

CITY OF HANFORD

**FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORT**

**FOR THE YEAR ENDED
JUNE 30, 2018**

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**CITY OF HANFORD
PRINCIPAL CITY OFFICIALS
JUNE 30, 2018**

CITY COUNCIL

<u>NAME</u>	<u>POSITION</u>
Sue Sorenson	Mayor
John Draxler	Vice Mayor
Martin Devine	Council Member
Francisco Ramirez	Council Member
Art Brieno	Council Member

ADMINISTRATION

Darrel Pyle	City Manager
Griswold, LaSalle, Cobb, Dowd & Ginn, LLP	City Attorneys
Jennifer Gomez	City Clerk
Paula Lofgren	Treasurer/Finance Director
Christopher Ekk	Fire Chief
Darlene Mata	Community Development Director
Parker Sever	Police Chief
John Doyel	City Engineer
Craig Miller	Parks & Recreation Director
Lou Camara	Public Works Director
Marissa Gonzales	Human Resources Manager



INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, 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, 2018, 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.

Auditors' 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of as of June 30, 2018, 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.

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2018, the City adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of changes in net pension liability and related ratios, schedule of the city's proportionate share of the net pension liability of related ratios, schedule of plan contributions, schedule of changes in net OPEB liability and related ratios, schedule of contributions - OPEB, and budgetary comparison schedules for the General Fund, CDBG Home/Housing Fund, Capital Projects Fund, and Transportation Impact Fees Fund, as listed in the table of contents, 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's basic financial statements. The principal city officials and combining and individual nonmajor fund financial statements, 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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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.

The principal city officials have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2019, 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's internal control over financial reporting and compliance.

HUDSON HENDERSON & COMPANY, INC.

Hudson Henderson & Company, Inc.

Fresno, California
March 27, 2019

**CITY OF HANFORD
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018**

This discussion and analysis of the City of Hanford's (the City) financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2018. 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 exceed its liabilities at the close of the most recent fiscal year 2018 by about \$288.6 million. Of this amount, about \$17.0 million in unrestricted assets may be used to meet the City's ongoing obligations to citizens and creditors.
- As of June 30, 2018, the City's governmental funds reported combined ending fund balances of \$46.4 million.
- Approximately 18.3% of the combined governmental fund balances is considered available for spending at the City's discretion.
- As of June 30, 2018, unassigned fund balance in the General Fund was \$8.5 million, or 30.1% of total General Fund Expenditures.
- The City's total debt decreased by \$2.8 million during the fiscal year 2018, which is due to the normal maturity of debt in the water system, the wastewater system, and the citywide solar energy system.
- The following pension liabilities totaling \$49,728,732 are included in the financial statements as required by GASB 68: General Government \$38,574,115; Water System Enterprise \$2,890,664; Sewer Enterprise \$1,983,359; Refuse Enterprise \$3,755,643; Information Technology \$324,704; Building \$819,847; Fleet \$1,045,818; and Storm Drainage \$334,582.

THE FINANCIAL STATEMENTS

The financial statements presented herein include all of the activities of the City of Hanford, California (the 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 regarding 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 (continued)
FOR THE YEAR ENDED JUNE 30, 2018**

OVERVIEW OF THE FINANCIAL STATEMENTS

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities

The Statement of Net Position and the Statement of Activities 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.

In the Statement of Net Position and the Statement of Activities, 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 and Recreation, and Community Development. Property and sales taxes, user fees, interest income, franchise fees, and state and federal shared revenues and grants generally finance 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.

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.

CITY OF HANFORD
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
FOR THE YEAR ENDED JUNE 30, 2018

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 Position and the Statement of Revenues, Expenses and Changes in Fund Net Position. 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 position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$288,537,936 at the close of the 2017-18 fiscal year.

By far, the largest portion of the City's net position 81% 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 uses these capital assets to provide services to citizens; consequently, their value is not available for future spending. Although the City'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.

**CITY OF HANFORD
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
FOR THE YEAR ENDED JUNE 30, 2018**

Of the total current assets \$83,102,274, approximately 91% or \$75,651,026, consists of unrestricted cash and investments. These funds are invested in accordance with State law and the City's investment policy and include funds legally and/or contractually restricted as to their use.

STATEMENT OF NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2018	2017 (restated)	2018	2017 (restated)	2018	2017 (restated)
ASSETS						
Current assets	\$ 44,965,045	\$ 45,198,603	\$ 38,099,987	\$ 32,433,156	\$ 83,065,032	\$ 77,631,759
Capital and non-current assets (net of depreciation)	168,098,689	161,003,326	126,302,118	125,483,165	294,400,807	286,486,491
Total Assets	213,063,734	206,201,929	164,402,105	157,916,321	377,465,839	364,118,250
Deferred outflows of resources	13,882,310	11,955,115	2,865,987	2,476,692	16,748,297	14,431,807
LIABILITIES						
Current and other liabilities	7,302,138	5,176,351	1,900,734	4,730,528	9,202,872	9,906,879
Long-term liabilities	43,057,624	41,036,807	49,078,803	49,369,116	92,136,427	90,405,923
Total Liabilities	50,359,762	46,213,158	50,979,537	54,099,644	101,339,299	100,312,802
Deferred inflows of resources	3,136,128	3,264,377	1,200,773	470,583	4,336,901	3,734,960
NET POSITION						
Net investment in capital assets	147,136,482	161,003,326	86,648,028	84,163,890	233,784,510	245,167,216
Restricted	37,759,964	40,033,008	2,419	2,420	37,762,383	40,035,428
Unrestricted	(11,446,292)	(32,356,825)	28,437,335	21,656,476	16,991,043	(10,700,349)
Total Net Position	\$173,450,154	\$168,679,509	\$115,087,782	\$105,822,786	\$288,537,936	\$274,502,295

An additional portion of the City's net position of \$37,762,383 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$17,022,125, may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report an overall positive balance in net position. This means the City has sufficient current assets to satisfy both its current and long-term liabilities and fulfill its obligations pursuant to external restriction imposed on City assets. In short, the City is in sound financial condition.

**CITY OF HANFORD
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
FOR THE YEAR ENDED JUNE 30, 2018**

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. 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. From June 30, 2017 to June 30, 2018, the net position of the City as a whole increased, largely due to the increase in contributed capital.

STATEMENT OF ACTIVITIES

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
		(restated)		(restated)		(restated)
REVENUES						
Program Revenues:						
Charges for services	\$ 5,117,638	\$ 7,378,383	\$ 25,347,121	\$ 23,361,084	\$ 30,464,759	\$ 30,739,467
Operating grants and contributions	1,244,656	474,195	-	-	1,244,656	474,195
Capital grants and contributions	1,745,470	754,175	-	763,709	1,745,470	1,517,884
General Revenues:						
Taxes	27,244,529	26,478,336	-	-	27,244,529	26,478,336
Investment earnings	796,670	809,857	169,094	186,871	965,764	996,728
Other revenues	8,673,538	334,227	4,230,440	1,924,380	12,903,978	2,258,607
Total Revenues	<u>44,822,501</u>	<u>36,229,173</u>	<u>29,746,655</u>	<u>26,236,044</u>	<u>74,569,156</u>	<u>62,465,217</u>
EXPENSES						
Governmental Activities:						
General government	2,411,345	1,762,587	-	-	2,411,345	1,762,587
Public safety	17,908,901	16,605,006	-	-	17,908,901	16,605,006
Public works	9,665,063	7,970,040	-	-	9,665,063	7,970,040
Parks and recreation	2,986,101	3,577,165	-	-	2,986,101	3,577,165
Community development	5,255,402	9,419,387	-	-	5,255,402	9,419,387
Business-type Activities:						
Water system	-	-	6,897,804	7,039,637	6,897,804	7,039,637
Wastewater system	-	-	5,917,049	5,544,606	5,917,049	5,544,606
Storm drain	-	-	415,192	1,109,392	415,192	1,109,392
Refuse	-	-	8,488,643	7,117,331	8,488,643	7,117,331
Airport	-	-	408,718	366,610	408,718	366,610
Intermodal	-	-	68,237	111,455	68,237	111,455
Courthouse square	-	-	111,060	238,637	111,060	238,637
Total Expenses	<u>38,226,812</u>	<u>39,334,185</u>	<u>22,306,703</u>	<u>21,527,668</u>	<u>60,533,515</u>	<u>60,861,853</u>
Increase in Net Position						
Before Transfers	6,595,689	(3,105,012)	7,439,952	4,708,376	14,035,641	1,603,364
Transfers	<u>(1,825,044)</u>	<u>(3,718,099)</u>	<u>1,825,044</u>	<u>3,718,099</u>	<u>-</u>	<u>-</u>
Change in Net Position	<u>4,770,645</u>	<u>(6,823,111)</u>	<u>9,264,996</u>	<u>8,426,475</u>	<u>14,035,641</u>	<u>1,603,364</u>
Net Position, Beginning of Year, as Previously Reported	168,679,509	178,226,885	105,822,786	97,396,311	274,502,295	275,623,196
Prior Period Adjustment	-	(2,724,265)	-	-	-	(2,724,265)
Net Position, Beginning of Year, Restated	<u>168,679,509</u>	<u>175,502,620</u>	<u>105,822,786</u>	<u>97,396,311</u>	<u>274,502,295</u>	<u>272,898,931</u>
Net Position, End of Year	<u>\$ 173,450,154</u>	<u>\$ 168,679,509</u>	<u>\$ 115,087,782</u>	<u>\$ 105,822,786</u>	<u>\$ 288,537,936</u>	<u>\$ 274,502,295</u>

**CITY OF HANFORD
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
FOR THE YEAR ENDED JUNE 30, 2018**

The City's revenue totaled \$74,569,156 with 40.7% generated from charges for services and 36.5% generated from taxes. The largest source of revenues in Governmental Activities comes from taxes at 60.8%. 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 84.8%. 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 \$60,533,515. The two largest categories of expense are public safety, which accounted for 29.5% of total costs, and public works, which represents 15.9% of total costs. However, in relation to Governmental Activity expenses only, public safety makes up 46.8% of the total and public works makes up for 25.3%.

As shown in the Statement of Activities, net position increased from the prior year. In those funds included within the Governmental Activities category, net position increased by \$4,770,645, an increase of 2.8%. The net position increased in those funds included within the Business-Type Activities category by \$9,264,996, or 8.8%.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

Governmental Funds – The Focus of the City of Hanford's governmental funds is on short-term inflows and outflows and balances of spendable resources. Such information is useful in assessing the City's financial requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. 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 \$8,504,194 while total fund balance was \$8,606,694. 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 30.1% of general fund expenditures.

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.

**CITY OF HANFORD
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
FOR THE YEAR ENDED JUNE 30, 2018**

The Water System Fund has a total net position of \$41,710,183 at the end of the fiscal year. Total net position includes \$33,578,521 invested in capital assets and \$39 restricted for debt service, which are not available to pay for current expenses. The remaining net position of \$8,131,623 is unrestricted and available to cover current operating and capital needs of the fund.

The Refuse Fund has a total net position of \$1,157,756 at the end of the fiscal year. Total net position includes \$2,798,620 invested in capital assets, which are not available to cover current expenses.

The Wastewater Fund has a total net position of \$34,991,128 at the end of the fiscal year. Total net position includes \$24,955,667 invested in capital assets and \$2,380 restricted for debt service, which are not available to cover current expenses. The fund has \$10,033,081 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, 2018 amounts to \$273,436,181 (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 \$8,113,740. This increase is a net 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:

- Purchase and installation of new Financial System Software \$469,568;
- Refuse containers and vehicles \$704,225;
- Fire Station Construction \$800,102;
- Veterans Building Truss Repair \$117,198;
- Airport Hanger Taxi Lane Rehabilitation \$1,552,500;
- Longfield Center and Police Department Roof and Cooler Replacements \$431,749;
- Purchase of fleet vehicles and equipment \$1,761,784;
- Police Department Building Remodel and Civic Center Exterior Painting \$1,180,574;
- Various street construction projects, alignments, rehabilitation and betterments for \$4,750,758; and
- Depreciation for fiscal year 2017-18 of \$11,129,749.

Capital Assets

**CAPITAL ASSETS
(Net of Depreciation)**

	Governmental Activities		Business-Type Activities		Total	
	2018	2017 (restated)	2018	2017 (restated)	2018	2017 (restated)
Land	\$ 60,610,127	\$ 61,016,923	\$ 10,845,543	\$ 10,958,043	\$ 71,455,670	\$ 71,974,966
Buildings	13,340,824	11,860,786	5,817,284	6,124,148	19,158,108	17,984,934
Infrastructure	62,679,197	60,802,030	86,706,285	87,147,695	149,385,482	147,949,725
Equipment	8,014,030	5,747,029	15,775,147	16,678,417	23,789,177	22,425,446
Construction in progress	2,492,304	414,928	7,155,440	4,572,442	9,647,744	4,987,370
Total Capital Assets	<u>\$147,136,482</u>	<u>\$139,841,696</u>	<u>\$126,299,699</u>	<u>\$125,480,745</u>	<u>\$273,436,181</u>	<u>\$265,322,441</u>

**CITY OF HANFORD
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
FOR THE YEAR ENDED JUNE 30, 2018**

Long-Term Debt - At the end of the current fiscal year, the City, had a total debt outstanding of \$41,127,264.

OUTSTANDING DEBT

	Governmental Activities		Business-Type Activities		Total	
	2018	2017 (restated)	2018	2017 (restated)	2018	2017 (restated)
	Compensated absences	\$1,259,950	\$1,149,787	\$ 215,643	\$ 207,280	\$ 1,475,593
Revenue bonds payable	-	-	22,605,000	24,055,000	22,605,000	24,055,000
Unamortized bond premium	-	-	849,653	922,960	849,653	922,960
Notes payable	-	246,450	6,181,303	6,519,159	6,181,303	6,765,609
Lease purchase	-	-	10,015,715	10,748,627	10,015,715	10,748,627
Total Outstanding Debt	\$1,259,950	\$1,396,237	\$39,867,314	\$42,453,026	\$41,127,264	\$43,849,263

In the Business-Type Activities, the revenue bonds payable consists of three bond issues. In 2013, for the water system, the city received \$12,725,000 from the issuance of Water Revenue Bonds for the purpose of refinancing a 2003 Revenue Bond and 2007 note payable, of which \$9,110,000 remains. For the sewer system there remains a 2015 \$3,375,000 Refunding Revenue Bond, and a 2012 \$10,120,000 Refunding Revenue Bond.

The notes payable portion of the outstanding debt totaling \$6,181,303 consists of one loan. In 2002, the City obtained a \$10,000,000 loan for the purpose of expanding the wastewater treatment plant.

The outstanding lease purchase amount, \$10,015,715, is comprised of three different 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. The third lease was for a second energy efficient solar tracking system in the amount of \$8,495,138. This system is located at the wastewater treatment plant but is serving the whole city.

For detail information regarding each of these bonds or notes, please refer to Note 5 – Long-Term Debt, pages 44-49.

GENERAL FUND BUDGETARY HIGHLIGHTS

The fiscal year budget did not have any significant changes made from the beginning of the fiscal year. Actual revenues, however, were \$2,140,356 over estimated budget amounts. This was partially due to some funds that did not have beginning revenue budget estimates when the fiscal year 2018 budget was developed in fiscal years 2016 and 2017. Other causes of the additional revenues were underestimated property tax revenues and the increase in sales tax revenue generated by the newly constructed Costco Shopping Mall area. Expenditures for the fiscal year were more than estimated in the original FY18 budget. This was a result of additional allocations recommended and approved by the City Council for building repairs and various building rehab projects.

**CITY OF HANFORD
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
FOR THE YEAR ENDED JUNE 30, 2018**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The key assumptions in the General Fund revenue forecast for fiscal year 2017-2018 were similar to the 2016-2017 budget as part of the biannual budget process. These were:

- Service charges will increase due to new services and rate increases that went into effect during the fiscal year and last fiscal year.
- Property tax revenues will increase about 4% with assessed valuation and general growth.
- Sales tax revenues will grow by about 4%.
- State budget actions will not negatively affect general fund revenues.

Items addressed in the budget were:

Wastewater – Complete upgrades to sewer stations and perform inspection on Sanitary Sewer systems.

Airport – Continuation of the Hanger Taxi Lane Rehabilitation project.

Water – The completion of various water main replacements and additions, the addition of a new water supply well, water system security upgrade, and the continuation of meter purchases and the flat-to-meter conversion process.

Storm Drain – Curb and gutter installation, increased flow capacity in Peoples ditch, storm drain oversizing, and flat grate conversion.

Building – Replacement of various roofs and cooling/heating systems.

Streets – Resurfacing, sealing, and maintenance on several streets, replacing curb, gutters, and sidewalks, lane widening, signage replacement and installing/replacing traffic signals at various locations.

General Fund Operations – Maintain current services with the same level of employees, decrease expenses where possible, and anticipate minimal revenue growth with no draw from reserves. Also addressed are various ADA modifications, energy conservation projects, expansion and remodeling of public safety buildings, and technology system upgrades.

Parks and Recreation – Continue with a variety of recreation programs and activities and look for more opportunities to involve the community. Also ensure ADA compliance in all Parks, renovate median landscaping, and modification and upgrade in parks and recreational facilities.

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@cityofhanfordca.com. 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, 2018

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	\$ 46,061,155	\$ 29,552,629	\$ 75,613,784
Receivables	4,043,448	2,219,108	6,262,556
Internal balances	(5,750,832)	5,750,832	-
Inventory	320,820	243,210	564,030
Deposits	285,297	-	285,297
Prepaid expenses and other assets	5,157	247,806	252,963
Deferred charges	-	86,402	86,402
Long-term notes receivable	20,962,207	-	20,962,207
Restricted cash and investments	-	2,419	2,419
Capital Assets:			
Nondepreciable assets	63,102,431	18,000,983	81,103,414
Depreciable assets, net of depreciation	84,034,051	108,298,716	192,332,767
Total Assets	<u>213,063,734</u>	<u>164,402,105</u>	<u>377,465,839</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	13,882,310	2,865,987	16,748,297
Total Deferred Outflows of Resources	<u>13,882,310</u>	<u>2,865,987</u>	<u>16,748,297</u>
LIABILITIES			
Accounts payable	3,522,078	954,020	4,476,098
Salary and benefits payable	1,220,585	143,115	1,363,700
Accrued interest payable	-	455,240	455,240
Deposits and unearned revenue	2,471,278	341,890	2,813,168
Compensated absences - current portion	88,197	6,469	94,666
Compensated absences - noncurrent portion	1,171,753	209,174	1,380,927
Long-term debt - current	-	2,649,687	2,649,687
Long-term debt - noncurrent	-	36,152,331	36,152,331
Unamortized bond premium	-	849,653	849,653
Net OPEB liability	1,121,387	253,710	1,375,097
Net pension liability	40,764,484	8,964,248	49,728,732
Total Liabilities	<u>50,359,762</u>	<u>50,979,537</u>	<u>101,339,299</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	3,136,128	1,200,773	4,336,901
Total Deferred Inflows of Resources	<u>3,136,128</u>	<u>1,200,773</u>	<u>4,336,901</u>
NET POSITION			
Net investment in capital assets	147,136,482	86,648,028	233,784,510
Restricted for:			
Streets	3,150,066	-	3,150,066
Debt service	-	2,419	2,419
Housing	22,320,503	-	22,320,503
Public safety	847,555	-	847,555
Parks and recreation	3,912,502	-	3,912,502
Capital projects	7,529,338	-	7,529,338
Unrestricted	(11,446,292)	28,437,335	16,991,043
Total Net Position	<u>\$ 173,450,154</u>	<u>\$ 115,087,782</u>	<u>\$ 288,537,936</u>

The notes to the basic financial statements are an integral part of this statement.

