

CITY OF HANFORD

**FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORT**

**FOR THE YEAR ENDED
JUNE 30, 2022**

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CITY OF HANFORD
PRINCIPAL CITY OFFICIALS
JUNE 30, 2022

CITY COUNCIL

<u>NAME</u>	<u>POSITION</u>
Kalish Morrow	Mayor
Diane Sharp	Vice Mayor
Amanda Sultray	Council Member
Francisco Ramirez	Council Member
Art Brieno	Council Member

ADMINISTRATION

Mario Cifuentes	City Manager
Griswold, LaSalle, Cobb, Dowd & Ginn, LLP	City Attorneys
Natalie Corral	City Clerk
Christopher Tavarez	Treasurer/Finance Director
Steve Pendergrass	Fire Chief
Darlene Mata	Community Development Director
Parker Sever	Police Chief
John Doyel	Public Works Director
Bradley Albert	Parks and Community Services Director
Sarah Cardoza	Human Resources Manager



INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinions

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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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, as of June 30, 2022, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2022, the City adopted new accounting guidance, GASB Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of changes in the net pension liability and related ratios, schedule of the City's proportionate share of the net pension liability, schedule of plan contributions, schedule of changes in net OPEB liability and related ratios, schedule of contributions – OPEB, and budgetary comparison information on pages 4-12 and 67-75 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary 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 capital projects budgetary schedule, accompanying combining and individual nonmajor fund financial statements, and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 capital projects budgetary schedule, combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the principal city officials but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2023, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's 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 30, 2023

CITY OF HANFORD
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2022

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, 2022. 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 and deferred outflows of the City exceed its liabilities and deferred inflows at the close of the most recent fiscal year 2022 by \$328.1 million. Of this amount, about \$25.6 million in unrestricted net position may be used to meet the City's ongoing obligations to citizens and creditors.
- As of June 30, 2022, the City's governmental funds reported combined ending fund balances of \$47.1 million.
- Approximately 5.3% of the combined governmental fund balances is considered available for spending at the City's discretion.
- As of June 30, 2022, unassigned fund balance in the General Fund was \$3.1 million, or 5.2% of total General Fund Expenditures.
- The City's total debt increased by \$28.1 million during fiscal year 2022, which is due to the issuance of a \$30.9 million private Pension Obligation Bond in order to mitigate increases to unfunded accrued liability payments to CalPERS, offset by the normal maturity of debt in the water system, the wastewater system, and the citywide solar energy system.
- The following pension liabilities (assets) totaling \$22,829,601 are included in the financial statements as required by GASB 68: General Government \$21,186,904; Water System Enterprise \$275,475; Wastewater Enterprise \$314,176; Storm Drainage \$(277,973); Refuse Enterprise \$858,088; Computer Maintenance \$60,432; Building \$216,504; and Fleet Management \$195,995.

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 interfund 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, 2022

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 Community Services, 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, 2022

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 and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$328,166,118 at the close of the 2021-2022 fiscal year.

By far, the largest portion of the City's net position, 78.6%, 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, 2022

Of the total current assets totaling \$132,622,001, approximately 77.5% or \$102,724,445, 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	
	2022		2021		2022	
	2022	2021	2022	2021	2022	2021
ASSETS						
Current assets	\$ 71,598,372	\$ 49,354,666	\$ 61,023,629	\$ 44,276,495	\$ 132,622,001	\$ 93,631,161
Capital and non-current assets (net of depreciation)	<u>174,167,728</u>	<u>177,619,707</u>	<u>137,293,785</u>	<u>140,249,947</u>	<u>311,461,513</u>	<u>317,869,654</u>
Total Assets	<u>245,766,100</u>	<u>226,974,373</u>	<u>198,317,414</u>	<u>184,526,442</u>	<u>444,083,514</u>	<u>411,500,815</u>
Deferred outflows of resources	<u>38,670,202</u>	<u>12,788,869</u>	<u>6,437,228</u>	<u>2,314,298</u>	<u>45,107,430</u>	<u>15,103,167</u>
LIABILITIES						
Current and other liabilities	28,194,878	7,317,025	1,686,955	1,667,793	29,881,833	8,984,818
Long-term liabilities	<u>61,959,410</u>	<u>51,711,380</u>	<u>35,366,451</u>	<u>40,165,540</u>	<u>97,325,861</u>	<u>91,876,920</u>
Total Liabilities	<u>90,154,288</u>	<u>59,028,405</u>	<u>37,053,406</u>	<u>41,833,333</u>	<u>127,207,694</u>	<u>100,861,738</u>
Deferred inflows of resources	<u>16,624,319</u>	<u>966,359</u>	<u>17,192,813</u>	<u>326,319</u>	<u>33,817,132</u>	<u>1,292,678</u>
NET POSITION						
Net investment in capital assets	153,865,284	157,116,548	104,136,670	108,641,344	258,001,954	265,757,892
Restricted	44,531,429	39,517,385	2,379	2,379	44,533,808	39,519,764
Unrestricted	<u>(20,739,018)</u>	<u>(16,865,455)</u>	<u>46,369,374</u>	<u>36,037,365</u>	<u>25,630,356</u>	<u>19,171,910</u>
Total Net Position	<u>\$ 177,657,695</u>	<u>\$ 179,768,478</u>	<u>\$ 150,508,423</u>	<u>\$ 144,681,088</u>	<u>\$ 328,166,118</u>	<u>\$ 324,449,566</u>

An additional portion of the City's net position of \$44,533,808 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$25,630,356, 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, 2022

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, 2021 to June 30, 2022, the net position of the City as a whole increased, largely due to the increase in other revenues.

STATEMENT OF ACTIVITIES

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
REVENUES						
Program Revenues:						
Charges for services	\$ 6,970,563	\$ 5,962,037	\$ 27,232,541	\$ 26,671,382	\$ 34,203,104	\$ 32,633,419
Operating grants and contributions	4,897,714	1,908,465	-	-	4,897,714	1,908,465
Capital grants and contributions	531,131	780,926	-	-	531,131	780,926
General Revenues:						
Taxes	36,281,847	32,191,047	-	-	36,281,847	32,191,047
Investment earnings	(1,478,136)	936,759	(643,781)	243,843	(2,121,917)	1,180,602
Other revenues	3,505,720	3,697,145	2,931,612	5,986,373	6,437,332	9,683,518
Lease revenue	-	-	610,805	-	610,805	-
Total Revenues	<u>50,708,839</u>	<u>45,476,379</u>	<u>30,131,177</u>	<u>32,901,598</u>	<u>80,840,016</u>	<u>78,377,977</u>
EXPENSES						
Governmental Activities:						
General government	6,839,279	7,777,169	-	-	6,839,279	7,777,169
Public safety	21,556,505	21,878,581	-	-	21,556,505	21,878,581
Public works	4,644,058	4,310,762	-	-	4,644,058	4,310,762
Parks and recreation	3,280,139	3,290,716	-	-	3,280,139	3,290,716
Community development	2,248,980	2,636,159	-	-	2,248,980	2,636,159
Business-type Activities:						
Water system	-	-	8,418,232	7,613,367	8,418,232	7,613,367
Wastewater system	-	-	5,776,311	5,830,921	5,776,311	5,830,921
Storm drain	-	-	945,288	1,082,412	945,288	1,082,412
Refuse	-	-	9,019,863	8,173,990	9,019,863	8,173,990
Airport	-	-	769,767	645,131	769,767	645,131
Intermodal	-	-	49,616	57,818	49,616	57,818
Courthouse square	-	-	97,270	102,750	97,270	102,750
Total Expenses	<u>38,568,961</u>	<u>39,893,387</u>	<u>25,076,347</u>	<u>23,506,389</u>	<u>63,645,308</u>	<u>63,399,776</u>
Increase in Net Position Before Transfers	<u>12,139,878</u>	<u>5,582,992</u>	<u>5,054,830</u>	<u>9,395,209</u>	<u>17,194,708</u>	<u>14,978,201</u>
Transfers	<u>(924,456)</u>	<u>(1,861,652)</u>	<u>924,456</u>	<u>1,861,652</u>	<u>-</u>	<u>-</u>
Extraordinary Item:						
Settlement expenditures	<u>(12,500,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(12,500,000)</u>	<u>-</u>
Change in Net Position	<u>(1,284,578)</u>	<u>3,721,340</u>	<u>5,979,286</u>	<u>11,256,861</u>	<u>4,694,708</u>	<u>14,978,201</u>
Net Position, Beginning of Year, as Previously Reported	<u>179,768,478</u>	<u>176,912,706</u>	<u>144,681,088</u>	<u>133,700,599</u>	<u>324,449,566</u>	<u>310,613,305</u>
Prior Period Adjustment	<u>(826,205)</u>	<u>(865,568)</u>	<u>(151,951)</u>	<u>(276,372)</u>	<u>(978,156)</u>	<u>(1,141,940)</u>
Net Position, Beginning of Year, Restated	<u>178,942,273</u>	<u>176,047,138</u>	<u>144,529,137</u>	<u>133,424,227</u>	<u>323,471,410</u>	<u>309,471,365</u>
Net Position, End of Year	<u>\$177,657,695</u>	<u>\$179,768,478</u>	<u>\$150,508,423</u>	<u>\$144,681,088</u>	<u>\$328,166,118</u>	<u>\$324,449,566</u>

CITY OF HANFORD
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
FOR THE YEAR ENDED JUNE 30, 2022

The City's revenue totaled \$80,840,016 with 42.3% generated from charges for services and 44.9% generated from taxes. The largest source of revenues in governmental activities comes from taxes at 71.5%. 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 90.4%. The Business-Type Activities include enterprise fund operations, such as Water, Sewer, Refuse, Storm Drain, Airport, Courthouse Square and Intermodal Funds, all of which recover their costs through fees and charges just like a normal business.

Expenses of the City totaled \$63,645,308. The two largest categories of expenses are public safety, which represents 33.7% of total costs, and general government, which represents 10.8% of total costs. However, in relation to Governmental Activity expenses only, public safety makes up 55.8% of the total and general government makes up 17.8% of the total.

As shown in the Statement of Activities, net position increased from the prior year. In the funds included within the Governmental Activities category, net position decreased due to the decrease in change in net position and prior period adjustment by \$2,110,783 a decrease of 1.2%. In the funds included within the Business-Type Activities category, net position increased due to the increase in change in net position offset by the prior period adjustment by \$5,827,335 or 4.0%.

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 \$3,031,928 while total fund balance was \$3,281,078. 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 5.0% 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, 2022

The Water System Fund has a total net position of \$59,450,306 at the end of the fiscal year. Total net position includes \$37,844,891 invested in capital assets and \$21 restricted for debt service, which are not available to pay for current expenses. The remaining net position of \$21,605,394 is unrestricted and available to cover current operating and capital needs of the fund.

The Refuse Fund has a total net position of \$4,142,416 at the end of the fiscal year. Total net position includes \$3,046,876 invested in capital assets, which are not available to cover current expenses.

