

CITY OF HANFORD

FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT

YEAR ENDED JUNE 30, 2013

CONTENTS

	<u>Page</u>
Principal city officials	i
Independent auditor's report	1-2
Management's discussion and analysis	3-11
 <u>FINANCIAL STATEMENTS:</u>	
Government-wide financial statements:	
Statement of net position	12
Statements of activities	13-14
Governmental fund financial statements:	
Combining balance sheet	15-16
Reconciliation of the governmental fund balance sheet to the government-wide statement of net position	17
Combining statement of revenues, expenditures, and changes in fund balances	18-19
Reconciliation of the governmental funds statement of revenues, expenditures, and changes in fund balances to the government-wide statement of activities	20
Proprietary funds financial statements:	
Statement of net position	21-22
Statement of revenues, expenses, and changes in net position	23-24
Statement of cash flows	25-28
Fiduciary funds financial statements:	
Statement of fiduciary net position – fiduciary funds	29
Statement of changes in fiduciary net position	30
Notes to financial statements	31-58
Required supplementary information:	
Required supplementary information	59
Schedule of funding progress	60
Schedule of revenues, expenditures, and changes in fund balances:	
Budget and actual (GAAP Basis) general fund	61
Budget and actual (GAAP Basis) CDBG home/housing fund	62
Budget and actual (GAAP Basis) capital projects	63
Budget and actual (GAAP Basis) transportation fund	64

SUPPLEMENTARY INFORMATION SECTION:

Non-major special revenue funds:	
Combining balance sheet	65-68
Combining statement of revenues, expenditures, and changes in fund balances	69-72
Internal service funds:	
Combining statement of net position	73-74
Combining statement of revenues, expenses, and changes in net position	75-76
Combining statement of cash flows	77-78
Trust and agency funds:	
Combining statement of fiduciary net position	79
Combining statement of changes in fiduciary net position	80

SINGLE AUDIT REPORTS:

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 <i>Government Auditing Standards</i>	81-82
Independent auditor's report on compliance for each major program and on internal control over compliance in accordance with OMB Circular A-133	83-84
Schedule of expenditures of federal awards	85
Notes to the schedule of expenditures of federal awards	86
Schedule of findings and questioned costs	87-91
Summary schedule of prior audit findings	92

APPROPRIATIONS LIMIT REPORT:

Independent auditor's report on compliance with Article XIIIB – appropriations limit	93
Appropriations limit schedules A and B	94

CITY OF HANFORD
June 30, 2013

CITY COUNCIL

<u>NAME</u>	<u>POSITION</u>
Lou Martinez	Mayor
Gary Pannette	Vice Mayor
Russ Curry	Council Member
Joleen Jameson	Council Member
Jim Irwin	Council Member

ADMINISTRATION

Darrel Pyle	City Manager
Griswold, LaSalle, Cobb, Dowd & Gin, L.L.P.	City Attorneys
Melonie Patrick	City Clerk
Tom Dibble	Treasurer/Finance Director
Timothy Ieronimo	Fire Chief
Melodie Haigh	Community Development Manager
Carlos Mestas	Police Chief
John Doyel	City Engineer
Milt Stowe	Interim Parks & Recreation Director
Lou Camara	Public Works Director
Marissa Gonzales	Human Resources Manager



February 3, 2014

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

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Hanford, California (the City), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with accounting 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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, each major fund, and the aggregate remaining fund information of the City of Hanford as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-11 and the Public Employees Retirement System Schedule of Funding Progress and budgetary comparison information on pages 60-64 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Hanford's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The 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.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 3, 2014, on our consideration of the City of Hanford's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Hanford's internal control over financial reporting and compliance.

Sampson, Sampson & Patterson, LLP

CITY OF HANFORD
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013

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, 2013. 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 2013 by about \$302.5 million. Of this amount, about \$51.7 million in unrestricted assets may be used to meet the City's ongoing obligations to citizens and creditors.
- As of June 30, 2013, the City's governmental funds reported combined ending fund balances of \$57.6 million.
- Approximately 12.9% of the combined governmental fund balances is considered available for spending at the City's discretion.
- As of June 30, 2013, unassigned fund balance in the General Fund was \$7.5 million, or 36.3% of total General Fund Expenditures.
- The City's total debt decreased by \$1.67 million during the fiscal year 2013, which is due to 1) the normal maturity of debt in the water system, and the wastewater system; 2) refinancing of debt in the Wastewater Enterprise Fund.

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.

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.

CITY OF HANFORD
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
(Continued)

OVERVIEW OF THE FINANCIAL STATEMENTS

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities and Changes in Net Position

The Statement of Net Position 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 position and changes in them. Net position is 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 position 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 Position and the Statement of Activities and Changes in Net Position, 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.

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.

CITY OF HANFORD
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
(Continued)

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.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Statement of Net Position

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 \$302,540,874 at the close of the most recent fiscal year.

CITY OF HANFORD
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
(Continued)

By far the largest portion of the City of Hanford's net position 69.0% reflects its investment in capital assets (e.g., land, buildings, machinery, infrastructure and equipment), less any outstanding debt used to acquire those assets. The City of Hanford uses these capital assets to provide services to citizens; consequently, their value is not available for future spending. Although the City of Hanford's investment in its capital assets is reported net of related debt, it should be noted that the sources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

Of the total current assets \$71,642,898, approximately 91% or \$65,208,081, 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.

STATEMENT OF NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Assets:						
Current assets	\$ 43,830,413	\$ 44,829,151	\$ 27,812,485	\$ 29,769,298	\$ 71,642,898	\$ 74,598,449
Capital and non-current assets (net of depreciation)	<u>167,551,128</u>	<u>165,418,338</u>	<u>112,250,666</u>	<u>111,453,271</u>	<u>279,801,794</u>	<u>276,871,609</u>
Total assets	<u>211,381,541</u>	<u>210,247,489</u>	<u>140,063,151</u>	<u>141,222,569</u>	<u>351,444,692</u>	<u>351,470,058</u>
Liabilities:						
Current and other liabilities	1,316,583	1,276,794	3,668,457	4,794,120	4,985,040	5,824,464
Long-term liabilities	<u>2,285,330</u>	<u>1,732,466</u>	<u>41,633,448</u>	<u>43,281,462</u>	<u>43,918,778</u>	<u>45,260,378</u>
Total liabilities	<u>3,601,913</u>	<u>3,009,260</u>	<u>45,301,905</u>	<u>48,075,582</u>	<u>48,903,818</u>	<u>51,084,842</u>
Net Position:						
Invested in capital assets, net of related debt	139,541,724	138,323,412	69,223,425	69,249,494	208,765,149	207,572,906
Restricted	41,529,163	43,047,770	595,471	595,802	42,124,634	43,643,572
Unrestricted	<u>26,708,741</u>	<u>25,867,047</u>	<u>24,942,350</u>	<u>23,301,691</u>	<u>51,651,091</u>	<u>49,168,738</u>
Total net position	<u>\$207,779,628</u>	<u>\$207,238,229</u>	<u>\$ 94,761,246</u>	<u>\$ 93,146,987</u>	<u>\$302,540,874</u>	<u>\$300,385,216</u>

An additional portion of the City of Hanford's net position \$42,124,634 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position \$51,651,091 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 position, 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 Position 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 position 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, 2013 than it was at June 30, 2012.

CITY OF HANFORD
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
(Continued)

STATEMENT OF ACTIVITIES

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
REVENUES:						
Program revenues:						
Charges for services	\$ 3,894,116	\$ 3,137,476	\$18,825,518	\$18,582,319	\$ 22,719,634	\$ 21,719,795
Operating grants and contributions	784,540	478,516			784,540	478,516
Capital grants and contributions	2,891,606	1,912,822	496,399	911,970	3,388,005	2,824,792
General revenues:						
Taxes	21,849,093	19,753,533			21,849,093	19,753,533
Investment earnings	403,942	693,430	(33,852)	124,489	370,090	817,919
Other revenues	<u>555,437</u>	<u>620,781</u>	<u>698,727</u>	<u>355,880</u>	<u>1,254,164</u>	<u>976,661</u>
TOTAL REVENUES	<u>30,378,734</u>	<u>26,596,558</u>	<u>19,986,792</u>	<u>19,974,658</u>	<u>50,365,526</u>	<u>46,571,216</u>
EXPENSES:						
Governmental activities:						
General government	1,785,931	1,709,919			1,785,931	1,709,919
Public safety	14,202,515	13,971,460			14,202,515	13,971,460
Public works	8,768,132	11,713,618			8,768,132	11,713,618
Recreation	2,202,042	2,687,554			2,202,042	2,687,554
Community development	3,101,987	579,062			3,101,987	579,062
Interest on long-term debt		7,585				7,585
Business-type activities:						
Water system			5,900,237	5,555,687	5,900,237	5,555,687
Wastewater system			5,333,920	5,920,835	5,333,920	5,920,835
Storm drain			823,506	587,670	823,506	587,670
Refuse			5,847,516	6,044,857	5,847,516	6,044,857
Airport			449,165	382,711	449,165	382,711
Intermodal			108,306	86,055	108,306	86,055
Courthouse square			<u>206,483</u>	<u>175,178</u>	<u>206,483</u>	<u>175,178</u>
TOTAL EXPENSES	<u>30,060,607</u>	<u>30,669,198</u>	<u>18,669,133</u>	<u>18,752,993</u>	<u>48,729,740</u>	<u>49,422,191</u>
Increase in net position before transfers	318,127	(4,072,640)	1,317,659	1,221,665	1,635,786	(2,850,975)
Transfers	(23,178)	35,548	23,178	(35,548)		
Extraordinary item – dissolution of Redevelopment Agency		<u>2,224,680</u>				<u>2,224,680</u>
Change in net position	<u>294,949</u>	<u>(1,812,412)</u>	<u>1,340,837</u>	<u>1,186,117</u>	<u>1,635,786</u>	<u>(626,295)</u>
Net position, beginning of year, as previously reported	207,238,229	209,050,641	93,146,987	91,960,870	300,385,216	301,011,511
Prior period adjustment	<u>246,450</u>		<u>273,422</u>		<u>519,872</u>	
Net position, beginning of year, restated	<u>207,484,679</u>		<u>93,420,409</u>		<u>300,905,088</u>	
Net position, end of year	<u>\$207,779,628</u>	<u>\$207,238,229</u>	<u>\$94,761,246</u>	<u>\$93,146,987</u>	<u>\$302,540,874</u>	<u>\$300,385,216</u>

CITY OF HANFORD
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
(Continued)

The City's revenue totaled \$50,365,526, with 45% generated from charges for services and 43% generated from taxes. The largest source of revenues in Governmental Activities comes from taxes at 72%. 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 94%. 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 \$48,729,740. The two largest categories of expense are public safety, which accounted for 29% of total costs and public works, which represents 18% of total costs. However, in relation to Governmental Activity expenses, public safety makes up 47% of the total.

As depicted in the Statement of Activities, net position increased during the year. In those funds included within the Governmental Activities category, net position increased by \$541,399 an increase of 0.3%. Net position increased in those funds included within the Business-Type Activities category by \$1,614,259, or 1.7%.

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, 2013, the City's governmental statement of activities reported a total ending net position of \$207,779,628, an increase of \$541,399 from the beginning of the year. Approximately 13% of this total amount, \$26,708,741, is available for spending at the government's discretion as unrestricted fund balance. The remainder of fund balance is reserved or designated to indicate that it is not available for new spending because it has already been committed to a specific future use.

The General Fund is the primary operating fund of the City of Hanford. At the end of the fiscal year, unassigned fund balance of the General Fund was \$7,466,441 while total fund balance reached \$16,511,070. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total expenditures. The unassigned fund balance of the general fund represents approximately 36.4% of general fund expenditures.

CITY OF HANFORD
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
(Continued)

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

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

The Water Fund has a total net position of \$28,925,439 at the end of the fiscal year. Total net position includes \$22,816,643 invested in capital assets and \$595,471 reserved for debt service, which are not available to pay for current expenses. The remaining net position of \$5,513,325 is unrestricted and available to cover current operating and capital needs of the fund.

The Refuse Fund has a total net position of \$4,719,269 at the end of the fiscal year. Total net position includes \$185,916 invested in capital assets, which are not available to cover current expenses. The remaining net position of \$4,533,353 is unrestricted and available to cover current operating and capital needs of the fund.

The Wastewater Fund has a total net position of \$30,475,486 at the end of the fiscal year. Total net position includes \$23,171,907 invested in capital assets, which are not available to cover current expenses. The fund has \$7,303,579 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, 2013 amounts to \$251,792,390 (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 \$2,015,707. This increase is a result of annual depreciation, land acquisition, normal equipment replacement, and construction of typical capital assets. Significant capital asset events during the fiscal year included the following:

- Construction on storm drainage facilities \$298,000.
- Construction on wastewater system treatment plan and collection system for \$4,562,431.
- Construction on the water system storage tanks, water wells, and water mains for \$211,821.
- Various street construction projects, rehabilitation and betterments for \$6,168,176.
- Depreciation for fiscal year 2012-13 \$8,471,936.

CITY OF HANFORD
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
(Continued)

Capital Assets
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 60,432,656	\$ 60,432,656	\$ 11,037,597	\$ 11,035,847	\$ 71,470,253	\$ 71,468,503
Buildings	11,042,895	11,350,567	6,568,357	6,842,221	17,611,252	18,192,788
Infrastructure	60,182,724	58,882,422	91,388,119	88,610,687	151,570,843	147,493,109
Equipment	7,129,324	6,675,891	3,187,775	3,299,738	10,317,099	9,975,629
Construction in progress	<u>754,125</u>	<u>981,876</u>	<u>68,818</u>	<u>1,664,778</u>	<u>822,943</u>	<u>2,646,654</u>
Total capital assets	<u>\$139,541,724</u>	<u>\$138,323,412</u>	<u>\$112,250,666</u>	<u>\$111,453,271</u>	<u>\$251,792,390</u>	<u>\$249,776,683</u>

Long-Term Debt - At the end of the current fiscal year, the City of Hanford, primary government, had a total debt outstanding of \$44,822,044.

Outstanding Debt

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Compensated absences	\$ 842,850	\$ 803,467	\$ 165,294	\$ 161,223	\$ 1,008,144	\$ 964,690
Revenue bonds payable			23,595,000	24,480,000	23,595,000	24,480,000
Unamortized bond premium			540,209	143,043	540,209	143,043
Notes payable	246,450	246,450	14,268,334	14,878,713	14,514,784	15,125,163
Lease purchase	<u> </u>	<u> </u>	<u>5,163,907</u>	<u>5,776,607</u>	<u>5,163,907</u>	<u>5,776,607</u>
	<u>\$1,089,300</u>	<u>\$1,049,917</u>	<u>\$43,732,744</u>	<u>\$45,439,586</u>	<u>\$44,822,044</u>	<u>\$46,489,503</u>

In the Business-Type Activities, the revenue bonds payable consists of three bond issues. In 2003, for the water system, the city received \$8,925,000 from the issuance of Water Revenue Bonds for the purpose of refinancing an EDA Loan and 1993 Water Refunding Revenue Bond. For the sewer system there remains a 1996 \$7,855,000 Variable Rate Refunding Bond issue, and a 2012 \$13,165,000 Refunding Revenue Bond that refinanced a 1999 \$5,000,000 bond issue and a 2002 \$10,555,000 bond issue.

The notes payable portion of the outstanding \$14,514,784 debt consists of three loans. In 2002, the City obtained a \$10,000,000 loan for the purpose of expanding the wastewater treatment plant and in 2007, the City obtained \$8,150,000 to finance construction of arsenic remediation projects. In September, 2011, the City obtained a \$246,450 shared appreciation loan from the Kings County Economic Development Corporation for purchase of land in the Kings Industrial Park.