**CITY OF HANFORD
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General government	\$ 2,411,345	\$ 81,412	\$ -	\$ -
Public safety	17,908,901	1,654,733	604,643	-
Public works	9,665,063	1,484,121	-	1,745,470
Recreation	2,986,101	315,650	-	-
Community development	5,255,402	1,581,722	640,013	-
Total Governmental Activities	38,226,812	5,117,638	1,244,656	1,745,470
Business-type Activities:				
Water system	6,897,804	9,932,009	-	-
Wastewater system	5,917,049	5,708,480	-	-
Storm drain	415,192	1,983,021	-	-
Refuse	8,488,643	7,484,386	-	-
Airport	408,718	115,608	-	-
Intermodal	68,237	34,961	-	-
Courthouse square	111,060	88,656	-	-
Total Business-type Activities	22,306,703	25,347,121	-	-
Total Primary Government	\$ 60,533,515	\$ 30,464,759	\$ 1,244,656	\$ 1,745,470

The notes to the basic financial statements are an integral part of this statement.

CITY OF HANFORD
STATEMENT OF ACTIVITIES (continued)
FOR THE YEAR ENDED JUNE 30, 2018

Functions/Programs	Net (Expense) Revenue	Net (Expense) Revenue and Changes in Net Position		
		Governmental Activities	Business-type Activities	Total
Primary Government:				
Governmental Activities:				
General government	\$ (2,329,933)	\$ (2,329,933)	\$ -	\$ (2,329,933)
Public safety	(15,649,525)	(15,649,525)	-	(15,649,525)
Public works	(6,435,472)	(6,435,472)	-	(6,435,472)
Recreation	(2,670,451)	(2,670,451)	-	(2,670,451)
Community development	(3,033,667)	(3,033,667)	-	(3,033,667)
Total Governmental Activities	<u>(30,119,048)</u>	<u>(30,119,048)</u>	<u>-</u>	<u>(30,119,048)</u>
Business-type Activities:				
Water system	3,034,205	-	3,034,205	3,034,205
Wastewater system	(208,569)	-	(208,569)	(208,569)
Storm drain	1,567,829	-	1,567,829	1,567,829
Refuse	(1,004,257)	-	(1,004,257)	(1,004,257)
Airport	(293,110)	-	(293,110)	(293,110)
Intermodal	(33,276)	-	(33,276)	(33,276)
Courthouse square	(22,404)	-	(22,404)	(22,404)
Total Business-type Activities	<u>3,040,418</u>	<u>-</u>	<u>3,040,418</u>	<u>3,040,418</u>
Total Primary Government	<u>\$ (33,159,466)</u>	<u>\$ (30,119,048)</u>	<u>\$ 3,040,418</u>	<u>\$ (27,078,630)</u>
General Revenues:				
Taxes:				
Property taxes		11,369,719	-	11,369,719
Sales and use tax		13,737,784	-	13,737,784
Franchise taxes		1,080,031	-	1,080,031
Other taxes		1,056,995	-	1,056,995
Revenue from use of money and property		796,670	169,094	965,764
Impact fees		2,602,398	1,543,490	4,145,888
Contributed Capital		4,993,434	1,591,676	6,585,110
Miscellaneous/other		1,077,706	1,095,274	2,172,980
Transfers - interfund		(1,825,044)	1,825,044	-
Total General Revenues and Transfers		<u>34,889,693</u>	<u>6,224,578</u>	<u>41,114,271</u>
Change in Net Position		<u>4,770,645</u>	<u>9,264,996</u>	<u>14,035,641</u>
Net Position, Beginning of Year, as Previously Reported		171,764,715	102,613,682	274,378,397
Prior Period Adjustments		(3,085,206)	3,209,104	123,898
Net Position, Beginning of Year, Restated		<u>168,679,509</u>	<u>105,822,786</u>	<u>274,502,295</u>
Net Position, End of Year		<u>\$ 173,450,154</u>	<u>\$ 115,087,782</u>	<u>\$ 288,537,936</u>

The notes to the basic financial statements are an integral part of this statement.

GOVERNMENTAL FUNDS

FINANCIAL STATEMENTS

CITY OF HANFORD
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2018

	General Fund	CDBG Home/Housing Fund	Capital Projects Fund	Transportation Impact Fees	All Other Governmental Funds	Total
ASSETS						
Cash and investments	\$ 9,270,774	\$ 485,913	\$ 5,642,305	\$ 3,548,850	\$ 10,342,770	\$ 29,290,612
Receivables	485,858	29,144	2,496	3,261	3,506,981	4,027,740
Loan receivable	-	18,675,390	-	-	2,286,817	20,962,207
Due from other funds	6,147	-	1,793,866	-	-	1,800,013
Deposits	160,297	-	-	-	-	160,297
Prepaid expenses and other assets	4,057	-	1,100	-	-	5,157
Total Assets	<u>\$ 9,927,133</u>	<u>\$ 19,190,447</u>	<u>\$ 7,439,767</u>	<u>\$ 3,552,111</u>	<u>\$ 16,136,568</u>	<u>\$ 56,246,026</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 510,042	\$ 12,617	\$ 269,580	\$ 19,488	\$ 2,456,658	\$ 3,268,385
Accrued wages payable	586,798	-	-	-	4,944	591,742
Unearned revenue	-	-	-	-	2,404,166	2,404,166
Consumer deposits	64,849	2,263	-	-	-	67,112
Due to other funds	158,750	-	-	3,398,446	6,148	3,563,344
Total Liabilities	<u>1,320,439</u>	<u>14,880</u>	<u>269,580</u>	<u>3,417,934</u>	<u>4,871,916</u>	<u>9,894,749</u>
FUND BALANCES						
Nonspendable:						
Long-term receivables	-	-	-	-	2,252,474	2,252,474
Insurance deposits	102,500	-	-	-	-	102,500
Restricted for:						
Community development	-	19,175,567	-	-	275,700	19,451,267
Streets and roads	-	-	-	134,177	3,015,889	3,150,066
Recreation	-	-	-	-	3,442,097	3,442,097
Landscape maintenance	-	-	-	-	470,405	470,405
Public safety	-	-	-	-	847,555	847,555
Committed for:						
Parking and business improvemer	-	-	7,170,187	-	359,151	7,529,338
Community development	-	-	-	-	616,762	616,762
Unassigned	8,504,194	-	-	-	(15,381)	8,488,813
Total Fund Balances	<u>8,606,694</u>	<u>19,175,567</u>	<u>7,170,187</u>	<u>134,177</u>	<u>11,264,652</u>	<u>46,351,277</u>
Total Liabilities and Fund Balances	<u>\$ 9,927,133</u>	<u>\$ 19,190,447</u>	<u>\$ 7,439,767</u>	<u>\$ 3,552,111</u>	<u>\$ 16,136,568</u>	<u>\$ 56,246,026</u>

The notes to the basic financial statements are an integral part of this statement.

CITY OF HANFORD
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION - GOVERNMENTAL ACTIVITIES
JUNE 30, 2018

Total Fund Balances Governmental Funds \$ 46,351,277

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	\$ 235,526,610	
Accumulated depreciation	<u>(95,094,766)</u>	140,431,844

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. 17,234,646

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds. Long-term liabilities at year-end consist of:

Compensated absences	\$ (1,205,282)	
Net OPEB liability	(1,121,387)	
Net pension liability	<u>(38,574,115)</u>	(40,900,784)

Deferred outflows related to pensions 13,189,598

Deferred inflows related to pensions (2,856,427)

Total Net Position - Governmental Activities \$ 173,450,154

The notes to the basic financial statements are an integral part of this statement.

CITY OF HANFORD
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	General Fund	CDBG Home/Housing Fund	Capital Projects Fund	Transportation Impact Fees	All Other Governmental Funds	Total
REVENUES						
Taxes and special assessments	\$ 24,485,451	\$ -	\$ -	\$ 1,902,902	\$ 4,210,588	\$ 30,598,941
Aid from other government agencies	1,467,731	467,973	20,500	-	2,735,703	4,691,907
Licenses and permits	844,802	-	-	-	-	844,802
Fines and forfeitures	153,935	-	-	-	29,669	183,604
Charges for services	1,377,615	-	-	-	-	1,377,615
Revenue from use of money and property	292,171	340,415	(3,036)	14,703	220,906	865,159
Miscellaneous	513,061	28,635	104,030	657,494	338,427	1,641,647
Total Revenues	<u>29,134,766</u>	<u>837,023</u>	<u>121,494</u>	<u>2,575,099</u>	<u>7,535,293</u>	<u>40,203,675</u>
EXPENDITURES						
General government	2,513,444	-	75,761	-	198,067	2,787,272
Public safety	17,772,608	-	-	-	-	17,772,608
Public works	2,509,556	-	31	-	1,595,812	4,105,399
Recreation	3,406,649	-	-	-	912,125	4,318,774
Community development	1,866,323	525,903	94,437	-	317,186	2,803,849
Capital outlay	167,433	170,524	1,385,842	722,849	4,739,160	7,185,808
Total Expenditures	<u>28,236,013</u>	<u>696,427</u>	<u>1,556,071</u>	<u>722,849</u>	<u>7,762,350</u>	<u>38,973,710</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>898,753</u>	<u>140,596</u>	<u>(1,434,577)</u>	<u>1,852,250</u>	<u>(227,057)</u>	<u>1,229,965</u>
Other Financing Sources (Uses)						
Operating transfers in	854,539	1,265,526	1,926,595	1,016,233	109,298	5,172,191
Operating transfers out	<u>(2,421,343)</u>	<u>(1,026,171)</u>	<u>(110,094)</u>	<u>(1,020,000)</u>	<u>(3,517,885)</u>	<u>(8,095,493)</u>
Total Other Financing Sources (Uses)	<u>(1,566,804)</u>	<u>239,355</u>	<u>1,816,501</u>	<u>(3,767)</u>	<u>(3,408,587)</u>	<u>(2,923,302)</u>
Net Change in Fund Balance	<u>(668,051)</u>	<u>379,951</u>	<u>381,924</u>	<u>1,848,483</u>	<u>(3,635,644)</u>	<u>(1,693,337)</u>
Net Position (Deficit), Beginning of Year	9,227,272	18,816,754	6,842,443	(1,714,306)	14,845,150	48,017,313
Prior Period Adjustment	47,473	(21,138)	(54,180)	-	55,146	27,301
Net Position (Deficit), Beginning of Year (Restated)	<u>9,274,745</u>	<u>18,795,616</u>	<u>6,788,263</u>	<u>(1,714,306)</u>	<u>14,900,296</u>	<u>48,044,614</u>
Net Position (Deficit), End of Year	<u>\$ 8,606,694</u>	<u>\$ 19,175,567</u>	<u>\$ 7,170,187</u>	<u>\$ 134,177</u>	<u>\$ 11,264,652</u>	<u>\$ 46,351,277</u>

The notes to the basic financial statements are an integral part of this statement.

CITY OF HANFORD
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

Total Net Change in Fund Balances - Governmental Funds \$ (1,693,337)

Amounts Reported for Governmental Activities in the Statement of Activities are 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 and contributed capital exceeded depreciation in the current period:

Expenditures for capital outlay	\$ 7,185,808	
Contributed capital and sale of assets	4,353,776	
Depreciation expense	<u>(6,657,734)</u>	4,881,850

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: (55,495)

Internal service funds are used by management to charge the costs of fleet maintenance, purchasing, employee welfare, workers' compensation, general and unemployment insurance to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities: 1,811,781

Net OPEB liability: The expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. 103,241

Pension contributions are reported as expenditures in the governmental funds, but contributions are reported as deferred outflows in the Statement of Net Position. (277,395)

Change in Net Position of Governmental Activities \$ 4,770,645

The notes to the basic financial statements are an integral part of this statement.

PROPRIETARY FUNDS

FINANCIAL STATEMENTS

CITY OF HANFORD
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2018

	Water System Fund	Sewer Improvement Funds		Refuse Fund
		Wastewater Fund	Storm Drain Fund	
ASSETS				
Current Assets:				
Cash and investments	\$ 10,576,029	\$ 11,463,497	\$ 6,302,284	\$ 1,190,051
Restricted cash and investments	39	2,380	-	-
Receivables, net	871,156	519,974	131,262	692,304
Deposits	-	-	-	-
Prepaid expenses	10,000	237,806	-	-
Inventory	243,210	-	-	-
Debt issuance costs	18,304	68,098	-	-
Due from other funds	1,042,708	-	-	-
Total current assets	<u>12,761,446</u>	<u>12,291,755</u>	<u>6,433,546</u>	<u>1,882,355</u>
Noncurrent Assets:				
Capital Assets:				
Land	211,614	4,135,650	3,622,772	-
Buildings and improvements	51,004,306	74,664,956	18,249,145	797,446
Machinery and equipment	15,552,216	2,286,818	607,339	6,142,740
Construction in progress	4,398,911	138,555	102,884	26,817
Less accumulated depreciation	(20,417,483)	(33,789,684)	(5,441,295)	(4,168,383)
Capital assets, net	<u>50,749,564</u>	<u>47,436,295</u>	<u>17,140,845</u>	<u>2,798,620</u>
Total noncurrent assets	<u>50,749,564</u>	<u>47,436,295</u>	<u>17,140,845</u>	<u>2,798,620</u>
Total Assets	<u>63,511,010</u>	<u>59,728,050</u>	<u>23,574,391</u>	<u>4,680,975</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pensions	924,998	625,509	104,857	1,210,623
Total Deferred Outflows of Resources	<u>924,998</u>	<u>625,509</u>	<u>104,857</u>	<u>1,210,623</u>
LIABILITIES				
Current Liabilities:				
Accounts payable	496,927	222,432	2,136	226,280
Salaries and benefits payable	50,041	32,467	6,162	54,265
Deposits and unearned revenue	335,293	1,721	785	1,388
Due to other funds	1,042,708	-	-	-
Interest payable	167,060	288,180	-	-
Compensated absences - current portion	2,927	1,398	214	1,930
Current portion of long-term debt	1,397,179	1,252,508	-	-
Total current liabilities	<u>3,492,135</u>	<u>1,798,706</u>	<u>9,297</u>	<u>283,863</u>
Noncurrent Liabilities:				
Compensated absences payable	94,631	45,209	6,916	62,418
Net OPEB liability	85,849	56,909	-	110,952
Unamortized bond premium	327,031	522,622	-	-
Bonds and notes payable	15,446,833	20,705,498	-	-
Net pension liability	2,890,664	1,983,359	334,582	3,755,643
Total noncurrent liabilities	<u>18,845,008</u>	<u>23,313,597</u>	<u>341,498</u>	<u>3,929,013</u>
Total Liabilities	<u>22,337,143</u>	<u>25,112,303</u>	<u>350,795</u>	<u>4,212,876</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pensions	388,682	250,128	40,997	520,966
Total Deferred Inflows of Resources	<u>388,682</u>	<u>250,128</u>	<u>40,997</u>	<u>520,966</u>
NET POSITION				
Net investment in capital assets	33,578,521	24,955,667	17,140,845	2,798,620
Restricted for debt service	39	2,380	-	-
Unrestricted	8,131,623	10,033,081	6,146,611	(1,640,864)
Total net position	<u>\$ 41,710,183</u>	<u>\$ 34,991,128</u>	<u>\$ 23,287,456</u>	<u>\$ 1,157,756</u>

The notes to the basic financial statements are an integral part of this statement.

CITY OF HANFORD
STATEMENT OF NET POSITION –
PROPRIETARY FUNDS (continued)
JUNE 30, 2018

	Airport Fund	Intermodal Fund	Courthouse Square	Total	Governmental Activities Internal Service Funds
ASSETS					
Current Assets:					
Cash and investments	\$ 19,947	\$ 235	\$ 586	\$ 29,552,629	\$ 16,770,543
Restricted cash and investments	-	-	-	2,419	-
Receivables, net	2,747	69	1,596	2,219,108	15,708
Deposits	-	-	-	-	125,000
Prepaid expenses	-	-	-	247,806	-
Inventory	-	-	-	243,210	320,820
Debt issuance costs	-	-	-	86,402	-
Due from other funds	-	-	-	1,042,708	3,398,446
Total current assets	<u>22,694</u>	<u>304</u>	<u>2,182</u>	<u>33,394,282</u>	<u>20,630,517</u>
Noncurrent Assets:					
Capital Assets:					
Land	2,596,623	278,884	-	10,845,543	-
Buildings and improvements	6,880,359	1,305,817	-	152,902,029	-
Machinery and equipment	54,971	-	-	24,644,084	14,309,242
Construction in progress	2,488,273	-	-	7,155,440	-
Less accumulated depreciation	(4,844,050)	(586,502)	-	(69,247,397)	(7,604,604)
Capital assets, net	<u>7,176,176</u>	<u>998,199</u>	<u>-</u>	<u>126,299,699</u>	<u>6,704,638</u>
Total other noncurrent assets	<u>7,176,176</u>	<u>998,199</u>	<u>-</u>	<u>126,299,699</u>	<u>6,704,638</u>
Total Assets	<u>7,198,870</u>	<u>998,503</u>	<u>2,182</u>	<u>159,693,981</u>	<u>27,335,155</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows related to pensions	-	-	-	2,865,987	692,712
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,865,987</u>	<u>692,712</u>
LIABILITIES					
Current Liabilities:					
Accounts payable	3,895	37	2,313	954,020	253,693
Salaries and benefits payable	180	-	-	143,115	628,843
Deposits and unearned revenue	2,703	-	-	341,890	-
Due to other funds	375,468	271,723	987,924	2,677,823	-
Interest payable	-	-	-	455,240	-
Compensated absences - current portion	-	-	-	6,469	3,826
Current portion of long-term debt	-	-	-	2,649,687	-
Total current liabilities	<u>382,246</u>	<u>271,760</u>	<u>990,237</u>	<u>7,228,244</u>	<u>886,362</u>
Noncurrent Liabilities:					
Compensated absences payable	-	-	-	209,174	50,842
Net OPEB liability	-	-	-	253,710	-
Unamortized bond premium	-	-	-	849,653	-
Bonds and notes payable	-	-	-	36,152,331	-
Net pension liability	-	-	-	8,964,248	2,190,369
Total noncurrent liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>46,429,116</u>	<u>2,241,211</u>
Total Liabilities	<u>382,246</u>	<u>271,760</u>	<u>990,237</u>	<u>53,657,360</u>	<u>3,127,573</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows related to pensions	-	-	-	1,200,773	279,701
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,200,773</u>	<u>279,701</u>
NET POSITION					
Net investment in capital assets	7,176,176	998,199	-	86,648,028	6,704,638
Restricted for debt service	-	-	-	2,419	-
Unrestricted	(359,552)	(271,456)	(988,055)	21,051,388	17,915,955
Total net position	<u>\$ 6,816,624</u>	<u>\$ 726,743</u>	<u>\$ (988,055)</u>	<u>107,701,835</u>	<u>\$ 24,620,593</u>
Adjustment to reflect the consolidation of internal service fund activities				<u>7,385,947</u>	
Net Position of Business-type Activities				<u>\$ 115,087,782</u>	

The notes to the basic financial statements are an integral part of this statement.