The Wastewater Fund has a total net position of \$43,962,112 at the end of the fiscal year. Total net position includes \$36,080,506 invested in capital assets and \$2,358 restricted for debt service, which are not available to cover current expenses. The fund has \$7,879,248 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, 2022 amounts to \$291,156,690 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, park facilities and roads. The net decrease in the City's investment in capital assets for the current fiscal year was \$6,207,426. This decrease 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:

CIP OBJ #	DESCRIPTION	PROJECT COST
821618	PAVEMENT RESURFACING TREATMENT	\$ 1,370,729
822615	PAVEMENT RESURFACING TREATMENT	\$ 926,221
820623	NEW WATER SUPPLY WELL 51&52	\$ 882,988
822605	CIVIC AUD ROOF REPLACEMENT	\$ 681,880
821619	LACEY WIDEN/RECON/10TH-SIERRA	\$ 424,073
821655	CENTENNIAL PARK/PLAYGRD RENO	\$ 267,122
821653	LACEY PARK BASKETBALL COURTS	\$ 250,875
822634	WATER SYSTEM SECURITY UPGRADES	\$ 220,790
822003	RESIDENTIAL REFUSE CONTAINERS	\$ 216,399
822002	COMMERCIAL REFUSE CONTAINERS	\$ 176,425

CAPITAL ASSETS
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Land	\$ 60,801,667	\$ 60,795,382	\$ 11,928,488	\$ 11,386,981	\$ 72,730,155	\$ 72,182,363
Buildings	15,235,957	15,271,928	108,581,129	112,089,309	123,817,086	127,361,237
Infrastructure	67,915,576	70,607,008	-	-	67,915,576	70,607,008
Equipment	9,535,394	10,389,595	15,586,623	16,759,692	25,122,017	27,149,287
Construction in progress	309,369	52,635	1,195,166	11,586	1,504,535	64,221
Right to use leased asset	67,321	-	-	-	67,321	-
Total Capital Assets	\$ 153,865,284	\$ 157,116,548	\$ 137,291,406	\$ 140,247,568	\$ 291,156,690	\$ 297,364,116

CITY OF HANFORD
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
FOR THE YEAR ENDED JUNE 30, 2022

Long-Term Debt - At the end of the current fiscal year, the City had a total debt outstanding of \$59,729,054.

OUTSTANDING DEBT

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Bonds payable	\$26,506,940	\$ -	\$20,709,060	\$17,945,000	\$47,216,000	\$ 17,945,000
Unamortized bond premium	-	-	556,425	629,732	556,425	629,732
Notes payable	-	-	4,707,418	5,095,115	4,707,418	5,095,115
Lease payable	67,378	-	-	-	67,378	-
Finance purchase arrangement	-	-	7,181,833	7,936,377	7,181,833	7,936,377
Total Outstanding Debt	<u>\$26,574,318</u>	<u>\$ -</u>	<u>\$33,154,736</u>	<u>\$31,606,224</u>	<u>\$59,729,054</u>	<u>\$ 31,606,224</u>

In the Business-Type Activities, the revenue bonds payable consists of four 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 \$5,940,000 remains. For the sewer system there remains a 2015 \$2,625,000 Refunding Revenue Bond, and a 2012 \$7,705,000 Refunding Revenue Bond. In the current fiscal year, the City issued Pension Obligation Bonds of which \$4,439,060 is payable from the Business-Type Activities.

The notes payable portion of the outstanding debt totaling \$4,707,418 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, \$7,181,833, is comprised of two different finance purchase arrangements. The first lease was for an energy efficient solar tracker system at the wastewater treatment plant for \$4,325,556. The second 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.

In May 2022, Council approved issuance of a \$30,946,000 private taxable Pension Obligation Bond with maturity in 2039 to take advantage of historically low interest rates and to increase the City's funding ratio of pension unfunded accrued liability with CalPERS. This bond issuance is intended to result in near term cash savings, smoother long-term budget reliability, flexibility in maturity and potential savings. In conjunction with this debt issue, the City established a pension funding policy that would work to establish prefunding this debt issue should sufficient reserve be established.

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 \$4.9 million over estimated budget amounts. This was due to conservative projections of sales tax due to the COVID-19 pandemic. In addition, some federal funding was used to assist the City in costs created due to the pandemic. Expenditures for the fiscal year, in addition to better than projected revenues, were under budget. This was a result of a concerted effort to reduce operational costs during the pandemic and some unfilled positions in various departments.

**CITY OF HANFORD
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
FOR THE YEAR ENDED JUNE 30, 2022**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The key assumptions and considerations in the General Fund revenue forecast for fiscal year 2021-2022 budget process were:

- Conservative revenue projections due to potential recession concerns
- Contracted services in lieu of increasing or filling in vacant positions
- Reduced or removed contributions to external programs and organizations
- Returned to setting aside contributions to building, equipment, and vehicle reserves
- Defer equipment and capital project expenses

In early 2022, Council established a goal of having a 35% General Fund Reserve of unrestricted fund balance to budgeted expenditures in order to be prepared for financial pressures or emergencies.

Items addressed in the budget were:

Wastewater – Sewer main oversizing, extension and replacement, sewer video inspection, manhole repair/coating and lift station pump monitoring projects.

Airport – No capital projects this fiscal year.

Water – The completion of various water main replacements and additions, and the continuation of meter replacement and AMR replacement. There were several well repairs needed and will continue to be planned.

Storm Drain – Continued curb and gutter installation, increased flow capacity in Peoples Ditch, storm drain oversizing, pump station upgrades, basin improvements and installation of a new lift station.

Building – Several ADA building modifications throughout City owned facilities.

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 and increase efficiency in operations, decrease expenses where possible, and anticipate minimal revenue growth with no draw from reserves. Also addressed are various ADA modifications, projects to increase security and safety of buildings and continued technology system upgrades.

Parks and Community Services – Continue with a variety of recreation programs and activities and look for more opportunities to involve the community as it comes out of the pandemic. Also continue improvements for ADA compliance in all parks 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, 2022

	Primary Government			
	Governmental Activities		Business-Type Activities	
			Total	
ASSETS				
Cash and investments	\$ 68,652,956	\$ 34,071,489	\$ 102,724,445	
Receivables	10,424,488	3,570,709	13,995,197	
Leases receivables	557,209	13,479,690	14,036,899	
Internal balances	(9,434,071)	9,434,071	-	
Inventory	969,531	376,651	1,346,182	
Deposits	279,500	14,000	293,500	
Prepaid expenses and other assets	148,759	77,019	225,778	
Long-term notes receivable	20,302,444	-	20,302,444	
Restricted cash and investments	-	2,379	2,379	
Capital Assets:				
Nondepreciable assets	61,111,036	13,123,654	74,234,690	
Depreciable assets, net of depreciation	92,754,248	124,167,752	216,922,000	
Total Assets	<u>245,766,100</u>	<u>198,317,414</u>	<u>444,083,514</u>	
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pensions	37,024,665	5,784,539	42,809,204	
Deferred outflows related to OPEB	1,645,537	652,689	2,298,226	
Total Deferred Outflows of Resources	<u>38,670,202</u>	<u>6,437,228</u>	<u>45,107,430</u>	
LIABILITIES				
Accounts payable	2,388,564	968,876	3,357,440	
Salary and benefits payable	1,124,403	24,619	1,149,022	
Accrued interest payable	-	315,343	315,343	
Deposits and unearned revenue	15,966,692	350,829	16,317,521	
Compensated absences - current portion	146,286	27,288	173,574	
Compensated absences - noncurrent portion	1,094,687	209,048	1,303,735	
Long-term debt - current	1,068,933	3,156,440	4,225,373	
Long-term debt - noncurrent	25,505,385	29,441,871	54,947,256	
Unamortized bond premium	-	556,425	556,425	
Claims payable	5,589,000	-	5,589,000	
Net OPEB liability	3,110,503	832,901	3,943,404	
Net pension liability	21,659,835	1,169,766	22,829,601	
Settlement liability - current	7,500,000	-	7,500,000	
Settlement liability - noncurrent	5,000,000	-	5,000,000	
Total Liabilities	<u>90,154,288</u>	<u>37,053,406</u>	<u>127,207,694</u>	
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pensions	15,587,500	4,031,154	19,618,654	
Deferred inflows related to OPEB	490,929	146,641	637,570	
Deferred inflows related to leases	545,890	13,015,018	13,560,908	
Total Deferred Inflows of Resources	<u>16,624,319</u>	<u>17,192,813</u>	<u>33,817,132</u>	
NET POSITION				
Net investment in capital assets	153,865,284	104,136,670	258,001,954	
Restricted for:				
Streets	10,074,849	-	10,074,849	
Debt service	-	2,379	2,379	
Community development	23,618,624	-	23,618,624	
Public safety	713,464	-	713,464	
Parks and recreation	6,222,445	-	6,222,445	
Capital projects	3,902,047	-	3,902,047	
Unrestricted	(20,739,018)	46,369,374	25,630,356	
Total Net Position	<u>\$ 177,657,695</u>	<u>\$ 150,508,423</u>	<u>\$ 328,166,118</u>	

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

CITY OF HANFORD
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

Functions/Programs	Expenses	Program Revenues			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
Governmental Activities:					
General government	\$ 6,839,279	\$ -	\$ -	\$ -	
Public safety	21,556,505	1,311,433	4,111,448	-	
Public works	4,644,058	1,815,542	-	531,131	
Recreation	3,280,139	736,230	-	-	
Community development	2,248,980	3,107,358	786,266	-	
Total Governmental Activities	38,568,961	6,970,563	4,897,714	531,131	
Business-type Activities:					
Water system	8,418,232	10,881,388	-	-	
Wastewater system	5,776,311	5,835,517	-	-	
Storm drain	945,288	1,524,083	-	-	
Refuse	9,019,863	8,783,599	-	-	
Airport	769,767	149,270	-	-	
Intermodal	49,616	1,572	-	-	
Courthouse square	97,270	57,112	-	-	
Total Business-type Activities	25,076,347	27,232,541	-	-	
Total Primary Government	\$ 63,645,308	\$ 34,203,104	\$ 4,897,714	\$ 531,131	

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

CITY OF HANFORD
STATEMENT OF ACTIVITIES (continued)
FOR THE YEAR ENDED JUNE 30, 2022

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	\$ (6,839,279)	\$ (6,839,279)	\$ -	\$ (6,839,279)	
Public safety	(16,133,624)	(16,133,624)	-	(16,133,624)	
Public works	(2,297,385)	(2,297,385)	-	(2,297,385)	
Recreation	(2,543,909)	(2,543,909)	-	(2,543,909)	
Community development	1,644,644	1,644,644	-	1,644,644	
Total Governmental Activities	<u>(26,169,553)</u>	<u>(26,169,553)</u>	<u>-</u>	<u>(26,169,553)</u>	
Business-type Activities:					
Water system	2,463,156	-	2,463,156	2,463,156	
Wastewater system	59,206	-	59,206	59,206	
Storm drain	578,795	-	578,795	578,795	
Refuse	(236,264)	-	(236,264)	(236,264)	
Airport	(620,497)	-	(620,497)	(620,497)	
Intermodal	(48,044)	-	(48,044)	(48,044)	
Courthouse square	(40,158)	-	(40,158)	(40,158)	
Total Business-type Activities	<u>2,156,194</u>	<u>-</u>	<u>2,156,194</u>	<u>2,156,194</u>	
Total Primary Government	<u>\$ (24,013,359)</u>	<u>(26,169,553)</u>	<u>2,156,194</u>	<u>(24,013,359)</u>	
General Revenues:					
Taxes:					
Property taxes	14,205,410	-	14,205,410	14,205,410	
Sales and use tax	18,199,243	-	18,199,243	18,199,243	
Franchise taxes	1,141,696	-	1,141,696	1,141,696	
Other taxes	2,735,498	-	2,735,498	2,735,498	
Revenue from use of money and property	(1,478,136)	(643,781)	(2,121,917)	(2,121,917)	
Impact fees	3,372,830	2,916,474	6,289,304	6,289,304	
Gain on disposal of assets	21,714	-	21,714	21,714	
Miscellaneous/other	111,176	15,138	126,314	126,314	
Lease revenue	-	610,805	610,805	610,805	
Transfers - interfund	(924,456)	924,456	-	-	
Total General Revenues and Transfers	<u>37,384,975</u>	<u>3,823,092</u>	<u>41,208,067</u>		
Extraordinary item:					
Settlement expenditures	(12,500,000)	-	(12,500,000)	(12,500,000)	
Change in Net Position	(1,284,578)	5,979,286	4,694,708	4,694,708	
Net Position, Beginning of Year, as Previously Reported	179,768,478	144,681,088	324,449,566	324,449,566	
Prior Period Adjustments	(826,205)	(151,951)	(978,156)	(978,156)	
Net Position, Beginning of Year, Restated	<u>178,942,273</u>	<u>144,529,137</u>	<u>323,471,410</u>		
Net Position, End of Year	<u>\$ 177,657,695</u>	<u>\$ 150,508,423</u>	<u>\$ 328,166,118</u>		

