11,441,010
Restricted cash debt and deposits				3,524,154	
Accounts receivable, net	24,727		38,407	1,643,406	76,346
Due from other funds					24,830
Deposit				102,489	
Inventory				301,923	103,868
Deferred charges				215,572	
Total current assets	<u>82,085</u>	<u></u>	<u>38,407</u>	<u>22,389,988</u>	<u>11,646,054</u>
Capital assets:					
Land	2,596,623	403,270		10,924,983	
Buildings and improvements	5,829,703	1,659,071		113,871,264	
Machinery and equipment	30,354			2,294,632	12,631,114
Construction in progress				1,472,519	7,630
Less: Accumulated depreciation	(1,997,040)	(426,209)		(33,674,216)	(7,383,116)
Total capital assets, net	<u>6,459,640</u>	<u>1,636,132</u>	<u></u>	<u>94,889,182</u>	<u>5,255,628</u>
Total assets	<u>\$ 6,541,725</u>	<u>\$1,636,132</u>	<u>\$ 38,407</u>	<u>\$117,279,170</u>	<u>\$16,901,682</u>
<b>LIABILITIES AND FUND EQUITY</b>					
Current Liabilities:					
Accounts payable	2,073	488	29,481	847,803	287,033
Salaries and benefits payable	479		821	114,945	34,495
Deposits and deferred revenue	485			213,153	
Due to other funds	405,468	589,401	570,386	1,565,255	
Interest payable				474,753	
Current portion of long-term debt				1,054,512	
Total current liabilities	<u>408,505</u>	<u>589,889</u>	<u>600,688</u>	<u>4,270,421</u>	<u>321,528</u>
Long-term debt, less current portion:					
Compensated absence payable				107,790	
Unamortized bond premium				187,743	
Bonds and notes payable				37,289,461	
Total long-term liabilities	<u></u>	<u></u>	<u></u>	<u>37,584,994</u>	<u></u>
Total liabilities	<u>408,505</u>	<u>589,889</u>	<u>600,688</u>	<u>41,855,415</u>	<u>321,528</u>
Net assets					
Invested in capital assets, net of related debt	6,459,640	1,636,132		56,357,466	5,255,628
Restricted for debt service				3,524,154	
Unrestricted	(326,420)	(589,889)	(562,281)	15,542,135	11,324,526
Total net assets	<u>\$ 6,133,220</u>	<u>\$1,046,243</u>	<u>\$(562,281)</u>	<u>\$ 75,423,755</u>	<u>\$16,580,154</u>
Adjustments to reflect the consolidation of the Internal service funds related to enterprise funds				1,851,624	
Change in net assets of business type activities				<u>\$ 77,275,379</u>	

See independent auditors' report and notes to financial statements.

**CITY OF HANFORD**  
**Statement of Revenues, Expenses, and**  
**Changes in Net Assets (Deficit)**  
**Proprietary funds**  
**For the Year Ended June 30, 2007**

	Water System Fund	Sewer Improvement Funds		Refuse Fund
		Wastewater Fund	Storm Drain Fund	
<b>OPERATING REVENUES</b>				
Charges for services	\$ 4,378,253	\$ 5,418,093	\$ 1,052,373	\$6,221,248
Other revenues	<u>488,151</u>	<u>640,332</u>	<u>167,762</u>	<u>101,968</u>
Total operating revenue	<u>4,866,404</u>	<u>6,058,425</u>	<u>1,220,135</u>	<u>6,323,216</u>
<b>OPERATING EXPENDITURES</b>				
Personnel services	827,624	968,110		1,368,615
Services and supplies	2,208,956	2,240,053	440,020	4,640,476
Depreciation and amortization	<u>592,281</u>	<u>1,168,755</u>	<u>141,683</u>	<u>62,409</u>
Total operating expenditures	<u>3,628,861</u>	<u>4,376,918</u>	<u>581,703</u>	<u>6,071,500</u>
Operating income (loss)	<u>1,237,543</u>	<u>1,681,507</u>	<u>638,432</u>	<u>251,716</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Interest income	484,813	359,826	140,436	4,428
Interest expense	(368,866)	(1,305,617)		
Donated capital	1,448,333	1,193,123	885,556	
Gain (loss) on sale of assets				
Unrealized gain (loss) on investments	14,967	20,538	10,097	523
Miscellaneous	<u>24,860</u>	<u>1,100</u>		<u>4,269</u>
Total non-operating revenues (expenses)	<u>1,604,107</u>	<u>268,970</u>	<u>1,036,089</u>	<u>9,220</u>
Other financing sources				
Transfers in				
Transfers out				
Total other financing sources				
Net income (loss)	2,841,650	1,950,477	1,674,521	260,936
Net assets (deficit), beginning of year	<u>21,345,123</u>	<u>26,140,806</u>	<u>13,485,277</u>	<u>1,107,783</u>
Net assets (deficit), end of year	<u>\$24,186,773</u>	<u>\$28,091,283</u>	<u>\$15,159,798</u>	<u>\$1,368,719</u>

See independent auditors' report and notes to financial statements.

**CITY OF HANFORD**  
**Statement of Revenues, Expenses, and**  
**Changes in Net Assets (Deficit)**  
**Proprietary Funds**  
**For the Year Ended June 30, 2007**  
**(Continued)**

	Airport Fund	Intermodal Fund	Courthouse Square	Total Enterprise Funds	Governmental Activities Internal Service Funds
<b>OPERATING REVENUES</b>					
Charges for services	\$ 75,380	\$ 17,817	\$ 217,280	\$17,380,444	\$ 4,719,537
Other revenues				1,398,213	
Total operating revenue	<u>75,380</u>	<u>17,817</u>	<u>217,280</u>	<u>18,778,657</u>	<u>4,719,537</u>
<b>OPERATING EXPENDITURES</b>					
Personnel services	16,588		24,669	3,205,606	749,904
Services and supplies	53,087	72,340	271,230	9,926,162	2,892,864
Depreciation and amortization	<u>182,396</u>	<u>33,182</u>		<u>2,180,706</u>	<u>1,110,439</u>
Total operating expenditures	<u>252,071</u>	<u>105,522</u>	<u>295,899</u>	<u>15,312,474</u>	<u>4,753,207</u>
Operating income (loss)	<u>(176,691)</u>	<u>(87,705)</u>	<u>(78,619)</u>	<u>3,466,183</u>	<u>(33,670)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>					
Interest income	704			990,207	313,680
Interest expense				(1,674,483)	
Donated capital				3,527,012	
Gain (loss) on sale of assets					31,048
Unrealized gain (loss) on investments	301	130	(110)	46,446	31,426
Miscellaneous		<u>680</u>		<u>30,909</u>	<u>1,399,939</u>
Total non-operating revenues (expenses)	<u>1,005</u>	<u>810</u>	<u>(110)</u>	<u>2,920,091</u>	<u>1,776,093</u>
Other financing sources (uses)					
Transfers in	455,613			455,613	
Transfers out	<u>(20,000)</u>			<u>(20,000)</u>	
Total other financing sources (uses)	<u>435,613</u>			<u>435,613</u>	
Net income (loss)	259,927	(86,895)	(78,729)	6,821,887	1,742,423
Net asset (deficit), beginning of year	<u>5,873,293</u>	<u>1,133,138</u>	<u>(483,552)</u>		<u>14,837,731</u>
Net assets (deficit), end of year	<u>\$6,133,220</u>	<u>\$1,046,243</u>	<u>\$(562,281)</u>		<u>\$16,580,154</u>
Adjustments to reflect the consolidation of the internal service funds activities related to enterprise funds				<u>925,023</u>	
Change in net assets of business type activities				<u>\$ 7,746,910</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, 2007**

	<u>Water System Fund</u>	<u>Sewer Improvement Funds Wastewater Fund</u>	<u>Storm Drain Fund</u>	<u>Refuse Fund</u>	<u>Airport Fund</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Cash received for current services	\$ 4,277,392	\$ 5,351,012	\$ 1,051,200	\$ 6,192,606	\$ 80,996
Cash paid for services and supplies	488,151	640,332	167,762	101,968	
Cash paid for salaries and benefits	(2,343,508)	(2,437,236)	(404,122)	(4,561,309)	(52,325)
Other operating revenues	<u>(821,522)</u>	<u>(967,441)</u>	<u>                    </u>	<u>(1,361,041)</u>	<u>(16,714)</u>
Net cash provided (used) by operating activities	<u>1,600,513</u>	<u>2,586,667</u>	<u>814,840</u>	<u>372,224</u>	<u>11,957</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>					
Transfers from other funds					435,613
Loans from (to) other funds	<u>26,200</u>	<u>32,390</u>	<u>                    </u>	<u>33,280</u>	<u>                    </u>
Net cash provided (used) by non-capital financing activities	<u>26,200</u>	<u>32,390</u>	<u>                    </u>	<u>33,280</u>	<u>435,613</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>					
Principal paid on long-term debt	(240,000)	(731,413)			
Interest paid	(370,067)	(1,309,952)			
Proceeds from sale of equipment					
Capital expenditures	<u>(2,568,413)</u>	<u>(35,537)</u>	<u>(1,196,568)</u>	<u>                    </u>	<u>(463,896)</u>
Net cash provided (used) by capital and related financing activities	<u>(3,178,480)</u>	<u>(2,076,902)</u>	<u>(1,196,568)</u>	<u>                    </u>	<u>(463,896)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Unrealized gain (loss) on investments	14,967	20,538	10,097	523	301
Other non-operating revenue (expense)	24,860	1,100		4,269	
Interest received	<u>475,873</u>	<u>359,826</u>	<u>140,436</u>	<u>4,428</u>	<u>704</u>
Net cash provided by investing activities	<u>515,700</u>	<u>381,464</u>	<u>150,533</u>	<u>9,220</u>	<u>1,005</u>
Net increase (decrease) in cash and cash equivalents	(1,036,067)	923,619	(231,195)	414,724	(15,321)
Cash and cash equivalents, beginning of year	<u>9,671,981</u>	<u>6,997,975</u>	<u>2,730,709</u>	<u>597,494</u>	<u>72,679</u>
Cash and cash equivalents, end 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>

See independent auditors' report and notes to financial statements.