CITY OF HANFORD
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION –
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Sewer Improvement Funds			
	Water System Fund	Wastewater Fund	Storm Drain Fund	Refuse Fund
OPERATING REVENUES				
Charges for services	\$ 9,932,009	\$ 5,708,480	\$ 1,983,021	\$ 7,484,386
Other revenues	828,680	1,339,193	89,107	178,140
Total Operating Revenues	<u>10,760,689</u>	<u>7,047,673</u>	<u>2,072,128</u>	<u>7,662,526</u>
OPERATING EXPENSES				
Personnel services	1,941,905	1,200,694	272,582	2,588,310
Services and supplies	2,479,943	2,416,241	468,901	5,513,107
Depreciation	1,849,552	1,582,030	240,904	434,750
Total Operating Expenses	<u>6,271,400</u>	<u>5,198,965</u>	<u>982,387</u>	<u>8,536,167</u>
Operating Income (Loss)	<u>4,489,289</u>	<u>1,848,708</u>	<u>1,089,741</u>	<u>(873,641)</u>
NONOPERATING REVENUES (EXPENSES)				
Interest income	86,995	111,472	60,247	16,643
Interest expense	(663,413)	(762,870)	-	-
Unrealized gain (loss) on investments	(71,356)	(68,733)	(38,038)	(3,596)
Total Nonoperating Revenues (Expenses)	<u>(647,774)</u>	<u>(720,131)</u>	<u>22,209</u>	<u>13,047</u>
Income (Loss) Before Capital Contributions and Transfers	3,841,515	1,128,577	1,111,950	(860,594)
Capital contributions	893,301	698,375	-	-
Transfers in (out)	156,992	(12,548)	-	10,065
Change in Net Position	<u>4,891,808</u>	<u>1,814,404</u>	<u>1,111,950</u>	<u>(850,529)</u>
Net Position (Deficit), Beginning of Year	36,346,800	32,534,055	22,114,464	(25,533)
Prior Period Adjustment	471,575	642,669	61,042	2,033,818
Net Position (Deficit), Beginning of Year (Restated)	<u>36,818,375</u>	<u>33,176,724</u>	<u>22,175,506</u>	<u>2,008,285</u>
Net Position (Deficit), End of Year	<u>\$ 41,710,183</u>	<u>\$ 34,991,128</u>	<u>\$ 23,287,456</u>	<u>\$ 1,157,756</u>

The notes to the basic financial statements are an integral part of this statement.

CITY OF HANFORD
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION –
PROPRIETARY FUNDS (continued)
FOR THE YEAR ENDED JUNE 30, 2018

	Airport Fund	Intermodal Fund	Courthouse Square	Total	Governmental Activities Internal Service Funds
OPERATING REVENUES					
Charges for services	\$ 115,608	\$ 34,961	\$ 88,656	\$ 25,347,121	\$ 6,734,570
Other revenues	95,521	543	425	2,531,609	193,359
Total Operating Revenues	<u>211,129</u>	<u>35,504</u>	<u>89,081</u>	<u>27,878,730</u>	<u>6,927,929</u>
OPERATING EXPENSES					
Personnel services	15,483	-	-	6,018,974	1,326,943
Services and supplies	163,098	42,120	113,893	11,197,303	3,605,780
Depreciation	235,803	26,117	-	4,369,156	659,999
Total Operating Expenses	<u>414,384</u>	<u>68,237</u>	<u>113,893</u>	<u>21,585,433</u>	<u>5,592,722</u>
Operating Income (Loss)	<u>(203,255)</u>	<u>(32,733)</u>	<u>(24,812)</u>	<u>6,293,297</u>	<u>1,335,207</u>
NONOPERATING REVENUES (EXPENSES)					
Interest income	-	-	-	275,357	135,817
Interest expense	-	-	-	(1,426,283)	-
Unrealized gain (loss) on investments	784	64	44	(180,831)	(86,984)
Total Nonoperating Revenues (Expenses)	<u>784</u>	<u>64</u>	<u>44</u>	<u>(1,331,757)</u>	<u>48,833</u>
Income (Loss) Before Capital Contributions and Transfers	(202,471)	(32,669)	(24,768)	4,961,540	1,384,040
Capital contributions	-	-	-	1,591,676	216,219
Transfers in (out)	1,639,102	7,568	23,865	1,825,044	1,098,258
Change in Net Position	<u>1,436,631</u>	<u>(25,101)</u>	<u>(903)</u>	<u>8,378,260</u>	<u>2,698,517</u>
Net Position (Deficit), Beginning of Year	5,379,993	751,844	(987,152)		25,134,127
Prior Period Adjustment	-	-	-		(3,212,051)
Net Position (Deficit), Beginning of Year (Restated)	<u>5,379,993</u>	<u>751,844</u>	<u>(987,152)</u>		<u>21,922,076</u>
Net Position (Deficit), End of Year	<u>\$ 6,816,624</u>	<u>\$ 726,743</u>	<u>\$ (988,055)</u>		<u>\$ 24,620,593</u>
Adjustment to reflect the consolidation of internal service funds				<u>886,736</u>	
Change in Net Position of Business-type Activities				<u>\$ 9,264,996</u>	

The notes to the basic financial statements are an integral part of this statement.

CITY OF HANFORD
STATEMENT OF CASH FLOWS –
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Sewer Improvement Funds			
	Water System Fund	Wastewater Fund	Storm Drain Fund	Refuse Fund
Cash Flows from Operating Activities:				
Cash received for current services	\$ 10,067,302	\$ 5,716,371	\$ 2,006,591	\$ 7,426,357
Cash received for other operating revenues	828,680	1,339,193	89,107	178,140
Cash paid to suppliers for goods and services	(2,816,082)	(2,645,017)	(532,049)	(5,511,901)
Cash paid for salaries and benefits	(1,844,761)	(1,150,820)	(259,393)	(2,492,983)
Net Cash Provided (Used) by Operating Activities	<u>6,235,139</u>	<u>3,259,727</u>	<u>1,304,256</u>	<u>(400,387)</u>
Cash Flows from Non-Capital Financing Activities:				
Transfers (to) from other funds	156,992	(12,548)	-	10,065
Loans from/(to) other funds	-	-	-	-
Net Cash Provided (Used) by Non-capital financing Activities	<u>156,992</u>	<u>(12,548)</u>	<u>-</u>	<u>10,065</u>
Cash Flows from Capital and Related Financing Activities:				
Principal payments on long-term debt	(1,324,225)	(1,196,543)	-	-
Interest payments on long-term debt	(689,632)	(811,189)	-	-
Capital expenditures	(521,865)	(168,758)	(649,410)	(470,690)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(2,535,722)</u>	<u>(2,176,490)</u>	<u>(649,410)</u>	<u>(470,690)</u>
Cash Flows from Investing Activities:				
Unrealized gain (loss) on investments	(71,356)	(68,733)	(38,038)	(3,596)
Interest received on investments	86,995	111,472	60,247	16,643
Net Cash Provided (Used) by Investing Activities	<u>15,639</u>	<u>42,739</u>	<u>22,209</u>	<u>13,047</u>
Net Increase (Decrease) in Cash and Investments	3,872,048	1,113,428	677,055	(847,965)
Cash and Investments, Beginning of Year	<u>6,704,020</u>	<u>10,352,449</u>	<u>5,625,229</u>	<u>2,038,016</u>
Cash and Investments, End of Year	<u>\$ 10,576,068</u>	<u>\$ 11,465,877</u>	<u>\$ 6,302,284</u>	<u>\$ 1,190,051</u>
Reconciliation to Statement of Net Position:				
Cash and investments	\$ 10,576,029	\$ 11,463,497	\$ 6,302,284	\$ 1,190,051
Restricted cash and investments	39	2,380	-	-
Total Cash and Investments	<u>\$ 10,576,068</u>	<u>\$ 11,465,877</u>	<u>\$ 6,302,284</u>	<u>\$ 1,190,051</u>

The notes to the basic financial statements are an integral part of this statement.

CITY OF HANFORD
STATEMENT OF CASH FLOWS –
PROPRIETARY FUNDS (continued)
FOR THE YEAR ENDED JUNE 30, 2018

	Sewer Improvement Funds			
	Water System Fund	Wastewater Fund	Storm Drain Fund	Refuse Fund
Reconciliation of Operating Income to Net Cash				
Provided (Used) by Operating Activities:				
Operating income (loss)	\$ 4,489,289	\$ 1,848,708	\$ 1,089,741	\$ (873,641)
Adjustments to reconcile net income (loss) from operating to net cash provided (used) by operating activities:				
Depreciation	1,849,552	1,582,030	240,904	434,750
(Increase) decrease in:				
Accounts receivables, net	105,584	6,170	23,705	(58,157)
Prepaid expenses	-	(233,806)	-	-
Inventory	23,862	-	-	-
Deferred outflows of resources	(126,317)	(77,879)	(12,501)	(172,598)
Accounts payable	(360,001)	11,190	(63,148)	1,206
Salaries and benefits payable	(706)	(287)	(2,992)	(15,686)
Compensated absences	12,623	(6,160)	7,130	(5,230)
Deposits and unearned revenue	29,709	1,721	(135)	128
Net OPEB liability	(6,219)	(6,219)	-	(8,707)
Net pension liability	(19,166)	(11,817)	(1,897)	(26,188)
Deferred inflows of resources	236,929	146,076	23,449	323,736
Net Cash Provided (Used) by Operating Activities	\$ 6,235,139	\$ 3,259,727	\$ 1,304,256	\$ (400,387)
Noncash investing, capital, and financing activities:				
Contribution of capital assets	\$ 893,301	\$ 698,375	\$ -	\$ -

The notes to the basic financial statements are an integral part of this statement.

CITY OF HANFORD
STATEMENT OF CASH FLOWS –
PROPRIETARY FUNDS (continued)
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Airport Fund</u>	<u>Intermodal Fund</u>	<u>Courthouse Square</u>	<u>Total Enterprise Funds</u>	<u>Governmental Activities Internal Service Funds</u>
Cash Flows from Operating Activities:					
Cash received for current services	\$ 113,746	\$ 34,892	\$ 88,656	\$ 25,453,915	\$ 6,765,394
Cash received for other operating revenues	95,521	543	425	2,531,609	193,359
Cash paid to suppliers for goods and services	(167,889)	(43,378)	(153,342)	(11,869,658)	(3,681,657)
Cash paid for salaries and benefits	(15,827)	-	-	(5,763,784)	(856,395)
Net Cash Provided (Used) by Operating Activities	<u>25,551</u>	<u>(7,943)</u>	<u>(64,261)</u>	<u>10,352,082</u>	<u>2,420,701</u>
Cash Flows from Non-Capital Financing Activities:					
Transfers (to) from other funds	1,639,102	7,568	23,865	1,825,044	1,098,258
Loans from/(to) other funds	-	-	-	-	(531,308)
Net Cash Provided (Used) by Non-capital financing Activities	<u>1,639,102</u>	<u>7,568</u>	<u>23,865</u>	<u>1,825,044</u>	<u>566,950</u>
Cash Flows from Capital and Related Financing Activities:					
Principal payments on long-term debt	-	-	-	(2,520,768)	-
Interest payments on long-term debt	-	-	-	(1,500,821)	-
Capital expenditures	(1,785,711)	-	-	(3,596,434)	(2,856,716)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(1,785,711)</u>	<u>-</u>	<u>-</u>	<u>(7,618,023)</u>	<u>(2,856,716)</u>
Cash Flows from Investing Activities:					
Unrealized gain (loss) on investments	784	64	44	(180,831)	(86,984)
Interest received on investments	-	-	-	275,357	135,817
Net Cash Provided (Used) by Investing Activities	<u>784</u>	<u>64</u>	<u>44</u>	<u>94,526</u>	<u>48,833</u>
Net Increase (Decrease) in Cash and Investments	(120,274)	(311)	(40,352)	4,653,629	179,768
Cash and Investments, Beginning of Year	<u>140,221</u>	<u>546</u>	<u>40,938</u>	<u>24,901,419</u>	<u>16,590,775</u>
Cash and Investments, End of Year	<u>\$ 19,947</u>	<u>\$ 235</u>	<u>\$ 586</u>	<u>\$ 29,555,048</u>	<u>\$ 16,770,543</u>
Reconciliation to Statement of Net Position:					
Cash and investments	\$ 19,947	\$ 235	\$ 586	\$ 29,552,629	\$ 16,770,543
Restricted cash and investments	-	-	-	2,419	-
Total Cash and Investments	<u>\$ 19,947</u>	<u>\$ 235</u>	<u>\$ 586</u>	<u>\$ 29,555,048</u>	<u>\$ 16,770,543</u>

The notes to the basic financial statements are an integral part of this statement.

**CITY OF HANFORD
STATEMENT OF CASH FLOWS –
PROPRIETARY FUNDS (continued)
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Airport Fund</u>	<u>Intermodal Fund</u>	<u>Courthouse Square</u>	<u>Total Enterprise Funds</u>	<u>Governmental Activities Internal Service Funds</u>
Reconciliation of Operating Income to Net Cash					
Provided (Used) by Operating Activities:					
Operating income (loss)	\$ (203,255)	\$ (32,733)	\$ (24,812)	\$ 6,293,297	\$ 1,335,207
Adjustments to reconcile net income (loss) from operating to net cash provided (used) by operating activities:					
Depreciation	235,803	26,117	-	4,369,156	659,999
(Increase) decrease in:					
Accounts receivables, net	(865)	(69)	-	76,368	30,824
Prepaid expenses	-	-	-	(233,806)	-
Inventory	-	-	-	23,862	(45,469)
Deferred outflows of resources	-	-	-	(389,295)	(87,548)
Accounts payable	(4,791)	(1,258)	(39,449)	(456,251)	(30,408)
Salaries and benefits payable	(344)	-	-	(20,015)	399,877
Compensated absences	-	-	-	8,363	6,775
Deposits and unearned revenue	(997)	-	-	30,426	-
Net OPEB liability	-	-	-	(21,145)	-
Net pension liability	-	-	-	(59,068)	(13,329)
Deferred inflows of resources	-	-	-	730,190	164,773
Net Cash Provided (Used) by Operating Activities	<u>\$ 25,551</u>	<u>\$ (7,943)</u>	<u>\$ (64,261)</u>	<u>\$ 10,352,082</u>	<u>\$ 2,420,701</u>
Noncash investing, capital, and financing activities:					
Contribution of capital assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,591,676</u>	<u>\$ 216,219</u>

The notes to the basic financial statements are an integral part of this statement.

FIDUCIARY FUNDS

FINANCIAL STATEMENTS

**CITY OF HANFORD
STATEMENT OF FIDUCIARY NET POSITION –
FIDUCIARY FUNDS
JUNE 30, 2018**

	Redevelopment Successor Agency Private-Purpose Trust Fund	Trust and Agency Funds
ASSETS		
Cash and investments	\$ 242,434	\$ 567,694
Accounts receivable	250	4,470
Assets held for resale	135,265	-
Total Assets	377,949	572,164
LIABILITIES		
Accounts payable	-	154,613
Deposits held for others	-	420,042
Bonds/notes payable	48,384	-
Total Liabilities	48,384	574,655
NET POSITION (DEFICIT)		
Held in trust for the retirement of obligations of the former Hanford Redevelopment Agency and other purposes	329,565	-
Unrestricted	-	(2,491)
Total Net Position	\$ 329,565	\$ (2,491)

The notes to the basic financial statements are an integral part of this statement.

CITY OF HANFORD
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION –
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Redevelopment Successor Agency Private-Purpose Trust Fund	Trust and Agency Funds
ADDITIONS		
Investment earnings	\$ 2,440	\$ -
Total Additions	2,440	-
DEDUCTIONS		
General government	887	-
Unrealized (gain) loss on investments	1,374	1,547
Total Deductions	2,261	1,547
Change in Net Position	179	(1,547)
Net Position (Deficit) - Beginning of Year	329,386	(944)
Net Position (Deficit) - End of Year	\$ 329,565	\$ (2,491)

The notes to the basic financial statements are an integral part of this statement.

CITY OF HANFORD
NOTES TO THE FINANCIAL STATEMENTS

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, 2018 and for the year then ended.

Description of the Reporting Entity: The City 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 (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 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 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 and the City Council is the board of directors of the Corporation.

Basis of Presentation

Government-Wide Financial Statements: The Government-wide financial statements (the Statement of Net Position 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. 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.

CITY OF HANFORD
NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government-Wide Financial Statements (continued): 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 fund financial statements provide information about the City's funds, with separate statements presented for each fund category – *governmental*, *proprietary* and *fiduciary*. 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.

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, recreation and community development.

CDBG Home/Housing Fund – This fund is used 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 Impact Fees – This fund is used to hold and account for transportation development impact fees levied by city ordinance on development activities and collected for the purpose of financing construction of transportation facilities necessary to reduce impacts caused by growth or new development.

The City reports the following major enterprise funds:

Water System Fund – The Water System 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.

CITY OF HANFORD
NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The City reports the following major enterprise funds (continued):

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.

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.

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.

Private-Purpose Trust Fund – The Private Purpose Trust Fund is used to account for the activities of the former Hanford Redevelopment Agency during the wind down period.

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.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation: In accordance with GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, the Statement of Net Position reports separate sections for Deferred Outflows of Resources, and Deferred Inflows of Resources, when applicable.

Deferred Outflows of Resources – This amount represents outflows of resources (consumption of net position) that apply to future periods and that, therefore, will not be recognized as an expense until that time.

Deferred Inflows of Resources – This amount represents inflows of resources (acquisition of net position) that apply to future periods and that, therefore, are not recognized as a revenue until that time.

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 THE FINANCIAL STATEMENTS (continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued): 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.

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

Cash and Cash Equivalents: For purposes of the Statement of Cash Flows, the City considers all short term and highly liquid investments (including restricted assets) to be cash and cash equivalents, as reported on the Statement of Net Position and Balance Sheet as cash and investments.

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

Further cash and investment disclosures are presented in Note 2.

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

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

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 revenue receivable. Business-type activities report trade and intergovernmental revenue 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.

Capital Assets: The accounting treatment over property, plant, and equipment (capital 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.

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

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

CITY OF HANFORD
NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets (continued): 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.

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 Position. 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 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 5.

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 Position. 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 Position. Bond premiums and discounts 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 expensed when incurred.

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.

Pensions: For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the plans and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans.

CITY OF HANFORD
NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Pensions (continued): For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit items. Investments are reported at fair value.

The following timeframes are used for pension reporting:

<u>CalPERS</u>	
Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Measurement Period	June 30, 2016 to June 30, 2017

Gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time. The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense. The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized straight-line over 5 years. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period.

Net Position: In the government-wide financial statements and proprietary fund financial statements, net position is classified as follows:

- *Net Investment in Capital Assets* – This category groups all capital assets, including infrastructure, into one component of net position. 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 Position* – 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 Position* – This category represents net position of the City, not restricted for any project or other purpose.

Fund Balance: 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 (the City Council) 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.

CITY OF HANFORD
NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Balance (continued):

- *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.

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

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.

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.

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.

CITY OF HANFORD
NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budgets and Budgetary Accounting (continued): Supplemental budgetary appropriations were negligible for the fiscal year ended June 30, 2018. 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 and major Special Revenue 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: At June 30, 2018, the Courthouse Square proprietary fund had a net position deficit of \$988,055. The Learning Center Operation and Traffic Safety special revenue funds had fund balance deficits of \$11,047 and \$315, respectively, and the City Payroll internal service fund had a net position deficit of \$5,417.

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.

Governmental Accounting Standards Update: During the year ending June 30, 2018, the City implemented the following standards:

GASB Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits other than Pension Plans*. The provisions of this statement are effective for financial statements for reporting periods beginning after June 15, 2017.

GASB Statement No. 82 – *Pension Issues- an amendment of GASB Statements No. 67, No. 68, and No. 73*. The requirements of this statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of paragraph 7 in a circumstance in which an employer’s pension liability is measured as of a date other than the employer’s most recent fiscal year-end. In that circumstance, the requirements of paragraph 7 are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

GASB Statement No. 85 – *Omnibus 2017*. The provisions of this statement are effective for reporting periods beginning after June 15, 2017.

GASB Statement No. 86 – *Certain Debt Extinguishment Issues*. The requirements of this statement are effective for reporting periods beginning after June 15, 2017

Released GASB Statements to be implemented in future financial statements are as follows:

GASB Statement No. 83 – *Certain Asset Retirement Obligations*. The requirements of this statement are effective for reporting periods beginning after June 15, 2018.

GASB Statement No. 84 – *Fiduciary Activities*. The requirements of this statement are effective for reporting periods beginning after December 15, 2018.