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

GOVERNMENTAL FUNDS

FINANCIAL STATEMENTS

CITY OF HANFORD
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2022

	General Fund	Capital Projects Fund	Special Revenue				All Other Non-Major Governmental Funds	Total
			CDBG/HOME/ Housing Fund	Transportation Impact Fees	Transportation Development Act Fund			
ASSETS								
Cash and investments	\$ 14,689,316	\$ 2,032,459	\$ 1,689,510	\$ 5,707,618	\$ 5,335,584	\$ 15,204,824	\$ 44,659,311	
Receivables	1,100,641	5,750	377,097	137,126	1,754,115	6,971,014	10,345,743	
Loan receivable	-		18,488,671	-	-	1,813,773	20,302,444	
Lease receivable	-	-	-	-	-	557,209	557,209	
Due from other funds	684,577	-	-	-	-	-	684,577	
Deposits	104,500	-	-	-	-	-	104,500	
Prepaid expenses and other assets	144,650	1,100	-	-	-	622	146,372	
Advances to other funds	-		-	-	-	-	-	1,659,026
Total Assets	\$ 16,723,684	\$ 3,698,335	\$ 20,555,278	\$ 5,844,744	\$ 7,089,699	\$ 24,547,442	\$ 78,459,182	
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES								
Liabilities:								
Accounts payable	\$ 813,394	\$ 86,956	\$ 70,610	\$ -	\$ 891,911	\$ 132,737	\$ 1,995,608	
Accrued wages payable	126,077	-	-	-	-	61	126,138	
Unearned revenue	-	-	-	-	5,872,677	10,090,880	15,963,557	
Consumer deposits	3,135	-	-	-	-	-	3,135	
Settlement liability	12,500,000	-	-	-	-	-	12,500,000	
Due to other funds	-	-	81,392	-	-	157,826	239,218	
Total Liabilities	\$ 13,442,606	\$ 86,956	\$ 152,002	\$ -	\$ 6,764,588	\$ 10,381,504	\$ 30,827,656	
Deferred Inflows of Resources:								
Deferred inflows from leases	-	-	-	-	-	545,890	545,890	
Total Deferred Inflows of Resources	-	-	-	-	-	545,890	545,890	
Fund Balances:								
Nonspendable:								
Loan receivable	-	-	18,533,201	-	-	1,813,773	20,346,974	
Lease receivable	-	-	-	-	-	557,209	557,209	
Prepaid expenses	144,650	1,100	-	-	-	622	146,372	
Deposits	104,500	-	-	-	-	-	104,500	
Restricted for:								
Community development	-	-	1,870,075	-	-	-	1,870,075	
Streets and roads	-	-	-	5,844,744	325,111	3,905,928	10,075,783	
Recreation	-	-	-	-	-	5,107,894	5,107,894	
Landscape maintenance	-	-	-	-	-	968,179	968,179	
Public safety	-	-	-	-	-	713,464	713,464	
Committed for:								
Parking and business improvement	-	3,610,279	-	-	-	291,768	3,902,047	
Community development	-	-	-	-	-	722,548	722,548	
Cannabis	-	-	-	-	-	121,818	121,818	
Unassigned	3,031,928	-	-	-	-	(583,155)	2,448,773	
Total Fund Balances	\$ 3,281,078	\$ 3,611,379	\$ 20,403,276	\$ 5,844,744	\$ 325,111	\$ 13,620,048	\$ 47,085,636	
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 16,723,684	\$ 3,698,335	\$ 20,555,278	\$ 5,844,744	\$ 7,089,699	\$ 24,547,442	\$ 78,459,182	

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

CITY OF HANFORD
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION - GOVERNMENTAL ACTIVITIES
JUNE 30, 2022

Total Fund Balances Governmental Funds \$ 47,085,636

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	\$ 269,548,018	145,937,261
Accumulated depreciation	<u>(123,610,757)</u>	

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.

13,387,871

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	\$ (1,176,271)	(50,931,490)
Pension obligation bonds	<u>(25,390,437)</u>	
Lease payables	(67,378)	
Net OPEB liability	(3,110,502)	
Net pension liability	<u>(21,186,902)</u>	

Deferred outflows related to pensions and OPEB 37,422,868

Deferred inflows related to pensions and OPEB (15,244,451)

Total Net Position - Governmental Activities \$ 177,657,695

CITY OF HANFORD
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	General Fund	Capital Projects Fund	Special Revenue			All Other Non-Major Governmental Funds	Total
			CDBG/HOME/Housing Fund	Transportation Impact Fees	Transportation Development Act Fund		
REVENUES							
Taxes and special assessments	\$ 32,425,620	\$ -	\$ -	\$ 2,031,907	\$ 786,999	\$ 6,177,644	\$ 41,422,170
Aid from other government agencies	1,500,269	-	729,594	66,242	11,082	3,073,398	5,380,585
Licenses and permits	1,797,872	-	-	-	-	-	1,797,872
Fines and forfeitures	175,263	-	-	-	-	49,136	224,399
Charges for services	3,062,208	66,225	-	-	-	-	3,128,433
Lease revenue	-	-	-	-	-	19,496	19,496
Revenue from use of money and property	(425,086)	(37,397)	275,500	(141,353)	(130,680)	(388,575)	(847,591)
Miscellaneous	56,747	492	637	149	-	136,380	194,405
Total Revenues	38,592,893	29,320	1,005,731	1,956,945	667,401	9,067,479	51,319,769
EXPENDITURES							
General government	4,116,481	6,395	-	10,327	9,794	19,726	4,162,723
Public safety	42,528,787	-	-	-	-	-	42,528,787
Public works	4,601,080	-	-	-	258,190	1,332,784	6,192,054
Recreation	5,662,458	-	-	-	-	-	5,662,458
Community development	2,874,828	37,900	288,391	-	-	307,081	3,508,200
Debt service:							
Principal	22,193	-	-	-	-	-	22,193
Interest	513	-	-	-	-	-	513
Capital outlay	555,445	919,025	320,250	207,570	507,787	2,113,430	4,623,507
Total Expenditures	60,361,785	963,320	608,641	217,897	775,771	3,773,021	66,700,435
Excess (Deficiency) of Revenues Over Expenditures	(21,768,892)	(934,000)	397,090	1,739,048	(108,370)	5,294,458	(15,380,666)
OTHER FINANCING SOURCES (USES)							
Operating transfers in	3,712,266	-	-	1,657,592	-	824,143	6,194,001
Operating transfers out	(3,001,032)	-	(157,802)	(42,549)	(26,210)	(4,280,631)	(7,508,224)
Proceeds from issuance of bonds	25,390,437	-	-	-	-	-	25,390,437
Lease and other financing proceeds	89,571	-	-	-	-	-	89,571
Proceeds from sale of assets	1,716	-	-	-	-	20,000	21,716
Total Other Financing Sources (Uses)	26,192,958	-	(157,802)	1,615,043	(26,210)	(3,436,488)	24,187,501
EXTRAORDINARY ITEM							
Settlement expenditure	(12,500,000)	-	-	-	-	-	(12,500,000)
Net Change in Fund Balance	(8,075,934)	(934,000)	239,288	3,354,091	(134,580)	1,857,970	(3,693,165)
Fund Balance, Beginning of Year	11,037,789	4,573,806	20,180,157	2,532,312	498,685	11,841,388	50,664,137
Prior Period Adjustments	319,223	(28,427)	(16,169)	(41,659)	(38,994)	(79,310)	114,664
Fund Balance, Beginning of Year (Restated)	11,357,012	4,545,379	20,163,988	2,490,653	459,691	11,762,078	50,778,801
Fund Balance, End of Year	\$ 3,281,078	\$ 3,611,379	\$ 20,403,276	\$ 5,844,744	\$ 325,111	\$ 13,620,048	\$ 47,085,636

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

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, 2022

Total Net Change in Fund Balances - Governmental Funds \$ (3,693,165)

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	\$ 4,623,507	(2,377,886)
Depreciation expense	<u>(7,001,393)</u>	158,620

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:

	158,620	
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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:

	398,496	
--	---------	--

Leases and other debt proceeds provide current financial resources to governmental
funds, but issuing debt increases long-term liabilities in the Statement of Net Position.
Repayment of leases and other debt principal is an expenditure in the governmental
funds, but repayment reduces long-term liabilities in the Statement of Net Position.

Leases issued	\$ (89,571)	(67,378)
Principal paid on leases	<u>22,193</u>	18,992,414

Net Pension and OPEB liabilities: 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.

	18,992,414	
--	------------	--

Pension and OPEB contributions are reported as expenditures in the governmental
funds, but contributions are reported as deferred outflows in the Statement
of Net Position.

	10,694,758	
--	------------	--

Pension obligation bonds are not due and payable in the current period and therefore are
not reported in the governmental funds.