**CITY OF HANFORD**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2007**  
**(Continued)**

	Water System Fund	Sewer Improvement Funds		Refuse Fund	Airport Fund
		Wastewater Fund	Storm Drain Fund		
<b>Reconciliation of operating income to net cash provided by operating activities:</b>					
Operating income (loss)	\$ 1,237,543	\$ 1,681,507	\$ 638,432	\$ 251,716	\$(176,691)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation	592,281	1,168,755	141,683	62,409	182,396
(Increase) decrease in net assets:					
Accounts receivable	(95,134)	(67,081)	(1,173)	(28,642)	5,131
Deposits	(26,200)	(32,390)		(33,899)	
Inventory	(80,242)				
Increase (decrease) in net liabilities:					
Accounts payable	(28,110)	(164,793)	35,898	113,066	762
Salaries and benefits payable	6,102	669		7,574	(126)
Compensated absences					
Deposits and deferred revenue	(5,727)				485
Total adjustments	<u>362,970</u>	<u>905,160</u>	<u>176,408</u>	<u>120,508</u>	<u>188,648</u>
Net cash provided (used) by operating activities	<u>\$ 1,600,513</u>	<u>\$ 2,586,667</u>	<u>\$ 814,840</u>	<u>\$ 372,224</u>	<u>\$ 11,957</u>
<b>Non-cash investing, capital, and financing activities:</b>					
Contributions of capital assets from developers	<u>\$ 1,448,333</u>	<u>\$ 1,193,123</u>	<u>\$ 885,556</u>	<u>\$ _____</u>	<u>\$ _____</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, 2007**  
**(Continued)**

	Intermodal Fund	Courthouse Square	Total Enterprise Funds	Governmental Activities- Internal Service Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Cash received for current services	\$ 38,658	\$ 240,352	\$ 17,232,216	\$ 4,700,687
Cash received for other operating revenues			1,398,213	
Cash paid for services and supplies	(71,852)	(244,505)	(10,114,857)	(2,779,185)
Cash paid for salaries and benefits	<u>          </u>	<u>(23,848)</u>	<u>(3,190,566)</u>	<u>(742,919)</u>
Net cash provided (used) by operating activities	<u>(33,194)</u>	<u>(28,001)</u>	<u>5,325,006</u>	<u>1,178,583</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>				
Transfers (to)/from other funds			435,613	
Loans from (to) other funds	<u>27,539</u>	<u>28,111</u>	<u>147,520</u>	<u>          </u>
Net cash provided (used) by non-capital financing activities	<u>27,539</u>	<u>28,111</u>	<u>583,133</u>	<u>          </u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Principal paid on long-term debt			(971,413)	
Interest paid			(1,680,019)	
Proceeds from sale of equipment				38,559
Capital expenditures	<u>          </u>	<u>          </u>	<u>(4,264,414)</u>	<u>(1,821,844)</u>
Net cash provided (used) by capital and related financing activities	<u>          </u>	<u>          </u>	<u>(6,915,846)</u>	<u>(1,783,285)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Unrealized gain (loss) on investments	130	(110)	46,446	31,426
Other non-operating revenue (expense)	680		30,909	1,397,919
Interest received			981,267	313,680
Net cash provided by investing activities	<u>810</u>	<u>(110)</u>	<u>1,058,622</u>	<u>1,743,025</u>
Net increase (decrease) in cash and cash equivalents	(4,845)		50,915	1,138,323
Cash and cash equivalents, beginning of year	<u>4,845</u>	<u>          </u>	<u>20,075,683</u>	<u>9,335,217</u>
Cash and cash equivalents, end of year	<u>\$          </u>	<u>\$          </u>	<u>\$ 20,126,598</u>	<u>\$10,473,540</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, 2007**  
**(Continued)**

	Intermodal Fund	Courthouse Square	Total Enterprise Funds	Governmental Activities- Internal Service Fund
<b>Reconciliation of operating income to net cash provided by operating activities:</b>				
Operating income/(loss)	\$(87,705)	\$ (78,619)	\$ 3,466,183	\$ (33,670)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation	33,182		2,180,706	1,110,439
(Increase) decrease in net assets:				
Accounts receivable	20,841	23,072	(142,986)	(18,850)
Deposits			(92,489)	
Inventory			(80,242)	(3,833)
Increase (decrease) in net liabilities:				
Accounts payable	488	26,725	(15,964)	117,512
Salaries and benefits payable		821	15,040	6,985
Compensated absences				
Deposits and deferred revenue			(5,242)	
Total adjustments	<u>54,511</u>	<u>50,618</u>	<u>1,858,823</u>	<u>1,212,253</u>
Net cash provided (used) by operating activities	<u><u>\$(33,194)</u></u>	<u><u>\$ (28,001)</u></u>	<u><u>\$ 5,325,006</u></u>	<u><u>\$ 1,178,583</u></u>
<b>Non-cash investing, capital, and financing activities:</b>				
Contributions of capital assets from developers	<u><u>\$</u></u>	<u><u>\$</u></u>	<u><u>\$ 3,527,012</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, 2007**

	<u>Community Facilities District</u>	<u>Civil Subpoena</u>	<u>Renters' Insurance Deposits</u>	<u>COE Park Deposits</u>	<u>Miscellaneous Deposits Trust</u>	<u>Totals</u>
<b>ASSETS</b>						
Cash and investments	\$ 864,497	\$58,106	\$1,227	\$ 478	\$4,171,120	\$5,095,428
Accounts receivable			144		12,703	12,847
Other	<u>3,455,000</u>	_____	_____	_____	_____	<u>3,455,000</u>
Total assets	<u>\$4,319,497</u>	<u>\$58,106</u>	<u>\$1,371</u>	<u>\$ 478</u>	<u>\$4,183,823</u>	<u>\$8,563,275</u>
<b>LIABILITIES</b>						
Accounts payable			1,231		178,596	179,827
Deposits held for others		58,106	140	478	385,324	444,048
Bonds payable	3,455,000	_____	_____	_____	_____	3,455,000
Due to governmental funds	_____	_____	_____	_____	<u>2,710,823</u>	<u>2,710,823</u>
Total liabilities	<u>3,455,000</u>	<u>58,106</u>	<u>1,371</u>	<u>478</u>	<u>3,274,743</u>	<u>6,789,698</u>
<b>NET ASSETS</b>						
Reserved					10,596	10,596
Unreserved	<u>864,497</u>	_____	_____	_____	<u>898,484</u>	<u>1,762,981</u>
Total net assets	<u>\$ 864,497</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 909,080</u>	<u>\$1,773,577</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, 2007**

	Community Facilities District	Miscellaneous Cash Deposits	Total
<b>ADDITIONS</b>			
Interest income	\$ 30,133	\$	\$ 30,133
Other additions	<u>456,236</u>	<u>109,584</u>	<u>565,820</u>
	<u>486,369</u>	<u>109,584</u>	<u>595,953</u>
<b>DEDUCTIONS</b>			
General government	18,131		18,131
Unrealized (gain) loss on investments		(15,757)	(15,757)
Debt service			
Principal	255,000		255,000
Interest	<u>206,920</u>		<u>206,920</u>
Total deductions	<u>480,051</u>	<u>(15,757)</u>	<u>464,294</u>
Change in net assets	6,318	125,341	131,659
Net assets – beginning	<u>858,179</u>	<u>783,739</u>	<u>1,641,918</u>
Net assets – ending	<u>\$864,497</u>	<u>\$909,080</u>	<u>\$1,773,577</u>

See independent auditors' report and notes to financial statements.

**CITY OF HANFORD**  
**Notes to Financial Statements**  
**June 30, 2007**

**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, 2007**  
**(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, 2007**  
**(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:

State Gas Tax Fund – To account for City’s share of state gasoline taxes, which are required to be used to maintain streets.

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, 2007**  
**(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, 2007**  
**(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.

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.

**CITY OF HANFORD**  
**Notes to Financial Statements**  
**June 30, 2007**  
**(Continued)**

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 expended during the fiscal year they are acquired.

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

**CITY OF HANFORD**  
**Notes to Financial Statements**  
**June 30, 2007**  
**(Continued)**

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.