GASB Statement No. 87 – *Leases*. The requirements of this statement are effective for reporting periods beginning after December 15, 2019.

CITY OF HANFORD
NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Governmental Accounting Standards Update (continued):

GASB Statement No. 88 – *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The requirements of this statement are effective for reporting periods beginning after June 15, 2018.

GASB Statement No. 89 – *Accounting for Interest Cost Incurred before the End of a Construction Period*. The requirements of this statement are effective for reporting periods beginning after December 15, 2019.

GASB Statement No. 90 – *Majority Equity Interests- an amendment of GASB Statements No.14 and No 61*. The requirements of this statement are effective for reporting periods beginning after December 15, 2018.

Subsequent Events: In compliance with accounting standards, management has evaluated events that have occurred after year-end to determine if these events are required to be disclosed in the financial statements. Management has determined that no events require disclosure in accordance with accounting standards. These subsequent events have been evaluated through March 27, 2019, which is the date the financial statements were available to be issued.

NOTE 2 – CASH AND INVESTMENTS

Cash and investments as of June 30, 2018 are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and investments	\$ 75,613,784
Restricted cash and investments	2,419
Fiduciary funds:	
Cash and investments	810,128
Total Cash and Investments	\$ 76,426,331

Cash and investments as of June 30, 2018 consist of the following:

Cash on hand	\$ 3,405
Deposits with financial institutions	15,257,907
Investments	61,165,019
Total Cash and Investments	\$ 76,426,331

CITY OF HANFORD
NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 2 – CASH AND INVESTMENTS (continued)

The table below identifies the **investment types** that are authorized for the City by the California Government Code (or the City’s investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the City’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, rather than the general provisions of the California Government Code or the City’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
Bankers' Acceptances	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	None	None
Repurchase Agreements	1 year	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Local Agency Investment Fund (LAIF)	N/A	None	None

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

Investments Authorized by Debt Agreements: Investments of debt proceeds held by bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City’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	5 years	None	None
U.S. Agency Securities	5 years	None	None
Bankers' 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

CITY OF HANFORD
NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 2 – CASH AND INVESTMENTS (continued)

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 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’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’s investments by maturity.

Investment Type	Total	Remaining Maturity (in Months)			
		12 Months or Less	13 to 24 Months	25 to 60 Months	More than 60 Months
Federal Agency Securities	\$ 15,338,938	\$ -	\$ -	\$ 15,338,938	\$ -
State and County Investment Pools	39,923,941	-	-	39,923,941	-
Negotiable Certificates of Deposits	5,893,517	-	-	5,893,517	-
Held by bond trustee:					
Money Market Funds	8,623	8,623	-	-	-
	<u>\$ 61,165,019</u>	<u>\$ 8,623</u>	<u>\$ -</u>	<u>\$ 61,156,396</u>	<u>\$ -</u>

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

Investment Type	Amount	Minimum Legal Rating	Standards & Poors Ratings as of Year End		
			AAA	AA	Unrated
Federal Agency Securities	\$ 15,338,938	AA	\$ -	\$ 15,338,938	\$ -
State and County Investment Pools	39,923,941	N/A	-	-	39,923,941
Negotiable Certificates of Deposits	5,893,517	N/A	-	-	5,893,517
Held by bond trustee:					
Money Market Funds	8,623	N/A	-	-	8,623
	<u>\$ 61,165,019</u>		<u>\$ -</u>	<u>\$ 15,338,938</u>	<u>\$ 45,826,081</u>

CITY OF HANFORD
NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 2 – CASH AND INVESTMENTS (continued)

Concentration of Credit Risk: The investment policy of the City 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 investments** are as follows:

Issuer	Investment Type	Reported Amount	% of Total Investments
FHLB	Federal Agency Securities	\$ 5,728,768	9.4%
FNMA	Federal Agency Securities	3,924,248	6.4%
FHLMC	Federal Agency Securities	3,368,045	5.5%

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’s investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provisions for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

GASB Statement No. 40 requires that the following disclosure be made with respect to custodial credit risks relating to deposits and investments: \$12,469,976 of the City’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 and County Investment Pools: The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code under the oversight of the Treasurer of the State of California. The fair value of the City’s investment in this pool is reported in the accompanying financial statements at amounts based upon the City’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.

The City is also a voluntary participant in the County of Tulare Investment Pool. Assumptions made in determining the fair value of the investment portfolio are available from the County Treasurer.

Fair Value Measurements: The City Categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

CITY OF HANFORD
NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 2 – CASH AND INVESTMENTS (continued)

Fair Value Measurements (continued):

The City has the following recurring fair value measurements as of June 30, 2018:

Debt Securities	Level 1	Level 2	Level 3	Total
Federal Agency Securities	\$ -	\$ 15,338,938	\$ -	\$ 15,338,938
Certificates of Deposit	-	5,893,517	-	5,893,517
State and County Investment Pools	-	39,923,941	-	39,923,941

Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique.

NOTE 3 – RECEIVABLES

Receivables as of June 30, 2018 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	\$ 469,003	\$ -	\$ -	\$ 16,855	\$ -	\$ 485,858
CDBG Home/Housing	28,730	-	-	414	18,675,390	18,704,534
Capital Projects Fund	-	-	-	2,496	-	2,496
Transportation Impact Fees	-	-	-	3,261	-	3,261
Nonmajor and Other	15,053	1,274,039	2,206,487	11,402	2,286,817	5,793,798
Total	512,786	1,274,039	2,206,487	34,428	20,962,207	24,989,947
Enterprise Funds						
Water System	862,258	-	-	8,898	-	871,156
Wastewater	508,550	-	-	11,424	-	519,974
Storm Drain	125,081	-	-	6,181	-	131,262
Refuse	690,597	-	-	1,707	-	692,304
Airport Fund	2,747	-	-	-	-	2,747
Intermodal	-	-	-	69	-	69
Courthouse Square	1,596	-	-	-	-	1,596
Total	2,190,829	-	-	28,279	-	2,219,108
Internal Service Funds						
Fleet Maintenance Fund	231	-	-	15,477	-	15,708
Total	\$ 2,703,846	\$ 1,274,039	\$ 2,206,487	\$ 78,184	\$ 20,962,207	\$ 27,224,763

CITY OF HANFORD
NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 4 – CAPITAL ASSETS

Capital assets activities for the year ended June 30, 2018 were as follows:

	Balance July 1, 2017	Additions/ Completions	Retirements/ Adjustments	Balance June 30, 2018
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 61,016,923	\$ -	\$ (406,796)	\$ 60,610,127
Construction in Progress	414,928	2,077,376	-	2,492,304
Total capital assets not being depreciated	<u>61,431,851</u>	<u>2,077,376</u>	<u>(406,796)</u>	<u>63,102,431</u>
Capital assets being depreciated:				
Buildings	20,190,362	1,859,698	(778,060)	21,272,000
Infrastructure	139,697,995	7,894,160	(19,576)	147,572,579
Equipment	23,161,431	3,259,552	(8,532,141)	17,888,842
Total capital assets being depreciated	<u>183,049,788</u>	<u>13,013,410</u>	<u>(9,329,777)</u>	<u>186,733,421</u>
Less accumulated depreciation:				
Buildings	(8,329,576)	(379,660)	778,060	(7,931,176)
Infrastructure	(78,895,965)	(6,000,353)	2,936	(84,893,382)
Equipment	(14,202,351)	(937,720)	5,265,259	(9,874,812)
Total accumulated depreciation	<u>(101,427,892)</u>	<u>(7,317,733)</u>	<u>6,046,255</u>	<u>(102,699,370)</u>
Total capital assets being depreciated, net	<u>81,621,896</u>	<u>5,695,677</u>	<u>(3,283,522)</u>	<u>84,034,051</u>
Governmental Activities capital assets, net	<u>\$ 143,053,747</u>	<u>\$ 7,773,053</u>	<u>\$ (3,690,318)</u>	<u>\$ 147,136,482</u>
Business-type Activities				
Capital assets not being depreciated:				
Land	\$ 10,958,043	\$ -	\$ (112,500)	\$ 10,845,543
Construction in Progress	4,572,442	2,582,998	-	7,155,440
Total capital assets not being depreciated	<u>15,530,485</u>	<u>2,582,998</u>	<u>(112,500)</u>	<u>18,000,983</u>
Capital assets being depreciated:				
Buildings and improvements	150,689,196	2,212,833	-	152,902,029
Machinery and equipment	16,405,591	504,779	7,733,714	24,644,084
Total capital assets being depreciated	<u>167,094,787</u>	<u>2,717,612</u>	<u>7,733,714</u>	<u>177,546,113</u>
Less accumulated depreciation:				
Buildings and improvements	(57,417,354)	(2,961,106)	-	(60,378,460)
Machinery and equipment	(2,939,224)	(1,408,050)	(4,521,663)	(8,868,937)
Total accumulated depreciation	<u>(60,356,578)</u>	<u>(4,369,156)</u>	<u>(4,521,663)</u>	<u>(69,247,397)</u>
Total capital assets being depreciated, net	<u>106,738,209</u>	<u>(1,651,544)</u>	<u>3,212,051</u>	<u>108,298,716</u>
Business-type Activities capital assets, net	<u>\$ 122,268,694</u>	<u>\$ 931,454</u>	<u>\$ 3,099,551</u>	<u>\$ 126,299,699</u>

CITY OF HANFORD
NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 4 – CAPITAL ASSETS (continued)

Depreciation expense for the fiscal year ending June 30, 2018 was charged to the following activities:

Governmental Activities:	
General governmental	\$ 109,950
Public safety	174,285
Culture and recreation	851,417
Public works	5,404,769
Community development	117,313
Capital assets held by the internal service funds that were charged to the various functions based on their usage	<u>659,999</u>
Total	<u>\$ 7,317,733</u>
Business-type Activities:	
Water system	\$ 1,849,552
Wastewater	1,582,030
Storm drain	240,904
Refuse	434,750
Airport	235,803
Intermodal	<u>26,117</u>
Total	<u>\$ 4,369,156</u>

NOTE 5 – LONG-TERM DEBT

The following is a summary of the long-term debt activity for the year ended June 30, 2018:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018	Due Within One Year
Governmental Activities					
Notes payable	\$ 246,450	\$ -	\$ (246,450)	\$ -	\$ -
Compensated absences	<u>1,149,787</u>	<u>169,222</u>	<u>(59,059)</u>	<u>1,259,950</u>	<u>88,197</u>
Total Governmental Activities	<u>1,396,237</u>	<u>169,222</u>	<u>(305,509)</u>	<u>1,259,950</u>	<u>88,197</u>
Business-type Activities					
Bonds payable	24,055,000	-	(1,450,000)	22,605,000	1,495,000
Bond premiums	922,960	-	(73,307)	849,653	-
Note payable	6,519,159	-	(337,856)	6,181,303	349,681
Capital leases	10,748,627	-	(732,912)	10,015,715	805,006
Compensated absences	<u>207,280</u>	<u>15,542</u>	<u>(7,179)</u>	<u>215,643</u>	<u>6,469</u>
Total Business-type Activities	<u>42,453,026</u>	<u>15,542</u>	<u>(2,601,254)</u>	<u>39,867,314</u>	<u>2,656,156</u>
Total Primary Government	<u>\$ 43,849,263</u>	<u>\$ 184,764</u>	<u>\$ (2,906,763)</u>	<u>\$ 41,127,264</u>	<u>\$ 2,744,353</u>

CITY OF HANFORD
NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 5 – LONG-TERM DEBT (continued)

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. This property was sold in the current year with the full balance of the note payable being paid off concurrently. The balance as of June 30, 2018 was \$0.

Compensated Absences:

The City accounts for compensated absences (unpaid vacation, sick leave, and compensatory time) in accordance with GASB Codification 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.

\$ 1,259,950

Business Type Activities –

Bonds Payable:

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 were 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.

Wastewater revenue bonds outstanding at June 30, 2018 are \$10,120,000.

CITY OF HANFORD
NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 5 – LONG-TERM DEBT (continued)

Bonds Payable (continued):

The future maturities of the wastewater revenue bonds payable are as follows:

Fiscal Year	Principal	Interest	Total
2019	\$ 565,000	\$ 366,656	\$ 931,656
2020	590,000	340,606	930,606
2021	620,000	313,456	933,456
2022	640,000	293,456	933,456
2023	655,000	249,959	904,959
2024-2028	3,625,000	953,267	4,578,267
2029-2033	3,425,000	316,590	3,741,590
	<u>\$ 10,120,000</u>	<u>\$ 2,833,990</u>	<u>\$ 12,953,990</u>

On July 1, 2013, the City of Hanford issued \$12,725,000 Water Revenue Refunding Bonds Series 2013 bearing interest of 2.0% to 5.0% payable semi-annually on April 1 and October 1, commencing October 1, 2013. The bonds mature annually at various amounts through October 1, 2028. The bonds are payable from net revenues of the City’s Water 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 to refinance the City’s previously issued \$8,925,000 CSDA Water and Wastewater Revenue Bonds, dated December 9, 2003 and the \$8,150,000 Installment Sale Agreement – Water System dated December 20, 2007. As a result the 2003 Revenue Bond and 2007 Installment Sale Agreement are considered defeased and the liability for those issues has been removed from the long-term liabilities of the Business Activities Debt.

The aggregate debt service payments of the new debt are \$1,430,167 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 \$567,774.

Water revenue bonds outstanding at June 30, 2018 are \$9,110,000.

The future maturities of the water revenue bonds payable are as follows:

Fiscal Year	Principal	Interest	Total
2019	\$ 750,000	\$ 381,600	\$ 1,131,600
2020	775,000	354,850	1,129,850
2021	805,000	323,250	1,128,250
2022	840,000	286,150	1,126,150
2023	885,000	243,025	1,128,025
2024-2028	4,500,000	574,987	5,074,987
2029	555,000	12,487	567,487
	<u>\$ 9,110,000</u>	<u>\$ 2,176,349</u>	<u>\$ 11,286,349</u>

CITY OF HANFORD
NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 5 – LONG-TERM DEBT (continued)

Bonds Payable (continued): On January 28, 2015, the City of Hanford issued \$3,885,000 Wastewater Revenue Refunding Bonds, Series 2015, bearing interest of 2.0% to 4.0% payable semi-annually on April 1 and October 1, commencing April 1, 2015. The bonds mature annually at various amounts through October 1, 2032. The bonds are payable from net revenues derived from charges and revenues received by the City from the operation of the Wastewater System.

The Bonds are being issued to provide funds to refund the City's outstanding City of Hanford, Variable Rate Demand Sewer System Refunding Revenue Bonds, 1996 Series A, to purchase a reserve fund municipal bond insurance policy in lieu of cash funding a bond reserve fund for the Bonds, and to pay the cost of issuing the Bonds. As a result the 1996 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 are \$644,540 more than the old debt. The issuance of the new debt and refunding of the old debt resulted in an economic loss (the difference between the present value of the old debt and new debt payments) of approximately \$621,656.

Wastewater revenue bonds outstanding at June 30, 2018 are \$3,375,000.

The future maturities of the wastewater revenue bonds payable are as follows:

Fiscal Year	Principal	Interest	Total
2019	\$ 180,000	\$ 114,150	\$ 294,150
2020	185,000	108,675	293,675
2021	190,000	103,050	293,050
2022	195,000	97,275	292,275
2023	200,000	91,350	291,350
2024-2028	1,100,000	360,175	1,460,175
2029-2033	1,325,000	136,500	1,461,500
	<u>\$ 3,375,000</u>	<u>\$ 1,011,175</u>	<u>\$ 4,386,175</u>

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, 2018, the balance outstanding was \$6,181,303.

The future maturities of the Note payable are as follows:

Fiscal Year	Principal	Interest	Total
2019	\$ 349,681	\$ 210,225	\$ 559,906
2020	361,920	197,772	559,692
2021	374,587	184,884	559,471
2022	387,697	171,544	559,241
2023	401,266	157,737	559,003
2024-2028	2,227,090	564,064	2,791,154
2029-2033	2,079,062	148,662	2,227,724
	<u>\$ 6,181,303</u>	<u>\$ 1,634,888</u>	<u>\$ 7,816,191</u>

CITY OF HANFORD
NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 5 – LONG-TERM DEBT (continued)

Capital Leases: 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, were \$151,096 including interest of 4.668%, with a final payment in August, 2017.

On August 28, 2014 the City refinanced the 2009 capital lease to add an Automated Reading System (ARS). The purchase price was approximately \$400,000 and was added to the current balance of the prior capital lease. The revised principal balance is \$1,246,352 and commenced on February 18, 2015, with semi-annual payments of \$148,253 including interest of 2.79%, with a final payment in February, 2019. The balance outstanding as of June 30, 2018 was \$290,415.

The annual debt service requirements for the 2014 Capital Lease outstanding at June 30, 2018 are as follows:

Fiscal Year	Principal	Interest	Total
2019	\$ 290,415	\$ 6,091	\$ 296,506
	<u>\$ 290,415</u>	<u>\$ 6,091</u>	<u>\$ 296,506</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, 2018 was \$2,281,703.

The annual debt service requirements for the 2011 Capital Lease outstanding at June 30, 2018 are as follows:

Fiscal Year	Principal	Interest	Total
2019	\$ 157,827	\$ 75,981	\$ 233,808
2020	178,265	70,725	248,990
2021	200,075	64,789	264,864
2022	223,336	58,126	281,462
2023	248,126	50,689	298,815
2024-2028	<u>1,274,074</u>	<u>111,052</u>	<u>1,385,126</u>
	<u>\$ 2,281,703</u>	<u>\$ 431,362</u>	<u>\$ 2,713,065</u>

In March 2014, the City entered into a capital lease agreement with Bank of America National Association to design and construct a solar photovoltaic energy system using an energy service contract with Chevron Energy Solutions Company for several facilities throughout the City. The purchase price of this contract is \$8,495,138, with semi-annual payments in varying amounts including interest at 3.54% commencing on October 26, 2014 with a final payment in April, 2029. The balance outstanding as of June 30, 2018 was \$7,433,597.

CITY OF HANFORD
NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 5 – LONG-TERM DEBT (continued)

Capital Leases (continued):

The annual debt service requirements for the 2014 Capital Lease outstanding at June 30, 2018 are as follows:

Fiscal Year	Principal	Interest	Total
2019	\$ 356,764	\$ 260,374	\$ 617,138
2020	421,474	247,176	668,650
2021	474,517	231,791	706,308
2022	531,208	214,496	745,704
2023	591,758	195,160	786,918
2024-2028	4,018,412	604,174	4,622,586
2029	1,049,464	27,945	1,077,409
	<u>\$ 7,443,597</u>	<u>\$ 1,781,116</u>	<u>\$ 9,224,713</u>

NOTE 6 – PENSION PLAN

General Information

Plan Descriptions: The City’s defined benefit plans, the Miscellaneous, Police Safety and Fire Safety Plans of the City, are open to all qualified permanent and probationary employees. The miscellaneous plan is an agent multiple – employer plan and the police and fire safety plans are cost-sharing multiple – employer plans. The Plans are administered by the California Public Employees’ Retirement System (CalPERS), which acts as a common investment and administrative agent for participating public employers within the State of California. Benefit provisions under the Plans are established by State Statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided: CalPERS provides service retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 to 62 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefits is one of the following: The Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law.