	(25,390,437)	
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Change in Net Position of Governmental Activities \$ (1,284,578)

PROPRIETARY FUNDS

FINANCIAL STATEMENTS

CITY OF HANFORD
STATEMENT OF NET POSITION –
PROPRIETARY FUNDS
JUNE 30, 2022

	Water System Fund	Sewer Improvement Funds			Refuse Fund		
		Wastewater Fund	Storm Drain Fund				
ASSETS							
Current Assets:							
Cash and investments	\$ 20,440,856	\$ 6,823,102	\$ 5,704,069	\$ 960,671			
Restricted cash and investments	21	2,358	-	-			
Receivables, net	1,624,343	770,677	176,487	984,613			
Lease receivables	-	13,239,958	-	-			
Deposits	10,000	4,000	-	-			
Prepaid expenses	17,052	52,593	1,074	6,300			
Inventory	376,651	-	-	-			
Due from other funds	-	912,470	-	-			
Total current assets	<u>22,468,923</u>	<u>21,805,158</u>	<u>5,881,630</u>	<u>1,951,584</u>			
Noncurrent Assets:							
Capital Assets:							
Land	352,240	4,135,650	4,565,091	-			
Buildings and improvements	60,315,708	87,746,755	21,162,285	1,351,845			
Machinery and equipment	18,092,631	2,351,258	1,002,176	8,478,623			
Construction in progress	1,126,641	13,193	55,331	-			
Less accumulated depreciation	(28,769,337)	(40,310,984)	(6,673,001)	(5,096,193)			
Capital assets, net	<u>51,117,883</u>	<u>53,935,872</u>	<u>20,111,882</u>	<u>4,734,275</u>			
Total noncurrent assets	<u>51,117,883</u>	<u>53,935,872</u>	<u>20,111,882</u>	<u>4,734,275</u>			
Total Assets	<u>73,586,806</u>	<u>75,741,030</u>	<u>25,993,512</u>	<u>6,685,859</u>			
DEFERRED OUTFLOWS OF RESOURCES							
Deferred outflows related to pensions	1,879,119	1,238,694	360,724	2,306,002			
Deferred outflows related to OPEB	198,644	170,267	-	283,778			
Total Deferred Outflows of Resources	<u>2,077,763</u>	<u>1,408,961</u>	<u>360,724</u>	<u>2,589,780</u>			
LIABILITIES							
Current Liabilities:							
Accounts payable	317,581	115,658	15,042	497,520			
Salaries and benefits payable	8,215	4,836	154	11,598			
Deposits and unearned revenue	345,204	1,205	485	1,454			
Due to other funds	159,912	752,558	-	-			
Advances from other funds	-	-	-	-			
Interest payable	102,064	213,279	-	-			
Compensated absences - current portion	11,839	5,166	1,935	8,348			
Bonds and notes payable - current portion	<u>1,535,663</u>	<u>1,540,759</u>	<u>13,386</u>	<u>66,632</u>			
Total current liabilities	<u>2,480,478</u>	<u>2,633,461</u>	<u>31,002</u>	<u>585,552</u>			
Noncurrent Liabilities:							
Compensated absences payable	90,748	39,604	14,703	63,993			
Net OPEB liability	265,632	211,007	-	356,262			
Claims payable	-	-	-	-			
Unamortized bond premium	181,639	374,786	-	-			
Bonds and notes payable	11,555,690	15,939,821	325,593	1,620,767			
Net pension liability (asset)	275,475	314,176	(277,973)	858,088			
Total noncurrent liabilities	<u>12,369,184</u>	<u>16,879,394</u>	<u>62,323</u>	<u>2,899,110</u>			
Total Liabilities	<u>14,849,662</u>	<u>19,512,855</u>	<u>93,325</u>	<u>3,484,662</u>			
DEFERRED INFLOWS OF RESOURCES							
Deferred inflows related to pensions	1,319,971	857,867	268,512	1,584,804			
Deferred inflows related to OPEB	44,630	38,254	-	63,757			
Deferred inflows related to leases	-	12,778,903	-	-			
Total Deferred Inflows of Resources	<u>1,364,601</u>	<u>13,675,024</u>	<u>268,512</u>	<u>1,648,561</u>			
NET POSITION							
Net investment in capital assets	37,844,891	36,080,506	19,772,903	3,046,876			
Restricted for debt service	21	2,358	-	-			
Unrestricted	21,605,394	7,879,248	6,219,496	1,095,540			
Total Net Position	<u>\$ 59,450,306</u>	<u>\$ 43,962,112</u>	<u>\$ 25,992,399</u>	<u>\$ 4,142,416</u>			

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

CITY OF HANFORD
STATEMENT OF NET POSITION –
PROPRIETARY FUNDS (continued)
JUNE 30, 2022

	Airport Fund	Intermodal Fund	Courthouse Square	Total Enterprise Funds	Governmental Activities Internal Service Funds
ASSETS					
Current Assets:					
Cash and investments	\$ 122,339	\$ 15,197	\$ 5,255	\$ 34,071,489	\$ 23,993,645
Restricted cash and investments	-	-	-	2,379	-
Receivables, net	5,202	6,202	3,185	3,570,709	78,745
Lease receivables	-	239,732	-	13,479,690	-
Deposits	-	-	-	14,000	175,000
Prepaid expenses	-	-	-	77,019	2,387
Inventory	-	-	-	376,651	969,531
Due from other funds	-	-	-	912,470	-
Total current assets	<u>127,541</u>	<u>261,131</u>	<u>8,440</u>	<u>52,504,407</u>	<u>25,219,308</u>
Noncurrent Assets:					
Capital Assets:					
Land	2,596,623	278,884	-	11,928,488	-
Buildings and improvements	10,123,741	1,305,817	-	182,006,451	280,697
Machinery and equipment	81,851	-	-	30,006,539	17,557,998
Construction in progress	-	-	-	1,195,165	-
Less accumulated depreciation	(6,304,456)	(690,966)	-	(87,844,937)	(9,910,672)
Capital assets, net	<u>6,497,759</u>	<u>893,735</u>	<u>-</u>	<u>137,291,406</u>	<u>7,928,023</u>
Total other noncurrent assets	<u>6,497,759</u>	<u>893,735</u>	<u>-</u>	<u>137,291,406</u>	<u>7,928,023</u>
Total Assets	<u>6,625,300</u>	<u>1,154,866</u>	<u>8,440</u>	<u>189,795,813</u>	<u>33,147,331</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows related to pensions	-	-	-	5,784,539	1,247,328
Deferred outflows related to OPEB	-	-	-	652,689	-
Total Deferred Outflows of Resources	-	-	-	<u>6,437,228</u>	<u>1,247,328</u>
LIABILITIES					
Current Liabilities:					
Accounts payable	20,153	539	2,383	968,876	392,956
Salaries and benefits payable	(184)	-	-	24,619	998,265
Deposits and unearned revenue	2,481	-	-	350,829	-
Due to other funds	-	-	146,674	1,059,144	298,685
Advances from other funds	375,468	261,224	1,022,334	1,659,026	-
Interest payable	-	-	-	315,343	-
Compensated absences - current portion	-	-	-	27,288	7,622
Bonds and notes payable - current portion	-	-	-	3,156,440	44,088
Total current liabilities	<u>397,918</u>	<u>261,763</u>	<u>1,171,391</u>	<u>7,561,565</u>	<u>1,741,616</u>
Noncurrent Liabilities:					
Compensated absences payable	-	-	-	209,048	57,080
Net OPEB liability	-	-	-	832,901	-
Claims payable	-	-	-	-	5,589,000
Unamortized bond premium	-	-	-	556,425	-
Bonds and notes payable	-	-	-	29,441,871	1,072,415
Net pension liability (asset)	-	-	-	1,169,766	472,931
Total noncurrent liabilities	-	-	-	<u>32,210,011</u>	<u>7,191,426</u>
Total Liabilities	<u>397,918</u>	<u>261,763</u>	<u>1,171,391</u>	<u>39,771,576</u>	<u>8,933,042</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows related to pensions	-	-	-	4,031,154	833,978
Deferred inflows related to OPEB	-	-	-	146,641	-
Deferred inflows related to leases	-	236,115	-	13,015,018	-
Total Deferred Inflows of Resources	-	<u>236,115</u>	<u>-</u>	<u>17,192,813</u>	<u>833,978</u>
NET POSITION					
Net investment in capital assets	6,497,759	893,735	-	104,136,670	7,928,023
Restricted for debt service	-	-	-	2,379	-
Unrestricted	(270,377)	(236,747)	(1,162,951)	35,129,603	16,699,616
Total Net Position	<u>\$ 6,227,382</u>	<u>\$ 656,988</u>	<u>\$ (1,162,951)</u>	<u>139,268,652</u>	<u>\$ 24,627,639</u>
Adjustment to reflect the consolidation of internal service fund activities				<u>11,239,771</u>	
Net Position of Business-type Activities				<u>\$ 150,508,423</u>	

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

CITY OF HANFORD
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION –
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	Sewer Improvement Funds			
	Water System Fund	Wastewater Fund	Storm Drain Fund	Refuse Fund
OPERATING REVENUES				
Charges for services	\$ 10,881,388	\$ 5,835,517	\$ 1,524,083	\$ 8,783,599
Other revenues	<u>1,383,423</u>	<u>1,079,119</u>	<u>44,338</u>	<u>239,672</u>
Total Operating Revenues	<u><u>12,264,811</u></u>	<u><u>6,914,636</u></u>	<u><u>1,568,421</u></u>	<u><u>9,023,271</u></u>
OPERATING EXPENSES				
Personnel services	1,493,356	954,720	326,945	1,896,478
Services and supplies	<u>4,145,077</u>	<u>2,547,018</u>	<u>667,122</u>	<u>6,294,892</u>
Depreciation	<u>2,327,352</u>	<u>1,716,466</u>	<u>410,699</u>	<u>680,497</u>
Total Operating Expenses	<u><u>7,965,785</u></u>	<u><u>5,218,204</u></u>	<u><u>1,404,766</u></u>	<u><u>8,871,867</u></u>
Operating Income (Loss)	<u><u>4,299,026</u></u>	<u><u>1,696,432</u></u>	<u><u>163,655</u></u>	<u><u>151,404</u></u>
NONOPERATING REVENUES (EXPENSES)				
Intergovernmental	-	-	-	15,138
Interest income	148,832	219,927	47,669	6,711
Interest expense	<u>(451,976)</u>	<u>(570,083)</u>	<u>(2,267)</u>	<u>(17,078)</u>
Unrealized gain (loss) on investments	<u>(629,428)</u>	<u>(238,556)</u>	<u>(171,095)</u>	<u>(31,413)</u>
Lease revenue	-	571,453	-	-
Total Nonoperating Revenues (Expenses)	<u><u>(932,572)</u></u>	<u><u>(17,259)</u></u>	<u><u>(125,693)</u></u>	<u><u>(26,642)</u></u>
Income (Loss) Before Capital Contributions and Transfers	3,366,454	1,679,173	37,962	124,762
Transfers in (out)	<u>363,508</u>	<u>(22,944)</u>	<u>106,373</u>	<u>492,791</u>
Change in Net Position (Deficit)	<u><u>3,729,962</u></u>	<u><u>1,656,229</u></u>	<u><u>144,335</u></u>	<u><u>617,553</u></u>
Net Position (Deficit), Beginning of Year	55,720,344	42,334,002	25,904,144	3,524,863
Prior Period Adjustment	-	(28,119)	(56,080)	-
Net Position (Deficit), Beginning of Year (Restated)	<u>55,720,344</u>	<u>42,305,883</u>	<u>25,848,064</u>	<u>3,524,863</u>
Net Position (Deficit), End of Year	<u><u>\$ 59,450,306</u></u>	<u><u>\$ 43,962,112</u></u>	<u><u>\$ 25,992,399</u></u>	<u><u>\$ 4,142,416</u></u>

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

CITY OF HANFORD
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION –
PROPRIETARY FUNDS (continued)
FOR THE YEAR ENDED JUNE 30, 2022