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, 2007**  
**(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 <sup>st</sup> installment
	February 1 – 2 <sup>nd</sup> installment
Collection dates	December 10 – 1 <sup>st</sup> installment
	April 12 – 2 <sup>nd</sup> installment

E. Deferred Revenue

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

**CITY OF HANFORD**  
**Notes to Financial Statements**  
**June 30, 2007**  
**(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, 2007. 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, Debt Service Fund, Courthouse Square Proprietary Fund, and City Payroll Internal Service Fund had deficit fund balances of \$7, \$4,735, \$562,281, and \$16, 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, 2007**  
**(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, 2007 are classified in the accompanying financial statements as follows:

Statement of Net Assets:	
Cash and investments	\$51,281,984
Restricted cash and investments	3,756,476
Fiduciary funds:	
Cash and investments	<u>5,095,428</u>
Total cash and investments	<u>\$60,133,888</u>

Cash and investments as of June 30, 2007 consist of the following:

Cash on hand	\$ 1,250
Deposits with financial institutions	6,753,575
Investments	<u>53,379,063</u>
Total cash and investments	<u>\$60,133,888</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**  
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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, 2007**  
**(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	\$ 9,360,578	\$ 2,016,739	\$6,166,669	\$1,177,170	\$
State Investment Pool	39,382,724	39,382,724			
Money Market Funds	12,955	12,955			
Held by Bond Trustee:					
Money Market Funds	2,537,223	2,537,223			
Investment Contracts	<u>2,085,583</u>	<u>2,085,583</u>			
<b>Total</b>	<b><u>\$53,379,063</u></b>	<b><u>\$46,035,224</u></b>	<b><u>\$6,166,669</u></b>	<b><u>\$1,177,170</u></b>	<b><u>\$</u></b>

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		
			AAA	AA	Not Rated
Federal Agency Securities	\$ 9,360,578	N/A	\$9,360,578	\$	\$
State Investment Pool	39,382,724	N/A			39,382,724
Money Market Funds	12,955	N/A			12,955
Held by Bond Trustee:					
Money Market Funds	2,537,223	N/A			2,537,223
Investment Contracts	<u>2,085,583</u>	N/A			<u>2,085,583</u>
<b>Total</b>	<b><u>\$53,379,063</u></b>		<b><u>\$9,360,578</u></b>	<b><u>\$</u></b>	<b><u>\$44,018,485</u></b>

Concentration of Credit Risk

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

Issuer	Investment Type	Reported Amount
FHLB	Federal Agency Securities	\$6,512,685

**CITY OF HANFORD**  
**Notes to Financial Statements**  
**June 30, 2007**  
**(Continued)**

Investments in any one issuer that represents 5% or more of total investments by reporting unit (primary government, discretely presented component unit, governmental activities, major fund, non-major funds in the aggregate, etc.) are as follows:

\$232,322 Of the cash and investments (including amounts held by bond trustee) reported in the Redevelopment Agency (a component unit of the City of Hanford) are held in the form of a nonnegotiable unrated investment contract issued by Berkshire Hathaway, Inc. that matures on September 3, 2007.

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: \$7,721,379 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, 2007**  
**(Continued)**

**NOTE 3 – RECEIVABLES**

Receivables as of June 30, 2007 for the City’s individual major funds, nonmajor funds and internal service funds in the aggregate are as follows:

	<u>Accounts</u>	<u>Taxes</u>	<u>Grants</u>	<u>Interest</u>	<u>Loans</u>	<u>Total</u>
<b>Governmental Funds</b>						
General	\$ 282,318	\$413,193	\$	\$197,733	\$	\$ 893,244
State Gas Tax		82,309		29,872		112,181
CDBG Home/Housing				11,827		11,827
Capital Project	1,100					1,100
Nonmajor and Other	<u>9,398</u>	<u>3,222</u>	<u>653,209</u>	<u>163,827</u>		<u>829,656</u>
Total	<u>\$ 292,816</u>	<u>\$498,724</u>	<u>\$653,209</u>	<u>\$403,259</u>	<u>\$</u>	<u>\$1,848,008</u>
<b>Enterprise Funds</b>						
Water System	\$ 346,609			\$ 54,692	\$	\$ 401,301
Wastewater	414,762			84,946		499,708
Storm Drain	94,530			30,684		125,214
Refuse	553,117			932		554,049
Airport	220					24,727
Courthouse Square	<u>38,407</u>				24,507	<u>38,407</u>
Total	<u>\$1,447,645</u>	<u>\$</u>	<u>\$</u>	<u>\$171,254</u>	<u>\$24,507</u>	<u>\$1,643,406</u>

**NOTE 4 – CAPITAL ASSETS**

Capital assets activities for the year ended June 30, 2007 were as follows:

	<u>Balance July 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2007</u>
<b>Governmental activities</b>				
Capital assets, not being depreciated				
Land	\$ 59,372,782	\$ 311,485	\$	\$ 59,684,267
Construction in Progress	<u>506,816</u>	<u>8,897,273</u>	<u>(179,738)</u>	<u>9,224,351</u>
Total capital assets, not being depreciated	59,879,598	9,208,758	(179,738)	68,908,618
Capital assets being depreciated				
Buildings	9,926,941			9,926,941
Infrastructure	74,971,902	8,057,632		83,029,534
Equipment	<u>12,473,266</u>	<u>1,820,232</u>	<u>(366,704)</u>	<u>13,926,794</u>
Total capital assets being depreciated	97,372,109	9,877,864	(366,704)	106,883,269
Less: Accumulated depreciation				
Buildings	(5,439,540)	(160,082)		(5,599,622)
Infrastructure	(29,360,224)	(3,258,104)		(32,618,328)
Equipment	<u>(7,658,122)</u>	<u>(1,171,982)</u>	<u>360,793</u>	<u>(8,469,311)</u>
Total accumulated depreciation	(42,457,886)	(4,590,168)	360,793	(46,687,261)
Total capital assets being depreciated, net	<u>54,914,223</u>	<u>5,287,696</u>	<u>(5,911)</u>	<u>60,196,008</u>
Governmental activities capital assets, net	<u>\$114,793,821</u>	<u>\$14,496,454</u>	<u>\$(185,649)</u>	<u>\$129,104,626</u>

**CITY OF HANFORD**  
**Notes to Financial Statements**  
**June 30, 2007**  
**(Continued)**

	<u>Balance</u> <u>July 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2007</u>
<b>Business-type activities</b>				
Capital assets, not being depreciated				
Land	\$ 10,034,304	\$ 890,679	\$	\$ 10,924,983
Construction in progress	<u>2,543,135</u>	<u>1,285,064</u>	<u>(2,355,680)</u>	<u>1,472,519</u>
Total capital assets, not being depreciated	<u>12,577,439</u>	<u>2,175,743</u>	<u>(2,355,680)</u>	<u>12,397,502</u>
Capital assets being depreciated				
Buildings	12,607,902			12,607,902
Infrastructure	93,300,339	7,727,850	(15,709)	101,012,480
Equipment	<u>2,286,290</u>	<u>15,150</u>	<u>(6,809)</u>	<u>2,294,631</u>
Total capital assets being depreciated	108,194,531	7,743,000	(22,518)	115,915,013
Less: Accumulated depreciation				
Buildings	(6,051,822)	(250,667)		(6,302,489)
Infrastructure	(23,844,874)	(1,755,046)		(25,599,920)
Equipment	<u>(1,607,079)</u>	<u>(164,728)</u>	<u>4,807</u>	<u>(1,767,000)</u>
Total accumulated depreciation	(31,503,775)	(2,170,441)	4,807	(33,669,409)
Total capital assets being depreciated, net	<u>76,690,756</u>	<u>5,572,559</u>	<u>(17,711)</u>	<u>82,245,604</u>
Business activities capital assets, net	<u>\$ 89,268,195</u>	<u>\$ 7,748,302</u>	<u>\$(2,373,391)</u>	<u>\$ 94,643,106</u>

Depreciation expense for the fiscal year ending June 30, 2007 was charged to the following activities:

<b>Governmental functions:</b>	
General governmental	\$ 32,905
Public safety	192,625
Culture and recreation	154,088
Public works	3,095,629
Community development	4,482
Capital assets held by the internal service funds were charged to the various functions based on their usage	<u>1,110,439</u>
<b>Total</b>	<b><u>\$4,590,168</u></b>

**CITY OF HANFORD**  
**Notes to Financial Statements**  
**June 30, 2007**  
**(Continued)**

**Business-type functions:**

Water system	\$1,168,755
Wastewater	582,016
Storm drain	141,683
Refuse	62,409
Airport	182,396
Intermodal	<u>33,182</u>

Total \$2,170,441

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 4 – LONG-TERM DEBT**

The following is a summary of the long-term debt activity for the year ended June 30, 2007:

Type of Debt	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007	Amounts Due Within One Year
Governmental activities					
Certificates of participation	\$ 2,320,000	\$	\$ (450,000)	\$ 1,870,000	\$ 475,000
Compensated absences	<u>646,072</u>	_____	<u>(13,367)</u>	<u>632,705</u>	_____
Total governmental activities	<u>2,966,072</u>	_____	<u>(463,367)</u>	<u>2,502,705</u>	<u>475,000</u>
Business activities					
Bonds payable	29,755,000		(740,000)	29,015,000	815,000
Add deferred amounts for issuance premium	196,683		(8,940)	187,743	
Notes payable	9,560,387		(231,414)	9,328,973	239,512
Compensated absences	<u>107,791</u>	_____	_____	<u>107,791</u>	_____
Total business activities	<u>39,619,861</u>	_____	<u>(980,354)</u>	<u>38,639,507</u>	<u>1,054,512</u>
Total primary government	<u>42,585,933</u>	_____	<u>(1,443,721)</u>	<u>41,142,212</u>	<u>1,529,512</u>
Discretely presented component unit Redevelopment Agency of the City of Hanford 1992 Tax Allocation Refunding and and Redevelopment Project Bonds	455,000		(220,000)	235,000	235,000
Notes payable					
City of Hanford	4,695,052	513,953	(671,134)	4,537,871	
Kings County Economic Development Corp	<u>269,583</u>	_____	<u>(7,923)</u>	<u>261,660</u>	_____
Total discretely presented component unit	<u>5,419,635</u>	<u>513,953</u>	<u>(899,057)</u>	<u>5,034,531</u>	<u>235,000</u>
Total reporting entity	<u>\$48,005,568</u>	<u>\$513,953</u>	<u>\$(2,342,778)</u>	<u>\$46,176,743</u>	<u>\$1,764,512</u>

**CITY OF HANFORD**  
**Notes to Financial Statements**  
**June 30, 2007**  
**(Continued)**

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, 2007 the outstanding balance was \$155,000.