The Plan’s provisions and benefits in effect at June 30, 2018, are summarized as follows:

	Miscellaneous	
	Prior to January 1, 2013	PEPRA On or After January 1, 2013
Benefit formula	3.0% @ 60	2.0% @ 62
Benefit vesting schedule	5 years' service	5 years' service
Benefit payments	monthly for life	monthly for life
Retirement age	50	52
Monthly benefits as a % of eligible compensation	1.426% - 2.418%	1.000% - 2.500%
Required employee contribution rates	8.0%	8.0%
Required employer contribution rates	27.327%	28.226%

CITY OF HANFORD
NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 6 – PENSION PLAN (continued)

	Safety Police	
	Prior to January 1, 2013	PEPRA
		On or After January 1, 2013
Benefit formula	3% @ 55	2.0% @ 62
Benefit vesting schedule	5 years' service	5 years' service
Benefit payments	monthly for life	monthly for life
Retirement age	50	50
Monthly benefits as a % of eligible compensation	3.0%	1.000% - 2.500%
Required employee contribution rates	9.0%	6.25%
Required employer contribution rates	31.532%	6.25%

	Safety Fire	
	Prior to January 1, 2013	PEPRA
		On or After January 1, 2013
Benefit formula	3% @ 55	2.0% @ 62
Benefit vesting schedule	5 years' service	5 years' service
Benefit payments	monthly for life	monthly for life
Retirement age	50	50
Monthly benefits as a % of eligible compensation	3.0%	1.000% - 2.500%
Required employee contribution rates	9.0%	6.25%
Required employer contribution rates	29.883%	6.25%

Contributions: Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. Funding contributions for the Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of the employees.

For the year ended June 30, 2018, the contributions recognized as part of pension expense for the Plans are as follows:

	Plans
Contributions - Employer	\$ 5,892,264

CITY OF HANFORD
NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 6 – PENSION PLAN (continued)

Contributions (continued):

As of June 30, 2018, the City reported net pension liabilities for its proportionate shares of the net pension liability of each Plan as follows:

	Proportionate Share of net Pension Liability
Miscellaneous	\$ 28,756,485
Safety Plans	20,972,247
	\$ 49,728,732

The City's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2016, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures.

The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The City's proportionate share of the net pension liability for each Plan as of June 30, 2016 and 2017 was as follows:

	Miscellaneous	Safety Plans
Proportion - June 30, 2016	N/A	35.700%
Proportion - June 30, 2017	N/A	35.100%
Change - Increase (Decrease)	N/A	-0.600%

Deferred Outflows of Resources

	Miscellaneous	Safety Plans
Changes in assumptions	\$ 4,240,174	\$ 3,426,097
Differences between expected and actual experiences	-	236,241
Net differences between projected and actual earnings on investments	988,815	747,024
Adjustment due to differences in proportions	-	205,707
Adjustment due to differences between actual and proportionate share of contributions	-	1,011,975
Pension contributions subsequent to measurement date	2,827,639	3,064,625
Total	\$ 8,056,628	\$ 8,691,669

CITY OF HANFORD
NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 6 – PENSION PLAN (continued)

Deferred Inflows of Resources

	Miscellaneous	Safety Plans
Changes in assumptions	\$ 283,096	\$ 262,859
Differences between expected and actual experiences	3,075,982	61,594
Adjustment due to differences in proportions	-	653,370
Total	\$ 3,359,078	\$ 977,823

Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in future pension expense (not including contributions subsequent to the measurement date) as follows:

Measurement Period Ended June 30	Deferred Outflows (Inflows) of Resources	
	Miscellaneous Plans	Safety Plans
2019	\$ 49,904	\$ 1,074,508
2020	1,698,130	2,432,622
2021	676,005	1,579,199
2022	(554,128)	(437,108)

Change of Assumption: GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate was changed from 7.65 percent (net of administrative expense in 2014) to 7.15 percent as of June 30, 2016 measurement date to correct the adjustment which previously reduced the discount rate for administrative expense.

Actuarial Methods and Assumptions Used to Determine Total Pension Liability: For the measurement period ended June 30, 2017, the total pension liability was determined by rolling forward the June 30, 2016 total pension liability. The June 30, 2017 total pension liability was based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the Requirement of GASB Statement No. 68
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.375% Net of Pension Plan Investment and Administrative Expenses; includes inflation
Mortality Rate Table	Derived from the January 2014 CalPERS Experience Study of the period from 1997 to 2011. Pre-retirement and Post-retirement mortality rates include 20 years of projected mortality improvement using Scale BB published by the Society of Actuaries.
Retirement Age	Derived from the January 2014 CalPERS Experience Study of the period from 1997 to 2011.

The experience study report can be obtained at CalPERS' website.

CITY OF HANFORD
NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 6 – PENSION PLAN (continued)

Actuarial Methods and Assumptions Used to Determine Total Pension Liability (continued):

- (1) Depending on age, service and type of employment
- (2) Net of pension plan investment expenses, including inflation
- (3) The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the CalPERS 2014 experience study report available on CalPERS website.
- (4) All of the City's plan for Miscellaneous and Safety employed the same assumptions

All other actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period 1997 to 2011, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found on the CalPERS website under Forms and Publications.

Discount Rate: The discount rate used to measure the total pension liability was 7.15 percent. To determine whether the municipal bond rates should be used in the calculation of a discount rate for public agency plans (including PERF C), CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing of the plans, the tests revealed the assets would not run out. Therefore, the current 7.15 percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.15 percent is applied to all plans in the Public Employees Retirement Fund, including PERF C. The stress test results are presented in a detailed report called "GASB Crossover testing Report" that can be obtained on CalPERS' website under the GASB 68 section.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound geometric returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1-10*	Real Return Years 11+**
Global Equity	51.00%	5.25%	5.71%
Global Fixed Income	20.00	0.99	2.43
Inflation Sensitive	6.00	0.45	3.36
Private Equity	10.00	6.83	6.95
Real Estate	12.00	4.50	5.13
Liquidity	1.00	(0.55)	(1.05)
Total	<u>100%</u>		

*An expected inflation of 2.5% used for this period

**An expected inflation of 3.0% used for this period

CITY OF HANFORD
NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 6 – PENSION PLAN (continued)

Sensitivity of the Proportionate Share of the Net Pension Liability to Change in the Discount Rate: The following presents the City’s proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Miscellaneous	Safety Plans
1% Decrease	6.15%	6.15%
Net Pension Liability	\$43,576,702	\$32,290,650
Current Discount Rate	7.15%	7.15%
Net Pension Liability	\$28,756,485	\$20,972,247
1% Increase	8.15%	8.15%
Net Pension Liability	\$16,640,074	\$11,720,015

Pension Plan Fiduciary Net Position: Detailed information about each pension plan’s fiduciary net position is available in the separately issued CalPERS financial reports.

NOTE 7 – POST EMPLOYMENT HEALTH CARE BENEFITS

Plan Description: The City participates in the CalPERS medical program under the Public Employees’ Medical and Hospital and Care Act (PEMHCA). As such, the City is obligated to contribute toward the cost of retiree medical coverage for the retiree’s lifetime or until coverage is discontinued. The City has selected the equal contribution method, where it resolves to contribute the same amount for retirees as is contributed toward active employee medical plan coverage. The City currently pays the minimum employer contribution (MEC) for both active and retired employees as well as their survivors, if covered at the time of the employee’s death. The MEC is \$119 per month for 2017.

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. As of January 1, 2016, the City terminated its healthcare contract with CalPERS. No future retirees are eligible for healthcare coverage or benefits from the City toward the cost of retiree medical coverage.

Employees Covered: As of the June 30, 2018 actuarial valuation, the following current and former City employees were covered by the OPEB plan membership:

Inactive employees or beneficiaries currently receiving benefit payments	42
Active employees	-
	42

CITY OF HANFORD
NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 7 – POST EMPLOYMENT HEALTH CARE BENEFITS (continued)

Contributions: Currently the City funds retiree healthcare benefits on a pay-as-you-go basis, paying a maximum of \$119 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 2016-2017, the City paid approximately \$67,000 for benefits of 42 retirees or their beneficiaries receiving benefits.

Total OPEB Liability: The City’s total OPEB liability was measured as of June 30, 2018 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2017 that rolled forward to determine the June 30, 2018 total OPEB liability, based on the following actuarial methods and assumptions.

Salary increases	N/A - there are no active participants covered by this plan
Inflation	2.75%
Discount rate	3.62%
Medical/Rx trend rate	8.50% for 2018, 8.00% for 2019, 7.50% for 2020, 7.00% for 2021, decreasing to 5.00% for subsequent years

Discount Rate: The discount rate used to measure the total OPEB liability was 3.62 percent. The projection of the cash flows used to determine the discount rate assumed that the City contributions will be made at rates equal to the actuarially determined contribution rates. Based on these assumptions, the OPEB City’s net position was projected to be available to make all projected OPEB payments for inactive employees and beneficiaries based on the “pay as you go” annual contributions.

Changes in the Net OPEB Liability:

The change in the Net OPEB liability is as follows:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability (Asset)
Balance at June 30, 2017	\$ 1,499,483	\$ -	\$ 1,499,483
Changes in the year:			
Interest on the total OPEB liability	50,391	-	50,391
Changes in assumptions	(6,734)	-	(6,734)
Contributions from the employer	-	168,043	(168,043)
Benefit Payments	(168,043)	(168,043)	-
Net change	(124,386)	-	(124,386)
Balance at June 30, 2018	\$ 1,375,097	\$ -	\$ 1,375,097

CITY OF HANFORD
NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 7 – POST EMPLOYMENT HEALTH CARE BENEFITS (continued)

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate: The following presents the net OPEB liability of the Plan as of the measurement date, calculated using the discount rate of 3.62 percent, if it were calculated using a discount rate that is 1 percentage-point lower (2.62 percent) or 1 percentage-point higher (4.62 percent) than the current rate:

	Discount Rate - 1% (2.62%)	Current Discount Rate 3.62%	Discount Rate + 1% (4.62%)
Net OPEB Liability	<u>\$ 1,496,065</u>	<u>\$ 1,375,097</u>	<u>\$ 1,271,576</u>

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate: The following presents the net OPEB liability of the Plan if it were calculated using healthcare cost trend rates that are 1 percentage-point lower or 1 percentage-point higher than the current rate:

	- 1% (7.50%)	Current Trend Rate 8.50%	+ 1% (9.50%)
Net OPEB Liability	<u>\$ 1,262,521</u>	<u>\$ 1,375,097</u>	<u>\$ 1,505,454</u>

OPEB Expense:

As of the start of the measurement period (July 1, 2017), the Net OPEB liability was \$1,499,483.

For the measurement period ended June 30, 2018 (the measurement date), the City incurred an OPEB expense of \$43,656.

Change in Net OPEB Liability	\$ (124,386)
Employer Contributions	<u>168,043</u>
OPEB Expense	<u>\$ 43,657</u>

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 for general liability insurance through CSAC-EIA above the City’s self-insured retention of \$100,000 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.

CITY OF HANFORD
NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 8 – RISK MANAGEMENT (continued)

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.

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, 2018 were as follows:

	Due From Other Funds	Due To Other Funds
Governmental Funds		
General Fund	\$ 6,147	\$ 158,750
Capital Projects Fund	1,793,866	-
Transportation Impact Fees	-	3,398,446
Other Governmental Funds	-	6,148
Proprietary Funds		
Water System Fund	1,042,708	1,042,708
Airport Fund	-	375,468
Intermodal Fund	-	271,723
Courthouse Square	-	987,924
Fleet Maintenance Fund	3,398,446	-
Total	\$ 6,241,167	\$ 6,241,167

CITY OF HANFORD
NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 9 – INTERFUND TRANSACTIONS (continued)

Interfund transfers consist of operating transfers from funds receiving resources to funds through which the resources are to be expended. Interfund transfers for the 2017/18 fiscal year were as follows:

	Transfers In	Transfers Out
Governmental Funds		
General Fund	\$ 854,539	\$ 2,421,343
CDBG Home/Housing Fund	1,265,526	1,026,171
Capital Projects Fund	1,926,595	110,094
Transportation Impact Fees	1,016,233	1,020,000
Other Governmental Funds	109,298	3,517,885
Proprietary Funds		
Water System Fund	9,699,476	9,542,484
Wastewater Fund	4,903,621	4,916,169
Refuse Fund	610,065	600,000
Airport Fund	1,642,253	3,151
Intermodal Fund	7,568	-
Courthouse Square	23,865	-
Computer Maintenance Fund	930,321	50,321
Building Fund	150,000	31,453
Fleet Maintenance Fund	99,711	-
Total	\$ 23,239,071	\$ 23,239,071

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.

Other: 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, 2018, significant amounts of grant expenditures have not been audited by the grantor agencies, but the City believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the City’s overall financial position.

CITY OF HANFORD
NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 11 – PRIOR PERIOD ADJUSTMENTS

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

	<u>Government-Wide Financial Statements</u>	<u>Business-Type Financial Statements</u>
Net position beginning of the year as previously reported	\$ 171,764,715	\$ 102,613,682
Program income revenues	(27,845)	-
Internal service fund capital assets	(3,212,051)	3,212,051
Deferred inflows/outflows related to pensions	160,568	-
Compensated absences	(47,893)	-
Unearned revenues	55,146	-
Net OPEB liability adjustment	<u>(13,131)</u>	<u>(2,947)</u>
Net assets/fund balances, beginning - restated	<u>\$ 168,679,509</u>	<u>\$ 105,822,786</u>

NOTE 12 – EXCESS EXPENDITURES OVER APPROPRIATIONS

For the fiscal year ended June 30, 2018, expenditures exceeded appropriations as follows:

<u>Fund</u>	<u>Amount</u>
General Fund	
General government	\$ 646,503
Public safety	393,245
Recreation	52,009
Community development	252,423
Capital outlay	167,433
CDBG Home/Housing Fund	
Capital Outlay	170,524
Capital Projects Fund	
General government	75,761
Public works	31
Community development	94,437
Transportation Impact Fees	
Capital Outlay	345,449

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF HANFORD
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
LAST TEN FISCAL YEARS*

Miscellaneous Plan

	2018	2017	2016	2015
Total Pension Liability				
Service cost	\$ 2,090,309	\$ 1,914,877	\$ 1,859,399	\$ 1,803,855
Interest	7,021,932	6,976,069	6,689,193	6,381,234
Change of benefit terms	-	-	-	-
experience	(3,768,183)	(831,190)	(443,007)	-
Changes in assumptions	6,006,913	-	(1,698,571)	-
Benefit payments, including refunds of employee contributions	(4,191,413)	(4,206,587)	(3,783,672)	(3,644,252)
Net change in total pension liability	7,159,558	3,853,169	2,623,342	4,540,837
Total pension liability- beginning	97,020,657	93,167,488	90,544,146	86,003,309
Total pension liability- ending (a)	104,180,215	97,020,657	93,167,488	90,544,146
Plan Fiduciary Net Position				
Contributions- employer	3,213,198	2,957,917	2,837,484	2,451,408
Contributions- employees	760,087	709,460	712,929	686,870
Net investment income ¹	7,625,528	366,113	1,494,371	10,020,177
Benefit payments	(4,191,413)	(4,206,587)	(3,783,672)	(3,644,252)
Administrative expense	(100,570)	(41,645)	(76,906)	-
Net change in plan fiduciary net position	7,306,830	(214,742)	1,184,206	9,514,203
Total plan fiduciary net position- beginning	68,116,900	68,331,642	67,147,436	57,633,233
Total plan fiduciary net position- ending (b)	75,423,730	68,116,900	68,331,642	67,147,436
Net pension liability- ending (a)-(b)	\$ 28,756,485	\$ 28,903,757	\$ 24,835,846	\$ 23,396,710
Plan fiduciary net position as a percentage of the total pension liability	72.40%	70.21%	73.34%	74.16%
District's covered-employee payroll	\$ 9,434,933	\$ 9,643,787	\$ 9,090,194	\$ 8,260,542
Net pension liability as a percentage of covered-employee payroll	304.79%	299.71%	273.22%	283.23%

¹Net of administrative expenses.

Notes to Schedule:

Benefit Changes: The figures above do not include any liability impact that may have resulted from plan changes.

Changes of Assumptions: The discount rate was changed from 7.65 percent (net of administrative expense) to 7.15 percent.

*The pension schedules are required to show ten years of data and the additional years' information will be displayed as it becomes available.

CITY OF HANFORD
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST TEN FISCAL YEARS*

Safety Plans

	2018	2017	2016	2015
Plan's Proportion of the Net Pension Liability/(Asset)	0.2115%	0.2559%	0.3530%	0.2402%
Plan's Proportionate Share of the Net Pension Liability/(Asset)	\$ 20,972,247	\$ 18,487,608	\$ 14,547,173	\$ 14,946,492
Plan's Covered-Employee Payroll	\$ 6,692,475	\$ 6,409,767	\$ 6,897,272	\$ 6,602,409
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll	313.37%	288.43%	210.91%	226.38%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	74.07%	74.41%	78.71%	77.21%

*The pension schedules are required to show ten years of data and the additional years' information will be displayed as it becomes available.

**CITY OF HANFORD
SCHEDULE OF PLAN CONTRIBUTIONS
LAST TEN FISCAL YEARS ***

Miscellaneous Plan

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 3,213,198	\$ 2,957,917	\$ 2,837,484	\$ 2,451,408
Contributions in relation to the actuarially determined contribution	<u>(3,213,198)</u>	<u>(2,957,917)</u>	<u>(2,837,484)</u>	<u>(2,451,408)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 Covered-employee payroll	 \$ 9,434,933	 \$ 9,643,787	 \$ 9,090,194	 \$ 8,260,542
 Contributions as a percentage of covered-employee payroll	 34.06%	 30.67%	 31.21%	 29.68%

Safety Plan

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 3,064,625	\$ 3,728,697	\$ 2,859,367	\$ 1,937,233
Contributions in relation to the actuarially determined contribution	<u>(3,064,625)</u>	<u>(3,728,697)</u>	<u>(2,859,367)</u>	<u>(1,937,233)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 Covered-employee payroll	 \$ 6,692,475	 \$ 6,409,767	 \$ 6,897,272	 \$ 6,602,409
 Contributions as a percentage of covered-employee payroll	 45.79%	 58.17%	 41.46%	 29.34%

Notes to Schedule:

Employers are assumed to make contributions equal to the actuarially determined contributions. However, some employers may choose to make additional contributions towards their unfunded liability. Employer contributions for such plans exceed the actuarially determined contributions.

*The pension schedules are required to show ten years of data and the additional years' information will be displayed as it becomes available.

CITY OF HANFORD
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
LAST TEN FISCAL YEARS *

	2018
Total OPEB Liability	
Interest on total OPEB liability	\$ 50,391
Changes in assumptions	(6,734)
Benefit payments, including refunds of employee contributions	(168,043)
Net change in total OPEB liability	(124,386)
Total Net OPEB liability- beginning	1,499,483
Total Net OPEB liability- ending (a)	1,375,097
 Plan Fiduciary Net Position	
Contributions- employer	168,043
Contributions- employees	-
Net investment income	-
Benefit payments	(168,043)
Trustee fees	-
Administrative expense	-
Net change in plan fiduciary net position	-
Total plan fiduciary net position- beginning	-
Total plan fiduciary net position- ending (b)	-
 Net OPEB liability- ending (a)-(b)	 \$ 1,375,097
 Plan fiduciary net position as a percentage of the total OPEB liability	-
 District's covered-employee payroll	-
 Net OPEB liability as a percentage of covered-employee payroll	-

Notes to Schedule:

*Historical information is required only for measurement periods for which GASB 75 is applicable. Future years' information will be displayed up to ten years as information becomes available.

**CITY OF HANFORD
SCHEDULE OF CONTRIBUTIONS – OPEB
LAST TEN FISCAL YEARS ***

	2018
Actuarially determined contribution	\$ 168,043
Contributions in relation to the actuarially determined contribution	(168,043)
Contribution deficiency (excess)	\$ -
 District's covered-employee payroll	 \$ -
 Contributions as a percentage of covered-employee payroll	 -

Notes to Schedule:

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2017-2018 were as follows for the June 30, 2018 measurement date actuarial valuations.