	Airport Fund	Intermodal Fund	Courthouse Square	Total Enterprise Funds	Governmental Activities Internal Service Funds
OPERATING REVENUES					
Charges for services	\$ 149,270	\$ 1,572	\$ 57,112	\$ 27,232,541	\$ 11,508,518
Other revenues	<u>168,643</u>	<u>1,279</u>	<u>-</u>	<u>2,916,474</u>	<u>14,450</u>
Total Operating Revenues	<u>317,913</u>	<u>2,851</u>	<u>57,112</u>	<u>30,149,015</u>	<u>11,522,968</u>
OPERATING EXPENSES					
Personnel services	52,149	-	-	4,723,648	1,333,867
Services and supplies	282,150	23,499	90,047	14,049,805	8,010,861
Depreciation	<u>421,021</u>	<u>26,117</u>	<u>-</u>	<u>5,582,152</u>	<u>1,216,203</u>
Total Operating Expenses	<u>755,320</u>	<u>49,616</u>	<u>90,047</u>	<u>24,355,605</u>	<u>10,560,931</u>
Operating Income (Loss)	<u>(437,407)</u>	<u>(46,765)</u>	<u>(32,935)</u>	<u>5,793,410</u>	<u>962,037</u>
NONOPERATING REVENUES (EXPENSES)					
Intergovernmental	-	-	-	15,138	-
Interest income	1,517	645	-	425,301	162,295
Interest expense	-	-	-	<u>(1,041,404)</u>	<u>(7,468)</u>
Unrealized gain (loss) on investments	(4,060)	(105)	5,575	(1,069,082)	(753,406)
Lease revenue	-	39,352	-	610,805	-
Total Nonoperating Revenues (Expenses)	<u>(2,543)</u>	<u>39,892</u>	<u>5,575</u>	<u>(1,059,242)</u>	<u>(598,579)</u>
Income (Loss) Before Capital Contributions and Transfers	<u>(439,950)</u>	<u>(6,873)</u>	<u>(27,360)</u>	<u>4,734,168</u>	<u>363,458</u>
Transfers in (out)	<u>(15,272)</u>	-	-	<u>924,456</u>	<u>389,767</u>
Change in Net Position (Deficit)	<u>(455,222)</u>	<u>(6,873)</u>	<u>(27,360)</u>	<u>5,658,624</u>	<u>753,225</u>
Net Position (Deficit), Beginning of Year	6,682,604	731,613	(1,135,591)		24,815,283
Prior Period Adjustment	-	(67,752)	-		(940,869)
Net Position (Deficit), Beginning of Year (Restated)	<u>6,682,604</u>	<u>663,861</u>	<u>(1,135,591)</u>		<u>23,874,414</u>
Net Position (Deficit), End of Year	<u>\$ 6,227,382</u>	<u>\$ 656,988</u>	<u>\$ (1,162,951)</u>		<u>\$ 24,627,639</u>
Adjustment to reflect the consolidation of internal service funds				<u>320,662</u>	
Change in Net Position of Business-type Activities				<u>\$ 5,979,286</u>	

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

CITY OF HANFORD
STATEMENT OF CASH FLOWS –
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	Sewer Improvement Funds			
	Water System Fund	Wastewater Fund	Storm Drain Fund	Refuse Fund
Cash Flows from Operating Activities:				
Cash received for current services	\$ 10,815,308	\$ 8,776,483	\$ 1,527,004	\$ 8,779,156
Cash received for other operating revenues	1,386,497	1,079,119	44,338	239,672
Cash paid to suppliers for goods and services	(4,225,888)	(3,076,695)	(654,441)	(5,987,580)
Cash paid for salaries and benefits	(3,838,071)	(3,277,955)	(1,086,608)	(4,630,095)
Net Cash Provided (Used) by Operating Activities	<u>4,137,846</u>	<u>3,500,952</u>	<u>(169,707)</u>	<u>(1,598,847)</u>
Cash Flows from Non-Capital Financing Activities:				
Transfers (to) from other funds	363,508	(22,944)	106,373	492,791
Loans from/(to) other funds	1,518	-	-	-
Intergovernmental revenue	-	-	-	15,138
Net Cash Provided (Used) by Non-capital Financing Activities	<u>365,026</u>	<u>(22,944)</u>	<u>106,373</u>	<u>507,929</u>
Cash Flows from Capital and Related Financing Activities:				
Principal payments on long-term debt	(1,371,208)	(1,446,033)	-	-
Interest payments on long-term debt	(502,679)	(625,249)	-	-
Capital expenditures	(1,296,486)	(159,253)	(592,708)	(391,674)
Lease and other financing proceeds	-	110,398	-	-
Proceeds from issuance of debt	1,491,722	920,960	336,712	1,670,321
Proceeds from the sale of capital assets	-	-	-	-
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(1,678,651)</u>	<u>(1,199,177)</u>	<u>(255,996)</u>	<u>1,278,647</u>
Cash Flows from Investing Activities:				
Unrealized gain (loss) on investments	(787,923)	(266,675)	(227,175)	(31,413)
Interest received on investments	<u>148,832</u>	<u>219,927</u>	<u>47,669</u>	<u>6,711</u>
Net Cash Provided (Used) by Investing Activities	<u>(639,091)</u>	<u>(46,748)</u>	<u>(179,506)</u>	<u>(24,702)</u>
Net Increase (Decrease) in Cash and Investments	2,185,130	2,232,083	(498,836)	163,027
Cash and Investments, Beginning of Year	<u>18,255,747</u>	<u>4,593,377</u>	<u>6,202,905</u>	<u>797,644</u>
Cash and Investments, End of Year	<u>\$ 20,440,877</u>	<u>\$ 6,825,460</u>	<u>\$ 5,704,069</u>	<u>\$ 960,671</u>
Reconciliation to Statement of Net Position:				
Cash and investments	\$ 20,440,856	\$ 6,823,102	\$ 5,704,069	\$ 960,671
Restricted cash and investments	21	2,358	-	-
Total Cash and Investments	<u>\$ 20,440,877</u>	<u>\$ 6,825,460</u>	<u>\$ 5,704,069</u>	<u>\$ 960,671</u>

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

CITY OF HANFORD
STATEMENT OF CASH FLOWS –
PROPRIETARY FUNDS (continued)
FOR THE YEAR ENDED JUNE 30, 2022

	Airport Fund	Intermodal Fund	Courthouse Square	Total Enterprise Funds	Governmental Activities Internal Service Funds
Cash Flows from Operating Activities:					
Cash received for current services	\$ 151,124	\$ 1,348	\$ 56,581	\$ 30,107,004	\$ 11,640,104
Cash received for other operating revenues	168,643	169,642	-	3,087,911	(24,689)
Cash paid to suppliers for goods and services	(266,202)	(23,246)	(56,580)	(14,290,632)	(8,016,268)
Cash paid for salaries and benefits	(59,869)	-	-	(12,892,598)	(2,050,301)
Net Cash Provided (Used) by Operating Activities	<u>(6,304)</u>	<u>147,744</u>	<u>1</u>	<u>6,011,685</u>	<u>1,548,846</u>
Cash Flows from Non-Capital Financing Activities:					
Transfers (to) from other funds	(15,272)	-	-	924,456	456,871
Loans from/(to) other funds	-	-	-	1,518	1,967,592
Intergovernmental revenue	-	-	-	15,138	-
Net Cash Provided (Used) by Non-capital Financing Activities	<u>(15,272)</u>	<u>-</u>	<u>-</u>	<u>941,112</u>	<u>2,424,463</u>
Cash Flows from Capital and Related Financing Activities:					
Principal payments on long-term debt	-	-	-	(2,817,241)	-
Interest payments on long-term debt	-	-	-	(1,127,928)	-
Capital expenditures	(19,978)	-	-	(2,460,099)	(563,833)
Lease and other financing proceeds	-	(200,380)	-	(89,982)	-
Proceeds from issuance of debt	-	-	-	4,419,715	1,109,035
Proceeds from the sale of capital assets	-	-	-	-	55,118
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(19,978)</u>	<u>(200,380)</u>	<u>-</u>	<u>(2,075,535)</u>	<u>600,320</u>
Cash Flows from Investing Activities:					
Unrealized gain (loss) on investments	(4,060)	(105)	5,575	(1,311,776)	(839,218)
Interest received on investments	1,517	645	-	425,301	105,030
Net Cash Provided (Used) by Investing Activities	<u>(2,543)</u>	<u>540</u>	<u>5,575</u>	<u>(886,475)</u>	<u>(734,188)</u>
Net Increase (Decrease) in Cash and Investments	(44,097)	(52,096)	5,576	3,990,787	3,839,441
Cash and Investments, Beginning of Year	<u>166,436</u>	<u>67,293</u>	<u>(321)</u>	<u>30,083,081</u>	<u>20,154,204</u>
Cash and Investments, End of Year	<u><u>\$ 122,339</u></u>	<u><u>\$ 15,197</u></u>	<u><u>\$ 5,255</u></u>	<u><u>\$ 34,073,868</u></u>	<u><u>\$ 23,993,645</u></u>
Reconciliation to Statement of Net Position:					
Cash and investments	\$ 122,339	\$ 15,197	\$ 5,255	\$ 34,071,489	\$ 23,993,645
Restricted cash and investments	-	-	-	2,379	-
Total Cash and Investments	<u>\$ 122,339</u>	<u>\$ 15,197</u>	<u>\$ 5,255</u>	<u>\$ 34,073,868</u>	<u>\$ 23,993,645</u>

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

CITY OF HANFORD
STATEMENT OF CASH FLOWS –
PROPRIETARY FUNDS (continued)
FOR THE YEAR ENDED JUNE 30, 2022

	Water System Fund	Wastewater Fund	Storm Drain Fund	Sewer Improvement Funds	Refuse Fund
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Operating income (loss)					
	\$ 4,299,026	\$ 1,696,432	\$ 163,655	\$ 151,404	
Adjustments to reconcile net income (loss) from operating to net cash provided (used) by operating activities:					
Depreciation	2,327,352	1,716,466	410,699	680,497	
Changes in assets, liabilities, and deferred resources in:					
Receivables, net	(77,230)	2,941,041	3,071	(4,327)	
Deposits	-	-	-	-	
Prepaid expenses	3,074	286,311	-	-	
Inventory	(72,502)	-	-	-	
Deferred outflows of resources	(1,369,547)	(877,182)	(337,898)	(1,538,303)	
Due to/from other funds	-	(1,686,009)	(210,175)	(177,229)	
Accounts payable	(8,309)	(42,449)	12,681	243,555	
Salaries and benefits payable	(58,945)	(40,418)	(12,421)	(70,065)	
Compensated absences	(140,176)	(1,470)	(1,602)	(20,142)	
Deposits and unearned revenue	11,150	(75)	(150)	(116)	
Net OPEB liability	(30,951)	(26,530)	-	(44,216)	
Net pension liability	(2,021,967)	(1,288,924)	(505,839)	(2,262,479)	
Deferred inflows of resources	1,276,871	823,759	308,272	1,442,574	
Claims payable	-	-	-	-	
Net Cash Provided (Used) by Operating Activities	<u>\$ 4,137,846</u>	<u>\$ 3,500,952</u>	<u>\$ (169,707)</u>	<u>\$ (1,598,847)</u>	

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

**CITY OF HANFORD
STATEMENT OF CASH FLOWS –
PROPRIETARY FUNDS (continued)
FOR THE YEAR ENDED JUNE 30, 2022**

	Airport Fund	Intermodal Fund	Courthouse Square	Total Enterprise Funds	Governmental Activities
					Internal Service Funds
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Operating income (loss)					
	\$ (437,407)	\$ (46,765)	\$ (32,935)	\$ 5,793,410	\$ 962,037
Adjustments to reconcile net income (loss) from operating to net cash provided (used) by operating activities:					
Depreciation	421,021	26,117	-	5,582,152	1,216,203
Changes in assets, liabilities, and deferred resources in:					
Receivables, net	1,854	(67,976)	(531)	2,795,902	(55,414)
Deposits	-	-	-	-	(50,000)
Prepaid expenses	-	-	-	289,385	-
Inventory	-	-	-	(72,502)	(262,532)
Deferred outflows of resources	-	-	-	(4,122,930)	(849,776)
Due to/from other funds	(5,960)	-	33,927	(2,045,446)	33,886
Accounts payable	15,948	253	(460)	221,219	148,206
Salaries and benefits payable	(1,760)	-	-	(183,609)	720,677
Compensated absences	-	-	-	(163,390)	(4,582)
Deposits and unearned revenue	-	-	-	10,809	-
Net OPEB liability	-	-	-	(101,697)	-
Net pension liability	-	-	-	(6,079,209)	(1,272,130)
Deferred inflows of resources	-	236,115	-	4,087,591	775,271
Claims payable	-	-	-	-	187,000
Net Cash Provided (Used) by Operating Activities	\$ (6,304)	\$ 147,744	\$ 1	\$ 6,011,685	\$ 1,548,846