The outstanding lease purchase amount, \$5,163,907, is two capital leases. The first was for an original lease amount of \$3,050,000 to lease water meters and AMR devices. The second lease was for an energy efficient solar tracker system at the wastewater treatment plant for \$4,325,556.

For detail information regarding each of these bonds or notes, please refer to Note 5 – Long-Term Debt, page 47.

CITY OF HANFORD
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
(Continued)

GENERAL FUND BUDGETARY HIGHLIGHTS

The original 2013 fiscal year budget was increased by \$1,226,614 primarily from grant funds and interfund loans obtained for purchase of equipment. The actual revenues were less than budget estimates by about \$845,000 caused from reduced investment earnings and state and federal revenues. Expenditure savings were about \$2,990,100, from all general fund functions.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The key assumptions in the General Fund revenue forecast for fiscal year 2013-2014 were:

- Service charges will increase due to new services and rate increases that went into effect during the fiscal year.
- Property tax revenues will increase about 2% with assessed valuation and general growth.
- Sales tax revenues will grow by about 2%.
- State budget actions will negatively affect general fund revenues.

Items addressed in the budget were:

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

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

Community Development – Commence upgrade of the City general plan.

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

Streets – The design and construction of widening 10th Avenue from Third Street to Hanford Armona Road, install traffic signals at Grangeville Boulevard and 13th Avenue, extend Campus Drive and construct railroad crossing over the UP/SJVRR, seal various streets.

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

REQUESTS FOR INFORMATION

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

FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF HANFORD
Statement of Net Position
June 30, 2013

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	\$ 43,528,748	\$ 21,083,862	\$ 64,612,610
Receivables	3,149,043	1,967,681	5,116,724
Internal balances	(3,216,780)	3,216,780	
Inventories	184,284	187,609	371,893
Deposits	180,000	177,946	357,946
Deferred charges		583,136	583,136
Other assets	5,118		5,118
Long-term notes receivable	19,836,618		19,836,618
Loan to Successor Agency	7,679,886		7,679,886
Restricted cash and investments		595,471	595,471
Land held for resale	492,900		492,900
Capital assets:			
Non-depreciable capital assets:			
Land	60,432,656	11,037,597	71,470,253
Construction in progress	754,125	68,818	822,943
Depreciable capital assets, net of depreciation	<u>78,354,943</u>	<u>101,144,251</u>	<u>179,499,194</u>
 Total assets	 <u>211,381,541</u>	 <u>140,063,151</u>	 <u>351,444,692</u>
LIABILITIES			
Accounts payable	847,553	473,195	1,320,748
Salary and benefits payable	445,047	84,013	529,060
Accrued interest payable		487,117	487,117
Deposits and unearned revenue	23,983	237,818	261,801
Long-term debt – due within one year		2,386,314	2,386,314
Long-term debt – due in more than one year	246,450	40,640,927	40,887,377
Unamortized bond premium		540,209	540,209
Compensated absences – long-term	842,850	165,294	1,008,144
Net OPEB liability	<u>1,196,030</u>	<u>287,018</u>	<u>1,483,048</u>
 Total liabilities	 <u>3,601,913</u>	 <u>45,301,905</u>	 <u>48,903,818</u>
NET POSITION			
Invested in capital assets, net of related debt	139,541,724	69,223,425	208,765,149
Restricted for:			
Streets	6,860,188		6,860,188
Debt service		595,471	595,471
Housing	21,206,373		21,206,373
Public safety	1,852,235		1,852,235
Parks and recreation	1,829,624		1,829,624
Capital projects	9,780,743		9,780,743
Unrestricted	<u>26,708,741</u>	<u>24,942,350</u>	<u>51,651,091</u>
 Total net position	 <u>\$207,779,628</u>	 <u>\$ 94,761,246</u>	 <u>\$302,540,874</u>

See independent auditor's report and notes to financial statements.

CITY OF HANFORD
Statement of Activities
For the Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions			
Primary government:							
Governmental activities:							
General government	\$ 1,785,931	\$ 55,146	\$255,050	\$	\$ (1,475,735)		
Public safety	14,202,515	1,151,202	254,543	182,124	(12,614,646)		
Public works	8,768,132	687,164		2,709,482	(5,371,486)		
Recreation	2,202,042	528,287			(1,673,755)		
Community development	<u>3,101,987</u>	<u>1,472,317</u>	<u>274,947</u>		<u>(1,354,723)</u>		
Total governmental activities	<u>30,060,607</u>	<u>3,894,116</u>	<u>784,540</u>	<u>2,891,606</u>	<u>(22,490,345)</u>		
Business-type activities:							
Water system	5,900,237	5,267,506		433,783	(198,948)		
Wastewater system	5,333,920	5,549,392		47,116	262,588		
Storm drain	823,506	1,310,719		15,500	502,713		
Refuse	5,847,516	6,474,826			627,310		
Airport	449,165	72,400			(376,765)		
Intermodal	108,306	44,996			(63,310)		
Courthouse square	<u>206,483</u>	<u>105,679</u>			<u>(100,804)</u>		
Total business-type activities	<u>18,669,133</u>	<u>18,825,518</u>		<u>496,399</u>	<u>652,784</u>		
Total primary government	<u>\$48,729,740</u>	<u>\$22,719,634</u>	<u>\$784,540</u>	<u>\$3,388,005</u>	<u>\$(21,837,561)</u>		

See independent auditor's report and notes to financial statements.

CITY OF HANFORD
Statement of Activities
For the Year Ended June 30, 2013
(Continued)

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets		
	Governmental Activities	Business-Type Activities	Total
Primary Government:			
Governmental activities:			
General government	\$ (1,475,735)	\$	\$ (1,475,735)
Public safety	(12,614,646)		(12,614,646)
Public works	(5,371,486)		(5,371,486)
Recreation	(1,673,755)		(1,673,755)
Community development	<u>(1,354,723)</u>		<u>(1,354,723)</u>
Total governmental activities	<u>(22,490,345)</u>		<u>(22,490,345)</u>
Business-type activities:			
Water system		(198,948)	(198,948)
Wastewater system		262,588	262,588
Storm drain		502,713	502,713
Refuse		627,310	627,310
Airport		(376,765)	(376,765)
Intermodal		(63,310)	(63,310)
Courthouse square		<u>(100,804)</u>	<u>(100,804)</u>
Total business-type activities		<u>652,784</u>	<u>652,784</u>
Total primary government	<u>(22,490,345)</u>	<u>652,784</u>	<u>(21,837,561)</u>
General revenues:			
Taxes:			
Property taxes	11,297,290		11,297,290
Sales and use tax	6,827,981		6,827,981
Franchise taxes	815,178		815,178
Other taxes	2,908,644		2,908,644
Revenue from use of money and property	403,942	(33,852)	370,090
Impact fees		517,829	517,829
Miscellaneous/other	555,437	180,898	736,335
Transfers - interfund	<u>(23,178)</u>	<u>23,178</u>	
Total general revenues and transfers	<u>22,785,294</u>	<u>688,053</u>	<u>23,473,347</u>
Change in net position			
Net position – beginning of year, as previously reported	294,949	1,340,837	1,635,786
Prior period adjustment	<u>246,450</u>	<u>273,422</u>	<u>519,872</u>
Net position, beginning of year, restated	<u>207,484,679</u>	<u>93,420,409</u>	<u>300,905,088</u>
Net position, end of year	<u>\$207,779,628</u>	<u>\$94,761,246</u>	<u>\$302,540,874</u>

See independent auditor's report and notes to financial statements.

**GOVERNMENTAL
FUND FINANCIAL STATEMENTS**

CITY OF HANFORD
Combining Balance Sheet
Governmental Funds
For the Year Ended June 30, 2013

	General Fund	CDBG Home/Housing Fund	Capital Project Fund	Transportation Funds	All Other Governmental Funds	Totals
ASSETS						
Cash and investments	\$ 7,653,424	\$ 324,261	\$6,580,819	\$ 1,254,490	\$11,141,504	\$25,700,008
Receivables	1,381,840	55,332	32,058		414,770	3,138,490
Loan receivable	25,000	17,229,026				2,582,592
Due from other funds	548,713		2,148,473			19,836,618
Deposits	100,000					2,697,186
Other assets	1,831		1,100			100,000
Land for resale	492,900					2,931
Advances to successor agency	<u>7,679,886</u>					492,900
Total assets	<u>\$17,883,594</u>	<u>\$17,608,619</u>	<u>\$8,762,450</u>	<u>\$1,254,490</u>	<u>\$14,138,866</u>	<u>\$59,648,019</u>
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable	375,814	64,092		14,678	44,382	498,966
Accrued wages payable	352,023					352,023
Consumer deposits	22,767	1,216				23,983
Due to other funds	375,470			280,950	267,763	924,183
Loans payable	<u>246,450</u>					<u>246,450</u>
Total liabilities	<u>1,372,524</u>	<u>65,308</u>	<u>295,628</u>		<u>312,145</u>	<u>2,045,605</u>
FUND BALANCES						
Nonspendable:						
Long-term receivables	7,679,886				2,533,123	10,213,009
Land for resale	246,450					246,450
Insurance deposits	100,000					100,000
Restricted for:						
Community development		17,543,311				17,543,311
Streets and roads				958,862	5,102,159	6,061,021
Recreation					1,829,624	1,829,624
Landscape maintenance					800,363	800,363
Public safety					1,853,604	1,853,604
Aviation					10,000	10,000

See independent auditor's report and notes to financial statements.

CITY OF HANFORD
Combining Balance Sheet
Governmental Funds
For the Year Ended June 30, 2013
(Continued)

	General Fund	CDBG Home/Housing Fund	Capital Project Fund	Transportation Funds	All Other Governmental Funds	Totals
Committed for:						
Parking and business improvement			8,762,450		547,660	9,310,110
Community Development					1,153,572	1,153,572
Capital projects	1,018,293					1,018,293
Unassigned	<u>7,466,441</u>				<u>(3,384)</u>	<u>7,463,057</u>
Total fund balances	<u>\$16,511,070</u>	<u>\$17,543,311</u>	<u>\$8,762,450</u>	<u>\$ 958,862</u>	<u>\$13,826,721</u>	<u>\$57,602,414</u>
Total liabilities and fund balances	<u>\$17,883,594</u>	<u>\$17,608,619</u>	<u>\$8,762,450</u>	<u>\$1,254,490</u>	<u>\$14,138,866</u>	<u>\$59,648,019</u>

See independent auditor's report and notes to financial statements.

CITY OF HANFORD
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Position
June 30, 2013

Total fund balances governmental funds	\$ 57,602,414
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets: In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation:	
Capital assets at historical cost	\$200,555,169
Accumulated depreciation	<u>(66,963,685)</u>
	133,591,484
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 position:	
	18,624,610
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:	
Compensated absences	\$ 842,850
Unfunded OPEB liabilities	<u>1,196,030</u>
	<u>(2,038,880)</u>
Total net position – governmental activities	<u><u>\$207,779,628</u></u>

CITY OF HANFORD
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2013

	General Fund	CDBG Home/Housing Fund	Capital Project Fund	Transportation Funds	All Other Governmental Funds	Totals
REVENUES						
Taxes and special assessments	\$19,231,246	\$ 1,073,017	\$ 114,926	\$ 525,310	\$ 2,996,325	\$22,752,881
Aid from other government agencies	1,165,035			2,053,791	255,049	4,661,818
Licenses and permits	491,603					491,603
Fines and forfeitures	97,704				62,269	159,973
Charges for services	648,929					648,929
Revenue from use of money and property	306,730	193,778		3,607	62,859	566,974
Miscellaneous	317,240	901	229,726		45	547,912
Unrealized gain (loss) on investments		(2,172)	(36,859)	811	(61,570)	(99,790)
Total revenues	<u>22,258,487</u>	<u>1,265,524</u>	<u>307,793</u>	<u>2,583,519</u>	<u>3,314,977</u>	<u>29,730,300</u>
EXPENDITURES						
General government	1,407,244				337,976	1,745,220
Public safety	13,905,815					13,905,815
Public works	2,866,248				628,072	3,494,320
Recreation	1,334,695					1,334,695
Community development	1,023,840	1,033,151			876,607	2,933,598
Capital outlay		<u>781,577</u>	<u>465,176</u>	<u>2,077,576</u>	<u>3,875,208</u>	<u>7,199,537</u>
Total expenditures	<u>20,537,842</u>	<u>1,814,728</u>	<u>465,176</u>	<u>2,077,576</u>	<u>5,717,863</u>	<u>30,613,185</u>
Excess (deficiency) of revenues over expenditures	<u>1,720,645</u>	<u>(549,204)</u>	<u>(157,383)</u>	<u>505,943</u>	<u>(2,402,886)</u>	<u>(882,885)</u>
Other financing sources (uses)						
Operating transfers in	64,876			3,248	170,372	238,496
Operating transfers out	(180,243)				(81,431)	(261,674)
Total other financing sources (uses)	<u>(115,367)</u>			<u>3,248</u>	<u>88,941</u>	<u>(23,178)</u>

See independent auditor's report and notes to financial statements.

CITY OF HANFORD
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2013

	General Fund	CDBG Home/Housing Fund	Capital Project Fund	Transportation Funds	All Other Governmental Funds	Totals
Net change in fund balance	<u>1,605,278</u>	<u>(549,204)</u>	<u>(157,383)</u>	<u>509,191</u>	<u>(2,313,945)</u>	<u>(906,063)</u>
Fund balance beginning of year, as previously reported	14,659,342	18,092,515	8,919,833	449,671	16,140,666	58,262,027
Prior period adjustment	<u>246,450</u>	—	—	—	—	<u>246,450</u>
Fund balance beginning of year, restated	<u>14,905,792</u>	<u>18,092,515</u>	<u>8,919,833</u>	<u>449,671</u>	<u>16,140,666</u>	<u>58,508,477</u>
Fund balance end of year	<u>\$16,511,070</u>	<u>\$17,543,311</u>	<u>\$8,762,450</u>	<u>\$ 958,862</u>	<u>\$13,826,721</u>	<u>\$57,602,414</u>

See independent auditor's 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
For the Year ended June 30, 2013

Total net change in fund balances – governmental funds	\$906,063
Amounts reported for governmental activities in the statement of activities different because:	
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period:	
Expenditures for capital outlay	\$ 5,575,700
Depreciation expense	<u>(5,159,338)</u>
	416,362
The net effect of various transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net position:	648,434
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:	(39,383)
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:	442,630
Unfunded OPEB liability: These expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in government funds.	<u>(267,031)</u>
Change in net position of governmental activities	<u>\$ 294,949</u>

PROPRIETARY FUNDS FINANCIAL STATEMENTS

CITY OF HANFORD
Statement of Net Position
Proprietary Funds
June 30, 2013

	Water System Fund	Sewer Improvement Funds		
		Wastewater Fund	Storm Drain Fund	Refuse Fund
ASSETS				
Current assets:				
Cash and investments	\$ 5,389,123	\$ 7,407,290	\$ 3,800,932	\$ 4,311,984
Restricted cash	595,471			
Accounts receivable, net	560,433	512,637	224,710	613,129
Prepaid expenses				
Deposits	6,000	4,000	167,946	
Inventory	187,609			
Deferred charges	175,567	407,569		
Due from other funds		25,963		
Total current assets	<u>6,914,203</u>	<u>8,357,459</u>	<u>4,193,588</u>	<u>4,925,113</u>
Noncurrent assets:				
Capital assets:				
Land	324,114	4,135,650	3,454,826	
Buildings and improvements	46,301,146	73,040,896	16,016,498	234,665
Machinery and equipment	3,763,294	541,400	129,356	1,100,516
Construction in progress	58,318			10,500
Less accumulated depreciation	<u>(13,258,170)</u>	<u>(25,890,857)</u>	<u>(3,926,443)</u>	<u>(1,159,765)</u>
Total capital assets (net of accumulated depreciation)	<u>37,188,702</u>	<u>51,827,089</u>	<u>15,674,237</u>	<u>185,916</u>
Total noncurrent assets	<u>37,188,702</u>	<u>51,827,089</u>	<u>15,674,237</u>	<u>185,916</u>
Total assets	<u><u>\$ 44,102,905</u></u>	<u><u>\$ 60,184,548</u></u>	<u><u>\$ 19,867,825</u></u>	<u><u>\$ 5,111,029</u></u>
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 138,853	\$ 139,685	\$ 2,463	\$ 173,475
Salaries and benefits payable	26,243	23,958		32,875
Deposits and unearned revenue	236,320			
Due to other funds				
Interest payable	126,071	361,046		
Current portion of long-term debt	<u>872,428</u>	<u>1,513,886</u>		
Total current liabilities	<u>1,399,915</u>	<u>2,038,575</u>	<u>2,463</u>	<u>206,350</u>
Noncurrent liabilities:				
Compensated absences payable	50,509	46,664		68,121
Net OPEB liability	93,308	76,421		117,289
Unamortized bond premium	134,103	406,106		
Bonds and notes payable	<u>13,499,631</u>	<u>27,141,296</u>		
Total noncurrent liabilities	<u>13,777,551</u>	<u>27,670,487</u>		<u>185,410</u>
Total liabilities	<u>15,177,466</u>	<u>29,709,062</u>	<u>2,463</u>	<u>391,760</u>
NET POSITION				
Invested in capital assets net of related debt	22,816,643	23,171,907	15,674,237	185,916
Restricted for debt service	595,471			
Unrestricted	<u>5,513,325</u>	<u>7,303,579</u>	<u>4,191,125</u>	<u>4,533,353</u>
Total net position	<u><u>\$ 28,925,439</u></u>	<u><u>\$ 30,475,486</u></u>	<u><u>\$ 19,865,362</u></u>	<u><u>\$ 4,719,269</u></u>

See independent auditor's report and notes to financial statements.