Valuation Date	June 30, 2017
Funding Method	Entry Age Normal Cost, level percent of pay
Asset valuation method	Market value of assets (\$0; plan is not yet funded)
Discount Rate	3.56% as of June 30, 2017 3.62% as of June 30, 2018
Participants Valued	This is a closed plan. Only retired participants and their dependents eligible for coverage and benefits are valued.
Assumed Wage Inflation	Not applicable; there are no active participants covered by this program.
General Inflation Rate	2.75% per year; a component of the discount rate
Mortality	MacLeod Watts Scale 2017 applied generationally
Healthcare Trend	Medical: Graded from 8.50% to ultimate 5.00% over 8 years

*Historical information is required only for measurement periods for which GASB 75 is applicable. Future years' information will be displayed up to ten years as information becomes available.

CITY OF HANFORD
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES – BUDGET TO ACTUAL (GAAP BASIS)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

	General Fund			Variance With Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
REVENUES				
Taxes and special assessments	\$ 23,344,680	\$ 23,344,680	\$ 24,485,451	\$ 1,140,771
Aid from other government agencies	780,240	780,240	1,467,731	687,491
Licenses and permits	1,046,920	1,046,920	844,802	(202,118)
Fines and forfeitures	208,600	208,600	153,935	(54,665)
Charges for services	1,222,610	1,217,610	1,377,615	160,005
Revenue from use of money and property	361,540	366,540	292,171	(74,369)
Miscellaneous	29,820	29,820	513,061	483,241
Total Revenues	26,994,410	26,994,410	29,134,766	2,140,356
EXPENDITURES				
General government	1,858,280	1,866,941	2,513,444	(646,503)
Public safety	17,146,470	17,379,363	17,772,608	(393,245)
Public works	2,625,240	2,625,240	2,509,556	115,684
Recreation	3,162,907	3,354,640	3,406,649	(52,009)
Community development	1,598,900	1,613,900	1,866,323	(252,423)
Capital outlay	-	-	167,433	(167,433)
Total Expenditures	26,391,797	26,840,084	28,236,013	(1,395,929)
Excess (Deficiency) of Revenues Over Expenditures	602,613	154,326	898,753	3,536,285
Other Financing Sources (Uses)				
Operating transfers in	65,000	65,000	854,539	789,539
Operating transfers out	(320,060)	(320,060)	(2,421,343)	(2,101,283)
Total Other Financing Sources (Uses)	(255,060)	(255,060)	(1,566,804)	(1,311,744)
Net Change in Fund Balance	347,553	(100,734)	(668,051)	(567,317)
Net Position (Deficit), Beginning of Year	9,227,272	9,227,272	9,227,272	-
Prior Period Adjustment	-	-	47,473	(47,473)
Net Position, Beginning of Year (Restated)	9,227,272	9,227,272	9,274,745	(47,473)
Net Position (Deficit), End of Year	\$ 9,574,825	\$ 9,126,538	\$ 8,606,694	\$ (614,790)

CITY OF HANFORD
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES – BUDGET TO ACTUAL (GAAP BASIS)
CDBG HOME/HOUSING FUND
FOR THE YEAR ENDED JUNE 30, 2018

	CDBG Home/Housing Fund			Variance With Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
REVENUES				
Aid from other government agencies	\$ 115,740	\$ 397,327	\$ 467,973	\$ 70,646
Revenue from use of money and property	269,900	292,857	340,415	47,558
Miscellaneous	-	-	28,635	28,635
Total Revenues	385,640	690,184	837,023	146,839
EXPENDITURES				
Community development	385,640	1,911,842	525,903	1,385,939
Capital outlay	-	-	170,524	(170,524)
Total Expenditures	385,640	1,911,842	696,427	1,215,415
Excess (Deficiency) of Revenues Over Expenditures	-	(1,221,658)	140,596	(1,068,576)
Other Financing Sources (Uses)				
Operating transfers in	-	-	1,265,526	1,265,526
Operating transfers out	-	-	(1,026,171)	(1,026,171)
Total Other Financing Sources (Uses)	-	-	239,355	239,355
Net Change in fund balance	-	(1,221,658)	379,951	(829,221)
Net Position (Deficit), Beginning of Year	18,816,754	18,816,754	18,816,754	-
Prior Period Adjustment	-	-	(21,138)	21,138
Net Position, Beginning of Year (Restated)	18,816,754	18,816,754	18,795,616	21,138
Net Position (Deficit), End of Year	<u>\$ 18,816,754</u>	<u>\$ 17,595,096</u>	<u>\$ 19,175,567</u>	<u>\$ (808,083)</u>

CITY OF HANFORD
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES – BUDGET TO ACTUAL (GAAP BASIS)
CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Capital Projects Fund			Variance With Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
REVENUES				
Aid from other government agencies	\$ 56,680	\$ 56,680	\$ 20,500	\$ (36,180)
Revenue from use of money and property	-	-	(3,036)	(3,036)
Miscellaneous	-	-	104,030	104,030
Total Revenues	56,680	56,680	121,494	64,814
EXPENDITURES				
General government	-	-	75,761	(75,761)
Public works	-	-	31	(31)
Community development	-	-	94,437	(94,437)
Capital outlay	943,000	4,330,610	1,385,842	2,944,768
Total Expenditures	943,000	4,330,610	1,556,071	2,774,539
Excess (Deficiency) of Revenues Over Expenditures	(886,320)	(4,273,930)	(1,434,577)	(2,709,725)
Other Financing Sources (Uses)				
Operating transfers in	-	-	1,926,595	(1,926,595)
Operating transfers out	(134,560)	(134,560)	(110,094)	(24,466)
Total Other Financing Sources (Uses)	(134,560)	(134,560)	1,816,501	(1,951,061)
Net Change in Fund Balance	(1,020,880)	(4,408,490)	381,924	(4,660,786)
Net Position (Deficit), Beginning of Year	6,842,443	6,842,443	6,842,443	-
Prior Period Adjustment	-	-	(54,180)	54,180
Net Position, Beginning of Year (Restated)	6,842,443	6,842,443	6,788,263	54,180
Net Position (Deficit), End of Year	\$ 5,821,563	\$ 2,433,953	\$ 7,170,187	\$ (4,606,606)

CITY OF HANFORD
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES – BUDGET TO ACTUAL (GAAP BASIS)
TRANSPORTATION IMPACT FEES
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Transportation Impact Fees</u>			Variance With Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
REVENUES				
Taxes and special assessments	\$ 1,044,160	\$ 1,044,160	\$ 1,902,902	\$ 858,742
Revenue from use of money and property	38,730	38,730	14,703	(24,027)
Miscellaneous	-	-	657,494	657,494
Total Revenues	<u>1,082,890</u>	<u>1,082,890</u>	<u>2,575,099</u>	<u>1,492,209</u>
EXPENDITURES				
Capital outlay	150,000	377,400	722,849	(345,449)
Total Expenditures	<u>150,000</u>	<u>377,400</u>	<u>722,849</u>	<u>(345,449)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>932,890</u>	<u>705,490</u>	<u>1,852,250</u>	<u>1,837,658</u>
Other Financing Sources (Uses)				
Operating transfers in	-	-	1,016,233	(1,016,233)
Operating transfers out	-	-	(1,020,000)	1,020,000
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(3,767)</u>	<u>3,767</u>
Net Change in Fund Balance	<u>932,890</u>	<u>705,490</u>	<u>1,848,483</u>	<u>1,841,425</u>
Net Position (Deficit), Beginning of Year	<u>(1,714,306)</u>	<u>(1,714,306)</u>	<u>(1,714,306)</u>	<u>-</u>
Net Position (Deficit), End of Year	<u>\$ (781,416)</u>	<u>\$ (1,008,816)</u>	<u>\$ 134,177</u>	<u>\$ 1,841,425</u>

SUPPLEMENTARY INFORMATION SECTION

**CITY OF HANFORD
COMBINING BALANCE SHEET
NON-MAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2018**

	<u>Transportation Funds</u>	<u>Park Impact Fees</u>	<u>Parking Fund</u>	<u>Downtown Reinvestment Fund</u>	<u>Landscaping Assessment District</u>
ASSETS					
Cash and investments	\$ 1,349,640	\$ 3,452,701	\$ 107,368	\$ 118,111	\$ 485,046
Receivables	2,113,031	3,787	9,684	119	5,674
Loan receivable	-	-	-	34,343	-
Total Assets	<u>\$ 3,462,671</u>	<u>\$ 3,456,488</u>	<u>\$ 117,052</u>	<u>\$ 152,573</u>	<u>\$ 490,720</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 183,775	\$ 14,391	\$ -	\$ -	\$ 21,504
Accrued wages payable	-	-	-	-	-
Unearned revenue	2,404,166	-	-	-	-
Due to other funds	-	-	-	-	-
Total Liabilities	<u>2,587,941</u>	<u>14,391</u>	<u>-</u>	<u>-</u>	<u>21,504</u>
FUND BALANCES					
Nonspendable:					
Long-term receivables	-	-	-	-	-
Restricted for:					
Community development	-	-	-	-	-
Streets and roads	874,730	-	-	-	-
Recreation	-	3,442,097	-	-	-
Landscape maintenance	-	-	-	-	469,216
Public safety	-	-	-	-	-
Committed for:					
Parking and business improvement	-	-	117,052	152,573	-
Community development	-	-	-	-	-
Unassigned	-	-	-	-	-
Total Fund Balances	<u>874,730</u>	<u>3,442,097</u>	<u>117,052</u>	<u>152,573</u>	<u>469,216</u>
Total Liabilities and Fund Balances	<u>\$ 3,462,671</u>	<u>\$ 3,456,488</u>	<u>\$ 117,052</u>	<u>\$ 152,573</u>	<u>\$ 490,720</u>

**CITY OF HANFORD
COMBINING BALANCE SHEET
NON-MAJOR SPECIAL REVENUE FUNDS (continued)
JUNE 30, 2018**

	City Housing Fund	Central Parking and Business Improvement	Fire Protection Impact Fees	Police Protection Impact Fees
ASSETS				
Cash and investments	\$ 615,870	\$ 89,372	\$ 745,011	\$ 508,398
Receivables	892	154	1,047	637
Loan receivable	1,167,658	-	-	-
Total Assets	<u>\$ 1,784,420</u>	<u>\$ 89,526</u>	<u>\$ 746,058</u>	<u>\$ 509,035</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ 269,256	\$ 227,308
Accrued wages payable	-	-	-	-
Unearned revenue	-	-	-	-
Due to other funds	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>269,256</u>	<u>227,308</u>
FUND BALANCES				
Nonspendable:				
Long-term receivables	1,167,658	-	-	-
Restricted for:				
Community development	-	-	-	-
Streets and roads	-	-	-	-
Recreation	-	-	-	-
Landscape maintenance	-	-	-	-
Public safety	-	-	476,802	281,727
Committed for:				
Parking and business improvement	-	89,526	-	-
Community development	616,762	-	-	-
Unassigned	-	-	-	-
Total Fund Balances	<u>1,784,420</u>	<u>89,526</u>	<u>476,802</u>	<u>281,727</u>
Total Liabilities and Fund Balances	<u>\$ 1,784,420</u>	<u>\$ 89,526</u>	<u>\$ 746,058</u>	<u>\$ 509,035</u>

**CITY OF HANFORD
COMBINING BALANCE SHEET
NON-MAJOR SPECIAL REVENUE FUNDS (continued)
JUNE 30, 2018**

	Special Aviation	Learning Center Operation	Traffic Safety	Street Tree Committee
ASSETS				
Cash and investments	\$ (485,916)	\$ 4,319	\$ 4,615	\$ 1,188
Receivables	986,608	4	3,481	1
Loan receivable	-	-	-	-
Total Assets	<u>\$ 500,692</u>	<u>\$ 4,323</u>	<u>\$ 8,096</u>	<u>\$ 1,189</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 224,992	\$ 15,370	\$ 2,263	\$ -
Accrued wages payable	-	-	-	-
Unearned revenue	-	-	-	-
Due to other funds	-	-	6,148	-
Total Liabilities	<u>224,992</u>	<u>15,370</u>	<u>8,411</u>	<u>-</u>
FUND BALANCES				
Nonspendable:				
Long-term receivables	-	-	-	-
Restricted for:				
Community development	275,700	-	-	-
Streets and roads	-	-	-	-
Recreation	-	-	-	-
Landscape maintenance	-	-	-	1,189
Public safety	-	-	-	-
Committed for:				
Parking and business improvement	-	-	-	-
Community development	-	-	-	-
Unassigned	-	(11,047)	(315)	-
Total Fund Balances	<u>275,700</u>	<u>(11,047)</u>	<u>(315)</u>	<u>1,189</u>
Total Liabilities and Fund Balances	<u>\$ 500,692</u>	<u>\$ 4,323</u>	<u>\$ 8,096</u>	<u>\$ 1,189</u>

CITY OF HANFORD
COMBINING BALANCE SHEET
NON-MAJOR SPECIAL REVENUE FUNDS (continued)
JUNE 30, 2018

	State Gas Tax Fund	Grants	Public Housing Authority	Cannabis Operations	Total Non-Major Special Revenue Funds
ASSETS					
Cash and investments	\$ 3,256,975	\$ -	\$ 1,092	\$ 88,980	\$ 10,342,770
Receivables	381,816	-	-	46	3,506,981
Loan receivable	-	-	1,084,816	-	2,286,817
Total Assets	<u>\$ 3,638,791</u>	<u>\$ -</u>	<u>\$ 1,085,908</u>	<u>\$ 89,026</u>	<u>\$ 16,136,568</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 1,497,632	\$ -	\$ 167	\$ -	\$ 2,456,658
Accrued wages payable	-	-	4,944	-	4,944
Unearned revenue	-	-	-	-	2,404,166
Due to other funds	-	-	-	-	6,148
Total Liabilities	<u>1,497,632</u>	<u>-</u>	<u>5,111</u>	<u>-</u>	<u>4,871,916</u>
FUND BALANCES					
Nonspendable:					
Long-term receivables	-	-	1,084,816	-	2,252,474
Restricted for:					
Community development	-	-	-	-	275,700
Streets and roads	2,141,159	-	-	-	3,015,889
Recreation	-	-	-	-	3,442,097
Landscape maintenance	-	-	-	-	470,405
Public safety	-	-	-	89,026	847,555
Committed for:					
Parking and business improvement	-	-	-	-	359,151
Community development	-	-	-	-	616,762
Unassigned	-	-	(4,019)	-	(15,381)
Total Fund Balances	<u>2,141,159</u>	<u>-</u>	<u>1,080,797</u>	<u>89,026</u>	<u>11,264,652</u>
Total Liabilities and Fund Balances	<u>\$ 3,638,791</u>	<u>\$ -</u>	<u>\$ 1,085,908</u>	<u>\$ 89,026</u>	<u>\$ 16,136,568</u>

CITY OF HANFORD
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
NON-MAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Transportation Fund	Park Impact Fees	Parking Fund	Downtown Reinvestment Fund	Landscaping Assessment District
REVENUES					
Taxes and special assessments	\$ 1,107,205	\$ 515,966	\$ -	\$ -	\$ 469,219
Aid from other government agencies	818,893	-	-	-	-
Licenses and permits	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-
Charges for services	-	-	-	-	-
Revenue from use of money and property	13,070	18,859	9,563	1,447	120
Miscellaneous	-	-	-	-	7,000
Total Revenues	<u>1,939,168</u>	<u>534,825</u>	<u>9,563</u>	<u>1,447</u>	<u>476,339</u>
EXPENDITURES					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Public works	149,262	-	-	-	576,424
Recreation	-	896,755	-	-	-
Community development	-	-	-	-	-
Capital outlay	1,322,325	74,000	-	-	-
Total Expenditures	<u>1,471,587</u>	<u>970,755</u>	<u>-</u>	<u>-</u>	<u>576,424</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>467,581</u>	<u>(435,930)</u>	<u>9,563</u>	<u>1,447</u>	<u>(100,085)</u>
Other Financing Sources (Uses)					
Operating transfers in	-	-	-	-	-
Operating transfers out	-	(5,287)	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>(5,287)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	<u>467,581</u>	<u>(441,217)</u>	<u>9,563</u>	<u>1,447</u>	<u>(100,085)</u>
Net Position (Deficit), Beginning of Year	352,003	3,883,314	107,489	151,126	569,301
Prior Period Adjustment	55,146	-	-	-	-
Net Position (Deficit), Beginning of Year (Restated)	<u>407,149</u>	<u>3,883,314</u>	<u>107,489</u>	<u>151,126</u>	<u>569,301</u>
Net Position (Deficit), End of Year	<u>\$ 874,730</u>	<u>\$ 3,442,097</u>	<u>\$ 117,052</u>	<u>\$ 152,573</u>	<u>\$ 469,216</u>

CITY OF HANFORD
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
NON-MAJOR SPECIAL REVENUE FUNDS (continued)
FOR THE YEAR ENDED JUNE 30, 2018

	City Housing Fund	Central Parking and Business Improvement	Fire Protection Impact Fees	Police Protection Impact Fees
REVENUES				
Taxes and special assessments	\$ -	\$ 105,720	\$ 183,530	\$ 124,526
Aid from other government agencies	-	-	-	-
Licenses and permits	-	-	-	-
Fines and forfeitures	-	-	-	-
Charges for services	-	-	-	-
Revenue from use of money and property	7,052	1,412	117,975	6,970
Miscellaneous	29,064	-	-	-
Total Revenues	<u>36,116</u>	<u>107,132</u>	<u>301,505</u>	<u>131,496</u>
EXPENDITURES				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	91,002	-	-
Recreation	-	-	-	-
Community development	19,625	-	-	-
Capital outlay	-	135,290	800,102	774,764
Total Expenditures	<u>19,625</u>	<u>226,292</u>	<u>800,102</u>	<u>774,764</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>16,491</u>	<u>(119,160)</u>	<u>(498,597)</u>	<u>(643,268)</u>
Other Financing Sources (Uses)				
Operating transfers in	-	-	-	-
Operating transfers out	<u>(1,919,355)</u>	<u>-</u>	<u>(989)</u>	<u>(85)</u>
Total Other Financing Sources (Uses)	<u>(1,919,355)</u>	<u>-</u>	<u>(989)</u>	<u>(85)</u>
Net Change in Fund Balance	<u>(1,902,864)</u>	<u>(119,160)</u>	<u>(499,586)</u>	<u>(643,353)</u>
Net Position (Deficit), Beginning of Year	3,687,284	208,686	976,388	925,080
Prior Period Adjustment	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Position (Deficit), Beginning of Year (Restated)	<u>3,687,284</u>	<u>208,686</u>	<u>976,388</u>	<u>925,080</u>
Net Position (Deficit), End of Year	<u>\$ 1,784,420</u>	<u>\$ 89,526</u>	<u>\$ 476,802</u>	<u>\$ 281,727</u>

CITY OF HANFORD
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
NON-MAJOR SPECIAL REVENUE FUNDS (continued)
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Special Aviation</u>	<u>Learning Center Operation</u>	<u>Traffic Safety</u>	<u>Street Tree Committee</u>
REVENUES				
Taxes and special assessments	\$ -	\$ -	\$ -	\$ -
Aid from other government agencies	1,745,470	-	-	-
Licenses and permits	-	-	-	-
Fines and forfeitures	-	-	29,669	-
Charges for services	-	-	-	-
Revenue from use of money and property	5,436	18	(115)	(7)
Miscellaneous	-	-	-	-
Total Revenues	<u>1,750,906</u>	<u>18</u>	<u>29,554</u>	<u>(7)</u>
EXPENDITURES				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Recreation	-	15,370	-	-
Community development	-	-	-	-
Capital outlay	-	-	-	-
Total Expenditures	<u>-</u>	<u>15,370</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,750,906</u>	<u>(15,352)</u>	<u>29,554</u>	<u>(7)</u>
Other Financing Sources (Uses)				
Operating transfers in	-	-	-	-
Operating transfers out	<u>(1,562,500)</u>	<u>-</u>	<u>(29,669)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(1,562,500)</u>	<u>-</u>	<u>(29,669)</u>	<u>-</u>
Net Change in Fund Balance	<u>188,406</u>	<u>(15,352)</u>	<u>(115)</u>	<u>(7)</u>
Net Position (Deficit), Beginning of Year	87,294	4,305	(200)	1,196
Prior Period Adjustment	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Position (Deficit), Beginning of Year (Restated)	<u>87,294</u>	<u>4,305</u>	<u>(200)</u>	<u>1,196</u>
Net Position (Deficit), End of Year	<u>\$ 275,700</u>	<u>\$ (11,047)</u>	<u>\$ (315)</u>	<u>\$ 1,189</u>