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

Fiscal Year	Principal	Interest	Total
2008	<u>\$155,000</u>	<u>\$4,650</u>	<u>\$159,650</u>
Total	<u>\$155,000</u>	<u>\$4,650</u>	<u>\$159,650</u>

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, 2007, the outstanding balance was \$1,715,000.

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

Fiscal Year	Principal	Interest	Total
2008	\$ 320,000	\$ 60,765	\$ 380,765
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>\$1,715,000</u>	<u>\$175,438</u>	<u>\$1,890,438</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.

\$ 632,705

**CITY OF HANFORD**  
**Notes to Financial Statements**  
**June 30, 2007**  
**(Continued)**

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, 2007 the outstanding balance was \$6,255,000.

The future maturities of the Bonds payable were as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 255,000	\$ 228,307	\$ 483,307
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
2013-2017	2,000,000	711,750	2,711,750
2018-2022	2,200,000	343,100	2,543,100
2023	<u>500,000</u>	<u>18,250</u>	<u>518,250</u>
Total	<u>\$6,255,000</u>	<u>\$2,111,707</u>	<u>\$8,366,707</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, 2007, the outstanding balance was \$4,390,000.

The future maturities of the Bonds payable were as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 100,000	\$ 241,798	\$ 341,798
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
2013-2017	720,000	994,363	1,714,363
2018-2022	950,000	761,408	1,711,408
2023-2027	1,235,000	452,131	1,687,131
2028-2030	<u>930,000</u>	<u>81,938</u>	<u>1,011,938</u>
Total	<u>\$4,390,000</u>	<u>\$3,448,283</u>	<u>\$7,838,283</u>



**CITY OF HANFORD**  
**Notes to Financial Statements**  
**June 30, 2007**  
**(Continued)**

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, 2007 the outstanding balance was \$10,165,000.

The future Maturities of the Bonds payable were as follows:

Fiscal Year	Principal	Interest	Total
2008	\$ 210,000	\$ 489,816	\$ 699,816
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
2013-2017	1,410,000	2,074,589	3,484,589
2018-2022	1,770,000	1,696,662	3,466,662
2023-2027	2,270,000	1,187,756	3,457,756
2028-2032	2,900,000	544,250	3,444,250
2033	<u>670,000</u>	<u>16,750</u>	<u>686,750</u>
<b>Total</b>	<b><u>\$10,165,000</u></b>	<b><u>\$7,867,740</u></b>	<b><u>\$18,032,740</u></b>

On December 1, 2003, the City of Hanford issued \$8,925,000 CSCDA Water Revenue Bonds Series 2003 C. The Bonds shall mature on October 1, 2028, and shall bear interest annually ranging from 2.0 to 5.25 percent. Interest on the Bonds is payable semiannually on each April 1 and October 1, commencing April 1, 2004. The proceeds were used to refund the EDP Loan and 1993 Water Refunding Revenue Bond as well as to fund improvements to the City's water treatment facilities. As of June 30, 2007, the balance outstanding was \$8,205,000.

The future maturities of the Bonds payable were as follows:

Fiscal Year	Principal	Interest	Total
2008	\$ 245,000	\$ 374,156	\$ 619,156
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
2013-2017	1,500,000	1,560,009	3,060,009
2023-2027	1,870,000	1,179,141	3,049,141
2022-2026	2,405,000	630,131	3,035,131
2028-2029	<u>1,150,000</u>	<u>61,163</u>	<u>1,211,163</u>
<b>Total</b>	<b><u>\$8,205,000</u></b>	<b><u>\$5,239,008</u></b>	<b><u>\$13,444,008</u></b>

**CITY OF HANFORD**  
**Notes to Financial Statements**  
**June 30, 2007**  
**(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, 2007, the balance outstanding was \$9,328,973.

The future maturities of the Note payable were as follows:

Fiscal Year	Principal	Interest	Total
2008	\$ 239,513	\$ 322,323	\$ 561,836
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
2013-2017	1,525,437	1,277,999	2,803,436
2018-2022	1,811,740	986,684	2,798,424
2023-2027	2,151,779	640,697	2,792,476
2028-2032	<u>2,555,639</u>	<u>229,770</u>	<u>2,785,409</u>
Total	<u>\$9,328,973</u>	<u>\$4,658,430</u>	<u>\$13,987,403</u>

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. 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, 2007 was \$4,537,871.

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, 2007 was \$261,660.

**CITY OF HANFORD**  
**Notes to Financial Statements**  
**June 30, 2007**  
**(Continued)**

On August 1, 1992, the Agency issued \$2,370,000 in tax allocation bonds to finance public improvements in the Redevelopment Project Area. Varying amounts of principal and interest are payable semi-annually. Interest expense on the bonds range from 4% to 7%. The bonds mature on September 1, 2007. The principal balance due at June 30, 2007 was \$235,000.

An annual requirement to amortize bonds payable is as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	<u>\$ 235,000</u>	<u>\$ 8,225</u>	<u>\$ 243,225</u>
Total	<u>\$ 235,000</u>	<u>\$ 8,225</u>	<u>\$ 243,225</u>

**NOTE 5 – 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 Statues within the Public Employees’ Retirement Law. The City of Hanford selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office – 400 P Street – Sacramento, CA 95814.

Funding Policy

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

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

**CITY OF HANFORD**  
**Notes to Financial Statements**  
**June 30, 2007**  
**(Continued)**

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, 2007 was 24.552% for miscellaneous employees. The required employer contribution rate for police safety employees was 26,559% for the period July 1, 2006 through June 30, 2007. The required employer contribution rate for the fire safety employees was 23.569% for the period July 1, 2006 through June 30, 2007. 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, 2007, the City's annual pension cost of \$3,747,922 for PERS was equal to the City's required and actual contributions. The required contribution for the fiscal year ended June 30, 2007 was determined as part of the June 30, 2004 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, 2006 was 21 years for Miscellaneous, 15 years for Police Safety, and 15 years for Fire Safety.

Fiscal Year	Three-Year Trend Information for PERS		Net Pension Obligation
	Annual Pension Cost (APC)	Percentage of APC Contributed	
6/30/05	\$ 2,355,955	100.0%	
6/30/06	\$ 3,020,446	100.0%	
6/30/07	\$13,747,922	100.0%	

**NOTE 6 – 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.

**CITY OF HANFORD**  
**Notes to Financial Statements**  
**June 30, 2007**  
**(Continued)**

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 \$20,000,000.

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 \$200,000,000.

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

	As of and for the Year Ended June 30, 2006
Total Assets	<u>\$49,563,898</u>
Total Liabilities	\$39,892,507
Total Net Assets	<u>9,671,391</u>
 Total Liabilities and Net Assets	 <u>\$49,563,898</u>
Total Revenues for Year	\$20,490,628
Total Expenses for Year	<u>20,110,945</u>
 Net Income (Loss) for Year	 <u>\$ 379,683</u>

**NOTE 7 – 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, 2007**  
**(Continued)**

Interfund due from/to other funds at June 30, 2007 were as follows:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
<b>Governmental Funds</b>		
General Fund	\$3,259,109	\$
Redevelopment Agency	7,740	
Capital Projects	1,448,330	
Traffic Safety		3,223
Transportation Funds		313,587
Special Aviation		147,121
<b>Proprietary Funds</b>		
Airport Fund		405,468
Intermodal Fund		589,401
Courthouse Square		570,386
Internal Service Fund	24,830	
<b>Trust and Agency Funds</b>		
Miscellaneous Cash Deposits		<u>2,710,823</u>
<b>Total</b>	<u><b>\$4,740,009</b></u>	<u><b>\$4,740,009</b></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 2006/07 fiscal year as follows:

	<u>Transfers Ins</u>	<u>Transfers Out</u>
General Fund	\$ 100,355	\$4,022,476
Capital Project Fund	4,035,000	309,170
Other Governmental funds	309,170	548,492
<b>Proprietary Funds:</b>		
Airport Fund	<u>455,613</u>	<u>20,000</u>
	<u><b>\$4,900,138</b></u>	<u><b>\$4,900,138</b></u>

**NOTE 8 – 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, 2007**  
**(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, 2006, 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.