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

FIDUCIARY FUNDS

FINANCIAL STATEMENTS

CITY OF HANFORD
STATEMENT OF FIDUCIARY NET POSITION –
FIDUCIARY FUNDS
JUNE 30, 2022

	Redevelopment Successor Agency Private-Purpose Trust Fund	Trust and Custodial Funds
ASSETS		
Cash and investments	\$ 235,538	\$ 1,455,291
Accounts receivable	-	17,095
Assets held for resale	135,265	-
Total Assets	370,803	1,472,386
LIABILITIES		
Accounts payable	-	834,369
Deposits held for others	-	671,714
Total Liabilities	-	1,506,083
NET POSITION (DEFICIT)		
Held in trust for the retirement of obligations of the former Hanford Redevelopment Agency and other purposes	370,803	-
Restricted	-	(33,697)
Total Net Position (Deficit)	\$ 370,803	\$ (33,697)

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

CITY OF HANFORD
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION –
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	Redevelopment Successor Agency Private-Purpose Trust Fund	Trust and Custodial Funds
ADDITIONS		
Investment earnings (loss)	\$ 1,830	\$ -
Other additions	-	42,941
Total Additions	<u>1,830</u>	<u>42,941</u>
DEDUCTIONS		
General government	3,141	9,211
Unrealized (gain) loss on investments	<u>7,095</u>	<u>40,439</u>
Total Deductions	<u>10,236</u>	<u>49,650</u>
Change in Fiduciary Net Position	<u>(8,406)</u>	<u>(6,709)</u>
Net Position - Beginning of Year	381,487	77,702
Prior Period Adjustments	<u>(2,278)</u>	<u>(104,690)</u>
Net Position (Deficit) - Beginning of Year, Restated	<u>379,209</u>	<u>(26,988)</u>
Net Position (Deficit) - End of Year	<u><u>\$ 370,803</u></u>	<u><u>\$ (33,697)</u></u>

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

CITY OF HANFORD
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the City of Hanford, California (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, 2022 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 Position 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 position. 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.

Capital Projects Fund – This 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.

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.

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.

Transportation Development Act Fund – This fund is used to account for financial resources to be used for transit and non-transit related purposes that comply with regional transportation plans.

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.

CITY OF HANFORD
NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Governmental Fund Financial Statements (continued):

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

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

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

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

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 Custodial Funds – Trust and Custodial 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.

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): 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.

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 Fund Balance, 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.

CITY OF HANFORD
NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 \$10,000. In other words, fixed assets are capitalized only if they have a cost in excess of \$10,000 and have an expected useful life of three years or more. Fixed assets that have a cost below \$10,000 are expensed during the fiscal year they are acquired.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Betterments and major improvements which significantly increase values, change capacities or extend useful lives are capitalized.

Upon sale or retirement of fixed assets, the cost and related accumulated depreciation are removed from the respective accounts and any resulting gain or loss is included in the results of operations.

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 7.

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.

CITY OF HANFORD
NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Long-Term Obligations (continued): 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 withheld from the actual debt proceeds received or not, are reported as debt service expenditures.

Leases: The City is a lessee for noncancelable leases of copiers and recognizes the liability and an intangible right-to-use lease asset at the inception of the lease agreement at the current present value of future payments, in the government-wide and proprietary fund financial statements. The City recognizes lease liabilities with an initial, individual value of \$10,000 or more.

At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgements related to leases include how the City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases, which it has determined is the prime rate at the inception of the lease.
- The lease term includes the noncancelable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise.

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability. Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the Statement of Net Position.

The City is a lessor for noncancelable leases of the Hanford train station, hotel parking spaces, and agricultural ground leases. The City recognizes a lease receivable and a deferred inflow of resources in the government-wide, proprietary fund, and governmental fund financial statements at the inception of the lease agreement at current present value of all future payments.

At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgements include how the City determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The City uses the interest rate charged to the lessees as the discount rate. When the interest rate charged to the lessees is not provided, the City generally uses the implied rate of return as the discount rate for leases. When the implied rate of return cannot be determined, the City uses its estimated incremental borrowing rate which it has determined is the prime rate at the inception of the lease.
- The lease term includes the noncancelable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

CITY OF HANFORD
NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued): The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of lease receivable.

Right-to-Use Lease Assets: Right-to-use lease assets are recorded at the amount of the initial measurement of the lease liabilities and modified by any lease payment made to the lessor at or before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term along with any initial direct costs that are ancillary charges necessary to place the lease assets into service.

Right-to-use lease assets are amortized using the straight-line method over the shorter of the lease term or the useful life on the underlying asset, unless the lease contains a purchase option that the City has determined is reasonably certain of being exercised.

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.

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, 2020
Measurement Date	June 30, 2021
Measurement Period	June 30, 2020 to June 30, 2021

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.

CITY OF HANFORD
NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.
- *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 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 10 – 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.

CITY OF HANFORD
NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Stewardship, Compliance, and Accountability

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

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

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

Supplemental budgetary appropriations were negligible for the fiscal year ended June 30, 2022. 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 Balance/Net Position: At June 30, 2022, the CMAQ Transportation special revenue fund had a fund balance deficit of \$64,837. The American Rescue Plan Act special revenue fund had a fund balance deficit of \$125,837. The Courthouse Square proprietary fund had a net position deficit of \$1,162,951. The City Payroll internal service fund had a net position deficit of \$4,766.

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, 2022, the City implemented the following standards:

GASB Statement No. 87 – *Leases*. The requirements of this statement are effective for reporting periods beginning after December 15, 2019. Subsequent to issuance, GASB Statement No. 95 postponed the requirements of this statement to reporting periods beginning after June 15, 2021. See Note 6 for more information on lease liabilities and Note 1 on the Change in Accounting Principle.

GASB Statement No. 92 – *Omnibus 2020*. The requirements of this statement are effective for reporting periods beginning after June 15, 2020. Subsequent to issuance, GASB Statement No. 95 postponed the requirements of this statement to June 15, 2021.

GASB Statement No. 97 – *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. The requirements of this statement are effective for reporting periods beginning after June 15, 2021.

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. 98 – *The Annual Comprehensive Financial Report*. The requirements of this statement are effective for reporting periods beginning after December 15, 2021.

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

GASB Statement No. 91 – *Conduit Debt Obligations*. The requirements of this statement are effective for reporting periods beginning after December 15, 2020. Subsequent to issuance, GASB Statement No. 95 postponed the requirements of this statement to reporting periods beginning after December 15, 2021.

GASB Statement No. 93 – *Replacement of Interbank Offered Rates*. The requirements of this statement are effective for reporting periods beginning after June 15, 2021. Subsequent to issuance, GASB Statement No. 95 postponed the certain requirements of this statement to reporting periods beginning after June 15, 2022.

GASB Statement No. 94 – *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The requirements of this statement are effective for reporting periods beginning after June 15, 2022.

GASB Statement No. 96 – *Subscription-Based Information Technology Arrangements*. The requirements of this statement are effective for reporting periods beginning after June 15, 2022.

GASB Statement No. 99 – *Omnibus 2022*. The requirements of this statement are effective for reporting periods beginning after June 15, 2022.

GASB Statement No. 100 – *Accounting Changes and Error Corrections*. The requirements of this statement are effective for reporting periods beginning after June 15, 2023.

GASB Statement No. 101 – *Compensated Absences*. The requirements of this statement are effective for reporting periods beginning after December 15, 2023.

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 an event requires disclosure in accordance with accounting standards, see Note 16 for further details. These subsequent events have been evaluated through March 30, 2023, which is the date the financial statements were available to be issued.

Change in Accounting Principles: During the fiscal year ended June 30, 2022, the City adopted new accounting guidance by implementing the provisions of GASB Statement No. 87, *Leases*, which established criteria for identifying and reporting noncancelable lease agreements. This provision defines a lease as a contract that conveys control of the right to use another entity's nonfinancial asset as specified in the contract for a period of time in an exchange or exchange-like transaction. Under this provision a lessee is required to recognize a lease liability and intangible right-to-use asset and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

CITY OF HANFORD
NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 2 – CASH AND INVESTMENTS

Cash and investments as of June 30, 2022 are classified in the accompanying financial statements as follows:

Statement of Net Position:			
Cash and investments		\$	102,724,445
Restricted cash and investments			2,379
Fiduciary funds:			
Cash and investments			<u>1,690,829</u>
 Total Cash and Investments		\$	<u>104,417,653</u>

Cash and investments as of June 30, 2022 consist of the following:

Cash on hand	\$	1,760
Deposits with financial institutions		7,413,204
Investments		<u>97,002,689</u>
 Total Cash and Investments		
	\$	<u>104,417,653</u>

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
Corporate Investments	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.

CITY OF HANFORD
NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 2 – CASH AND INVESTMENTS (continued)

Investments Authorized by Debt Agreements (continued):

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
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
Corporate Investments	N/A	None	None

Disclosure Relating to Interest Rate Risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of short term and long-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	\$ 4,346,900	\$ -	\$ -	\$ 4,346,900	\$ -
State and County Investment Pools	73,548,606	73,548,606	-	-	-
Negotiable Certificates of Deposits	11,532,733	6,406,112	1,194,171	3,932,450	-
Corporate Investments	7,549,669	1,498,200	5,111,499	939,970	-
Held by bond trustee:					
Money Market Funds	24,781	24,781	-	-	-
	<u>\$ 97,002,689</u>	<u>\$ 81,477,699</u>	<u>\$ 6,305,670</u>	<u>\$ 9,219,320</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 on the following page 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.

CITY OF HANFORD
NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 2 – CASH AND INVESTMENTS (continued)

Disclosures Relating to Credit Risk (continued):

Investment Type	Amount	Minimum Legal Rating	Standards & Poor's Ratings as of Year End		
			AAA	AA	Unrated
Federal Agency Securities	\$ 4,346,900	AA	\$ -	\$ 4,346,900	\$ -
State and County Investment Pools	73,548,606	N/A	-	-	73,548,606
Negotiable Certificates of Deposits	11,532,733	N/A	-	-	11,532,733
Corporate Investments	7,549,669	N/A	-	-	7,549,669
Held by bond trustee:					
Money Market Funds	24,781	N/A	-	-	24,781
	<u>\$ 97,002,689</u>		<u>\$ -</u>	<u>\$ 4,346,900</u>	<u>\$ 92,655,789</u>

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. The City had no 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.

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: \$5,439,708 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, 2022:

Debt Securities	Level 1	Level 2	Level 3	Total
Federal Agency Securities	\$ -	\$ 4,346,900	\$ -	\$ 4,346,900
Certificates of Deposit	-	7,549,669	-	7,549,669
Corporate Investments	-	11,532,733	-	11,532,733
		<u>\$ 23,429,302</u>	<u>\$ -</u>	<u>\$ 23,429,302</u>
Investments not subject to fair value hierarchy				
State and County Investment Pools		73,548,606		
		<u>73,548,606</u>		

Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. There have been no changes in fair value measurement classifications from the prior year.