CITY OF HANFORD
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
NON-MAJOR SPECIAL REVENUE FUNDS (continued)
FOR THE YEAR ENDED JUNE 30, 2018

	State Gas Tax Fund	Grants	Public Housing Authority	Cannabis Operations	Total Non-Major Special Revenue Funds
REVENUES					
Taxes and special assessments	\$ 1,704,422	\$ -	\$ -	\$ -	\$ 4,210,588
Aid from other government agencies	-	-	171,340	-	2,735,703
Licenses and permits	-	-	-	-	-
Fines and forfeitures	-	-	-	-	29,669
Charges for services	-	-	-	-	-
Revenue from use of money and property	22,294	67	17,114	(369)	220,906
Miscellaneous	14,901	-	-	287,462	338,427
Total Revenues	<u>1,741,617</u>	<u>67</u>	<u>188,454</u>	<u>287,093</u>	<u>7,535,293</u>
EXPENDITURES					
General government	-	-	-	198,067	198,067
Public safety	-	-	-	-	-
Public works	779,124	-	-	-	1,595,812
Recreation	-	-	-	-	912,125
Community development	-	-	297,561	-	317,186
Capital outlay	1,632,679	-	-	-	4,739,160
Total Expenditures	<u>2,411,803</u>	<u>-</u>	<u>297,561</u>	<u>198,067</u>	<u>7,762,350</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(670,186)</u>	<u>67</u>	<u>(109,107)</u>	<u>89,026</u>	<u>(227,057)</u>
Other Financing Sources (Uses)					
Operating transfers in	-	-	109,298	-	109,298
Operating transfers out	-	-	-	-	(3,517,885)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>109,298</u>	<u>-</u>	<u>(3,408,587)</u>
Net Change in Fund Balance	<u>(670,186)</u>	<u>67</u>	<u>191</u>	<u>89,026</u>	<u>(3,635,644)</u>
Net Position (Deficit), Beginning of Year	2,811,345	(67)	1,080,606	-	14,845,150
Prior Period Adjustment	-	-	-	-	55,146
Net Position (Deficit), Beginning of Year (Restated)	<u>2,811,345</u>	<u>(67)</u>	<u>1,080,606</u>	<u>-</u>	<u>14,900,296</u>
Net Position (Deficit), End of Year	<u>\$ 2,141,159</u>	<u>\$ -</u>	<u>\$ 1,080,797</u>	<u>\$ 89,026</u>	<u>\$ 11,264,652</u>

CITY OF HANFORD
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
JUNE 30, 2018

	City Payroll Fund	Risk Management Fund	Computer Maintenance Fund
ASSETS			
Current assets			
Cash and investments	\$ 588,581	\$ 4,010,385	\$ 986,642
Receivables, net	231	2,081	513
Deposits	-	125,000	-
Inventory	-	-	-
Due from other funds	-	-	-
Total Assets	588,812	4,137,466	987,155
Noncurrent assets			
Capital assets:			
Machinery and equipment	-	-	519,889
Accumulated depreciation	-	-	-
Total Capital Assets (Net of Accumulated Depreciation)	-	-	519,889
Total Noncurrent Assets	-	-	519,889
Total Assets	588,812	4,137,466	1,507,044
Deferred Outflows of Resources			
Deferred outflows related to pensions	-	-	104,888
Total Deferred Outflows of Resources	-	-	104,888
LIABILITIES			
Current Liabilities			
Accounts payable	-	98,585	30,350
Salaries and benefits payable	594,229	-	5,624
Compensated absences - current portion	-	-	-
Total Current Liabilities	594,229	98,585	35,974
Noncurrent Liabilities			
Compensated absences payable	-	-	-
Net pension liability	-	-	324,704
Total Noncurrent Liabilities	-	-	324,704
Total Liabilities	594,229	98,585	360,678
Deferred Inflows of Resources			
Deferred inflows related to pensions	-	-	45,440
Total Deferred Inflows of Resources	-	-	45,440
NET POSITION			
Net invested in capital assets	-	-	519,889
Unrestricted	(5,417)	4,038,881	685,925
Total Net Position	\$ (5,417)	\$ 4,038,881	\$ 1,205,814

CITY OF HANFORD
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS (continued)
JUNE 30, 2018

	Building Fund	Fleet Management Fund	Totals
ASSETS			
Current assets			
Cash and investments	\$ 1,237,933	\$ 9,947,002	\$ 16,770,543
Receivables, net	672	12,211	15,708
Deposits	-	-	125,000
Inventory	-	320,820	320,820
Due from other funds	-	3,398,446	3,398,446
Total Assets	<u>1,238,605</u>	<u>13,678,479</u>	<u>20,630,517</u>
Noncurrent assets			
Capital assets:			
Machinery and equipment	372,946	13,416,407	14,309,242
Accumulated depreciation	(44,030)	(7,560,574)	(7,604,604)
Total Capital Assets (Net of Accumulated Depreciation)	<u>328,916</u>	<u>5,855,833</u>	<u>6,704,638</u>
Total Noncurrent Assets	<u>328,916</u>	<u>5,855,833</u>	<u>6,704,638</u>
Total Assets	<u>1,567,521</u>	<u>19,534,312</u>	<u>27,335,155</u>
Deferred Outflows of Resources			
Deferred outflows related to pensions	257,725	330,099	692,712
Total Deferred Outflows of Resources	<u>257,725</u>	<u>330,099</u>	<u>692,712</u>
LIABILITIES			
Current Liabilities			
Accounts payable	12,659	112,099	253,693
Salaries and benefits payable	12,600	16,390	628,843
Compensated absences - current portion	945	2,881	3,826
Total Current Liabilities	<u>26,204</u>	<u>131,370</u>	<u>886,362</u>
Noncurrent Liabilities			
Compensated absences payable	12,560	38,282	50,842
Net pension liability	819,847	1,045,818	2,190,369
Total Noncurrent Liabilities	<u>832,407</u>	<u>1,084,100</u>	<u>2,241,211</u>
Total Liabilities	<u>858,611</u>	<u>1,215,470</u>	<u>3,127,573</u>
Deferred Inflows of Resources			
Deferred inflows related to pensions	101,880	132,381	279,701
Total Deferred Inflows of Resources	<u>101,880</u>	<u>132,381</u>	<u>279,701</u>
NET POSITION			
Net invested in capital assets	328,916	5,855,833	6,704,638
Unrestricted	535,839	12,660,727	17,915,955
Total Net Position	<u>\$ 864,755</u>	<u>\$ 18,516,560</u>	<u>\$ 24,620,593</u>

CITY OF HANFORD
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	City Payroll Fund	Risk Management Fund	Computer Maintenance Fund
OPERATING REVENUES			
Charges for services	\$ -	\$ 1,970,574	\$ 289,040
Other revenues	-	168,199	-
Total Operating Revenues	-	2,138,773	289,040
OPERATING EXPENSES			
Personnel services	-	-	176,870
Services and supplies	-	1,847,334	158,811
Depreciation	-	-	-
Total Operating Expenses	-	1,847,334	335,681
Operating Income (Loss)	-	291,439	(46,641)
NON-OPERATING REVENUES (EXPENSES)			
Interest income	-	20,289	4,991
Unrealized gain (loss) on investments	214	(28,416)	(3,694)
Total Non-operating Revenue (Expenses)	214	(8,127)	1,297
Income (Loss) Before Capital Contributions and Transfers	214	283,312	(45,344)
Capital contributions	-	-	-
Transfers in/(out)	-	-	880,000
Change in Net Position	214	283,312	834,656
Net Position (Deficit), Beginning of Year	(5,631)	3,755,569	371,158
Prior Period Adjustment	-	-	-
Net Position (Deficit), Beginning of Year (Restated)	(5,631)	3,755,569	371,158
Net Position (Deficit), End of Year	<u>\$ (5,417)</u>	<u>\$ 4,038,881</u>	<u>\$ 1,205,814</u>

CITY OF HANFORD
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
INTERNAL SERVICE FUNDS (continued)
FOR THE YEAR ENDED JUNE 30, 2018

	Building Fund	Fleet Management Fund	Totals
OPERATING REVENUES			
Charges for services	\$ 844,978	\$ 3,629,978	\$ 6,734,570
Other revenues	-	25,160	193,359
Total Operating Revenues	844,978	3,655,138	6,927,929
OPERATING EXPENSES			
Personnel services	512,791	637,282	1,326,943
Services and supplies	250,687	1,348,948	3,605,780
Depreciation	22,644	637,355	659,999
Total Operating Expenses	786,122	2,623,585	5,592,722
Operating Income (Loss)	58,856	1,031,553	1,335,207
NON-OPERATING REVENUES (EXPENSES)			
Interest income	6,559	103,978	135,817
Unrealized gain (loss) on investments	(7,729)	(47,359)	(86,984)
Total Non-operating Revenue (Expenses)	(1,170)	56,619	48,833
Income (Loss) Before Capital Contributions and Transfers	57,686	1,088,172	1,384,040
Capital contributions	-	216,219	216,219
Transfers in/(out)	118,547	99,711	1,098,258
Change in Net Position	176,233	1,404,102	2,698,517
Net Position (Deficit), Beginning of Year	688,522	20,324,509	25,134,127
Prior Period Adjustment	-	(3,212,051)	(3,212,051)
Net Position (Deficit), Beginning of Year (Restated)	688,522	17,112,458	21,922,076
Net Position (Deficit), End of Year	\$ 864,755	\$ 18,516,560	\$ 24,620,593

**CITY OF HANFORD
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

	City Payroll Fund	Risk Management Fund	Computer Maintenance Fund
Cash Flows from Operating Activities:			
Cash received for current services	\$ (231)	\$ 1,968,493	\$ 288,527
Cash received for other operating revenues	-	168,199	-
Cash paid for services and supplies	-	(1,903,598)	(133,248)
Cash paid for salaries and benefits	398,968	-	(166,050)
Net Cash Provided (Used) by Operating Activities	<u>398,737</u>	<u>233,094</u>	<u>(10,771)</u>
Cash Flows from Non-Capital Financing Activities:			
Transfers (to)/from other funds	-	-	880,000
Loans from/(to) other funds	-	-	-
Net Cash Provided (Used) by Noncapital Financing Activities	<u>-</u>	<u>-</u>	<u>880,000</u>
Cash Flows from Capital and Related Financing Activities:			
Capital expenditures	-	-	(519,889)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>-</u>	<u>-</u>	<u>(519,889)</u>
Cash Flows from Investing Activities:			
Unrealized gain (loss) on investments	214	(28,416)	(3,694)
Interest received	-	20,289	4,991
Net Cash Provided (Used) by Investing Activities	<u>214</u>	<u>(8,127)</u>	<u>1,297</u>
Net Increase (Decrease) in Cash and Investments	<u>398,951</u>	<u>224,967</u>	<u>350,637</u>
Cash and Investments, Beginning of Year	<u>189,630</u>	<u>3,785,418</u>	<u>636,005</u>
Cash and Investments, End of Year	<u>\$ 588,581</u>	<u>\$ 4,010,385</u>	<u>\$ 986,642</u>
Reconciliation to Statement of Net Position:			
Cash and investments	<u>\$ 588,581</u>	<u>\$ 4,010,385</u>	<u>\$ 986,642</u>
Total Cash and Investments	<u>\$ 588,581</u>	<u>\$ 4,010,385</u>	<u>\$ 986,642</u>

**CITY OF HANFORD
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS (continued)
FOR THE YEAR ENDED JUNE 30, 2018**

	City Payroll Fund	Risk Management Fund	Computer Maintenance Fund
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income/(loss)	\$ -	\$ 291,439	\$ (46,641)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	-	-	-
(Increase) decrease in:			
Receivables, net	(231)	(2,081)	(513)
Inventory	-	-	-
Deferred outflow of resources	-	-	(15,134)
Accounts payable	-	(56,264)	25,563
Salaries and benefits payable	398,968	-	(136)
Compensated absences	-	-	-
Net pension liability	-	-	(2,296)
Deferred inflow of resources	-	-	28,386
Total Adjustments	<u>398,737</u>	<u>(58,345)</u>	<u>35,870</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 398,737</u>	<u>\$ 233,094</u>	<u>\$ (10,771)</u>
Noncash investing, capital, and financing activities:			
Contribution of capital assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF HANFORD
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS (continued)
FOR THE YEAR ENDED JUNE 30, 2018

	Building Fund	Fleet Management Fund	Totals
Cash Flows from Operating Activities:			
Cash received for current services	\$ 844,306	\$ 3,664,299	\$ 6,765,394
Cash received for other operating revenues	-	25,160	193,359
Cash paid for services and supplies	(268,536)	(1,376,275)	(3,681,657)
Cash paid for salaries and benefits	(489,999)	(599,314)	(856,395)
Net Cash Provided (Used) by Operating Activities	<u>85,771</u>	<u>1,713,870</u>	<u>2,420,701</u>
Cash Flows from Non-Capital Financing Activities:			
Transfers (to)/from other funds	118,547	99,711	1,098,258
Loans from/(to) other funds	-	(531,308)	(531,308)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>118,547</u>	<u>(431,597)</u>	<u>566,950</u>
Cash Flows from Capital and Related Financing Activities:			
Capital expenditures	(151,046)	(2,185,781)	(2,856,716)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(151,046)</u>	<u>(2,185,781)</u>	<u>(2,856,716)</u>
Cash Flows from Investing Activities:			
Unrealized gain (loss) on investments	(7,729)	(47,359)	(86,984)
Interest received	6,559	103,978	135,817
Net Cash Provided (Used) by Investing Activities	<u>(1,170)</u>	<u>56,619</u>	<u>48,833</u>
Net Increase (Decrease) in Cash and Investments	<u>52,102</u>	<u>(846,889)</u>	<u>179,768</u>
Cash and Investments, Beginning of Year	<u>1,185,831</u>	<u>10,793,891</u>	<u>16,590,775</u>
Cash and Investments, End of Year	<u>\$ 1,237,933</u>	<u>\$ 9,947,002</u>	<u>16,770,543</u>
Reconciliation to Statement of Net Position:			
Cash and investments	<u>\$ 1,237,933</u>	<u>\$ 9,947,002</u>	<u>\$ 16,770,543</u>
Total Cash and Investments	<u>\$ 1,237,933</u>	<u>\$ 9,947,002</u>	<u>\$ 16,770,543</u>

CITY OF HANFORD
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS (continued)
FOR THE YEAR ENDED JUNE 30, 2018

	Building Fund	Fleet Management Fund	Totals
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income/(loss)	\$ 58,856	\$ 1,031,553	\$ 1,335,207
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	22,644	637,355	659,999
(Increase) decrease in:			
Receivables	(672)	34,321	30,824
Inventory	-	(45,469)	(45,469)
Deferred outflow of resources	(31,089)	(41,325)	(87,548)
Accounts payable	(17,849)	18,142	(30,408)
Salaries and benefits payable	(242)	1,287	399,877
Compensated absences	11	6,764	6,775
Net pension liability	(4,763)	(6,270)	(13,329)
Deferred inflow of resources	58,875	77,512	164,773
Total Adjustments	<u>26,915</u>	<u>682,317</u>	<u>1,085,494</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 85,771</u>	<u>\$ 1,713,870</u>	<u>\$ 2,420,701</u>
Noncash investing, capital, and financing activities:			
Contribution of capital assets	<u>\$ -</u>	<u>\$ 216,219</u>	<u>\$ 216,219</u>

CITY OF HANFORD
COMBINING STATEMENT OF FIDUCIARY NET POSITION
TRUST AND AGENCY FUNDS
JUNE 30, 2018

	Civil Subpoena	Renters' Insurance Deposits	COE Park Deposits	Miscellaneous Deposits Trust	Total
ASSETS					
Cash and investments	\$ 132,638	\$ 3,868	\$ 476	\$ 430,712	\$ 567,694
Accounts receivable	137	2	-	4,331	4,470
Total Assets	<u>132,775</u>	<u>3,870</u>	<u>476</u>	<u>435,043</u>	<u>572,164</u>
LIABILITIES					
Accounts payable	-	-	-	154,613	154,613
Deposits held for others	132,775	3,870	476	282,921	420,042
Bonds/notes payable	-	-	-	-	-
Total Liabilities	<u>132,775</u>	<u>3,870</u>	<u>476</u>	<u>437,534</u>	<u>574,655</u>
NET POSITION (DEFICIT)					
Unreserved	-	-	-	(2,491)	(2,491)
Total Net Position	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,491)</u>	<u>\$ (2,491)</u>

**CITY OF HANFORD
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 TRUST AND AGENCY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2018**

	Community Facilities District	Miscellaneous Deposits Trust	Total
ADDITIONS			
Other additions	\$ -	\$ -	\$ -
Total Additions	<u>-</u>	<u>-</u>	<u>-</u>
DEDUCTIONS			
Unrealized (gain) loss on investments	<u>-</u>	<u>1,547</u>	<u>1,547</u>
Total Deductions	<u>-</u>	<u>1,547</u>	<u>1,547</u>
Change in Net Position	-	(1,547)	(1,547)
Net Position (Deficit) - Beginning of Year	<u>-</u>	<u>(944)</u>	<u>(944)</u>
Net Position (Deficit) - End of Year	<u>\$ -</u>	<u>\$ (2,491)</u>	<u>\$ (2,491)</u>

SINGLE AUDIT REPORTS



**INDEPENDENT AUDITORS' 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**

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

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, each major fund, and the aggregate remaining fund information of the City of Hanford, as of and for the year ended June 30, 2018, 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 March 27, 2019.

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 control.

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 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 identify deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2018-003 through 2018-007 that we consider to be significant deficiencies. We also identified certain deficiencies in internal control as described in the accompanying schedule of findings and questioned costs as items 2018-001 and 2018-002 that we consider to be material weaknesses.

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 District'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.

HUDSON HENDERSON & COMPANY, INC.

A handwritten signature in blue ink that reads "Hudson Henderson & Company, Inc." in a cursive script.

Fresno, California
March 27, 2019



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

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

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 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, 2018. 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs and Uniform Guidance.

Auditors' 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, 2018.

Report on Internal Control Over Compliance

Management of the City of Hanford is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, 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 Uniform Guidance, 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.

Purpose of Report

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

HUDSON HENDERSON & COMPANY, INC.

A handwritten signature in blue ink that reads "Hudson Henderson & Company, Inc." in a cursive script.

Fresno, California
March 27, 2019

**CITY OF HANFORD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018**

Federal Grantor/ Pass-through Grantor/ Program or Cluster Title	Federal CFDA No.	Supplemental Identifying Number	Pass- Through to Sub- recipients	Federal Expenditures
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>				
Direct Programs				
CDBG/Entitlement Grants (A)	14.218	B-13-MC-0061	\$ -	\$ 33,301
CDBG/Entitlement Grants (A)	14.239	B-16-MC-0061	-	581,142
<i>TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</i>			-	614,443
<u>U.S. DEPARTMENT OF JUSTICE</u>				
Direct Program				
Bulletproof Vest Partnership Program	16.607	1121-0235	-	1,285
<i>TOTAL U.S. DEPARTMENT OF JUSTICE</i>			-	1,285
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>				
Direct Program - Federal Aviation Administration				
Airport Improvement	20.106	3-06-0098-023	-	1,552,500
Passed through California Department of Transportation				
Highway Planning and Construction	20.205	CML-5091(060)	-	298,480
Highway Planning and Construction	20.205	CML-5091(061)	-	5,901
Highway Planning and Construction	20.205	CML-5091(062)	-	2,342
Subtotal			-	306,723
<i>TOTAL U.S. DEPARTMENT OF TRANSPORTATION</i>			-	1,859,223
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>				
Direct Programs				
Homeland Security Grant	97.067	2014-00093-031	-	70,328
<i>TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY</i>			-	70,328
<i>TOTAL EXPENDITURES OF FEDERAL AWARDS</i>			\$ -	\$ 2,545,279

The accompanying notes are an integral part to the Schedule of Expenditures of Federal Awards.