CITY OF HANFORD
Statement of Net Position
Proprietary Funds
June 30, 2013
(Continued)

	Airport Fund	Intermodal Fund	Courthouse Square	Total	Governmental Activities Internal Service Funds
ASSETS					
Current assets:					
Cash and investments	\$ 174,533	\$	\$	\$ 21,083,862	\$ 17,828,740
Restricted cash				595,471	
Accounts receivable, net	2,553		54,219	1,967,681	10,553
Prepaid expenses					2,187
Deposits				177,946	80,000
Inventory				187,609	184,284
Deferred charges				583,136	
Due from other funds				25,963	
Total current assets	<u>177,086</u>	<u> </u>	<u>54,219</u>	<u>24,621,668</u>	<u>18,105,764</u>
Noncurrent assets:					
Capital assets:					
Land	2,596,623	526,384		11,037,597	
Buildings and improvements	6,710,403	1,784,997		144,088,605	
Machinery and equipment	54,971			5,589,537	16,585,473
Construction in progress				68,818	
Less: Accumulated depreciation	<u>(3,665,798)</u>	<u>(632,858)</u>		<u>(48,533,891)</u>	<u>(10,635,233)</u>
Total capital assets (net of accumulated depreciation)	<u>5,696,199</u>	<u>1,678,523</u>		<u>112,250,666</u>	<u>5,950,240</u>
Total noncurrent assets	<u>5,696,199</u>	<u>1,678,523</u>		<u>112,250,666</u>	<u>5,950,240</u>
Total assets	<u><u>\$ 5,873,285</u></u>	<u><u>\$ 1,678,523</u></u>	<u><u>\$ 54,219</u></u>	<u><u>\$ 136,872,334</u></u>	<u><u>\$ 24,056,004</u></u>
LIABILITIES					
Current Liabilities:					
Accounts payable	\$ 4,740	\$ 1,007	\$ 12,972	\$ 473,195	\$ 372,343
Salaries and benefits payable	329		608	84,013	69,268
Deposits and unearned revenue	1,498			237,818	
Due to other funds	385,468	632,268	781,230	1,798,966	
Interest payable				487,117	
Current portion of long-term debt				2,386,314	
Total current liabilities	<u>392,035</u>	<u>633,275</u>	<u>794,810</u>	<u>5,467,423</u>	<u>441,611</u>
Noncurrent liabilities:					
Compensated absence payable				165,294	
Net OPEB liability				287,018	
Unamortized bond premium				540,209	
Bonds and notes payable				40,640,927	
Total noncurrent liabilities	<u> </u>	<u> </u>	<u> </u>	<u>41,633,448</u>	<u> </u>
Total liabilities	<u>392,035</u>	<u>633,275</u>	<u>794,810</u>	<u>47,100,871</u>	<u>441,611</u>
NET POSITION					
Invested in capital assets, net of related debt	5,696,199	1,678,523		69,223,425	5,950,240
Restricted for debt service				595,471	
Unrestricted	<u>(214,949)</u>	<u>(633,275)</u>	<u>(740,591)</u>	<u>19,952,567</u>	<u>17,664,153</u>
Total net position	<u><u>\$ 5,481,250</u></u>	<u><u>\$ 1,045,248</u></u>	<u><u>\$ (740,591)</u></u>	<u><u>89,771,463</u></u>	<u><u>\$ 23,614,393</u></u>
Adjustments to reflect the consolidation of the internal service funds related to enterprise funds				4,989,783	
Net position of business-type activities				<u><u>\$ 94,761,246</u></u>	

See independent auditor's report and notes to financial statements.

CITY OF HANFORD
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2013

	Water System Fund	Sewer Improvement Funds		
		Wastewater Fund	Storm Drain Fund	Refuse Fund
OPERATING REVENUES				
Charges for services	\$ 5,267,506	\$ 5,549,392	\$ 1,310,719	\$6,474,826
Other revenues	<u>270,279</u>	<u>209,703</u>	<u>108,558</u>	<u>3,316</u>
Total operating revenue	<u>5,537,785</u>	<u>5,759,095</u>	<u>1,419,277</u>	<u>6,478,142</u>
OPERATING EXPENSES				
Personnel services	1,305,318	1,128,917		1,654,808
Services and supplies	2,867,857	2,051,596	614,226	4,576,737
Depreciation and amortization	<u>1,115,706</u>	<u>1,225,493</u>	<u>208,507</u>	<u>4,372</u>
Total operating expenses	<u>5,288,881</u>	<u>4,406,006</u>	<u>822,733</u>	<u>6,235,917</u>
Operating income (loss)	<u>248,904</u>	<u>1,353,089</u>	<u>596,544</u>	<u>242,225</u>
NON-OPERATING REVENUES (EXPENSES)				
Intergovernmental	392,110			
Interest income	25,660	33,521	18,281	1,416
Interest expense	(667,251)	(985,458)		
Unrealized gain (loss) on investments	(28,985)	(39,943)	(20,123)	(22,952)
Miscellaneous	____	____	____	____
Total non-operating revenue (expense)	<u>(278,466)</u>	<u>(991,880)</u>	<u>(1,842)</u>	<u>(21,536)</u>
Income (loss) before capital contributions and transfers	(29,562)	361,209	594,702	220,689
Capital contributions	41,673	47,116	15,500	
Transfers in (out)	<u>(390)</u>	____	____	____
CHANGES IN NET POSITION	11,721	408,325	610,202	220,689
NET POSITION, Beginning of year, as previously reported	<u>28,913,718</u>	<u>29,793,739</u>	<u>19,255,160</u>	<u>4,498,580</u>
PRIOR PERIOD ADJUSTMENT	____	<u>273,422</u>	____	____
NET POSITION, Beginning of year - restated	<u>28,913,718</u>	<u>30,067,161</u>	<u>19,255,160</u>	<u>4,498,580</u>
NET POSITION, End of year	<u>\$28,925,439</u>	<u>\$30,475,486</u>	<u>\$19,865,362</u>	<u>\$4,719,269</u>

See independent auditor's report and notes to financial statements.

CITY OF HANFORD
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2013
(Continued)

	Airport Fund	Intermodal Fund	Courthouse Square	Total Enterprise Funds	Governmental Activities Internal Service Funds
OPERATING REVENUES					
Charges for services	\$ 72,400	\$ 44,996	\$ 105,679	\$18,825,518	\$ 5,608,378
Other revenues	<u>48,094</u>	<u>147</u>		<u>640,097</u>	
Total operating revenue	<u>120,494</u>	<u>45,143</u>	<u>105,679</u>	<u>19,465,615</u>	<u>5,608,378</u>
OPERATING EXPENSES					
Personnel services	16,958		30,661	4,136,662	1,012,290
Services and supplies	194,017	72,218	175,435	10,552,086	3,119,329
Depreciation and amortization	<u>237,778</u>	<u>35,701</u>		<u>2,827,557</u>	<u>1,022,508</u>
Total operating expenses	<u>448,753</u>	<u>107,919</u>	<u>206,096</u>	<u>17,516,305</u>	<u>5,154,127</u>
Operating income (loss)	<u>(328,259)</u>	<u>(62,776)</u>	<u>(100,417)</u>	<u>1,949,310</u>	<u>454,251</u>
NON-OPERATING REVENUES (EXPENSES)					
Intergovernmental				392,110	
Interest income	6			78,884	48,291
Interest expense				(1,652,709)	
Unrealized gain (loss) on investments	(980)	115	132	(112,736)	(95,242)
Miscellaneous	<u>58,630</u>			<u>58,630</u>	<u>41,931</u>
Total non-operating revenue (expense)	<u>57,656</u>	<u>115</u>	<u>132</u>	<u>(1,235,821)</u>	<u>(5,020)</u>
Income (loss) before capital capital contributions and transfers	(270,603)	(62,661)	(100,285)	713,489	449,231
Capital contributions				104,289	493,280
Transfers in (out)	<u>23,568</u>			<u>23,178</u>	
CHANGE IN NET POSITION	(247,035)	(62,661)	(100,285)	840,956	942,511
NET POSITION, Beginning of year as previously reported	<u>5,728,285</u>	<u>1,107,909</u>	<u>(640,306)</u>		<u>22,671,882</u>
PRIOR PERIOD ADJUSTMENT					
NET POSITION, Beginning of year - restated	<u>5,728,285</u>	<u>1,107,909</u>	<u>(640,306)</u>		<u>22,671,882</u>
NET POSITION, End of year	<u>\$5,481,250</u>	<u>\$1,045,248</u>	<u>\$(740,591)</u>		<u>\$23,614,393</u>
Adjustment to reflect the consolidation of the internal service funds activities related to enterprise funds				<u>499,881</u>	
Change in net position of business-type activities (Page 16)				<u>\$ 1,340,837</u>	

See independent auditor's report and notes to financial statements.

CITY OF HANFORD
Statement of Cash Flows
Proprietary Funds
For the Year ended June 30, 2013

	Water System Fund	Sewer Improvement Funds			
	Wastewater Fund	Storm Drain Fund	Refuse Fund		Airport Fund
CASH FLOWS FROM OPERATING ACTIVITIES:					
ACTIVITIES:					
Cash received for current services	\$ 5,260,656	\$ 5,504,181	\$ 1,210,553	\$ 6,450,200	\$ 77,296
Cash received for other operating revenues	270,279	209,703	108,558	3,316	48,094
Cash paid for services and supplies	(2,890,826)	(2,078,985)	(614,082)	(4,595,323)	(193,241)
Cash paid for salaries and benefits	<u>(1,275,388)</u>	<u>(1,102,607)</u>	_____	<u>(1,628,301)</u>	<u>(16,823)</u>
Net cash provided (used) by operating activities	<u>1,364,721</u>	<u>2,532,292</u>	<u>705,029</u>	<u>229,892</u>	<u>(84,674)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:					
Intergovernmental revenue	392,110				
Transfers (to) from other funds	(390)				23,568
Loans from/(to) other funds	_____	22,443	_____	_____	<u>(10,000)</u>
Net cash provided (used) by non-capital financing activities	<u>391,720</u>	<u>22,443</u>	_____	_____	<u>13,568</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Principal paid on long-term debt	(835,190)	(14,434,970)			
Interest paid	(683,936)	(1,433,211)			
Proceeds from refunding bonds		13,592,480			
Capital expenditures	<u>(222,170)</u>	<u>(3,756,543)</u>	<u>(452,196)</u>	<u>(16,075)</u>	<u>(7,211)</u>
Net cash provided (used) by capital and related financing activities	<u>(1,741,296)</u>	<u>(6,032,244)</u>	<u>(452,196)</u>	<u>(16,075)</u>	<u>(7,211)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:					
Unrealized gain (loss) on investments	(28,985)	(39,943)	(20,123)	(22,952)	(980)
Other non-operating revenue (expense)					58,630
Interest received	<u>28,460</u>	<u>36,773</u>	<u>19,767</u>	<u>1,558</u>	<u>6</u>
Net cash provided by investing activities	<u>(525)</u>	<u>(3,170)</u>	<u>(356)</u>	<u>(21,394)</u>	<u>57,656</u>
Net increase (decrease) in cash and cash equivalents	14,620	(3,480,679)	252,477	192,423	(20,661)
Cash and cash equivalents, beginning of year	<u>5,969,974</u>	<u>10,887,969</u>	<u>3,548,455</u>	<u>4,119,561</u>	<u>195,194</u>
Cash and cash equivalents, end of year	<u>\$ 5,984,594</u>	<u>\$ 7,407,290</u>	<u>\$3,800,932</u>	<u>\$ 4,311,984</u>	<u>\$ 174,533</u>

See independent auditor's report and notes to financial statements.

CITY OF HANFORD
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2013
(Continued)

	Water System Fund	<u>Sewer Improvement Funds</u>		Refuse Fund	Airport Fund
		Wastewater Fund	Storm Drain Fund		
Reconciliation of operating income to net cash provided by operating activities:					
Operating income (loss)	\$ 248,904	\$ 1,353,089	\$ 596,544	\$ 242,225	\$(328,259)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	1,102,691	1,225,493	208,507	4,372	237,778
(Increase) decrease in net assets:					
Accounts receivable	(14,480)	(45,211)	(100,166)	(24,626)	4,210
Prepaid expenses					
Deposits					
Inventory	28,956				
Increase (decrease) in net liabilities:					
Accounts payable	(38,910)	(27,389)	144	(18,586)	776
Salaries and benefits payable	4,803	6,600		6,216	135
Compensated absences	4,950	3,338		(4,217)	686
Deposits and deferred revenue	7,630				
OPEB liability	20,177	16,372		24,508	
Total adjustments	<u>1,115,817</u>	<u>1,179,203</u>	<u>108,485</u>	<u>(12,333)</u>	<u>243,585</u>
Net cash provided (used) by operating activities	<u>\$ 1,364,721</u>	<u>\$ 2,532,292</u>	<u>\$ 705,029</u>	<u>\$ 229,892</u>	<u>\$ (84,674)</u>
Noncash investing, capital, and financing activities:					
Contributions of capital assets	<u>\$ 41,673</u>	<u>\$ 47,116</u>	<u>\$ 15,500</u>	<u>\$ _____</u>	<u>\$ _____</u>

See independent auditor's report and notes to financial statements.