**NOTE 9 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

As of June 30, 2007, expenditures exceeded appropriations in individual funds as follows:

Appropriations Category	Excess Expenditures
<u>Major Fund</u>	
General Fund	\$1,591,220

**NOTE 10 – PRIOR PERIOD ADJUSTMENT**

The beginning balances of the CDCDBG Home/Housing Fund and the City Housing Funds have been restated to reflect the effect of loan balances that should have been capitalized in prior years:

	CDCDBG Home/Housing Fund	City Housing Fund
Net assets, beginning of the year, as previously reported	\$8,575,859	\$1,483,608
Prior period adjustment	267,959	140,000
Net assets, at beginning of year, as restated	<u>\$8,843,818</u>	<u>\$1,623,608</u>

**REQUIRED SUPPLEMENTARY INFORMATION**



**CITY OF HANFORD**  
**Required Supplementary Information**  
**June 30, 2007**

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, 2007**

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>6/30/2004</u>						
Miscellaneous	\$ 37,468,000	\$ 32,668,000	\$ 4,800,000	87.2%	\$ 6,420,000	74.8%
*Police Safety	\$1,252,475,000	\$1,026,501,000	\$225,974,000	81.96%	\$154,904,000	145.9%
*Fire Safety	\$1,252,475,000	\$1,026,501,000	\$225,974,000	81.96%	\$154,904,000	145.9%
<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	\$ 12,447,000	75.7%	\$ 7,339,000	169.6%
Police Safety	\$1,473,285,000	\$1,252,059,000	\$221,225,000	85.0%	\$177,089,000	124.9%
Fire Safety	\$1,473,285,000	\$1,252,059,000	\$221,225,000	85.0%	\$177,089,000	124.9%

\*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, 2007**

	General Fund			Variance With Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
<b>REVENUES</b>				
Taxes and special assessments	\$15,251,430	\$15,934,430	\$17,150,485	\$ 1,216,055
Aid from other governmental agencies	724,660	1,342,470	1,850,492	508,022
License and permits	767,910	827,760	884,136	56,376
Fines and forfeits	201,960	147,600	132,372	(15,228)
Charges for services	1,324,020	1,324,020	1,195,226	(128,794)
Revenue from use of money and property	1,115,280	1,115,280	1,523,373	408,093
Miscellaneous	<u>238,170</u>	<u>238,170</u>	<u>152,395</u>	<u>(85,775)</u>
Total revenues	<u>19,623,430</u>	<u>20,929,730</u>	<u>22,888,479</u>	<u>1,958,749</u>
<b>EXPENDITURES</b>				
General government	1,166,620	1,404,270	1,495,219	(90,949)
Public safety	10,544,480	11,206,688	10,924,847	281,841
Public works	3,349,990	3,583,808	3,358,337	225,471
Recreation	1,392,640	1,406,490	1,316,904	89,586
Community development	<u>1,499,650</u>	<u>1,726,230</u>	<u>1,560,973</u>	<u>165,257</u>
Total expenditures	<u>17,953,380</u>	<u>19,327,486</u>	<u>18,656,280</u>	<u>671,206</u>
Excess (deficiency) of revenue over expenditures	1,670,050	1,602,244	4,232,199	2,629,955
Other financing sources (uses)				
Operating transfers in	90,000	90,000	100,355	10,355
Operating transfers out	<u>(1,760,050)</u>	<u>(1,760,050)</u>	<u>(4,022,476)</u>	<u>(2,262,426)</u>
Total other financing sources (uses)	<u>(1,670,050)</u>	<u>(1,670,050)</u>	<u>(3,922,121)</u>	<u>(2,252,071)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>                    </u>	<u>(67,806)</u>	<u>310,078</u>	<u>377,884</u>
Fund balances, beginning of year	<u>8,771,859</u>	<u>8,771,859</u>	<u>8,771,859</u>	<u>                    </u>
Fund balances, end of year	<u>\$ 8,771,859</u>	<u>\$ 8,704,053</u>	<u>\$ 9,081,937</u>	<u>\$ 377,884</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)**  
**State Gas Tax Fund**  
**For the Year Ended June 30, 2007**  
**(Continued)**

	State Gas Tax Fund			Variance With Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
<b>REVENUES</b>				
Taxes and special assessments	\$ 798,050	\$ 798,050	\$ 839,125	\$ 41,075
Aid from other governmental agencies	428,000	428,000	561,194	133,194
Revenue from use of money and property	<u>21,100</u>	<u>21,100</u>	<u>182,636</u>	<u>161,536</u>
Total revenues	<u>1,247,150</u>	<u>1,247,150</u>	<u>1,582,955</u>	<u>335,805</u>
<b>EXPENDITURES</b>				
Capital outlay	<u>2,330,530</u>	<u>2,938,230</u>	<u>2,333,257</u>	<u>604,973</u>
Total expenditures	<u>2,330,530</u>	<u>2,938,230</u>	<u>2,333,257</u>	<u>604,973</u>
Excess (deficiency) of revenue over expenditures	<u>(1,083,380)</u>	<u>(1,691,080)</u>	<u>(750,302)</u>	<u>940,778</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>(1,083,380)</u>	<u>(1,691,000)</u>	<u>(750,302)</u>	<u>940,778</u>
Fund balances, beginning of year	<u>2,507,500</u>	<u>2,507,500</u>	<u>2,507,500</u>	<u>          </u>
Fund balances, end of year	<u>\$ 1,424,120</u>	<u>\$ 816,420</u>	<u>\$ 1,757,198</u>	<u>\$ 940,778</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, 2007**  
**(Continued)**

	CDBG Home/Housing			Variance With Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
<b>REVENUES</b>				
Aid from other governmental agencies	\$3,084,670	\$ 4,641,267	\$ 3,890,560	\$ (750,707)
Revenue from use of money and property	558,470	558,470	192,734	(365,736)
Sale of real property	400,000	400,000		(400,000)
Miscellaneous			495	495
Total revenues	<u>4,043,140</u>	<u>5,599,737</u>	<u>4,083,789</u>	<u>(1,515,948)</u>
<b>EXPENDITURES</b>				
Community development	216,580	485,270	246,432	238,838
Capital outlay	<u>4,054,322</u>	<u>6,614,664</u>	<u>181,086</u>	<u>6,433,578</u>
Total expenditures	<u>4,270,902</u>	<u>7,099,934</u>	<u>427,518</u>	<u>6,672,416</u>
Excess (deficiency) of revenue over expenditures	<u>(227,762)</u>	<u>(1,500,197)</u>	<u>3,656,271</u>	<u>5,156,468</u>
Other financing sources (uses)				
Operating transfers in				
Operating transfers out				
Total other financing sources (uses)				
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>(227,762)</u>	<u>(1,500,197)</u>	<u>3,656,271</u>	<u>5,156,468</u>
Fund balances, beginning of year			<u>8,575,859</u>	
Prior period adjustment			267,959	
Fund balances, beginning of year (restated)	<u>8,843,818</u>	<u>8,843,818</u>	<u>8,843,818</u>	
Fund balances, end of year	<u>\$8,616,056</u>	<u>\$ 7,343,621</u>	<u>\$12,500,089</u>	<u>\$ 5,156,468</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, 2007**  
**(Continued)**

	Capital Projects Fund			Variance With Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
<b>REVENUES</b>				
Aid from other governmental agencies	\$ 234,690	\$ 509,660	\$ 184,733	\$ (324,927)
Miscellaneous		3,593,000	92,000	(3,501,000)
Unrealized gain (loss) on investments			63,370	63,370
Total revenues	<u>234,690</u>	<u>4,102,660</u>	<u>340,103</u>	<u>(3,762,557)</u>
<b>EXPENDITURES</b>				
Capital outlay	<u>1,760,390</u>	<u>14,318,548</u>	<u>7,264,068</u>	<u>7,054,480</u>
Total expenditures	<u>1,760,390</u>	<u>14,318,548</u>	<u>7,264,068</u>	<u>7,054,480</u>
Excess (deficiency) of revenue over expenditures	<u>(1,525,700)</u>	<u>(10,215,888)</u>	<u>(6,923,965)</u>	<u>3,291,923</u>
Other financing sources (uses)				
Operating transfers in	860,000	860,000	4,035,000	3,175,000
Operating transfers out	<u>(713,950)</u>	<u>(888,950)</u>	<u>(309,170)</u>	<u>579,780</u>
Total other financing sources (uses)	<u>146,050</u>	<u>(28,950)</u>	<u>3,725,830</u>	<u>3,754,780</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>(1,379,650)</u>	<u>(10,244,838)</u>	<u>(3,198,135)</u>	<u>7,046,703</u>
Fund balances, beginning of year	<u>13,449,038</u>	<u>13,449,038</u>	<u>13,449,038</u>	
Fund balances, end of year	<u>\$12,069,388</u>	<u>\$ 3,204,200</u>	<u>\$10,250,903</u>	<u>\$ 7,046,703</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, 2007**

	Total Non-Major Special Revenue Funds	Debt Service Fund	Total Non-Major Funds
<b>ASSETS</b>			
Cash and investments	\$ 8,409,659	\$ 215	\$ 8,409,874
Accounts receivable	753,310		753,310
Loan receivable	<u>927,282</u>	<u>          </u>	<u>927,282</u>
Total assets	<u>\$10,090,251</u>	<u>\$ 215</u>	<u>\$10,090,466</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Due to other funds	\$ 463,931	\$	\$ 463,931
Accounts payable	<u>40,147</u>	<u>4,950</u>	<u>45,097</u>
Total liabilities	<u>504,078</u>	<u>4,950</u>	<u>509,028</u>
Fund balances			
Reserved	1,026,130		1,026,130
Unreserved	<u>8,560,043</u>	<u>(4,735)</u>	<u>8,555,308</u>
Total fund balances	<u>9,586,173</u>	<u>(4,735)</u>	<u>9,581,438</u>
Total liabilities and fund balances	<u>\$10,090,251</u>	<u>\$ 215</u>	<u>\$10,090,466</u>

See independent auditors' report and notes to financial statements.