NOTE 3 – RECEIVABLES

Receivables as of June 30, 2022 for the City's individual major funds, nonmajor funds and internal service funds in the aggregate are as follows:

	Accounts	Taxes	Loans	Leases	Total
Governmental Funds					
General	\$ 1,100,641	\$ -	\$ -	\$ -	\$ 1,100,641
CDBG Home/Housing	377,097	-	18,488,671	-	18,865,768
Capital Projects Fund	5,750	-	-	-	5,750
Transportation Impact Fees	137,126	-	-	-	137,126
Transportation Development Act	-	1,754,115	-	-	1,754,115
Nonmajor and Other	6,662,334	308,680	1,813,773	557,209	9,341,996
	<u>8,282,948</u>	<u>2,062,795</u>	<u>20,302,444</u>	<u>557,209</u>	<u>31,205,396</u>
Enterprise Funds					
Water System	1,624,343	-	-	-	1,624,343
Wastewater	770,677	-	-	13,239,958	14,010,635
Storm Drain	176,487	-	-	-	176,487
Refuse	984,613	-	-	-	984,613
Airport Fund	5,202	-	-	-	5,202
Intermodal	6,202	-	-	239,732	245,934
Courthouse Square	3,185	-	-	-	3,185
	<u>3,570,709</u>	<u>-</u>	<u>-</u>	<u>13,479,690</u>	<u>17,050,399</u>
Internal Service Funds					
Fleet Maintenance Fund	890	-	-	-	890
Medical Fund	77,855	-	-	-	77,855
	<u>78,745</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>78,745</u>
Total	<u>\$ 11,932,402</u>	<u>\$ 2,062,795</u>	<u>\$ 20,302,444</u>	<u>\$ 14,036,899</u>	<u>\$ 48,334,540</u>

CITY OF HANFORD
NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 4 – CAPITAL ASSETS

Capital assets activities for the year ended June 30, 2022 were as follows:

	Balance July 1, 2021	Additions/ Completions	Retirements/ Adjustments	Balance June 30, 2022
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 60,795,382	\$ 6,285	\$ -	\$ 60,801,667
Construction in progress	52,635	256,734	- -	309,369
Total capital assets not being depreciated	<u>60,848,017</u>	<u>263,019</u>	<u>- -</u>	<u>61,111,036</u>
Capital assets being depreciated:				
Buildings	24,548,074	427,374	- -	24,975,448
Infrastructure	174,601,331	3,401,810	- -	178,003,141
Equipment	22,595,861	1,005,567	(393,910)	23,207,518
Right to use leased equipment	- -	89,570	- -	89,570
Total capital assets being depreciated	<u>221,745,266</u>	<u>4,924,321</u>	<u>(393,910)</u>	<u>226,275,677</u>
Less accumulated depreciation:				
Buildings	(9,276,146)	(463,345)	- -	(9,739,491)
Infrastructure	(103,994,323)	(6,093,244)	- -	(110,087,567)
Equipment	(12,206,266)	(1,638,758)	172,902	(13,672,122)
Right to use leased equipment	- -	(22,249)	- -	(22,249)
Total accumulated depreciation	<u>(125,476,735)</u>	<u>(8,217,596)</u>	<u>172,902</u>	<u>(133,521,429)</u>
Total capital assets being depreciated, net	<u>96,268,531</u>	<u>(3,293,275)</u>	<u>(221,008)</u>	<u>92,754,248</u>
Governmental Activities capital assets, net	<u><u>\$ 157,116,548</u></u>	<u><u>\$ (3,030,256)</u></u>	<u><u>\$ (221,008)</u></u>	<u><u>\$ 153,865,284</u></u>
Business-type Activities				
Capital assets not being depreciated:				
Land	\$ 11,386,981	\$ 541,507	\$ - -	\$ 11,928,488
Construction in progress	11,586	1,195,165	(11,585)	1,195,166
Total capital assets not being depreciated	<u>11,398,567</u>	<u>1,736,672</u>	<u>(11,585)</u>	<u>13,123,654</u>
Capital assets being depreciated:				
Buildings and improvements	181,892,961	113,190	- -	182,006,151
Machinery and equipment	29,218,826	787,713	- -	30,006,539
Total capital assets being depreciated	<u>211,111,787</u>	<u>900,903</u>	<u>- -</u>	<u>212,012,690</u>
Less accumulated depreciation:				
Buildings and improvements	(69,803,652)	(3,621,370)	- -	(73,425,022)
Machinery and equipment	(12,459,134)	(1,960,782)	- -	(14,419,916)
Total accumulated depreciation	<u>(82,262,786)</u>	<u>(5,582,152)</u>	<u>- -</u>	<u>(87,844,938)</u>
Total capital assets being depreciated, net	<u>128,849,001</u>	<u>(4,681,249)</u>	<u>- -</u>	<u>124,167,752</u>
Business-type Activities capital assets, net	<u><u>\$ 140,247,568</u></u>	<u><u>\$ (2,944,577)</u></u>	<u><u>\$ (11,585)</u></u>	<u><u>\$ 137,291,406</u></u>

CITY OF HANFORD
NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 4 – CAPITAL ASSETS (continued)

Depreciation expense for the fiscal year ending June 30, 2022 was charged to the following activities:

Governmental Activities:

General governmental	\$ 5,398,946
Public safety	239,790
Culture and recreation	1,095,661
Public works	61,162
Community development	205,834
Capital assets held by the internal service funds that were charged to the various functions based on their usage	<u>1,216,203</u>
Total	<u>\$ 8,217,596</u>

Business-type Activities:

Water system	\$ 2,327,352
Wastewater	1,716,466
Storm drain	410,699
Refuse	680,497
Airport	421,021
Intermodal	<u>26,117</u>
Total	<u>\$ 5,582,152</u>

NOTE 5 – LONG-TERM DEBT

The following is a summary of the long-term debt activity for the year ended June 30, 2022:

	Balance July 1, 2021	Additions	Deletions	Balance June 30, 2022	Due Within One Year
Governmental Activities					
Bonds payable	\$ -	\$ 26,506,940	\$ -	\$ 26,506,940	\$ 1,046,710
Lease payable	<u>-</u>	<u>67,378</u>	<u>-</u>	<u>67,378</u>	<u>22,223</u>
Total Governmental Activities	-	26,574,318	-	26,574,318	1,068,933
Business-type Activities					
Bonds payable	17,945,000	4,439,060	(1,675,000)	20,709,060	1,915,290
Bond premiums	629,730	-	(73,305)	556,425	73,307
Note payable	5,095,115	-	(387,697)	4,707,418	401,266
Finance purchase arrangement	<u>7,936,378</u>	<u>-</u>	<u>(754,545)</u>	<u>7,181,833</u>	<u>839,884</u>
Total Business-type Activities	<u>31,606,223</u>	<u>4,439,060</u>	<u>(2,890,547)</u>	<u>33,154,736</u>	<u>3,229,747</u>
Total Primary Government	<u>\$ 31,606,223</u>	<u>\$ 31,013,378</u>	<u>\$ (2,890,547)</u>	<u>\$ 59,729,054</u>	<u>\$ 4,298,680</u>

CITY OF HANFORD
NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 5 – LONG-TERM DEBT (continued)

Governmental Activities –

Bonds Payable: On May 23, 2022, the City of Hanford issued \$30,946,000 Pension Obligation Bonds bearing interest of 4.39% payable annually on June 1 commencing June 1, 2023. The bonds mature annually at various amounts through June 1, 2039. The bonds are payable from net revenues in both the governmental activities and business-type activities created under the Indenture.

The Bonds were issued to pay the City's unfunded accrued actuarial liability (UAAL), now known as Net Pension Liability, to the California Public Employees' Retirement System (CalPERS).

Significant terms that pertain to the Pension Obligation Bonds are as follows. If the City fails to make the payment of principal or interest when due and payable; if the City fails to observe and perform any of the covenants, agreements, or conditions required in the bond agreement; if the City commences a voluntary case under Title 11 of the United States Code or any substitute or successor statute; the City shall be considered in default. In the event of a default, the Trustee may declare the principal and interest of the bond immediately due and payable. The revenues pledge from the bond are the revenues payable from the various funds allocated the issuance of the debt.

Pension obligation bonds outstanding at June 30, 2022 for governmental activities are \$26,506,940.

The future maturities of the pension obligation bonds payable for governmental activities are as follows:

Fiscal Year	Principal	Interest	Total
2023	\$ 1,046,765	\$ 1,189,577	\$ 2,236,342
2024	1,537,597	1,117,764	2,655,361
2025	1,501,620	1,050,263	2,551,883
2026	1,506,759	984,341	2,491,100
2027	1,498,194	918,195	2,416,389
2028-2032	6,899,913	3,643,185	10,543,098
2033-2037	8,160,828	2,082,513	10,243,341
2038-2039	4,355,264	291,210	4,646,474
	<u>\$ 26,506,940</u>	<u>\$ 11,277,048</u>	<u>\$ 37,783,988</u>

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.

CITY OF HANFORD
NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 5 – LONG-TERM DEBT (continued)

Bonds Payable (continued): Significant terms that pertain to the Wastewater Revenue Refunding Bonds Series 2012 are as follows. If the City fails to make the payment of principal or interest when due and payable; if the City fails to observe and perform any of the covenants, agreements, or conditions required in the bond agreement; if the City files a petition or answer seeking reorganization or arrangement under the Federal bankruptcy laws; the City shall be considered in default. In the event of a default, the Trustee may declare the principal and interest of the bonds immediately due and payable. The revenues pledged for the bond are the revenues payable from the City's Wastewater fund.

Wastewater revenue bonds outstanding at June 30, 2022 are \$7,705,000.

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

Fiscal Year	Principal	Interest	Total
2023	\$ 655,000	\$ 277,260	\$ 932,260
2024	670,000	255,264	925,264
2025	695,000	227,963	922,963
2026	725,000	201,374	926,374
2027	750,000	175,561	925,561
2028-2032	3,590,000	452,398	4,042,398
2033	<u>620,000</u>	<u>12,405</u>	<u>632,405</u>
	<u>\$ 7,705,000</u>	<u>\$ 1,602,225</u>	<u>\$ 9,307,225</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.

Significant terms that pertain to the Water Revenue Refunding Bonds Series 2013 are as follows. If the City fails to make the payment of principal or interest when due and payable; if the City fails to observe and perform any of the covenants, agreements, or conditions required in the bond agreement; if the City files a petition or answer seeking reorganization or arrangement under the Federal bankruptcy laws; the City shall be considered in default. In the event of a default, the Trustee may declare the principal and interest of the bonds immediately due and payable. The revenues pledged for the bond are the revenues payable from the City's Water fund.

CITY OF HANFORD
NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 5 – LONG-TERM DEBT (continued)

Bonds Payable (continued):

Water revenue bonds outstanding at June 30, 2022 are \$5,940,000.

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

Fiscal Year	Principal	Interest	Total
2023	\$ 885,000	\$ 243,025	\$ 1,128,025
2024	930,000	197,650	1,127,650
2025	970,000	157,425	1,127,425
2026	1,015,000	115,075	1,130,075
2027	1,055,000	68,600	1,123,600
2028-2029	<u>1,085,000</u>	<u>48,724</u>	<u>1,133,724</u>
	<u>\$ 5,940,000</u>	<u>\$ 830,499</u>	<u>\$ 6,770,499</u>

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 of 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.