CITY OF HANFORD
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2013
(Continued)

	Intermodal Fund	Courthouse Square	Total Enterprise Funds	Governmental Activities- Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES:				
ACTIVITIES:				
Cash received for current services	\$ 44,996	\$ 104,694	\$ 18,652,576	\$ 5,608,378
Cash received for other operating revenues	147		640,097	
Cash paid for services and supplies	(72,257)	(166,936)	(10,611,650)	(3,133,233)
Cash paid for salaries and benefits	_____	(30,540)	(4,053,659)	(1,025,569)
Net cash provided (used) by operating activities	<u>(27,114)</u>	<u>(92,782)</u>	<u>4,627,364</u>	<u>1,449,576</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:				
Intergovernmental revenue			392,110	
Transfers (to) from other funds	25,963		49,141	
Loans from/ (to) other funds	_____	92,650	105,093	_____
Net cash provided (used) by non-capital financing activities	<u>25,963</u>	<u>92,650</u>	<u>546,344</u>	_____
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Principal paid on long-term debt			(15,270,160)	
Interest paid			(2,117,147)	
Proceeds from refunding bonds			13,592,480	
Capital expenditures	_____	_____	(4,454,195)	(682,744)
Net cash provided (used) by capital and related financing activities	_____	_____	<u>(8,249,022)</u>	<u>(682,744)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Unrealized gain (loss) on investments	115	132	(112,736)	(95,242)
Other non-operating revenue (expense)			58,630	41,931
Interest received	_____	_____	86,564	52,516
Net cash provided (used) by investing activities	<u>115</u>	<u>132</u>	<u>32,458</u>	<u>(795)</u>
Net increase (decrease) in cash and cash equivalents	(1,036)		(3,042,856)	766,037
Cash and cash equivalents, beginning of year	1,036		24,722,189	17,062,703
Cash and cash equivalents, end of year	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ 21,679,333</u>	<u>\$ 17,828,740</u>

See independent auditor's report and notes to financial statements.

CITY OF HANFORD
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2013
(Continued)

	<u>Intermodal Fund</u>	<u>Courthouse Square</u>	<u>Total Enterprise Funds</u>	<u>Governmental Activities- Internal Service Fund</u>
Reconciliation of operating income to net cash provided by operating activities:				
Operating income/(loss)	\$(62,776)	\$(100,417)	\$ 1,949,310	\$ 454,251
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	35,701		2,814,542	1,022,508
(Increase) decrease in net assets:				
Accounts receivable		(985)	(181,258)	
Prepaid expenses				(2,187)
Deposits				(80,000)
Inventory			28,956	(29,790)
Increase (decrease) in net liabilities:				
Accounts payable	(39)	8,499	(75,505)	89,087
Salaries and benefits payable		121	17,875	(4,293)
Compensated absences			4,757	
Deposits and deferred revenue			7,630	
OPEB liability			61,057	
Total adjustments	<u>35,662</u>	<u>7,635</u>	<u>2,678,054</u>	<u>995,325</u>
Net cash provided (used) by operating activities	<u>\$(27,114)</u>	<u>\$(92,782)</u>	<u>\$ 4,627,364</u>	<u>\$ 1,449,576</u>
Noncash investing, capital, and financing activities:				
Contribution of capital assets	\$ _____	\$ _____	\$ 104,289	\$ _____

See independent auditor's report and notes to financial statements.

FIDUCIARY FUNDS FINANCIAL STATEMENTS

CITY OF HANFORD
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2013

	Redevelopment Successor Agency Private-Purpose Trust Fund	Trust and Agency Funds
ASSETS		
Cash and investments	\$ 1,852,770	\$1,328,454
Accounts receivable	1,472	4,515
Assets held for resale	1,844,343	
Other	<hr/>	<hr/>
Total assets	<u>\$ 3,698,585</u>	<u>\$2,947,969</u>
LIABILITIES		
Accounts payable	\$1,643,157	\$ 322,469
Deposits held for others	119,166	
Advances from City of Hanford	7,679,886	
Bonds/notes payable	<hr/>	<hr/>
Total liabilities	<u>10,216,513</u>	<u>2,056,635</u>
NET POSITION (Deficit)		
Held in trust for the retirement of obligations of the former Hanford Redevelopment Agency and other purposes	<hr/>	<hr/>
Total net position (deficit)	<u><u>\$ (6,517,928)</u></u>	<u><u>\$ 891,334</u></u>

See independent auditor's report and notes to financial statements.

CITY OF HANFORD
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Period Ended June 30, 2013

	Redevelopment Successor Agency Private-Purpose Trust Fund	Trust and Agency Funds
ADDITIONS		
Taxes	\$ 154,390	\$
Investment earnings	5,701	
Other additions	<u>18,190</u>	<u>486,035</u>
Total additions	<u>178,281</u>	<u>486,035</u>
DEDUCTIONS		
General government	76,040	17,954
Other agencies	1,643,157	
Unrealized (gain) loss on investments	9,933	3,061
Debt service:		
Principal	355,000	
Interest	<u>107,195</u>	
Total deductions	<u>1,729,130</u>	<u>483,210</u>
Change in net position	(1,550,849)	2,825
Net position (deficit) – beginning of year	<u>(4,967,079)</u>	<u>888,509</u>
Net position (deficit) – end of year	<u><u>\$(6,517,928)</u></u>	<u><u>\$891,334</u></u>

See independent auditor's report and notes to financial statements.

CITY OF HANFORD
Notes to Financial Statements
June 30, 2013

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, 2013 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 is 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. Separate financial statements of the Hanford Improvement Corporation may be obtained from the City of Hanford, 319 N. Douty Street, Hanford, CA 93230.

CITY OF HANFORD
Notes to Financial Statements
June 30, 2013
(Continued)

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, 2013
(Continued)

The City reports the following major governmental funds:

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

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

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

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

The City reports the following major enterprise funds:

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

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

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

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

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

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

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

CITY OF HANFORD
Notes to Financial Statements
June 30, 2013
(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.

Additionally, the City reports the following fund types:

Internal Service Funds – Internal Service Funds are used to account for the financing of goods 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, 2013
(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 reported as non-operating.

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

Cash and Investments

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

Investments

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

Further cash and investment disclosures are presented in Note 2.

Interfund Transactions

Interfund transactions are reflected as either loans, services provided, reimbursements or transfers. Loans are reported as receivables and payables as appropriate, are subject to elimination upon consolidation and are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statement as "internal balances." Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not available financial resources.

CITY OF HANFORD
Notes to Financial Statements
June 30, 2013
(Continued)

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

Receivables

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

Inventory

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

Land Held for Resale

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

Capital Assets

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

Government-Wide Statements

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

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

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

CITY OF HANFORD
Notes to Financial Statements
June 30, 2013
(Continued)

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

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

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

Fund Financial Statements

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

Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation, sick pay benefits and compensatory time. All vacation, sick and compensatory pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or 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, 2013
(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 and regulations of other governments and restrictions imposed by law through constructional provisions or enabling legislation.
- *Unrestricted net assets* – This category represents net assets of the City, not restricted for any project or other purpose.

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

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

CITY OF HANFORD
Notes to Financial Statements
June 30, 2013
(Continued)

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

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

Property Taxes

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

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

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

E. Unearned Revenue

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

F. Use of Estimates

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

CITY OF HANFORD
Notes to Financial Statements
June 30, 2013
(Continued)

G. Stewardship, Compliance, and Accountability

Budgets and Budgetary Accounting

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

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

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

Supplemental budgetary appropriations were negligible for the fiscal year ended June 30, 2013. 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 Position

The Courthouse Square Proprietary Fund had a deficit net position of \$740,591. The deficit is expected to be eliminated in future years through revenues or transfers from other funds.

Reclassification and Eliminations

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

CITY OF HANFORD
Notes to Financial Statements
June 30, 2013
(Continued)

NOTE 2 – CASH AND INVESTMENTS

Cash and investments as of June 30, 2013 are classified in the accompanying financial statements as follows:

Statement of Net Assets:	
Cash and investments	\$64,612,610
Restricted cash and investments	595,471
Fiduciary funds:	
Cash and investments	<u>3,181,224</u>
Total cash and investments	<u><u>\$68,389,305</u></u>

Cash and investments as of June 30, 2013 consist of the following:

Cash on hand	\$ 1,745
Deposits with financial institutions	9,079,138
Investments	<u>59,308,422</u>
Total cash and investments	<u><u>\$68,389,305</u></u>

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

The table below identifies the **investment types** that are authorized for the City of Hanford by the California Government Code (or the City of Hanford's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the City of Hanford's investment policy, where more restrictive) that address **interest rate risk**, **credit risk**, and **concentration** of credit risk. This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the City of Hanford, rather than the general provisions of the California Government Code or the City of Hanford's investment policy.

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

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

CITY OF HANFORD
Notes to Financial Statements
June 30, 2013
(Continued)

Investments Authorized by Debt Agreements

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

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

Disclosure Relating to Interest Rate risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City of Hanford manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing and coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the City of Hanford's investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the City of Hanford's investments by maturity.

Investment Type	Remaining Maturity (in Months)		
	12 Months or Less	13 to 24 Months	25 to 60 Months
Federal Agency Securities	\$14,997,936	\$ 721,765	\$14,276,171
State Investment Pool	39,907,101	39,907,101	
Negotiable Certificates of Deposits	3,157,529	250,240	710,897
Held by Bond Trustee:			2,196,392
Money Market Funds	<u>1,245,856</u>	<u>1,245,856</u>	
Total	<u>\$59,308,422</u>	<u>\$41,403,197</u>	<u>\$1,432,662</u>
			<u>\$16,472,563</u>

CITY OF HANFORD
Notes to Financial Statements
June 30, 2013
(Continued)

Disclosures Relating to Credit Risk

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

Investment Type	Minimum Legal Rating	Standard & Poors Ratings as of Year End			Not Rated
		AAAm	AA		
Federal Agency Securities	\$14,997,936	N/A	\$	\$14,997,936	\$
State Investment Pool	39,907,101	N/A			39,907,101
Negotiable Certificates of Deposits	3,157,529	N/A			3,157,529
Held by Bond Trustee:					
Money Market Funds	<u>1,245,856</u>	N/A	<u>650,386</u>		<u>595,470</u>
Total	<u>\$59,308,422</u>		<u>\$650,386</u>	<u>\$14,997,936</u>	<u>\$43,660,100</u>

Concentration of Credit Risk

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

Issuer	Investment Type	Reported Amount
FNMA	Federal Agency Securities	\$6,765,410
FFCB	Federal Agency Securities	\$5,745,462

Custodial Credit Risk

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

CITY OF HANFORD
Notes to Financial Statements
June 30, 2013
(Continued)

GASB Statement No. 40 requires that the following disclosure be made with respect to custodial credit risks relating to deposits and investments: \$10,077,922 of the City of Hanford's deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. None of the City's investments were subject to custodial credit risk.

Investment in State Investment Pool

The City of Hanford is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the City of Hanford's investment in this pool is reported in the accompanying financial statements at amounts based upon the City of Hanford's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

NOTE 3 – RECEIVABLES

Receivables as of June 30, 2013 for the City's individual major funds, nonmajor funds and internal service funds in the aggregate are as follows:

	Accounts	Taxes	Grants	Interest	Loans	Total
Governmental Funds						
General	\$ 445,135	\$ 911,050	\$ 54,692	\$ 25,655	\$ 25,000	\$ 1,406,840
CDBG Home/Housing Capital Project	32,058			640	17,229,026	17,284,358
Transportation Funds		524,963	728,572	955		32,058
Nonmajor and Other	295,144	110,591		9,035	2,582,592	1,254,490
Total	<u>\$ 772,337</u>	<u>\$1,546,604</u>	<u>\$783,264</u>	<u>\$36,285</u>	<u>\$19,836,618</u>	<u>\$22,975,108</u>
Enterprise Funds						
Water System	\$ 555,110	\$	\$	\$ 5,323	\$	\$ 560,433
Wastewater	505,387			7,250		512,637
Storm Drain	220,836			3,874		224,710
Refuse	612,819			310		613,129
Airport	723				1,830	2,553
Courthouse Square	<u>54,219</u>	<u>\$</u>	<u>\$</u>	<u>\$16,757</u>	<u>\$ 1,830</u>	<u>54,219</u>
Total	<u>\$1,949,094</u>	<u>\$</u>	<u>\$</u>	<u>\$16,757</u>	<u>\$ 1,830</u>	<u>\$ 1,967,681</u>
Internal Service Funds						
Fleet Maintenance Fund	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$10,553</u>	<u>\$</u>	<u>\$ 10,553</u>
Total	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$10,553</u>	<u>\$</u>	<u>\$ 10,553</u>

CITY OF HANFORD
Notes to Financial Statements
June 30, 2013
(Continued)

NOTE 4 – CAPITAL ASSETS

Capital assets activities for the year ended June 30, 2013 were as follows:

	Balance July 1, 2012	Addition Completions	Retirements/ Adjustments	Balance June 30, 2013
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 60,432,656	\$	\$	\$ 60,432,656
Construction in Progress	<u>981,876</u>	<u>683,042</u>	<u>(910,793)</u>	<u>754,125</u>
Total capital assets, not being depreciated	61,414,532	683,042	(910,793)	61,186,781
Capital assets being depreciated				
Buildings	18,109,731	11,749		18,121,480
Infrastructure	112,402,161	5,988,458		118,390,619
Equipment	<u>18,317,379</u>	<u>1,682,718</u>	<u>(558,335)</u>	<u>19,441,762</u>
Total capital assets being depreciated	148,829,271	7,682,925	(558,335)	155,953,861
Less: Accumulated depreciation				
Buildings	(6,759,164)	(319,421)		(7,078,585)
Infrastructure	(53,519,739)	(4,688,156)		(58,207,895)
Equipment	<u>(11,641,488)</u>	<u>(1,174,269)</u>	<u>503,319</u>	<u>(12,312,438)</u>
Total accumulated depreciation	(71,920,391)	(6,181,846)	503,319	(77,598,918)
Total capital assets being depreciated, net	<u>76,908,880</u>	<u>1,501,079</u>	<u>(55,016)</u>	<u>78,354,943</u>
Governmental activities capital assets, net	<u>\$138,323,412</u>	<u>\$ 2,184,121</u>	<u>\$ (965,809)</u>	<u>\$139,541,724</u>
Business-type activities				
Capital assets, not being depreciated				
Land	\$ 11,035,847	\$ 1,750	\$	\$ 11,037,597
Construction in progress	<u>1,664,778</u>	<u>20,148</u>	<u>(1,616,108)</u>	<u>68,818</u>
Total capital assets, not being depreciated	<u>12,700,625</u>	<u>21,898</u>	<u>(1,616,108)</u>	<u>11,106,415</u>
Capital assets being depreciated				
Buildings and improvement	138,968,404	5,120,201		144,088,605
Machinery and equipment	<u>5,524,724</u>	<u>85,946</u>	<u>(21,133)</u>	<u>5,589,537</u>
Total capital assets being depreciated	144,493,128	5,206,147	(21,133)	149,678,142
Less: Accumulated depreciation for:				
Buildings and improvement	(43,515,483)	(2,616,646)		(46,132,129)
Machinery and equipment	<u>(2,224,999)</u>	<u>(197,896)</u>	<u>21,133</u>	<u>(2,401,762)</u>
Total accumulated depreciation	(45,740,482)	(2,814,542)	21,133	(48,533,891)
Total capital assets being depreciated, net	<u>98,752,646</u>	<u>2,391,605</u>	<u>_____</u>	<u>101,144,251</u>
Business-type activities capital assets, net	<u>\$111,453,271</u>	<u>\$ 2,413,503</u>	<u>\$ (1,616,108)</u>	<u>\$112,250,666</u>

CITY OF HANFORD
Notes to Financial Statements
June 30, 2013
(Continued)