**CITY OF HANFORD**  
**Combining Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances**  
**Non-Major Governmental Funds**  
**For the Year Ended June 30, 2007**

	Total Non-Major Special Revenue Funds	Debt Service Fund	Total Non-Major Funds
<b>REVENUES</b>			
Taxes and special assessments	\$2,900,877	\$	\$2,900,877
Aid from other governmental agencies	991,787		991,787
Fines and forfeits	100,355		100,355
Revenues from use of money and property	453,113	125	453,238
Unrealized gain (loss) on investments	<u>28,336</u>	<u>(3)</u>	<u>28,333</u>
 Total revenues	 <u>4,474,468</u>	 <u>122</u>	 <u>4,474,590</u>
<b>EXPENDITURES</b>			
General government	147,411	20,672	168,083
Public works	199,131		199,131
Capital outlay	3,354,427		3,354,427
Debt service			
Principal		450,000	450,000
Interest		<u>81,486</u>	<u>81,486</u>
 Total expenditures	 <u>3,700,969</u>	 <u>552,158</u>	 <u>4,253,127</u>
Excess (deficiency) of revenues over expenditures	773,499	(552,036)	221,463
<b>Other financing sources (uses)</b>			
Other sources		253,365	253,365
Operating transfers in		309,170	309,170
Operating transfers out	<u>(548,492)</u>		<u>(548,492)</u>
 Total other financing sources (uses)	 <u>(548,492)</u>	 <u>562,535</u>	 <u>14,043</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>225,007</u>	<u>10,499</u>	<u>235,506</u>
Fund balances, beginning of year, restated	<u>9,361,166</u>	<u>(15,234)</u>	<u>9,345,932</u>
Fund balances, end of year	<u>\$9,586,173</u>	<u>\$ (4,735)</u>	<u>\$9,581,438</u>

See independent auditors' report and notes to financial statements.

**CITY OF HANFORD**  
**Combining Balance Sheet**  
**Non-Major Special Revenue Funds**  
**June 30, 2007**

	Transportation Funds	Transportation Impact Fees	Park Impact Fees	Parking Fund	Downtown Reinvestment Fund
<b>ASSETS</b>					
Cash and investments	\$	\$3,977,546	\$1,245,461	\$17,755	\$213,693
Accounts receivable	434,795	44,326	21,980		2,332
Loan receivable					74,373
Total assets	<u>\$ 434,795</u>	<u>\$4,021,872</u>	<u>\$1,267,441</u>	<u>\$17,755</u>	<u>\$290,398</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities</b>					
Cash deficit	\$ 313,587	\$	\$	\$	\$
Accounts payable		7,263			
Total liabilities	<u>313,587</u>	<u>7,263</u>			
<b>Fund balances</b>					
Reserved	242,400	368,510			
Unreserved	<u>(121,192)</u>	<u>3,646,099</u>	<u>1,267,441</u>	<u>17,755</u>	<u>290,398</u>
Total fund balances	<u>121,208</u>	<u>4,014,609</u>	<u>1,267,441</u>	<u>17,755</u>	<u>290,398</u>
Total liabilities and fund balances	<u>\$ 434,795</u>	<u>\$4,021,872</u>	<u>\$1,267,441</u>	<u>\$17,755</u>	<u>\$290,398</u>

See independent auditors' report and notes to financial statements.

**CITY OF HANFORD**  
**Combining Balance Sheet**  
**Non-Major Special Revenue Funds**  
**June 30, 2007**  
**(Continued)**

	Landscaping Assessment District	City Housing Fund	Central Parking and Business Improvement	Fire Protection Impact Fees	Police Protection Impact Fees
<b>ASSETS</b>					
Cash and investments	\$409,503	\$ 989,440	\$91,141	\$378,159	\$843,533
Accounts receivable	9,362	751	982	4,113	9,182
Loan receivable	_____	852,909	_____	_____	_____
Total assets	<u>\$418,865</u>	<u>\$1,843,100</u>	<u>\$92,123</u>	<u>\$382,272</u>	<u>\$852,715</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities</b>					
Cash deficit	\$	\$	\$	\$	\$
Accounts payable	14,120	_____	_____	_____	_____
Total liabilities	<u>14,120</u>	_____	_____	_____	_____
<b>Fund balances</b>					
Reserved	_____	_____	_____	_____	_____
Unreserved	404,745	1,843,100	92,123	382,272	852,715
Total fund balances	<u>404,745</u>	<u>1,843,100</u>	<u>92,123</u>	<u>382,272</u>	<u>852,715</u>
Total liabilities and fund balances	<u>\$418,865</u>	<u>\$1,843,100</u>	<u>\$92,123</u>	<u>\$382,272</u>	<u>\$852,715</u>

See independent auditors' report and notes to financial statements.

**CITY OF HANFORD**  
**Combining Balance Sheet**  
**Non-Major Special Revenue Funds**  
**June 30, 2007**  
**(Continued)**

	Special Aviation	GWF Environment Oversight	Learning Center Operation	Traffic Safety	Street Tree Committee	Totals
<b>ASSETS</b>						
Cash and investments	\$	\$229,986	\$10,191	\$2,056	\$1,195	\$ 8,409,659
Accounts receivable	219,609	2,513	107	3,258		753,310
Loan receivable						927,282
<b>Total assets</b>	<b><u>\$ 219,609</u></b>	<b><u>\$232,499</u></b>	<b><u>\$10,298</u></b>	<b><u>\$5,314</u></b>	<b><u>\$1,195</u></b>	<b><u>\$10,090,251</u></b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities</b>						
Due to other fund	\$ 147,121	\$	\$	\$3,223	\$	\$ 463,931
Accounts payable	<u>16,666</u>			<u>2,098</u>		<u>40,147</u>
<b>Total liabilities</b>	<b><u>163,787</u></b>			<b><u>5,321</u></b>		<b><u>504,078</u></b>
<b>Fund balances</b>						
Reserved	415,220					1,026,130
Unreserved	<u>(359,398)</u>	<u>232,499</u>	<u>10,298</u>	<u>(7)</u>	<u>1,195</u>	<u>8,560,043</u>
<b>Total fund balances</b>	<b><u>55,822</u></b>	<b><u>232,499</u></b>	<b><u>10,298</u></b>	<b><u>(7)</u></b>	<b><u>1,195</u></b>	<b><u>9,586,173</u></b>
<b>Total liabilities and fund balances</b>	<b><u>\$ 219,609</u></b>	<b><u>\$232,499</u></b>	<b><u>\$10,298</u></b>	<b><u>\$5,314</u></b>	<b><u>\$1,195</u></b>	<b><u>\$10,090,251</u></b>

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, 2007**

	Transportation Funds	Transportation Impact Fees	Park Impact Fees	Parking Fund	Downtown Reinvestment Fund
<b>REVENUES</b>					
Taxes and special assessments	\$ 20,398	\$1,151,004	\$ 716,489	\$	\$
Aid from other governmental agencies	433,600				
Fines and forfeits					
Revenue from use of money and property	11,275	190,989	116,796	7,428	14,322
Unrealized gain (loss) on investments	<u>2,261</u>	<u>8,950</u>	<u>10,562</u>	<u>9</u>	<u>339</u>
Total revenues	<u>467,534</u>	<u>1,350,943</u>	<u>843,847</u>	<u>7,437</u>	<u>14,661</u>
<b>EXPENDITURES</b>					
General government					
Public works					
Capital outlay	<u>761,460</u>	<u>686,140</u>	<u>1,756,186</u>	_____	_____
Total expenditures	<u>761,460</u>	<u>686,140</u>	<u>1,756,186</u>	_____	_____
Excess (deficiency) of revenue over expenditures	<u>(293,926)</u>	<u>664,803</u>	<u>(912,339)</u>	<u>7,437</u>	<u>14,661</u>
Other financing sources (uses)					
Operating transfers in					
Operating transfers out					
Total other financing sources	_____	_____	_____	_____	_____
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>(293,926)</u>	<u>664,803</u>	<u>(912,339)</u>	<u>7,437</u>	<u>14,661</u>
Fund balances, beginning of year	<u>415,134</u>	<u>3,349,806</u>	<u>2,179,780</u>	<u>10,318</u>	<u>275,737</u>
Prior period adjustment					
Fund balance, beginning of year (restated)	<u>415,134</u>	<u>3,349,806</u>	<u>2,179,780</u>	<u>10,318</u>	<u>275,737</u>
Fund balances end of year	<u>\$ 121,208</u>	<u>\$4,014,609</u>	<u>\$1,267,441</u>	<u>\$17,755</u>	<u>\$290,398</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, 2007**  
**(Continued)**