CITY OF HANFORD
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE 1 – BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards includes the awards transactions of the City of Hanford (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.

NOTE 2 – 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.

NOTE 3 – INDIRECT COST RATE

The City has elected not to use the 10-percent de minimus indirect cost rate allowed under the uniform Guidance.

**CITY OF HANFORD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditors’ report issued: Unmodified

Internal control over financial reporting:

· Material weakness identified? X Yes No

· Significant deficiency(ies) identified that are not considered to be material weaknesses? X Yes No

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major federal programs:

· Material weakness identified? Yes X No

· Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes X No

Noncompliance material to federal awards? Yes X No

Type of auditors’ report issued on compliance for major Federal programs: Unmodified

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
20.205	Airport Improvement

Dollar threshold used to distinguish Between Type A and Type B programs: \$750,000

Auditee qualified as a low-risk auditee? Yes X No

CITY OF HANFORD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
FOR THE YEAR ENDED JUNE 30, 2018

SECTION II – FINANCIAL STATEMENT FINDINGS

Finding 2018-001 – Material Weakness
Capital Assets

Criteria:

In accordance with accounting principles generally accepted in the United States of America, adequate internal controls should be implemented to ensure that all capital asset purchases are identified, capitalized, and recorded in the proper fund. Furthermore, proper accounting principles should be applied to all asset disposals/deletions when that property is sold. This will ensure that all capital asset balances are properly recorded, thus resulting in the proper presentation of all City activities and/or funds.

Condition:

Per audit procedures performed over capital assets, we noted the following conditions:

1. The City sold parcels of land in the current year that was previously recorded as part of the City's Water Fund. However, when recording the disposal of this asset, the City did not record the loss of the land sale as required in proper Water fund.
2. Assets purchased in the City's Computer Maintenance internal service fund recorded the expense of capital asset purchases, however, these amounts were not properly recorded as the expenses were not capitalized into the same fund. Instead the asset was capitalized as part of the City's governmental fund asset additions added as part of the City's government-wide conversion.
3. It has been the City's practice to improperly record the expense of the purchase of vehicles in one fund and capitalize the vehicle in the City's Fleet Management internal service fund without proper transfers between the funds.

Cause of Condition:

The City lacked proper internal controls to identify these assets and properly record the capitalization and/or disposal of the City's assets.

Effect of Condition:

In the current and prior year financial statements, the City's individual fund financial statements were not properly reported, resulting in material adjustments to correct these funds in the current and prior year.

Recommendation:

We recommend that the City implement different levels or review and/or obtain consultation when recording capital assets to ensure that current year activity is reported correctly and all capital assets are reported in the correct fund.

Management Response:

We agree with the recommendation and have already made changes to the way that assets are recorded in the various funds. Originally, these were being recorded based on past practices, however, these procedures have been updated and will be recorded in a manner that ensures all assets are recorded and capitalized in the proper funds. Additionally, entries done in prior years have been corrected to reflect the accurate recording of assets.

Finding 2018-002 – Material Weakness
Accounts Payable Cutoff Procedures

Criteria:

In accordance with accounting principles generally accepted in the United States of America, adequate internal controls should be implemented to ensure that all accruals are recorded as part of the financial close process.

CITY OF HANFORD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
FOR THE YEAR ENDED JUNE 30, 2018

Condition:

Per testing performed over subsequent disbursements, we noted several expenditures for goods and services that were incurred prior to the end of the fiscal year that were not properly recorded in the correct accounting period. This resulted in material adjustments to accrue those expenses as accounts payable as of the fiscal year-end.

Cause of Condition:

The City lacked a properly cut-off financial closing procedure that identified all payables that should be recorded back in the current fiscal year.

Effect of Condition:

This resulted in expenditures not being accrued or posted to the correct fiscal year and thus materially misstating the financial statements of the City's funds.

Recommendation:

We recommend that the City implement as part of the year-end closing procedures, a process to review subsequent disbursements in order to identify those disbursements that were incurred in the previous fiscal year.

Management Response:

We agree with this recommendation. Careful checking of outstanding invoices and open orders is crucial at the end of the fiscal year. Although notification of cut-off dates is given as part of the year-end procedures, many items are still received in Finance well after the cut-off date is past. Having invoices and payments mailed directly to other departments instead of the Finance department (which has been the practice) has created a lag in properly recording of expenses incurred for the previous fiscal year and/or recording outstanding payments due to the City for the previous fiscal year. In an effort to address this, vendors are being notified of an address change so that all invoices and checks are mailed directly to the Finance department.

Finding 2018-003 – Significant Deficiency
Utility Billing

Criteria:

In accordance with accounting principles generally accepted in the United States of America, adequate internal controls should be implemented to ensure that the amount billed to customers as part of the utility billings, per accurately calculated and in accordance with City ordinances.

Condition:

While performing testing over the City's utility billing procedures, which include water, sewer, storm drain, and refuse charges; we noted that of the 40 selected for testing, 31 did not match an online database for their respective lot size. In order to calculate monthly water rates, the City charges uses the land parcel size as a basis. Upon further testing, we were able to determine that the City was using an outdated parcel lot listing that it is using as a basis for water rate charges. When using the lot sizes per this listing, we were able to match all of the 31 discrepancies with the exception of four.

Cause of Condition:

The City was using an outdated parcel size listing as a basis for determining the monthly water rates.

Effect of Condition:

This could result in customers not being charged correctly for monthly water fees.

Recommendation:

The City should consider using updated parcel size data when calculating their monthly water fees.

CITY OF HANFORD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
FOR THE YEAR ENDED JUNE 30, 2018

Management Response:

We agree with the recommendation; however, updated parcel lot listings will no longer be necessary. During FY18 and continuing into FY19, all flat rate utility customers will be switched to meter billings. A Flat-to-Meter conversion project is underway and is estimated to be completed in fiscal year 2018-19. This will eliminate the need to base customer rates on outdated lot sizes.

Finding 2018-004 – Significant Deficiency
Bank Reconciliations

Criteria:

In accordance with accounting principles generally accepted in the United States of America, adequate internal controls should be implemented to ensure the timely preparation of the cash in order to identify any discrepancies, errors, and/or suspicious activity in the City's cash accounts.

Condition:

Through review of the City's bank reconciliations, we noted that the reconciliations were not being done consistently in a timely fashion during the fiscal year.

Cause of Condition:

Staff shortages and management retirements appear to be a cause of this deficiency.

Effect of Condition:

Unreconciled bank accounts can obscure significant items such as bank errors, improperly recorded transactions, and unauthorized transactions. If the reconciliation is not completed in a timely manner, these issues could go unresolved for a long time, and cause issues with the City Treasury.

Recommendation:

The City should reconcile all cash accounts on a regular basis and additional staff be trained to help facilitate more timely reconciliations. Management should also ensure that all reconciliations are reviewed for accuracy and completeness on a timely basis as well.

Management Response:

We agree with the recommendation and have been correcting it. Many of the deposits the City receives are from Turbo Data. The statements from Turbo Data are not received until 45 to 60 days after the end of the month, so completing bank statement reconciliations within 30 days after the close of the previous month are not always attainable. Although paper statements did not reflect it, daily reconciliations were being done with the electronic statements, which are available through the bank's website.

Finding 2018-005 – Significant Deficiency
Inventory Counts

Criteria:

In accordance with accounting principles generally accepted in the United States of America, adequate internal controls should be implemented to ensure that the amount of inventory amounts reported in the financial records are accurate and provide a level of safeguarding over inventoried goods.

Condition:

Per review of the City's internal controls, it was noted that the City does not perform adequate inventory counts periodically throughout the fiscal year, including over fuel.

CITY OF HANFORD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
FOR THE YEAR ENDED JUNE 30, 2018

Cause of Condition:

The City lacks proper internal controls that includes periodic inventory reconciliations/counts and management's review for accuracy and completeness.

Effect of Condition:

Without proper controls over the City's inventory, amounts reported in the financial statements could be misstated. Furthermore, the risk of theft or misuse could result in higher fuel costs for the City.

Recommendation:

We recommend that the City implement periodic inventory counts that reconcile to the City financial records. These periodic counts should also include review by management for accuracy and completeness.

Management Response:

We agree with this recommendation. Finance has been working diligently to get proper inventory systems set up and maintained for parts within Water operations, parts and vehicles within the Fleet department, and fuel used in both the Fleet operations and the Airport operations. Inventory software and hardware was purchased and installed last year, and efforts are being made to ensure proper recording of inventory is both implemented and practiced by the departments.

Finding 2018-006 – Significant Deficiency
Blanket Purchase Orders

Criteria:

In accordance with accounting principles generally accepted in the United States of America, adequate internal controls should be implemented to ensure that all City policies and procedures adopted are followed.

Condition:

Per testing performed over the City's internal controls regarding cash disbursements, we noted X expenditures in excess of City Council approved amounts for those disbursements operating under a blanket purchase order.

Cause of Condition:

The City lacked proper internal controls over the procurement and cash disbursement process to adequately track the amounts spent under blanket purchase orders.

Effect of Condition:

Continued spending in excess of approved amounts could result in abuse and/or the City incurring expenditures that are improper.

Recommendation:

We recommend that the City implement controls over blanket purchase orders that include a periodic review of all blanket purchase orders, or a review of remaining balances during the processing of invoices for payment. The City could also update their blanket purchase orders amounts to be more consistent with the change in the times and various usage.

Management Response:

We agree with the recommendation. Changes to the way that open orders and blanket orders have been treated in the past are now under new guidelines. All open/blanket orders will be entered based on correct spending amounts and adjusted during the fiscal year if actual totals exceed the original amounts.

CITY OF HANFORD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
FOR THE YEAR ENDED JUNE 30, 2018

Finding 2018-007 – Significant Deficiency
Fleet Reserve Fund Reconciliation

Criteria:

In accordance with accounting principles generally accepted in the United States of America, adequate internal controls should be implemented to ensure amounts reported in the financial statements are properly reported.

Condition:

Per review of the City's internal controls and procedures over the City's cash and investment account balances, we noted that the City's fleet reserve fund, which is reported as part of the City's Fleet Management internal service fund, is not reconciled timely and not provided to the City's finance department.

Cause of Condition:

The City lacks proper internal controls to ensure that the amounts contributed to the fleet reserve is properly tracked and reported accurately.

Effect of Condition:

Without timely completion of the reconciliation and proper review for accuracy, the City could be misstating the amounts reported in the City's Fleet Management fund or improperly creating budgeted figures regarding the fleet reserve fund.

Recommendation:

We recommend that the City implement controls to ensure that the Public Works department completes this reconciliation timely and provides this reconciliation to the Finance department so that it can be reconciled to the amounts being reported in the Fleet Management fund.

Management Response:

We agree with this recommendation. Efforts are being made to obtain Fleet records, including contributions made by the various divisions of the City, vehicles purchased, and vehicles transferred and/or disposed of. Tracking back to previous years will be necessary in order to get accurate and cumulative balances for each of these divisions.

SECTION III – FEDERAL AWARD FINDINGS

There were no federal award findings noted.

CITY OF HANFORD
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017

SECTION II – FINANCIAL STATEMENT FINDINGS

Finding 2017-1 – Significant Deficiency
Cash and Investment Reconciliations

Criteria:

Timely preparation of complete and accurate cash and investment reconciliation is key to monitoring internal control over cash receipts and disbursements and investment balances.

Condition:

Bank reconciliations are not done consistently every month during the fiscal year and total cash and investments for the fiscal year were over stated.

Cause of Condition:

Staff shortages and management retirements seems to be a cause of this deficiency.

Effect of Condition:

Unreconciled bank and investment accounts can obscure significant items such as bank errors, improperly recorded transactions and compromise bank intrusions.

Recommendation:

We recommend that all bank and investment accounts be reconciled on a regular basis and additional staff trained to maintain timely reconciliations. In addition, all reconciliations should be reviewed by management for accuracy and completeness on a timely basis.

Management Response:

There are three finance staff members who access the bank statement online every day. If there are any issues noticed on the daily review, they are isolated and addressed immediately. This is done in lieu of waiting to review these transactions on the monthly bank statement. Since this has been the practice, and reconciliations are done online daily, it is not as crucial to prepare monthly paper reconciliations immediately after the month end. We have found that doing this daily, it reduces the time it normally takes to find and fix any issues with doing reconciliations monthly.

Investments and all investment transactions are balanced monthly and monthly reports are prepared listing all the activities for the month as well as all the holdings. The large contributor to the year-end overstatement was a result of a journal that was entered incorrectly, and when it was reversed the system inadvertently re-entered it instead of reversing it. This was corrected and the amount reported in cash and investments is correct for the fiscal year.

Current Year Status:

See Finding 2018-004

Finding 2017-2 – Significant Deficiency
Credit Cards

Criteria:

Internal control over credit card dictates that segregation of duties exists within the purchasing cycle. If a credit card charge is going to be over the single purchase limit amount per card user, then approval should be properly noted and credit card charges should never be split into multiple transactions.

CITY OF HANFORD
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS (continued)
FOR THE YEAR ENDED JUNE 30, 2017

Condition:

As part of our test of control procedures over credit cards, we selected two statements from ten credit cards for testing. For our test of controls performed, we noted the following:

1. One CalCard card charge was over the single purchase limit amount per card user without any approval being noted.
2. Nine fuel/store credit charges were missing receipts.
3. Signatures were missing four times in the credit card sign in/out sheets for the fuel and store charge cards.

Cause of Condition:

Internal control procedures are not being consistently followed.

Effect of Condition:

Inconsistent implementation of the internal controls policies could undermine effectiveness of these controls. A lack of effective internal controls could result in misstatement in financial statements.

Recommendation:

We recommend that management review the internal control policies and consistently apply those already in place.

Management Response:

The department provides different types of charge cards for use by City personnel. These include fuel cards, specific store charge cards, and CalCards. The CalCards are assigned to each authorized user and typically stay with the employee. The other cards are kept in the finance department and checked out when they are needed. The CalCards have been implemented more recently, and as such, the policies and procedures regarding the CalCards are more current.

The policies for the fuel and store cards are currently being updated and we will make sure that these items found here are included and enforced in this revision.

For missing receipts, and with the implementation of the CalCard, it is mandatory that original receipts are turned in. If original receipts are missing, there is a specific form that has to be completed, signed and submitted in its place. We have already started enforcing this same requirement for all credit card purchases and not just for CalCard purchases.

Any spending on the CalCards that are over the daily limit can only be done with the approval of the finance director. Additionally, the card will be declined if the amount of the purchase is over the daily limit, unless the director logs into the bank system and overrides it. Therefore, there is no way possible that someone can spend over their single purchase limit without this approval.

Because such a process exists, it is not the practice to put additional documentation of this approval in with the card reconciliation documents. This will be noted in the updated policies and procedures.

Current Year Status:

Implemented

2017-3 – Significant Deficiency
Capital Assets

Criteria:

Internal control should be in place that provide reasonable assurance that amounts reported on the asset schedules are accurate, have been reconciled back to the trial balance for each appropriate fund and have been reviewed and approved by someone other than the preparer.

CITY OF HANFORD
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS (continued)
FOR THE YEAR ENDED JUNE 30, 2017

Condition:

During our testing of capital assets, it was determined the asset summaries and schedules were not prepared timely, several were not ready at the time field work was performed, the City had left off a significant amount of accounts listed on the trial balance that should have been taken into consideration when preparing the schedules for the general fixed assets. Fixed assets were reconciled to the balance sheets, but not the full trial balance where asset additions are listed in the expense section.

Cause of Condition:

Due to the shortage of staff in the finance department, including turnover and the retirement of the finance director, the asset schedules were not completed in a timely manner.

Effect of Condition:

The City's original governmental asset schedules were significantly understated.

Recommendation:

We recommend that procedures be established to require that all asset schedules be reviewed and approved by someone other than the preparer. The supporting documentation should also include a reconciliation of current additions and deletions from the City's asset schedules to the trial balance for each applicable fund.

Management Response:

Much of the information needed for these schedules is required from several areas of the City. The full schedule is delayed even if only one of those pieces is not received on time. Additionally, since this was prepared in the past by the former director, there was a learning curve in taking on this task for the current fiscal year. At your recommendation, all future asset schedules will be prepared on a timelier basis and will be reviewed by a second finance staff member before submitting.

Current Year Status:

See Finding 2018-001

SECTION III – FEDERAL AWARD FINDINGS

There were no prior year federal award findings noted.

APPRORIATIONS LIMIT REPORT



**INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING
AGREED-UPON PROCEDURES RELATED TO THE
ARTICLE XIII-B APPROPRIATIONS LIMIT**

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

We have performed the procedures enumerated below to the accompanying calculation of the Appropriation Limit of the City of Hanford, California (the City) for the year ended June 30, 2018. These procedures, which were agreed to by the City and recommended by the California Committee on Municipal Accounting (CCMA) (as presented in the CCMA White Paper entitled *Agreed-upon Procedures Applied to the Appropriations Limitation Prescribed by Article XIII-B of the California Constitution*) were performed solely to assist the City in meeting the requirements of Section 1.5 of Article XIII-B of the California Constitution. The City's management is responsible for the Appropriations Limit Calculation.

The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

- 1) We obtained the City's calculation of the June 30, 2018 appropriations limit and compared the limit and annual adjustment factors included in the calculation to the limit and annual adjustment factors that were adopted by the resolution of the City Council. We also compared the population and inflation factors included in the aforementioned worksheet to those that were selected by a recorded vote of the City Council.

Finding: No exceptions were noted as a result of our procedures.

- 2) For the accompany calculation, we added last year's limit to the total adjustments and compared the resulting amount to this year's limit.

Finding: No exceptions were noted as a result of our procedures.

- 3) We compared the current year information used to determine the current year limit to the appropriations limit calculation prepared by the City and to the information provided by the State Department of Finance.

Finding: No exceptions were noted as a result of our procedures.

- 4) We compared the prior year appropriations limit calculation presented in the accompanying appropriations limit calculation to the prior year appropriations limit adopted by the City Council for the prior year.

Finding: No exceptions were noted as a result of our procedures.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an audit, the objective of which would be the expression of an opinion, on the accompanying Appropriations Limit Calculation. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you. No procedures have been performed with respect to the determination of the appropriation limit for the base year, as defined by Article XIII-B of the California Constitution.

This report is intended solely for the use of the City Council and City's management and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

HUDSON HENDERSON & COMPANY, INC.

Hudson Henderson & Company, Inc.

Fresno, California
March 27, 2019

**CITY OF HANFORD
 APPROPRIATIONS LIMIT SCHEDULE
 JUNE 30, 2018**

Appropriations Limit, fiscal year 2017, as adopted	<u>\$ 60,100,625</u>
 Adjustment Factors:	
Per Capita Personal Income Change	3.69%
Population change - City of Hanford	0.05%
Per Capita converted to a ratio	1.0369
Population Converted to a ratio	1.0005
Calculation of factor FY 17-18	1.0374
 Annual adjustment in dollars	 <u>2,247,763</u>
Appropriations limit, fiscal year 2018, as adopted	<u><u>\$ 62,348,388</u></u>