Depreciation expense for the fiscal year ending June 30, 2013 was charged to the following activities:

Governmental functions:

General governmental	\$ 34,579
Public safety	279,476
Culture and recreation	671,451
Public works	4,042,101
Community development	131,731
Capital assets held by the internal service funds were charged to the various functions based on their usage	<u>1,022,508</u>
 Total	 <u>\$6,181,846</u>

Business-type functions:

Water system	\$1,102,691
Wastewater	1,225,493
Storm drain	208,507
Refuse	4,372
Airport	237,778
Intermodal	<u>35,701</u>
 Total	 <u>\$2,814,542</u>

CITY OF HANFORD
Notes to Financial Statements
June 30, 2013
(Continued)

NOTE 5 – LONG-TERM DEBT

The following is a summary of the long-term debt activity for the year ended June 30, 2013:

Type of Debt	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013	Amounts Due Within One Year
Governmental activities					
Notes payable	\$ 246,450	\$ 39,383	\$	\$ 246,450	\$
Compensated absences	<u>803,467</u>			<u>842,850</u>	
Total governmental activities	<u>1,049,917</u>	<u>39,383</u>		<u>1,089,300</u>	
Business activities					
Bonds payable	24,480,000	13,165,000	(14,050,000)	23,595,000	1,155,000
Add deferred amounts for issuance premium	143,043	427,480	(30,314)	540,209	
Notes payable	14,878,713		(610,379)	14,268,334	633,454
Capital lease	5,776,607		(612,700)	5,163,907	597,860
Compensated absences	<u>161,223</u>	<u>4,071</u>		<u>165,294</u>	
Total business activities	<u>45,439,586</u>	<u>13,596,551</u>	<u>(15,303,393)</u>	<u>43,732,744</u>	<u>2,386,314</u>
Total primary government	<u>\$46,489,503</u>	<u>\$13,635,934</u>	<u>\$(15,303,393)</u>	<u>\$44,822,044</u>	<u>\$2,386,314</u>

Governmental Activities –

Notes Payable:

On September 20, 2011, the City entered into a loan agreement with the Kings County Economic Development Corporation in the amount of \$246,450 to fund 50% of the purchase price of 16.43 acres of vacant land for the Kings County Industrial Park Project. The note does not accrue interest at a fixed rate, but instead will pay a contingent deferred interest for a price in excess of \$30,000 per acre. The note represents a shared appreciation loan and the City is required to pay \$15,000 in principal for each acre it sells. The principal balance at June 30, 2013 was \$246,450.

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.

\$842,850

CITY OF HANFORD
Notes to Financial Statements
June 30, 2013
(Continued)

Business Type Activities –

Long-Term Debt – Bonds Payable:

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, 2013 the outstanding balance was \$4,300,000.

The future maturities of the Bonds payable were as follows:

Fiscal Year	Principal	Interest	Total
2014	\$ 400,000	\$156,950	\$ 556,950
2015	400,000	142,350	542,350
2016	400,000	127,750	527,750
2017	400,000	113,150	513,150
2018	400,000	98,550	498,550
2019-2023	<u>2,300,000</u>	<u>262,800</u>	<u>2,562,800</u>
Total	<u>\$4,300,000</u>	<u>\$901,550</u>	<u>\$5,201,550</u>

On December 1, 2003, the City of Hanford issued \$8,925,000 CSCDA Water Revenue Bonds Series 2003 C. The Bonds shall mature on October 1, 2028, and shall bear interest annually ranging from 2.0 to 5.25 percent. Interest on the Bonds is payable semiannually on each April 1 and October 1, commencing April 1, 2004. The proceeds were used to refund the EDP Loan and 1993 Water Refunding Revenue Bond as well as to fund improvements to the City's water treatment facilities. As of June 30, 2013, the balance outstanding was \$6,650,000.

The future maturities of the Bonds payable were as follows:

Fiscal Year	Principal	Interest	Total
2014	\$ 285,000	\$ 327,218	\$ 612,218
2015	295,000	313,988	608,988
2016	315,000	297,975	612,975
2017	330,000	283,106	613,106
2018	345,000	269,606	614,606
2019-2023	1,960,000	1,084,753	3,044,753
2024-2028	2,530,000	500,588	3,030,588
2029	<u>590,000</u>	<u>15,488</u>	<u>605,488</u>
Total	<u>\$6,650,000</u>	<u>\$3,092,722</u>	<u>\$9,742,722</u>

CITY OF HANFORD
Notes to Financial Statements
June 30, 2013
(Continued)

On July 1, 2012, the City of Hanford issued \$13,165,000 Wastewater Revenue Refunding Bonds Series 2012 bearing interest of 3.0% to 5.0% payable semi-annually on April 1 and October 1 commencing October 1, 2012. The bonds mature annually at various amounts through October 1, 2032. The bonds are payable from net revenues of the City's Wastewater System and from amounts on deposit in certain funds and accounts created under the Indenture.

The Bonds are being issued to refinance the City's previously issued \$5,000,000 CSCDA Water and Wastewater Revenue Bonds, dated October 1, 1999 and the \$10,555,000 CSCDA Water and Wastewater Revenue Bonds dated April 16, 2002. As a result the 1999 and 2002 Revenue Bonds are considered to be defeased and the liability for those bonds has been removed from the long-term liabilities of the Business Activities Debt.

The aggregate debt service payments of the new debt is \$2,121,034 less than the old debt. The issuance of the new debt and refunding of the old debt resulted in an economic gain (the difference between the present value of the old debt and new debt payments of approximately \$1,537,677.

Bonds outstanding at June 30, 2013 are \$12,645,000

The future maturities of the Bonds payable are as follows:

Fiscal Year	Principal	Interest	Total
2014	\$ 470,000	\$ 462,306	\$ 932,306
2015	490,000	447,906	937,906
2016	500,000	430,556	930,556
2017	520,000	410,156	930,156
2018	545,000	388,856	933,856
2019-2023	3,070,000	1,564,135	4,634,135
2024-2028	3,625,000	953,272	4,578,272
2029-2032	<u>3,425,000</u>	<u>316,592</u>	<u>3,741,592</u>
Total	<u>\$12,645,000</u>	<u>\$4,973,779</u>	<u>\$17,618,779</u>

Long-Term Debt – Notes Payable

On May 28, 2002, 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, 2013, the balance outstanding was \$7,760,131.

CITY OF HANFORD
Notes to Financial Statements
June 30, 2013
(Continued)

The future maturities of the Note payable were as follows:

Fiscal Year	Principal	Interest	Total
2014	\$ 294,422	\$ 266,452	\$ 560,874
2015	304,727	255,967	560,694
2016	315,392	245,115	560,507
2017	326,431	233,883	560,314
2018	337,856	222,258	560,114
2019-2023	1,875,152	922,166	2,797,318
2024-2028	2,227,091	564,066	2,791,157
2029-2032	<u>2,079,060</u>	<u>148,662</u>	<u>2,227,722</u>
Total	<u><u>\$7,760,131</u></u>	<u><u>\$2,858,569</u></u>	<u><u>\$10,618,700</u></u>

On December 20, 2007, the City of Hanford entered into an installment sale agreement with the City of Hanford Public Improvement Corporation in the amount of \$8,150,000. The agreement was to enable the City to finance the costs of acquisition and construction of certain public facilities constituting a part of the City's water enterprise. The term of the agreement is thirty (30) years with a maturity date of December 1, 2027 and an annual interest rate of 2.0% to 5.25%. Interest on the loan is payable semi-annually on each June 1 and December 1, commencing June 1, 2008. As of June 30, 2013, the balance outstanding was \$6,508,203.

The future maturities of the Note payable were as follows:

Fiscal Year	Principal	Interest	Total
2014	\$ 339,032	\$ 256,409	\$ 595,441
2015	352,701	242,740	595,441
2016	366,921	228,520	595,441
2017	381,685	213,756	595,441
2018	397,105	198,336	595,441
2019-2023	2,238,992	738,063	2,977,055
2024-2028	<u>2,431,767</u>	<u>248,956</u>	<u>2,680,723</u>
Total	<u><u>\$6,508,203</u></u>	<u><u>\$2,126,780</u></u>	<u><u>\$8,634,983</u></u>

Capital Lease

In August, 2009, the City entered into a capital lease agreement with Government Capital Corporation, to lease water meters and AMR devices. The purchase price of the equipment was approximately \$3,050,000 and a down payment of \$950,000 was applied to the purchase. Semi-annual payments commenced on February, 2010, are \$151,096 including interest of 4.668%, with a final payment in August, 2017. The balance outstanding as of June 30, 2013 was \$1,213,856.

CITY OF HANFORD
Notes to Financial Statements
June 30, 2013
(Continued)

The annual debt service requirements for the 2009 Capital Lease outstanding at June 30, 2013 are as follows:

Fiscal Year	Principal	Interest	Total
2014	\$ 248,396	\$ 53,796	\$ 302,192
2015	260,126	42,066	302,192
2016	272,410	29,782	302,192
2017	285,274	16,918	302,192
2018	<u>147,650</u>	<u>3,446</u>	<u>151,096</u>
Total	<u><u>\$1,213,856</u></u>	<u><u>\$146,008</u></u>	<u><u>\$1,359,864</u></u>

In November, 2011, the City entered into a capital lease agreement with Bank of America to design and construct an energy efficient tracker system for the City's wastewater treatment plant. The purchase price of this project is \$4,325,556, with annual payments in varying amounts including interest at 3.33% commencing on July 8, 2012 with a final payment in July, 2026. The balance outstanding as of June 30, 2013 was \$3,950,051.

The annual debt service requirements for the 2011 Capital Lease outstanding at June 30, 2013 are as follows:

Fiscal Year	Principal	Interest	Total
2014	\$ 349,463	\$131,537	\$ 481,000
2015	371,092	119,899	490,991
2016	390,988	107,542	498,530
2017	418,118	94,522	512,640
2018	138,686	80,599	219,285
2019-2023	1,007,628	320,310	1,327,938
2024-2027	<u>1,274,076</u>	<u>111,052</u>	<u>1,385,128</u>
Total	<u><u>\$3,950,051</u></u>	<u><u>\$965,461</u></u>	<u><u>\$4,915,512</u></u>

CITY OF HANFORD
Notes to Financial Statements
June 30, 2013
(Continued)

NOTE 6 – PENSION PLAN

Plan Description

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

Funding Policy

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

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

The City is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for the fiscal year ended June 30, 2013 was 27.327% for miscellaneous employees. The required employer contribution rate for police safety employees was 31.532% for the period July 1, 2012 through June 30, 2012. The required employer contribution rate for the fire safety employees was 29.883% for the period July 1, 2012 through June 30, 2013. The contribution requirements of plan members are established by State Statute and the employer contribution rate is established and may be amended by CalPERS.

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

CITY OF HANFORD
Notes to Financial Statements
June 30, 2013
(Continued)

Annual Pension Costs

For the fiscal year ended June 30, 2013, the City's annual pension cost of \$4,108,415 for PERS was equal to the City's required and actual contributions. The required contribution for the fiscal year ended June 30, 2013 was determined as part of the June 30, 2010 actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expense), (b) projected annual salary increases that vary by duration of service ranging from 3.25% to 14.45% for miscellaneous members (from 3.55% to 14.45% for police and fire safety members), and (c) 3.25% payroll growth. Both (a) and (b) included an inflation component of 3.00%. The actuarial values of the Miscellaneous, Police Safety and Fire Safety Plans of the City of Hanford's assets were determined by using a technique that smoothes the effects of short-term volatility in the next market value of investments over a two to five year period, depending on the size of investment gains and/or losses. The Miscellaneous and the Safety Plans of the City of Hanford's unfunded actuarial accrued liabilities (or excess assets) are being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2013 was 18 years for Miscellaneous, 17 years for Police Safety, and 17 years for Fire Safety.

Fiscal Year	Three-Year Trend Information for PERS		
	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/11	\$4,937,372	100.0%	
6/30/12	\$4,489,525	100.0%	
6/30/13	\$4,108,415	100.0%	

Funded Status and Funding Progress

As of June 30, 2012, the most recent actuarial valuation date, the plan was 78.4% funded for non-safety employees and 86.8% funded for safety employees. The actuarial accrued liability for benefits was \$78 million for non-safety employees and \$2.1 billion for safety employees and the actuarial value of assets was \$61 million for non-safety employees and \$1.9 billion for safety employees, resulting in an unfunded actuarial accrued liability (UAAL) of \$17 million for non-safety employees and \$287 million for safety employees. The covered payroll (annual payroll of active employees covered by the plan) was \$7.6 million for non-safety members and \$232 million for safety members, and the ratio of UAAL to the covered payroll was 218.4% and 123.8% respectively.

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

CITY OF HANFORD
Notes to Financial Statements
June 30, 2013
(Continued)

NOTE 7 – POST EMPLOYMENT HEALTH CARE BENEFITS

Plan Description

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

The City participates in the CalPERS medical program under the Public Employees' Medical and Hospital and Care Act (PEMPCA). As such, the City is obligated to contribute toward the cost of retiree medical coverage for the retiree's lifetime or until coverage is discontinued. The City has selected the equal contribution method, where it resolves to contribute the same amount for retirees as is contributed toward active employee medical plan coverage. The City currently pays the minimum employer contribution (MEC) for both active and retired employees as well as their survivors, if covered at the time of the employee's death. The MEC is \$115 per month for 2013.

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

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

Funding Policy

Currently the City funds retiree healthcare benefits on a pay-as-you-go basis, paying a maximum of \$115 per month for retiree benefits from the City funds as they are due with no prefunding for future years. The City recognizes expenditures for its share of the annual premiums as these benefits become due. For fiscal years 2012-2013, the City paid \$58,433 for benefits of 43 retirees or their beneficiaries receiving benefits.

Annual PPEB and Net OPEB Obligation

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

The City's OPEB unfunded actuarial accrued liability as of July 1, 2013, the date of the most recent actuarial valuation, was a total of \$3,283,849. The OPEB obligation has been adjusted by an annual inflation percentage of 3.00% based on the assumptions of the actuarial valuation and a general salary increase of 3.25%.

CITY OF HANFORD
Notes to Financial Statements
June 30, 2013
(Continued)

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

Annual required contributions (ARC) and annual OPEB cost	\$ 388,285
Interest on net OPEB obligation	51,973
Adjustment to the ARC	<u>(53,737)</u>
Annual required contribution annual OPEB cost (expense)	386,521
Less: Employer contribution	<u>(58,433)</u>
Increase in net OPEB obligation	328,088
Net OPEB obligations, beginning of year	<u>1,154,960</u>
Net OPEB obligations, end of year	<u>\$1,483,048</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2013 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/11	\$335,163	12.35%	\$ 849,181
6/30/12	\$358,543	12.71%	\$1,154,960
6/30/13	\$386,521	15.12%	\$1,483,048

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

Funded Status and Funding Progress

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

CITY OF HANFORD
Notes to Financial Statements
June 30, 2013
(Continued)

The funded status of the plan as of June 30, 2013 was as follows:

Actuarial accrued liability	\$ 3,843,191
Actuarial value of plan assets	0
Unfunded Actuarial accrued liability (UAAL)	<u>\$ 3,843,191</u>
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	\$15,177,085
UAAL as a percentage of covered payroll	25.32%

Actuarial Methods and Assumptions

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

NOTE 8 – RISK MANAGEMENT

The City is partially self-insured for workers' compensation and general liability insurance. For worker's compensation, the City is responsible for claims up to \$250,000 per occurrence. Coverage in excess of the City's self-insured retention is purchased through CSAC Excess Insurance Authority (CSAC-EIA) up to the statutory limits. The City participates in a risk pool through CSAC-EIA above the City's self-insured retention up to \$5,000,000 per occurrence. Reinsurance coverage in excess of the pool layer up to \$25,000,000 is purchased through CSAC-EIA. For both workers' compensation and general liability insurance, CSAC-EIA retains responsibility for claims in excess of each member's self-insured retention. There were no reductions in insurance coverage from the prior year and there were no settlements that exceeded insurance coverage for the past three fiscal years.