	Landscaping Assessment District	City Housing Fund	Central Parking and Business Improvement	Fire Protection Impact Fees	Police Protection Impact Fees
<b>REVENUES</b>					
Taxes and special assessments	\$327,662	\$ 361,764	\$121,023	\$ 69,494	\$133,043
Aid from other governmental agencies					
Fines and forfeits					
Revenue from use of money and property		34,767	3,584	16,974	37,863
Unrealized gain (loss) on investments	<u>373</u>	<u>2,308</u>	<u>174</u>	<u>861</u>	<u>1,696</u>
<b>Total revenues</b>	<u>328,035</u>	<u>398,839</u>	<u>124,781</u>	<u>87,329</u>	<u>172,602</u>
<b>EXPENDITURES</b>					
General government		147,373			
Public works	182,273				
Capital outlay		<u>31,974</u>	<u>106,000</u>	<u>12,667</u>	
<b>Total expenditures</b>	<u>182,273</u>	<u>179,347</u>	<u>106,000</u>	<u>12,667</u>	
Excess (deficiency) of revenue over expenditures	<u>145,762</u>	<u>219,492</u>	<u>18,781</u>	<u>74,662</u>	<u>172,602</u>
Other financing sources (uses)					
Operating transfers in					
Operating transfers out					
Total other financing sources					
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>145,762</u>	<u>219,492</u>	<u>18,781</u>	<u>74,662</u>	<u>172,602</u>
Fund balances, beginning of year	<u>258,983</u>	<u>1,483,608</u>	<u>73,342</u>	<u>307,610</u>	<u>680,113</u>
Prior period adjustment		<u>140,000</u>			
Fund balance, beginning of year (restated)	<u>258,983</u>	<u>1,623,608</u>	<u>73,342</u>	<u>307,610</u>	<u>680,113</u>
Fund balances end of year	<u>\$404,745</u>	<u>\$1,843,100</u>	<u>\$ 92,123</u>	<u>\$382,272</u>	<u>\$852,715</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, 2007**  
**(Continued)**

	Special Aviation	GWF Environment Oversight	Learning Center Operation	Traffic Safety	Street Tree Committee	Totals
<b>REVENUES</b>						
Taxes and special assessments	\$	\$	\$	\$	\$	\$2,900,877
Aid from other governmental agencies	558,187					991,787
Fines and forfeits				100,355		100,355
Revenue from use of money and property		11,079	8,036			453,113
Unrealized gain (loss) on investments		819	(25)	5	4	28,336
<b>Total revenues</b>	<u>558,187</u>	<u>11,898</u>	<u>8,011</u>	<u>100,360</u>	<u>4</u>	<u>4,474,468</u>
<b>EXPENDITURES</b>						
General government		38				147,411
Public works		16,858				199,131
Capital outlay						3,354,427
<b>Total expenditures</b>		<u>16,896</u>				<u>3,700,969</u>
Excess (deficiency) of revenue over expenditures	<u>558,187</u>	<u>(4,998)</u>	<u>8,011</u>	<u>100,360</u>	<u>4</u>	<u>773,499</u>
Other financing sources (uses)						
Operating transfers in						
Operating transfers out	(448,137)			(100,355)		(548,492)
Total other financing sources	<u>(448,137)</u>			<u>(100,355)</u>		<u>(548,492)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>110,050</u>	<u>(4,998)</u>	<u>8,011</u>	<u>5</u>	<u>4</u>	<u>225,007</u>
Fund balances, beginning of year	(54,228)	237,497	2,287	(12)	1,191	9,221,166
Prior period adjustment						140,000
Fund balance, beginning of year (restated)	<u>(54,228)</u>	<u>237,497</u>	<u>2,287</u>	<u>(12)</u>	<u>1,191</u>	<u>9,361,166</u>
Fund balances end of year	<u>\$ 55,822</u>	<u>\$232,499</u>	<u>\$10,298</u>	<u>\$ (7)</u>	<u>\$1,195</u>	<u>\$9,586,173</u>

See independent auditors' report and notes to financial statements.

**CITY OF HANFORD**  
**Combining Statement of Net Assets**  
**Internal Service Funds**  
**June 30, 2007**

	City Payroll Fund	Risk Management Fund	Computer Maintenance Fund	Building Fund
<b>ASSETS</b>				
Current assets				
Cash and investments	\$4,692	\$2,798,184	\$917,180	\$549,140
Receivables, net				
Due from other funds				7,930
Inventory	_____	_____	_____	_____
Total current assets	<u>4,692</u>	<u>2,798,184</u>	<u>917,180</u>	<u>557,070</u>
Capital assets				
Work in progress				7,630
Machinery and equipment				12,341
Accumulated depreciation	_____	_____	_____	<u>(10,638)</u>
Capital assets, net	_____	_____	_____	<u>9,333</u>
Total assets	<u>\$4,692</u>	<u>\$2,798,184</u>	<u>\$917,180</u>	<u>\$566,403</u>
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	\$	\$ 207,684	\$ 1,471	\$ 14,452
Accrued wages payable	<u>4,708</u>	_____	_____	<u>8,822</u>
Total liabilities	<u>4,708</u>	<u>207,684</u>	<u>1,471</u>	<u>23,274</u>
<b>NET ASSETS</b>				
Investment in capital assets, net of related debt				9,333
Unrestricted	<u>(16)</u>	<u>2,590,500</u>	<u>915,709</u>	<u>533,796</u>
Total net assets	<u>\$ (16)</u>	<u>\$2,590,500</u>	<u>\$915,709</u>	<u>\$543,129</u>

See independent auditors' report and notes to financial statements.



**CITY OF HANFORD**  
**Combining Statement of Net Assets**  
**Internal Service Funds**  
**June 30, 2007**  
**(Continued)**

	Central Stores Fund	Fleet Maintenance Fund	Totals
<b>ASSETS</b>			
Current assets			
Cash and investments	\$	\$7,171,814	\$11,441,010
Receivables, net		76,346	76,346
Due from other funds		16,900	24,830
Inventory	<u>2,297</u>	<u>101,571</u>	<u>103,868</u>
Total current assets	<u>2,297</u>	<u>7,366,631</u>	<u>11,646,054</u>
Capital assets			
Work in progress			7,630
Machinery and equipment		12,618,773	12,631,114
Accumulated depreciation	_____	<u>(7,372,478)</u>	<u>(7,383,116)</u>
Capital assets, net	_____	<u>5,246,295</u>	<u>5,255,628</u>
Total assets	<u>\$2,297</u>	<u>\$12,612,926</u>	<u>\$16,901,682</u>
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	\$	\$ 63,426	\$ 287,033
Accrued wages payable	_____	<u>20,965</u>	<u>34,495</u>
Total liabilities	_____	<u>84,391</u>	<u>321,528</u>
<b>NET ASSETS</b>			
Investment in capital assets, net of related debt		5,246,295	5,255,628
Unrestricted	<u>2,297</u>	<u>7,282,240</u>	<u>11,324,526</u>
Total net assets	<u>\$2,297</u>	<u>\$12,528,535</u>	<u>\$16,580,154</u>

See independent auditors' report and notes to financial statements.

**CITY OF HANFORD**  
**Combining Statement of Revenues, Expenses,**  
**and Changes in Net Assets**  
**Internal Service funds**  
**For the Year Ended June 30, 2007**

	City Payroll Fund	Risk Management Fund	Computer Maintenance Fund	Building Fund
<b>REVENUES</b>				
Charges for services	\$ <u>          </u>	\$ <u>913,880</u>	\$ <u>157,670</u>	\$ <u>602,458</u>
<b>EXPENDITURES</b>				
Personnel services				274,596
Services and supplies		1,045,248	107,142	359,747
Depreciation	<u>          </u>	<u>          </u>	<u>          </u>	<u>568</u>
Total expenditures	<u>          </u>	<u>1,045,248</u>	<u>107,142</u>	<u>634,911</u>
Excess (deficiency) of revenue over expenditures	<u>          </u>	<u>(131,368)</u>	<u>50,528</u>	<u>(32,453)</u>
Non-operating revenues (expenses)				
Gain (loss) on sale of assets				
Interest revenue				
Unrealized gain (loss) on investments	21	9,341	2,785	2,096
Miscellaneous	<u>          </u>	<u>27,473</u>	<u>          </u>	<u>975</u>
Total non-operating revenue (expenses)	<u>21</u>	<u>36,814</u>	<u>2,785</u>	<u>3,071</u>
Income (loss) before operating transfers	<u>21</u>	<u>(94,554)</u>	<u>53,313</u>	<u>(29,382)</u>
Net income (loss)	<u>21</u>	<u>(94,554)</u>	<u>53,313</u>	<u>(29,382)</u>
Net assets, beginning of year	<u>(37)</u>	<u>2,685,054</u>	<u>862,396</u>	<u>572,511</u>
Net assets, end of year	<u>\$ (16)</u>	<u>\$2,590,500</u>	<u>\$915,709</u>	<u>\$543,129</u>

See independent auditors' report and notes to financial statements.