Workers' compensation and general liability claims incurred prior to July 1, 2012 were covered through the City's participation in the Central San Joaquin Valley Risk Management Authority (CSJVRMA), a public entity risk pool. For workers' compensation insurance, the City is self-insured up to \$200,000. Coverage between \$200,000 and \$500,000 is provided through a risk pool. CSJVRMA participates in an excess pool which provides coverage from \$500,000 to \$5,000,000 and purchases excess insurance above \$5,000,000 to the statutory limit. For general liability insurance, the City participates in a risk pool which 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 coverage from \$1,000,000 to \$29,000,000. CSJVRMA members may receive rebates or be required to make additional contributions through a retrospective adjustment process.

CITY OF HANFORD
Notes to Financial Statements
June 30, 2013
(Continued)

NOTE 9 – INTERFUND TRANSACTIONS

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

Interfund due from/to other funds at June 30, 2013 were as follows:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
Governmental Funds		
General Fund	\$ 548,713	\$ 375,470
Capital Project Fund	2,148,473	
Transportation Funds		280,950
Other Governmental Funds		267,763
Proprietary Funds		
Wastewater Fund	25,963	
Airport Fund		385,468
Intermodal Fund		632,268
Courthouse Square	781,230	
Total	<u>\$2,723,149</u>	<u>\$2,723,149</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 2012/13 fiscal year were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Funds		
General Fund	\$ 64,876	\$180,243
Capital Project Fund		
Transportation Funds	3,248	
Other Governmental funds	170,372	81,431
Proprietary Funds		
Airport Fund	23,568	
Water Fund	390	
	<u>\$262,064</u>	<u>\$262,064</u>

CITY OF HANFORD
Notes to Financial Statements
June 30, 2013
(Continued)

NOTE 10 – CONTINGENT LIABILITIES

Litigation

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

Special Tax Bond Series 1998

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

The City participates in a number of programs that are fully or partially funded by grants received from federal, state, and county governments. Expenditures financed by grants are subject to audit by the appropriate grantor agency. If expenditures are disallowed due to non-compliance with grant program regulations, the City may be required to reimburse the grantor agency. As of June 30, 2013, 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 11 – PRIOR PERIOD ADJUSTMENTS

The beginning fund balances/net assets of various funds and activities have been adjusted as follows:

	Government-Wide Financial Statements		Fund Financial Statements	
	Governmental Activities	Business-Type Activities	Governmental	Proprietary
Net assets/fund balance, beginning of the year as previously reported	\$207,238,229	\$93,146,987	\$14,659,342	\$29,793,739
Adjustment to land held for resale for amounts expensed in prior years	246,450		246,450	
Adjustment to beginning balance of accrued interest on long-term liabilities		273,422		273,422
Net assets/fund balances, beginning - restated	<u>\$207,484,679</u>	<u>\$93,420,409</u>	<u>\$14,905,792</u>	<u>\$30,067,161</u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF HANFORD
Required Supplementary Information
June 30, 2013

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, 2013

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)
<hr/>						
6/30/2010						
Miscellaneous	\$ 69,202,177	\$ 54,144,195	\$ 15,057,982	78.2%	\$ 8,277,932	181.9%
Police Safety	\$1,915,095,826	\$1,628,915,283	\$286,180,543	85.1%	\$224,562,018	127.4%
Fire Safety	\$1,915,095,826	\$1,628,915,283	\$286,180,543	85.1%	\$224,562,018	127.4%
<hr/>						
6/30/2011						
Miscellaneous	\$ 73,954,232	\$ 58,023,428	\$ 15,930,804	78.5 %	\$ 8,442,338	188.7%
Police Safety	\$2,061,923,933	\$1,759,286,797	\$302,637,136	85.3%	\$225,026,216	134.5%
Fire Safety	\$2,061,923,933	\$1,759,286,797	\$302,637,136	85.3%	\$225,026,216	134.5 %
<hr/>						
6/30/2012						
Miscellaneous	\$ 78,389,580	\$ 61,453,663	\$ 16,935,917	78.4%	\$ 7,755,806	218.4%
Police Safety	\$2,183,549,942	\$1,896,139,291	\$287,410,651	86.8%	\$232,078,083	123.8 %
Fire Safety	\$2,183,549,942	\$1,896,139,291	\$287,410,651	86.8%	\$232,078,083	123.8%

*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, 2013

	General Fund			Variance With Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
REVENUES				
Taxes and special assessments	\$19,150,150	\$19,150,150	\$19,231,246	\$ 81,096
Aid from other governmental agencies	1,483,070	1,666,530	1,165,035	(501,495)
License and permits	351,470	351,470	491,603	140,133
Fines and forfeits	160,580	160,580	97,704	(62,876)
Charges for services	603,600	603,600	648,929	45,329
Revenue from use of money and property	423,360	423,360	306,730	(116,630)
Miscellaneous	<u>172,290</u>	<u>747,760</u>	<u>317,240</u>	<u>(430,520)</u>
Total revenues	<u>22,344,520</u>	<u>23,103,450</u>	<u>22,258,487</u>	<u>(844,963)</u>
EXPENDITURES				
General government	1,732,600	1,736,100	1,407,244	328,856
Public safety	14,536,300	15,705,674	13,905,815	1,799,859
Public works	3,494,940	3,546,080	2,866,248	679,832
Recreation	1,451,610	1,451,610	1,334,695	116,915
Community development	<u>1,085,890</u>	<u>1,088,490</u>	<u>1,023,840</u>	<u>64,650</u>
Total expenditures	<u>22,301,340</u>	<u>23,527,954</u>	<u>20,537,842</u>	<u>2,990,112</u>
Excess (deficiency) of revenue over expenditures	43,180	(424,504)	1,720,645	2,145,149
Other financing sources (uses)				
Operating transfers in	63,000	63,000	64,876	1,876
Operating transfers out	<u>(13,400)</u>	<u>(13,400)</u>	<u>(180,243)</u>	<u>(166,843)</u>
Total other financing sources (uses)	<u>49,600</u>	<u>49,600</u>	<u>(115,367)</u>	<u>(164,967)</u>
Net change in fund balances	<u>92,780</u>	<u>(374,904)</u>	<u>1,605,278</u>	<u>1,980,182</u>
Fund balance beginning of year, as previously reported				14,659,342
Prior period adjustment				246,450
Fund balances, beginning of year, restated	<u>14,905,792</u>	<u>14,905,792</u>	<u>14,905,792</u>	
Fund balances, end of year	<u>\$14,998,572</u>	<u>\$14,530,888</u>	<u>\$16,511,070</u>	<u>\$1,980,182</u>

See independent auditor's 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, 2013

	CDBG Home/Housing			Variance With Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
REVENUES				
Aid from other governmental agencies	\$ 933,070	\$ 1,350,100	\$ 1,073,017	\$ (277,083)
Revenue from use of money and property	124,270	117,190	193,778	76,588
Miscellaneous			901	901
Unrealized gain on investments			(2,172)	(2,172)
Total revenues	<u>1,057,340</u>	<u>1,467,290</u>	<u>1,265,524</u>	<u>(201,766)</u>
EXPENDITURES				
Community development	1,129,070	1,440,498	1,033,151	407,347
Capital outlay		1,301,060	781,577	519,483
Principal payments	<u>318,370</u>	<u>318,370</u>		<u>318,370</u>
Total expenditures	<u>1,447,440</u>	<u>3,059,928</u>	<u>1,814,728</u>	<u>1,245,200</u>
Excess (deficiency) of revenue over expenditures	<u>(390,100)</u>	<u>(1,592,638)</u>	<u>(549,204)</u>	<u>1,043,434</u>
Fund balances, beginning of year	<u>18,092,515</u>	<u>18,092,515</u>	<u>18,092,515</u>	
Fund balances, end of year	<u>\$17,702,415</u>	<u>\$16,499,877</u>	<u>\$17,543,311</u>	<u>\$ 1,043,434</u>

See independent auditor's 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, 2013

	Capital Projects Fund			Variance With Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
REVENUES				
Aid from other governmental agencies	\$	192,980	\$ 114,926	\$ (78,054)
Miscellaneous			229,726	229,726
Unrealized gain on investments	_____	_____	(36,859)	(36,859)
Total revenues	_____	<u>192,980</u>	<u>307,793</u>	<u>114,813</u>
EXPENDITURES				
Capital outlay	<u>1,480,000</u>	<u>2,477,437</u>	<u>465,176</u>	<u>2,012,261</u>
Total expenditures	<u>1,480,000</u>	<u>2,477,437</u>	<u>465,176</u>	<u>2,012,261</u>
Excess (deficiency) of revenue over expenditures	<u>(1,480,000)</u>	<u>(2,284,457)</u>	<u>(157,383)</u>	<u>2,127,074</u>
Other financing sources (uses)				
Operating transfers in	10,000	10,000		(10,000)
Operating transfers out	<u>(49,660)</u>	<u>(49,660)</u>	_____	<u>49,660</u>
Total other financing sources (uses)	<u>(39,660)</u>	<u>(39,660)</u>	_____	<u>39,660</u>
Net change in fund balances	(1,519,660)	(2,324,117)	(157,383)	2,166,734
Fund balances, beginning of year	<u>8,919,833</u>	<u>8,919,833</u>	<u>8,919,833</u>	_____
Fund balances, end of year	<u>\$ 7,400,173</u>	<u>\$ 6,595,716</u>	<u>\$8,762,450</u>	<u>\$2,166,734</u>

See independent auditor's report and notes to financial statements.

CITY OF HANFORD
Schedule of Revenues, Expenditures, and Changes in
Fund Balances – Budget and Actual (GAAP Basis)
Transportation Funds
For the Year Ended June 30, 2013

	Transportation Funds			Variance With Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
REVENUES				
Taxes and special assessments	\$338,410	\$ 338,410	\$ 525,310	\$ 186,900
Aid from other governmental agencies	730,330	2,053,791	1,323,461	
Revenue from use of money and property	1,810	1,810	3,607	1,797
Unrealized gain on investments	_____	_____	811	811
Total revenues	<u>340,220</u>	<u>1,070,550</u>	<u>2,583,519</u>	<u>1,512,969</u>
EXPENDITURES				
Capital outlay	<u>25,000</u>	<u>2,886,710</u>	<u>2,077,576</u>	<u>809,134</u>
Total expenditures	<u>25,000</u>	<u>2,886,710</u>	<u>2,077,576</u>	<u>809,134</u>
Excess (deficiency) of revenue over expenditures	<u>315,220</u>	<u>(1,816,160)</u>	<u>505,943</u>	<u>2,322,103</u>
Other financing sources (uses)				
Operating transfers in	_____	_____	3,248	3,248
Total other financing sources (uses)	_____	_____	3,248	3,248
Net change in fund balances	315,220	(1,816,160)	509,191	2,325,351
Fund balances, beginning of year	<u>449,671</u>	<u>449,671</u>	<u>449,671</u>	_____
Fund balances, end of year	<u>\$764,891</u>	<u>\$(1,366,489)</u>	<u>\$ 958,862</u>	<u>\$2,325,351</u>

See independent auditor's report and notes to financial statements.

SUPPLEMENTARY INFORMATION SECTION

CITY OF HANFORD
Combining Balance Sheet
Non-Major Special Revenue Funds
June 30, 2013

	Transportation Impact Fees	Park Impact Fees	Parking Fund	Downtown Reinvestment Fund	Landscaping Assessment District
ASSETS					
Cash and investments	\$1,689,240	\$1,828,146	\$71,523	\$281,128	\$814,490
Accounts receivable	16,361	1,803		274	4,256
Loan receivable	_____	_____	_____	49,469	_____
Total assets	<u>\$1,705,601</u>	<u>\$1,829,949</u>	<u>\$71,523</u>	<u>\$330,871</u>	<u>\$818,746</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 9,225	\$ 325	\$	\$	\$ 19,579
Due to other funds	_____	_____	_____	_____	_____
Total liabilities	<u>9,225</u>	<u>325</u>	_____	_____	<u>19,579</u>
Fund balances					
Nonspendable:					
Long-term receivables					
Restricted for:					
Streets and roads	1,696,376				
Recreation		1,829,624			
Landscape maintenance					799,167
Public safety					
Aviation					
Committed for:					
Parking and business improvement			71,523	330,871	
Community development					
Unassigned	_____	_____	_____	_____	_____
Total fund balances	<u>1,696,376</u>	<u>1,829,624</u>	<u>71,523</u>	<u>330,871</u>	<u>799,167</u>
Total liabilities and fund balances	<u>\$1,705,601</u>	<u>\$1,829,949</u>	<u>\$71,523</u>	<u>\$330,871</u>	<u>\$818,746</u>

See independent auditor's report and notes to financial statements.

CITY OF HANFORD
Combining Balance Sheet
Non-Major Special Revenue Funds
June 30, 2013
(Continued)

	City Housing Fund	Central Parking and Business Improvement	Fire Protection Impact Fees	Police Protection Impact Fees
ASSETS				
Cash and investments	\$1,132,221	\$145,125	\$490,356	\$1,360,078
Accounts receivable	1,102	141	477	1,324
Loan receivable	<u>1,307,995</u>	—	—	—
Total assets	<u><u>\$2,441,318</u></u>	<u><u>\$145,266</u></u>	<u><u>\$490,833</u></u>	<u><u>\$1,361,402</u></u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$	\$	\$	\$
Due to other funds	—	—	—	—
Total liabilities	—	—	—	—
Fund balances				
Nonspendable:				
Long-term receivables	1,307,995			
Restricted for:				
Streets and roads				
Recreation				
Landscape maintenance				
Public safety			490,833	1,361,402
Aviation				
Committed for:				
Parking and business improvement		145,266		
Community development	1,133,323			
Unassigned	—	—	—	—
Total fund balances	<u><u>\$2,441,318</u></u>	<u><u>\$145,266</u></u>	<u><u>\$490,833</u></u>	<u><u>\$1,361,402</u></u>
Total liabilities and fund balances	<u><u>\$2,441,318</u></u>	<u><u>\$145,266</u></u>	<u><u>\$490,833</u></u>	<u><u>\$1,361,402</u></u>

See independent auditor's report and notes to financial statements.

CITY OF HANFORD
Combining Balance Sheet
Non-Major Special Revenue Funds
June 30, 2013
(Continued)

	<u>Special Aviation</u>	<u>Learning Center Operation</u>	<u>Traffic Safety</u>	<u>Street Tree Committee</u>
ASSETS				
Cash and investments	\$ 61,122	\$19,357	\$1,980	\$1,196
Accounts receivable		19	1,405	
Loan receivable	____	____	____	____
Total assets	<u>61,122</u>	<u>19,376</u>	<u>3,385</u>	<u>1,196</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 51,122	\$	\$1,988	\$
Due to other funds		____	28	____
Total liabilities	<u>51,122</u>	____	<u>2,016</u>	____
Fund balances				
Nonspendable:				
Long-term receivables				
Restricted for:				
Streets and roads				
Recreation				
Landscape maintenance				1,196
Public safety			1,369	
Aviation	10,000			
Committed for:				
Parking and business improvement				
Community development		19,376		
Unassigned	____	____	____	____
Total fund balances	<u>10,000</u>	<u>19,376</u>	<u>1,369</u>	<u>1,196</u>
Total liabilities and fund balances	<u>61,122</u>	<u>19,376</u>	<u>3,385</u>	<u>1,196</u>

See independent auditor's report and notes to financial statements.

CITY OF HANFORD
Combining Balance Sheet
Non-Major Special Revenue Funds
June 30, 2013
(Continued)

	State Gas Tax Fund	Grants	Public Housing Authority	Total Non-Major Special Revenue Funds
ASSETS				
Cash and investments	\$3,305,791	\$ 873	\$	\$11,141,504
Accounts receivable	108,549	217,937		414,770
Loan receivable	_____	_____	1,225,128	2,582,592
Total assets	<u>\$3,414,340</u>	<u>\$218,810</u>	<u>\$1,225,128</u>	<u>\$14,138,866</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 8,557	\$ 1,324	\$ 3,384	\$ 44,382
Due to other funds	_____	<u>216,613</u>	_____	<u>267,763</u>
Total liabilities	<u>8,557</u>	<u>217,937</u>	<u>3,384</u>	<u>312,145</u>
Fund balances				
Nonspendable:				
Long-term receivables			1,225,128	2,533,123
Restricted for:				
Streets and roads	3,405,783			5,102,159
Recreation				1,829,624
Landscape maintenance				800,363
Public safety				1,853,604
Aviation				10,000
Committed for:				
Parking and business improvement				547,660
Community development		873		1,153,572
Unassigned	_____	_____	(3,384)	(3,384)
Total fund balances	<u>3,405,783</u>	<u>873</u>	<u>1,221,744</u>	<u>13,826,721</u>
Total liabilities and fund balances	<u>\$3,414,340</u>	<u>\$218,810</u>	<u>\$1,225,128</u>	<u>\$14,138,866</u>

See independent auditor's 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, 2013

	Transportation Impact Fees	Park Impact Fees	Parking Fund	Downtown Reinvestment Fund	Landscaping Assessment District
REVENUES					
Taxes and special assessments	\$ 220,921	\$ 301,278	\$	\$	\$355,612
Aid from other governmental agencies					
Fines and forfeits					
Revenue from use of money and property	3,701	8,714	8,306	4,325	
Miscellaneous					
Unrealized gain (loss) on investments	<u>(10,902)</u>	<u>(10,021)</u>	<u>(374)</u>	<u>(1,505)</u>	<u>(4,334)</u>
Total revenues	<u>213,720</u>	<u>299,971</u>	<u>7,932</u>	<u>2,820</u>	<u>351,278</u>
EXPENDITURES					
General government				3,398	327,078
Public works					
Community development					
Capital outlay	<u>1,568,513</u>	<u>433,113</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total expenditures	<u>1,568,513</u>	<u>433,113</u>	<u>—</u>	<u>3,398</u>	<u>327,078</u>
Excess (deficiency) of revenue over expenditures	<u>(1,354,793)</u>	<u>(133,142)</u>	<u>7,932</u>	<u>(578)</u>	<u>24,200</u>
Other financing sources (uses)					
Operating transfers in					
Operating transfers out					
Total other financing sources (uses)	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net change in fund balances	(1,354,793)	(133,142)	7,932	(578)	24,200
Fund balances, beginning of year	<u>3,051,169</u>	<u>1,962,766</u>	<u>63,591</u>	<u>331,449</u>	<u>774,967</u>
Fund balances end of year	<u>\$ 1,696,376</u>	<u>\$ 1,829,624</u>	<u>\$71,523</u>	<u>\$330,871</u>	<u>\$799,167</u>

See independent auditor's 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, 2013
(Continued)

	<u>City Housing Fund</u>	<u>Central Parking and Business Improvement</u>	<u>Fire Protection Impact Fees</u>	<u>Police Protection Impact Fees</u>
REVENUES				
Taxes and special assessments	\$	\$103,614	\$ 21,095	\$ 40,280
Aid from other governmental agencies				
Fines and forfeits				
Revenue from use of money and property	8,413	611	2,200	6,136
Miscellaneous	45			
Unrealized gain (loss) on investments	<u>(6,061)</u>	<u>(751)</u>	<u>(2,612)</u>	<u>(7,268)</u>
Total revenues	<u>2,397</u>	<u>103,474</u>	<u>20,683</u>	<u>39,148</u>
EXPENDITURES				
General government				
Public works				
Community development				
Capital outlay		<u>81,090</u>		
Total expenditures		<u>81,090</u>		
Excess (deficiency) of revenue over expenditures	<u>2,397</u>	<u>22,384</u>	<u>20,683</u>	<u>39,148</u>
Other financing sources (uses)				
Operating transfers in				
Operating transfers out				
Total other financing sources (uses)				
Net change in fund balances	2,397	22,384	20,683	39,148
Fund balances, beginning of year	<u>2,438,921</u>	<u>122,882</u>	<u>470,150</u>	<u>1,322,254</u>
Fund balances end of year	<u>\$2,441,318</u>	<u>\$145,266</u>	<u>\$490,833</u>	<u>\$1,361,402</u>

See independent auditor's 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, 2013
(Continued)

	Special Aviation	Learning Center Operation	Traffic Safety	Street Tree Committee
REVENUES				
Taxes and special assessments	\$381,826	\$	\$	\$
Aid from other governmental agencies				
Fines and forfeits			62,269	
Revenue from use of money and property		2,141		
Miscellaneous				
Unrealized gain (loss) on investments	_____	(135)	(11)	(6)
Total revenues	<u>381,826</u>	<u>2,006</u>	<u>62,258</u>	<u>(6)</u>
EXPENDITURES				
General government				
Public works	364,536	25,139		
Community development				
Capital outlay	_____	_____	_____	_____
Total expenditures	<u>364,536</u>	<u>25,139</u>	_____	_____
Excess (deficiency) of revenue over expenditures	<u>17,290</u>	<u>(23,133)</u>	<u>62,258</u>	<u>(6)</u>
Other financing sources (uses)				
Operating transfers in				
Operating transfers out	<u>(17,290)</u>	_____	<u>(60,893)</u>	_____
Total other financing sources (uses)	<u>(17,290)</u>	_____	<u>(60,893)</u>	_____
Net change in fund balances		(23,133)	1,365	(6)
Fund balances, beginning of year	<u>10,000</u>	<u>42,509</u>	<u>4</u>	<u>1,202</u>
Fund balances end of year	<u><u>\$ 10,000</u></u>	<u><u>\$ 19,376</u></u>	<u><u>\$ 1,369</u></u>	<u><u>\$1,196</u></u>

See independent auditor's 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, 2013
(Continued)

	State Gas Tax Fund	Grants	Public Housing Authority	Total Non-Major Special Revenue Funds
REVENUES				
Taxes and special assessments	\$1,571,699	\$	\$	\$ 2,996,325
Aid from other governmental agencies		255,049		255,049
Fines and forfeits				62,269
Revenue from use of money and property	18,092		220	62,859
Miscellaneous				45
Unrealized gain (loss) on investments	<u>(17,650)</u>	<u>943</u>	<u>(883)</u>	<u>(61,570)</u>
Total revenues	<u>1,572,141</u>	<u>255,992</u>	<u>(663)</u>	<u>3,314,977</u>
EXPENDITURES				
General government	7,500			337,976
Public works		238,397		628,072
Community development			876,607	876,607
Capital outlay	<u>1,792,492</u>			<u>3,875,208</u>
Total expenditures	<u>1,799,992</u>	<u>238,397</u>	<u>876,607</u>	<u>5,717,863</u>
Excess (deficiency) of revenue over expenditures	<u>(227,851)</u>	<u>17,595</u>	<u>(877,270)</u>	<u>(2,402,886)</u>
Other financing sources (uses)				
Operating transfers in			170,372	170,372
Operating transfers out	<u>(3,248)</u>			<u>(81,431)</u>
Total other financing sources (uses)	<u>(3,248)</u>		<u>170,372</u>	<u>88,941</u>
Net change in fund balances	(231,099)	17,595	(706,898)	(2,313,945)
Fund balances, beginning of year	<u>3,636,882</u>	<u>(16,722)</u>	<u>1,928,642</u>	<u>16,140,666</u>
Fund balances end of year	<u>\$3,405,783</u>	<u>\$ 873</u>	<u>\$1,221,744</u>	<u>\$13,826,721</u>

See independent auditor's report and notes to financial statements.

CITY OF HANFORD
Combining Statement of Net Position
Internal Service Funds
June 30, 2013

	<u>City Payroll Fund</u>	<u>Risk Management Fund</u>	<u>Computer Maintenance Fund</u>
ASSETS			
Current assets			
Cash and investments	\$	\$3,965,148	\$1,816,215
Receivables, net			
Prepaid expenses	2,187		
Deposits		80,000	
Inventory			
Due from other funds	____	2,178	____
Total current assets	<u>2,187</u>	<u>4,047,326</u>	<u>1,816,215</u>
Capital assets			
Machinery and equipment			
Accumulated depreciation	____	____	____
Capital assets, net	____	____	____
Total assets	<u>2,187</u>	<u>4,047,326</u>	<u>1,816,215</u>
LIABILITIES			
Accounts payable	\$	\$ 276,298	\$ 820
Salaries and benefits payable			2,280
Due to other funds	<u>2,178</u>	____	____
Total liabilities	<u>2,178</u>	<u>276,298</u>	<u>3,100</u>
NET POSITION			
Investment in capital assets, net of related debt			
Unrestricted	<u>9</u>	<u>3,771,028</u>	<u>1,813,115</u>
Total net position	<u>9</u>	<u>3,771,028</u>	<u>1,813,115</u>
Total liabilities and net position	<u>2,187</u>	<u>4,047,326</u>	<u>1,816,215</u>

See independent auditor's report and notes to financial statements.

CITY OF HANFORD
Combining Statement of Net Position
Internal Service Funds
June 30, 2013
(Continued)

	Building Fund	Fleet Maintenance Fund	Totals
ASSETS			
Current assets			
Cash and investments	\$884,561	\$ 11,162,816	\$ 17,828,740
Receivables, net		10,553	10,553
Prepaid expenses			2,187
Deposits			80,000
Inventory		184,284	184,284
Due from other funds	_____	_____	2,178
Total current assets	<u>884,561</u>	<u>11,357,653</u>	<u>18,107,942</u>
Capital assets			
Machinery and equipment	12,341	16,573,132	16,585,473
Accumulated depreciation	<u>(12,341)</u>	<u>(10,622,892)</u>	<u>(10,635,233)</u>
Capital assets, net	_____	5,950,240	5,950,240
Total assets	<u>884,561</u>	<u>\$ 17,307,893</u>	<u>\$ 24,058,182</u>
LIABILITIES			
Accounts payable	\$ 15,510	\$ 79,715	\$ 372,343
Salaries and benefits payable	39,789	27,199	69,268
Loans from (to) other funds	_____	_____	2,178
Total liabilities	<u>55,299</u>	<u>106,914</u>	<u>443,789</u>
NET POSITION			
Investment in capital assets, net of related debt		5,950,240	5,950,240
Unrestricted	<u>829,262</u>	<u>11,250,739</u>	<u>17,664,153</u>
Total net position	<u>829,262</u>	<u>17,200,979</u>	<u>23,614,393</u>
Total liabilities and net position	<u>884,561</u>	<u>\$ 17,307,893</u>	<u>\$ 24,058,182</u>

See independent auditor's report and notes to financial statements.

CITY OF HANFORD
Combining Statement of Revenues, Expenses,
and Changes in Net Position
Internal Service funds
For the Year Ended June 30, 2013

	City Payroll Fund	Risk Management Fund	Computer Maintenance Fund
REVENUES			
Charges for services	\$	<u>1,109,771</u>	<u>279,010</u>
EXPENSES			
Personnel services			120,749
Services and supplies		1,133,056	117,353
Depreciation	—	—	—
Total expenses	—	<u>1,133,056</u>	<u>238,102</u>
Operating income (loss)	—	<u>(23,285)</u>	<u>40,908</u>
Non-operating revenues (expenses)			
Gain (loss) on sale of assets			
Interest income			
Unrealized gain on investments	(6)	(21,408)	(9,740)
Miscellaneous	—	<u>6,021</u>	<u>5,000</u>
Total non-operating revenue (expenses)	<u>(6)</u>	<u>(15,387)</u>	<u>(4,740)</u>
Income (loss) before contributions and transfers	<u>(6)</u>	<u>(38,672)</u>	<u>36,168</u>
Capital contributions	—	—	—
Change in net position	(6)	(38,672)	36,168
Net position, beginning of year	<u>15</u>	<u>3,809,700</u>	<u>1,776,947</u>
Net position, end of year	<u>\$ 9</u>	<u>\$3,771,028</u>	<u>\$1,813,115</u>

See independent auditor's report and notes to financial statements.

CITY OF HANFORD
Combining Statement of Revenues, Expenses,
and Changes in Net Position
Internal Service Funds
For the Year Ended June 30, 2013
(Continued)

	Building Fund	Fleet Management Fund	Totals
REVENUES			
Charges for services	<u>\$763,997</u>	<u>\$ 3,455,600</u>	<u>\$ 5,608,378</u>
EXPENSES			
Personnel services	433,593	457,948	1,012,290
Services and supplies	236,678	1,632,242	3,119,329
Depreciation	<u> </u>	<u>1,022,508</u>	<u>1,022,508</u>
Total expenses	<u>670,271</u>	<u>3,112,698</u>	<u>5,154,127</u>
Operating income (loss)	<u>93,726</u>	<u>342,902</u>	<u>454,251</u>
Non-operating revenue (expense)			
Interest income		48,291	48,291
Unrealized gain on investments	(4,623)	(59,465)	(95,242)
Miscellaneous	<u> </u>	<u>30,910</u>	<u>41,931</u>
Total non-operating revenue (expense)	<u>(4,623)</u>	<u>19,736</u>	<u>(5,020)</u>
Income before contributions and transfers	<u>89,103</u>	<u>362,638</u>	<u>449,231</u>
Capital contributions	<u> </u>	<u>493,280</u>	<u>493,280</u>
Change in net position	89,103	855,918	942,511
Net position, beginning of year	<u>740,159</u>	<u>16,345,061</u>	<u>22,671,882</u>
Net position, end of year	<u>\$829,262</u>	<u>\$17,200,979</u>	<u>\$23,614,393</u>

See independent auditor's report and notes to financial statements.

CITY OF HANFORD
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2013

	City Payroll Fund	Risk Management Fund	Computer Maintenance Fund
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received for current services	\$	\$ 1,109,771	\$ 279,010
Cash paid for services and supplies		(1,134,828)	(126,821)
Cash paid for salaries and benefits	(13,323)		(120,249)
Net cash provided (used) by operating activities	<u>(13,323)</u>	<u>(25,057)</u>	<u>31,940</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Loans from (to) other funds	2,178	(2,178)	_____
Net cash used by noncapital financing activities	<u>2,178</u>	<u>(2,178)</u>	<u>_____</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Capital contributions	_____	_____	_____
Capital expenditures	_____	_____	_____
Net cash used by capital and related financing activities	_____	_____	_____
CASH FLOWS FROM INVESTING ACTIVITIES:			
Unrealized gain on investments	(6)	(21,408)	(9,740)
Other non-operating revenue		6,021	5,000
Interest received	_____	_____	_____
Net cash provided (used) by investing activities	<u>(6)</u>	<u>(15,387)</u>	<u>(4,740)</u>
Net increase (decrease) in cash and cash equivalents	(11,151)	(42,622)	27,200
Cash and cash equivalents, beginning of year	<u>11,151</u>	<u>4,007,770</u>	<u>1,789,015</u>
Cash and cash equivalents, end of year	<u>\$ _____</u>	<u>\$ 3,965,148</u>	<u>\$ 1,816,215</u>
Reconciliation of operating income to net cash provided by (used for) operating activities:			
CASH FLOWS FROM OPERATING ACTIVITIES:			
Operating income/(loss)	\$	\$ (23,285)	\$ 40,908
Adjustments to reconcile operating income (loss) to cash flows from operating activities:			
Depreciation and amortization			
(Increase) decrease in net assets:			
Prepaid expenses	(2,187)		
Deposits		(80,000)	
Inventory			
Increase (decrease) in net liabilities:			
Accounts payable		78,228	(9,468)
Salaries and benefits payable	<u>(11,136)</u>	_____	500
Net cash provided (used) by operating activities	<u><u>\$ (13,323)</u></u>	<u><u>\$ (25,057)</u></u>	<u><u>\$ 31,940</u></u>

See independent auditor's report and notes to financial statements.