**CITY OF HANFORD**  
**Combining Statement of Revenues, Expenses,**  
**And Changes in Net Assets**  
**Internal Service Funds**  
**For the Year Ended June 30, 2007**  
**(Continued)**

	Central Stores Fund	Fleet Management Fund	Totals
<b>REVENUES</b>			
Charges for services	<u>\$2,969</u>	<u>\$ 3,042,560</u>	<u>\$ 4,719,537</u>
<b>EXPENDITURES</b>			
Personnel services		475,308	749,904
Services and supplies	3,788	1,376,939	2,892,864
Depreciation	<u>          </u>	<u>1,109,871</u>	<u>1,110,439</u>
Total expenditures	<u>3,788</u>	<u>2,962,118</u>	<u>4,753,207</u>
Excess (deficiency) of revenue over expenditures	<u>(819)</u>	<u>80,442</u>	<u>(33,670)</u>
Non-operating revenues (expenses)			
Gain (loss) on sale of assets		31,048	31,048
Interest revenue		313,680	313,680
Unrealized gain (loss) on investments	(9)	17,192	31,426
Miscellaneous	<u>          </u>	<u>1,371,491</u>	<u>1,399,939</u>
Total non-operating revenue (expenses)	<u>(9)</u>	<u>1,733,411</u>	<u>1,776,093</u>
Income (loss) before operating transfers	<u>(828)</u>	<u>1,813,853</u>	<u>1,742,423</u>
Net income (loss)	(828)	1,813,853	1,742,423
Net assets, beginning of year	<u>3,125</u>	<u>10,714,682</u>	<u>14,837,731</u>
Net assets, end of year	<u>\$2,297</u>	<u>\$12,528,535</u>	<u>\$16,580,154</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, 2007**

	City Payroll Fund	Risk Management Fund	computer Maintenance Fund	Building Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Cash received for current services	\$	\$ 913,880	\$ 157,670	\$ 602,458
Cash paid for services and supplies		(866,719)	(112,275)	(363,502)
Cash paid for salaries and benefits	(702)			(275,198)
Net cash provided by (used for) operating activities	(702)	47,161	45,395	(36,242)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Proceeds from sale of equipment				
Capital expenditures				
Net cash provided (used) by capital and related financing activities	—	—	—	—
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Unrealized gain (loss) on investments	21	9,341	2,785	2,096
Other non-operating revenue (expense)		27,473		975
Interest received				
Net cash provided by investing activities	21	36,814	2,785	3,071
Net increase (decrease) in cash and cash equivalents	(681)	83,975	48,180	(33,171)
Cash and cash equivalents, beginning of year	5,373	2,714,209	869,000	582,311
Cash and cash equivalents, end of year	\$4,692	\$2,798,184	\$ 917,180	\$ 549,140
<b>Reconciliation of operating income to net cash provided by (used for) operating activities:</b>				
Operating income/(loss)	\$	\$ (131,368)	\$ 50,528	\$ (32,453)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation				568
(Increase) decrease in net assets:				
Accounts receivable				
Inventory				
Increase (decrease) in net liabilities:				
Accounts payable		178,529	(5,133)	(3,755)
Salaries and benefits payable	(702)			(602)
Total adjustments	(702)	178,529	(5,133)	(3,789)
Net cash provided (used) by operating activities	\$ (702)	\$ 47,161	\$ 45,395	\$ (36,242)

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, 2007**  
**(Continued)**

	Central Stores Fund	Computer Maintenance Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash received for current services	\$ 2,969	\$ 3,023,710	\$ 4,700,687
Cash paid for services and supplies	(2,750)	(1,433,939)	(2,779,185)
Cash paid for salaries and benefits		(467,019)	(742,919)
Net cash provided by (used for) operating activities	219	1,122,752	1,178,583
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Proceeds from sale of equipment		38,559	38,559
Capital expenditures		(1,821,844)	(1,821,844)
Net cash provided (used) by capital and related financing activities	—	(1,783,285)	(1,783,285)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Unrealized gain (loss) on sale of investment	(9)	17,192	31,426
Other non-operating revenue (expense)		1,369,471	1,397,919
Interest received		313,680	313,680
Net cash provided by investing activities	(9)	1,700,343	1,743,025
Net increase (decrease) in cash and cash equivalents	210	1,039,810	1,138,323
Cash and cash equivalents-beginning of year	(210)	6,132,004	10,302,687
Cash and cash equivalents-end of year	\$ —	\$7,171,814	\$11,441,010
<b>Reconciliation of operating income to net cash provided by (used for) operating activities:</b>			
Operating income/(loss)	\$ (819)	\$ 80,442	\$ (33,670)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation		1,109,871	1,110,439
(Increase) decrease in net assets:			
Accounts receivable		(18,850)	(18,850)
Inventory	1,142	(4,975)	(3,833)
Increase (decrease) in net liabilities:			
Accounts payable	(104)	(52,025)	117,512
Salaries and benefits payable		8,289	6,985
Total adjustments	1,038	1,042,310	1,212,253
Net cash provided (used) by operating activities	\$ 219	\$ 1,122,752	\$ 1,178,583

See independent auditors' report and notes to financial statements.

**SINGLE AUDIT REPORTS**



October 23, 2007

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, 2007, which collectively comprise the City of Hanford's basic financial statements and have issued our report thereon dated October 23, 2007. 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 October 23, 2007.

City of Hanford  
October 23, 2007  
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*





October 23, 2007

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, 2007. 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, 2007.

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  
October 23, 2007  
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, 2007**

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		\$ 768,631
Total U.S. Department of Homeland Security			<u>768,631</u>
<u>U.S. Department of Transportation</u>			
Federal Aviation Administration			435,970
Airport Improvement	20.106	N/A	
Federal Highway Administration			
Highway Planning & Construction	20.205	CML-5091	433,600
Alcohol Traffic Safety and Drunk Driving Grants (B)	20.601	A8C 06G-LA12	<u>9,529</u>
Total U.S. Department of Transportation			<u>879,099</u>
<u>U.S. Department of Justice</u>			
Bureau of Justice Administration			
Edward Byrne Grant Program	16.579	N/A	7,218
Bullet Proof Vest Program	16.607	N/A	<u>6,763</u>
Total Department of Justice			<u>13,981</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	339,473
Home-Investment Partnership Program	14.239	01-HOME-0514	358,383
Home-Investment Partnership Program	14.239	04-HOME-0725	3,139,010
Home-Investment Partnership Program	14.239	06-HOME-2465	<u>272,000</u>
Total U.S. Department of Housing and Urban Development			<u>4,108,866</u>
<u>U.S. Department of Commerce</u>			
Public Works and Economic Development Facility Program	11.300	N/A	<u>217,199</u>
Total U.S. Department of Commerce			<u>217,199</u>
Total Expenditures of Federal Awards			<u>\$5,987,776</u>

See accompanying notes to schedule of expenditures of federal awards.

**CITY OF HANFORD**  
**Notes to Schedule of Expenditures of Federal Awards**  
**June 30, 2007**

**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, 2007**

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

**Financial Statements**

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

**Federal Awards**

Internal control over major programs: Material weakness(es) identified?	_____ Yes	_____ <u>X</u> _____	No	
Reportable condition(s) identified not considered to be material weakness(es)?	_____ Yes	_____ <u>X</u> _____	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))?	_____ Yes	_____ <u>X</u> _____	No	
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**Programs Subjected to Audit Procedures as Major Programs**

	Name of Federal Program or Cluster
14.239 97.004	Home Investment Partnership Program Homeland Security Grant
Dollar threshold used to distinguish between Type A and Type B programs:	\$ 300,000
Auditee qualified as low-risk auditee?	_____ <u>X</u> _____ Yes _____ No

**CITY OF HANFORD**  
**Schedule of Findings and Recommendations**  
**For the Fiscal Year Ended June 30, 2007**

**Part II - Financial Statement Finding Section**

Reportable Conditions, Material Weaknesses and Instances of Noncompliance Related to the Financial Statements:

None.

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

Reportable Conditions, Material Weaknesses and Instances of Noncompliance Related to the Audit of Major Federal Programs:

None.



**APPRORIATIONS LIMIT REPORT**



October 23, 2007

The Honorable City Council  
 City of Hanford  
 Hanford, California

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
WITH ARTICLE XIII B – 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, 2007. These procedures, which were agreed to by the League of California Cities and presented in their Article XIII B Appropriations Limitation Uniform Guidelines, were performed solely to assist you in meeting the requirement of Section 1.5 of Article XIII B 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 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 XIII B 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 J Sampson*

**CITY OF HANFORD  
Appropriations Limit  
Schedules A and B  
June 30, 2007**

Schedule A	Fiscal Year 2006-2007	Amount
A. Last Years Limit – 2006		\$36,723,088
B. Add: Adjustment for Annexation Service Deliver Charge		<u>10,488</u>
Subtotal		<u>36,733,576</u>
Apply ratio of Change Factor (Schedule B)		1.0576
C. Appropriations Limit – Fiscal Year 2006-2007		<u>\$38,849,430</u>

Schedule B	Worksheet for Permitted Growth in Appropriations Limit 2006-2007	
Kings County Population Change	(1)	1.73%
Converted to a Ratio		1.0173
California Per Capita Income Change	(1)	3.96%
Converted to a Ratio		1.0396
Calculation of Factor for 2006-2007		1.0173 x 1.0396
Ratio of Change Factor		<u>1.0576</u>

(1) Provided by the California State Department of Finance