CITY OF HANFORD
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2013
(Continued)

	Building Fund	Fleet Maintenance Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received for current services	\$ 763,997	\$ 3,455,600	\$ 5,608,378
Cash paid for services and supplies	(226,367)	(1,645,217)	(3,133,233)
Cash paid for salaries and benefits	<u>(430,081)</u>	<u>(461,916)</u>	<u>(1,025,569)</u>
Net cash provided by operating activities	<u>107,549</u>	<u>1,348,467</u>	<u>1,449,576</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Loans from (to) other funds	_____	_____	_____
Net cash provided (used) by noncapital financing activities	_____	_____	_____
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Capital contributions	_____	493,280	493,280
Capital expenditures	_____	<u>(1,176,024)</u>	<u>(1,176,024)</u>
Net cash used by capital and related financing activities	_____	<u>(682,744)</u>	<u>(682,744)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Unrealized gain on investments	(4,623)	(59,465)	(95,242)
Other non-operating revenue	_____	30,910	41,931
Interest received	_____	<u>52,516</u>	<u>52,516</u>
Net cash provided (used) by investing activities	<u>(4,623)</u>	<u>23,961</u>	<u>(795)</u>
Net increase (decrease) in cash and cash equivalents	102,926	689,684	766,037
Cash and cash equivalents, beginning of year	<u>781,635</u>	<u>10,473,132</u>	<u>17,062,703</u>
Cash and cash equivalents, end of year	<u>\$ 884,561</u>	<u>\$11,162,816</u>	<u>\$17,828,740</u>
Reconciliation of operating income to net cash provided by (used for) operating activities:			
CASH FLOWS FROM OPERATING ACTIVITIES:			
Operating income/(loss)	\$ 93,726	\$ 342,902	\$ 454,251
Adjustments to reconcile operating income (loss) to cash flows from operating activities:			
Depreciation and amortization	_____	1,022,508	1,022,508
(Increase) decrease in net assets:			
Prepaid expenses	_____	(2,187)	(2,187)
Deposits	_____	(80,000)	(80,000)
Inventory	_____	<u>(29,790)</u>	<u>(29,790)</u>
Increase (decrease) in net liabilities:			
Accounts payable	3,512	16,815	89,087
Salaries and benefits payable	<u>10,311</u>	<u>(3,968)</u>	<u>(4,293)</u>
Net cash provided (used) by operating activities	<u>\$ 107,549</u>	<u>\$ 1,348,467</u>	<u>\$ 1,449,576</u>

See independent auditor's report and notes to financial statements.

CITY OF HANFORD
Combining Statement of Net Position
Trust and Agency Funds
June 30, 2013

	Community Facilities District	Civil Subpoena	Renters' Insurance Deposits	COE Park Deposits	Miscellaneous Deposits Trust	Total
ASSETS						
Cash and investments	\$ 891,839	\$117,699	\$430	\$478	\$318,008	\$1,328,454
Accounts receivable		602			3,913	4,515
Other	<u>1,615,000</u>	_____	_____	_____	_____	<u>1,615,000</u>
Total assets	<u>\$2,506,839</u>	<u>\$118,301</u>	<u>\$430</u>	<u>\$478</u>	<u>\$321,921</u>	<u>\$2,947,969</u>
LIABILITIES						
Accounts payable	\$	\$ 43	\$	\$	\$322,426	\$ 322,469
Deposits held for others		118,258	430	478		119,166
Bonds/notes payable	<u>1,615,000</u>	_____	_____	_____	_____	<u>1,615,000</u>
Total liabilities	<u>1,615,000</u>	<u>118,301</u>	<u>430</u>	<u>478</u>	<u>322,426</u>	<u>2,056,635</u>
NET POSITION						
Unreserved	<u>891,839</u>	_____	_____	_____	<u>(505)</u>	<u>891,334</u>
Total net position	<u>\$ 891,839</u>	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ (505)</u>	<u>\$ 891,334</u>

See independent auditor's report and notes to financial statements.

CITY OF HANFORD
Combining Statement of Changes in Fiduciary Net Position
Trust and Agency Funds
For the Year Ended June 30, 2013

	Community Facilities District	Miscellaneous Deposits Trust	Total
ADDITIONS			
Other additions	<u>\$485,785</u>	<u>\$ 250</u>	<u>\$486,035</u>
DEDUCTIONS			
General government	17,954		17,954
Unrealized (gain) loss on investments	1,316	1,745	3,061
Debt service:			
Principal	355,000		355,000
Interest	<u>107,195</u>	_____	<u>107,195</u>
Total Deductions	<u>481,465</u>	<u>1,745</u>	<u>483,210</u>
Change in net position	<u>4,320</u>	<u>(1,495)</u>	<u>2,825</u>
Net position, beginning of year	<u>887,519</u>	<u>990</u>	<u>888,509</u>
Net position (deficit), end of year	<u>\$891,839</u>	<u>\$ (505)</u>	<u>\$891,334</u>

See independent auditor's report and notes to financial statements.

SINGLE AUDIT REPORTS



February 3, 2014

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, in accordance with the 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, 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, 2013, and the related notes to the financial statements, which collectively comprise the City of Hanford's basic financial statements, and have issued our report thereon dated February 3, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Hanford's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Hanford's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Hanford's internal.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2013-1 and 2013-2 that we consider to be significant deficiencies.

Compliance and Other Matters

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

City of Hanford's Response to Findings

City of Hanford's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Hanford's response was not subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sampson, Sampson & Patterson, LLP



February 3, 2014

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

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

Report on Compliance for Each Major Federal Program

We have audited the City of Hanford's compliance with the types of compliance requirements described in *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Hanford's major federal programs for the year ended June 30, 2013. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of City of Hanford's major federal programs based on our audit of the types of compliance requirements referred to above. 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 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 on compliance for each major federal program. However, our audit does not provide a legal determination of City of Hanford's compliance.

Opinion on Each Major Federal Program

In our opinion, City of Hanford complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2013-3. Our opinion on each major federal program is not modified with respect to these matters.

City of Hanford's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Hanford's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we considered to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose to this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Sampson, Sampson & Patterson, LLP

CITY OF HANFORD
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2013

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal Catalog Number	Pass-Through Grantors Number	Expenditures
<u>U.S. Department of Homeland Security</u>			
Passed through State Office of Homeland Security State Domestic Preparedness Equipment and Support Program	97.004	2011-35-0027-031-00000	\$ 65,022
Total U.S. Department of Homeland Security			
<u>U.S. Department of Transportation</u>			
Federal Aviation Administration Airport Improvement	20.106	3-06-0098	371,826
Federal Highway Administration Passed through California Department of Transportation Highway Planning and Construction	20.205	CML-5091(48)	234,448
	20.205	CML-5091(36)	276,535
	20.205	CML-5091(46)	730,325
Passed through California Office of Traffic Safety National Highway Safety Programs	20.601	TSCAL1183	6,096
Total U.S. Department of Transportation			<u>1,619,230</u>
<u>U.S. Department of Housing and Urban Development</u>			
Office of Community Planning and Development CDBG/Entitlement Grants (A)	14.218	B-12-MC-06-0061	231,453
	14.218	B-13-MC-06-0061	782,001
	14.218	A-10-MC-06-0061	42,901
	14.218	B-11-MC-06-0061	149,402
Office of Sustainable Housing and Community Sustainable Communities Regional Housing	14.703	SC360080-11-13	33,428
	14.239	10-HOME-6894	<u>681,578</u>
Total U.S. Department of Housing and Urban Development			<u>1,920,763</u>
<u>U.S. Department of Justice</u>			
Direct Program Public Safety Partnership and Community Policing Grants	16.710	2010UMWX0031	81,017
	16.804	2012-DJ-BX-0137	13,602
	16.607	1121-0235	<u>1,792</u>
Total U.S. Department of Justice			<u>96,411</u>
<u>U.S. Department of Energy</u>			
Direct Program Energy Efficiency and Conservation Block Grant	81.128	EE0002294	203,574
Total U.S. Department of Energy			<u>203,574</u>
Total Expenditures of Federal Awards			<u>\$3,905,000</u>

See accompanying notes to schedule of expenditures of federal awards.

CITY OF HANFORD
Notes to the Schedule of Expenditures of Federal Awards
June 30, 2013

1. Summary of Significant Accounting Policies:

Basis of Accounting

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

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

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

Schedule of Expenditures of Federal Awards

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

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

CITY OF HANFORD
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013

Part I - Summary of Auditor's Results

Financial Statements

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

Federal Awards

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

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

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

CITY OF HANFORD
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013

Part II - Financial Statement Finding Section

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

Significant Deficiency

2013-1 – Cash Receipts

Condition:

During our testing of internal controls over cash receipts in the recreation department, the following was noted:

1. Proper support is not being consistently attached and reviewed for cash received in the recreation department at its various offsite locations.
2. Proper controls have not been established to cover all of the recreation department's various offsite activities

Criteria:

Strong internal controls over cash payments should be established and continuously monitored for compliance to reduce the possibility of misappropriation of City funds.

Effect of Condition:

Inadequate controls over cash collections increase the risk that City funds can be misappropriated without being detected.

Cause of Condition:

Although some internal controls over cash collection had been established, they were not adequately monitored to make sure they were working as intended.

Recommendation:

We recommend cash receipts controls be put in place for every event the recreation department oversees. Any time money is received at an event it should be accompanied by proper support that is able to be reviewed and verified by a supervisor and then the finance department. If events are scheduled in which the recreation department is partnering with another organization or sponsor there should be written documentation that clearly identifies how revenues and expenses will be shared.

CITY OF HANFORD
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013
(Continued)

Response:

City Management agrees with the audit findings and recommendations. Finance is updating the City's cash handling policy to include cash handling procedures for events overseen by the Recreation Department as well as any department receipting cash. The procedures will define appropriate support to accompany cash deposits that may be verified by department supervisors as well as Finance staff. The Recreation Department will have written documentation that specifies how revenues and expenses will be shared between the City and a co-sponsoring organization.

CITY OF HANFORD
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013
(Continued)

Significant Deficiency

2013-2 – Loans Receivable

Condition:

During our testing of the balance of receivables for outstanding housing loans, we found that approximately \$280,000 in uncollectible loans related to foreclosed properties were still recorded as an asset on the City's books.

Criteria:

Receivable balances recorded on the books should only include those amounts that are deemed to be ultimately collectible. Any write-offs or adjustments to outstanding balances should be made after approval by the appropriate City personnel.

Effect of Condition:

Failure to write-off uncollectible loan balances would result in the overstatement of City assets.

Cause of Condition:

The outstanding housing loans recorded on the books were not adequately reviewed at year-end to determine if they were still collectible.

Recommendation:

We recommend that a thorough review of loan balances be made at least on an annual basis to determine the ultimate collectibility of the amounts outstanding. Any loans that are considered to be uncollectible should be written off immediately after approval by the Finance Director.

Response:

City Management agrees with the audit findings and recommendations. A policy is in place to review loans semi-annually to determine the collectibility of outstanding loans and provide the Finance Director with uncollectible loans to be written off.

CITY OF HANFORD
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013
(Continued)

Part III - Federal Award Findings and Questioned Costs Section

U.S. Department of Housing and Urban Development C.F.D.A. #14.218

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

Significant Deficiency

2013-3 – CDBG Grant Programs

Condition:

In the prior year deficiencies were (1) staff was unable to provide copies of activity reports, performance reports and annual reports (2) outside consultant administering CDBG grant programs was not being monitored as required and (3) there appeared from HUD correspondence that the City failed to perform approved activities in a timely manner. These conditions persisted through the June 30, 2013 fiscal year and per review of a 2013 Program Monitoring Report by an on-site monitoring representative from HUD other findings and concerns were observed, namely in the area of documentation, and management systems.

Criteria:

CDBG standards require sufficient documentations to support programs that meet the National objective of assistance to benefit low-to-moderate-income areas and program management to see that timely expenditures and program reports are submitted.

Effect of Condition:

Failure to follow CDBG rules and regulations could put the City in jeopardy for receiving future funding.

Cause of Condition:

There does not appear that there is knowledgeable management of these programs and that staff is not adequately trained to accomplish and comply with all the requirements of these programs.

Recommendations:

Although it appears that the City has assigned a responsible manager and staff to these programs , on-going training and review should be initiated so that all programs are in compliance with CDBG regulations.

Response:

City Management agrees with the audit findings and recommendations. The CDBG program's administering staff will review its policies on an ongoing basis, and attend any training available to them to ensure that the City's program is in compliance with CDBG regulations. Until actual training is available, staff remains in close contact with the City's CDBG representative.

CITY OF HANFORD
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2013

U.S. Department of Housing and Urban Development

Finding – 2012-3 – 14.218 CDBG/Entitlement Grants

Condition:

This finding was a significant deficiency, and the following deficiencies were noted. (1) Staff was unable to provide various required reports (2) Failure to provide documentation of monitoring CDBG grant programs outside consultants (3) It appeared from correspondence from H.U.D. that program fund activities were not being performed timely.

Recommendation:

The City should appoint a Grant Manager to oversee these programs and Staff assigned to grant programs need to be adequately trained.

Current Status:

Although it appears that the City has assigned a responsible manager and staff to these programs ongoing training should be initiated so that all programs are in compliance with CDBG regulations. See response at 2013-3.

APPROPRIATIONS LIMIT REPORT



February 3, 2014

The Honorable City Council
City of Hanford
Hanford, California

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH ARTICLE XIIIIB – APPROPRIATIONS LIMIT

We have applied the procedures enumerated below to the accompanying appropriations limit of the City of Hanford for the year ended June 30, 2013. These procedures, which were agreed to by the League of California Cities and presented in their Article XIIIIB Appropriations Limitation Uniform Guidelines, were performed solely to assist you in meeting the requirement of Section 1.5 of Article XIIIIB of the California Constitution. This report is intended for the information of management and the City Council. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

The procedures performed and our findings were as follows:

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

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

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

Sampson, Sampson & Patterson, LLP

CITY OF HANFORD
Appropriations Limit
Schedules A and B
June 30, 2013

Schedule A	Fiscal Year 2012-2013	Amount
A. Last Year's Limit – 2012		\$48,364,684
B. Add: Adjustment for Annexation Service Deliver Charge		0
Subtotal		<u>\$48,364,684</u>
Apply ratio of Change Factor (Schedule B)		1.0465
C. Appropriations Limit – Fiscal Year 2012-2013		<u>\$50,613,642</u>

Schedule B	Worksheet for Permitted Growth in Appropriations Limit 2012-2013		
Kings County Population Change Converted to a Ratio	(1)	.85%	1.0085
California Per Capita Income Change Converted to a Ratio	(1)	3.77%	1.0377
Calculation of Factor for 2012-2013			1.0085 x 1.0377
Ratio of Change Factor			1.0465

(1) Provided by the California State Department of Finance