Significant terms that pertain to the Wastewater Revenue Refunding Bonds Series 2015 are as follows. If the City fails to make the payment of principal or interest when due and payable; if the City fails to observe and perform any of the covenants, agreements, or conditions required in the bond agreement; if the City or the enterprise abandons a substantial part that shall continue for a period of sixty consecutive days; if the City files a petition or answer seeking reorganization or arrangement under the Federal bankruptcy laws; the City shall be considered in default. In the event of a default, the Trustee may declare the principal and interest of the bonds immediately due and payable. The revenue pledged for the bond are the revenues payable from the City's Wastewater fund.

Wastewater revenue bonds outstanding at June 30, 2022 are \$2,625,000.

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
2023	\$ 200,000	\$ 91,350	\$ 291,350
2024	205,000	85,275	290,275
2025	215,000	78,975	293,975
2026	220,000	72,450	292,450
2027	225,000	65,775	290,775
2028-2032	1,275,000	188,500	1,463,500
2033	<u>285,000</u>	5,700	<u>290,700</u>
	<u><u>\$ 2,625,000</u></u>	<u><u>\$ 588,025</u></u>	<u><u>\$ 3,213,025</u></u>

On May 23, 2022, the City of Hanford issued \$30,946,000 Pension Obligation Bonds bearing interest of 4.39% payable annually on June 1 commencing June 1, 2023. The bonds mature annually at various amounts through June 1, 2039. The bonds are payable from net revenues in both the governmental activities and business-type activities created under the Indenture.

Pension obligation bonds outstanding at June 30, 2022 for business-type activities are \$4,439,060.

The future maturities of the pension obligation bonds payable for business activities are as follows:

Fiscal Year	Principal	Interest	Total
2023	\$ 175,290	\$ 199,142	\$ 374,432
2024	257,403	187,120	444,523
2025	251,380	175,820	427,200
2026	252,241	164,785	417,026
2027	250,807	153,711	404,518
2028-2032	1,155,032	609,891	1,764,923
2033-2037	1,366,172	348,625	1,714,797
2038-2039	<u>730,735</u>	48,751	<u>779,486</u>
	<u><u>\$ 4,439,060</u></u>	<u><u>\$ 1,887,845</u></u>	<u><u>\$ 6,326,905</u></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, 2022, the balance outstanding was \$4,707,418.

CITY OF HANFORD
NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 5 – LONG-TERM DEBT (continued)

Notes Payable (continued): Significant terms that pertain to the California Infrastructure and Economic Development Bank loan are as follows. If the City fails to make the payment of principal or interest when due and payable; if the City fails to observe and perform any of the covenants, agreements, or conditions required in the note agreement; if the City made any representation or other written statement contained in the agreement that was incorrect in any material respect; if the City files a petition or answer seeking reorganization or arrangement under the Federal bankruptcy laws; the City shall be considered in default. In the event of a default, the CIEDB may declare the principal and interest of the bonds immediately due and payable. Additionally, revenues pledged for the note are the revenues payable from the City's Wastewater fund.

The future maturities of the note payable are as follows:

Fiscal Year	Principal	Interest	Total
2023	\$ 401,266	\$ 157,737	\$ 559,003
2024	415,311	143,447	558,758
2025	429,847	128,657	558,504
2026	444,892	113,349	558,241
2027	460,462	97,505	557,967
2028-2032	<u>2,555,640</u>	<u>229,768</u>	<u>2,785,408</u>
	<u>\$ 4,707,418</u>	<u>\$ 870,463</u>	<u>\$ 5,577,881</u>

Finance Purchase Arrangements: In November, 2011, the City entered into a finance purchase arrangement 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, 2022 was \$1,522,200.

Significant terms that pertain to the 2011 Finance Purchase Arrangement are as follows. If the City fails to make the payment of principal or interest when due and payable; if the City fails to observe and perform any of the covenants, agreements, or conditions required in the agreement; if the City had a statement, representation, or warranty that was proven to be false, incorrect, misleading, or breached; if the City defaults on any other agreement for borrowing money, lease financing of property, or other credit under which the City is an obligor; if the City files a petition or answer seeking reorganization or arrangement under the Federal bankruptcy laws; the City shall be considered in default. In the event of a default, the Lessor may take whatever action necessary or desirable to collect each rental payment as they become due and payable, or they may enter the premises where the equipment is located and retake possession or they may take whatever action at law or in equity may appear necessary or desirable to enforce. The collateral pledged for the lease is the equipment noted in the capital lease.

The annual debt service requirements for the 2011 Finance Purchase Arrangement outstanding at June 30, 2022 are as follows:

Fiscal Year	Principal	Interest	Total
2023	\$ 248,126	\$ 50,689	\$ 298,815
2024	274,530	42,427	316,957
2025	302,640	33,285	335,925
2026	332,549	23,207	355,756
2027	<u>364,355</u>	<u>12,133</u>	<u>376,488</u>
	<u>\$ 1,522,200</u>	<u>\$ 161,741</u>	<u>\$ 1,683,941</u>

CITY OF HANFORD
NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 5 – LONG-TERM DEBT (continued)

Finance Purchase Arrangements (continued):

In March 2014, the City entered into a finance purchase arrangement 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, 2022 was \$5,659,633.

Significant terms that pertain to the 2014 Finance Purchase Arrangement are as follows. If the City fails to make the payment of principal or interest within 10 days after the date when due; if the City fails to observe and perform any of the covenants, agreements, or conditions required in the agreement; if the City had a statement, representation, or warranty that was proven to be false, incorrect, misleading, or breached; if the City defaults on any other agreement for borrowing money, lease financing of property, or other credit under which the City is an obligor; the City shall be considered in default. In the event of a default, the Lessor may take whatever action necessary or desirable to collect each rental payment as they become due and payable or they may enter the premises where the equipment is located and retake possession or they may take whatever action at law or in equity may appear necessary or desirable to enforce. The collateral pledged for the lease is the equipment noted in the capital lease.

The annual debt service requirements for the 2014 Finance Purchase Arrangement outstanding at June 30, 2022 are as follows:

Fiscal Year	Principal	Interest	Total
2023	\$ 591,758	\$ 195,160	\$ 786,918
2024	656,391	173,645	830,036
2025	725,343	149,803	875,146
2026	798,857	123,481	922,338
2027	877,193	94,515	971,708
2028-2030	2,010,091	90,675	2,100,766
	<u>\$ 5,659,633</u>	<u>\$ 827,279</u>	<u>\$ 6,486,912</u>

NOTE 6 – LEASES

Lease Receivables:

In fiscal year 1993, the City's intermodal fund leased a building to a third party. The lease is for thirty-five years and the City will receive rent of \$13,308 annually with an increase of 3% each year. The City recognized \$39,352 in lease revenue and \$439 in interest revenue during the current fiscal year related to this lease. As of June 30, 2022, the City's receivable for lease payments was \$239,732. Also, the City has a deferred inflow of resources associated with this lease that will be recognized as revenue over the lease term. As of June 30, 2022, the balance of the deferred inflow of resources was \$236,115.

In fiscal year 2001, the City's parking fund leased seventy-five parking spaces to a third party. The lease is for fifty years and the City will receive \$9,000 annually for the first three years of the agreement after which the lease fee will increase 3% annually. The City recognized \$19,496 in lease revenue and \$7,601 in interest revenue during the current fiscal year related to this lease. As of June 30, 2022, the City's receivable for lease payments was \$557,209. Also, the City has a deferred inflow of resources associated with this lease that will be recognized as revenue over the lease term. As of June 30, 2022, the balance of the deferred inflow of resources was \$545,890.

CITY OF HANFORD
NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 6 – LEASES (continued)

Lease Receivables (continued):

In fiscal year 2020, the City's wastewater fund leased 960-acres of agricultural ground to a third party. The lease is for twenty-five years and the City will receive annual payments of \$100 per acre. Beginning in fiscal year 2021, the rental amount shall increase by \$50 per acre and continue to increase by the same amount each year that the lease remains in effect. The City recognized \$571,453 in lease revenue and \$183,199 in interest revenue during the current fiscal year related to this lease. As of June 30, 2022, the City's receivable for lease payments was \$13,239,958. Also, the City has a deferred inflow of resources associated with this lease that will be recognized as revenue over the lease term. As of June 30, 2022, the balance of the deferred inflow of resources was \$12,778,903.

Payments for the lease receivables are expected to be received in the following subsequent years:

Fiscal Year	Principal	Interest	Total
2023	\$ 182,625	\$ 206,890	\$ 389,515
2024	234,756	204,365	439,121
2025	287,706	201,068	488,774
2026	341,490	196,988	538,478
2027	396,121	192,111	588,232
2028-2032	2,643,679	859,561	3,503,240
2033-2037	4,062,529	613,451	4,675,980
2038-2042	5,641,012	253,441	5,894,453
2043-2047	143,502	12,365	155,867
2048-2050	103,479	1,717	105,196
	<u>\$ 14,036,899</u>	<u>\$ 2,741,957</u>	<u>\$ 16,778,856</u>

Lease Payables:

In fiscal year 2020, the City's entered into a lease agreement as a lessee for the acquisition and use of copiers. An initial lease liability was recorded in the amount of \$28,976. As of June 30, 2022, the value of the lease liability was \$21,267. The City is required to make monthly principal and interest payments of \$646. The lease has an interest rate of 0.20%. The copiers have a five-year estimated useful life. The value of the right-to-use asset as of the end of the current fiscal year was \$21,249 and had accumulated amortization of \$7,726.

In fiscal year 2020, the City's entered into a lease agreement as a lessee for the acquisition and use of copiers. An initial lease liability was recorded in the amount of \$40,914. As of June 30, 2022, the value of the lease liability was \$30,711. The City is required to make monthly principal and interest payments of \$856. The lease has an interest rate of 0.20%. The copiers have a five-year estimated useful life. The value of the right-to-use asset as of the end of the current fiscal year was \$30,685 and had accumulated amortization of \$10,229.

In fiscal year 2021, the City's entered into a lease agreement as a lessee for the acquisition and use of copiers. An initial lease liability was recorded in the amount of \$19,681. As of June 30, 2022, the value of the lease liability was \$15,400. The City is required to make monthly principal and interest payments of \$359. The lease has an interest rate of 0.20%. The copiers have a five-year estimated useful life. The value of the right-to-use asset as of the end of the current fiscal year was \$15,387 and had accumulated amortization of \$4,294.

CITY OF HANFORD
NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 6 – LEASES (continued)

Lease Payables (continued):

The future principal and interest lease payments as of June 30, 2022, are as follows:

Fiscal Year	Principal	Interest	Total
2023	\$ 22,223	\$ 114	\$ 22,337
2024	22,267	70	22,337
2025	20,373	26	20,399
2026	2,515	2	2,517
	<u>\$ 67,378</u>	<u>\$ 212</u>	<u>\$ 67,590</u>

NOTE 7 – CHANGES IN OTHER LONG-TERM LIABILITIES

	Balance July 1, 2021	Additions	Deletions	Balance June 30, 2022	Due Within One Year
Governmental Activities					
Compensated absences	\$ 1,404,175	\$ 128,016	\$ (291,218)	\$ 1,240,973	\$ 146,286
Total Governmental Activities	<u>\$ 1,404,175</u>	<u>\$ 128,016</u>	<u>\$ (291,218)</u>	<u>\$ 1,240,973</u>	<u>\$ 146,286</u>
Business-type Activities					
Compensated absences	\$ 399,726	\$ 32,146	\$ (195,536)	\$ 236,336	\$ 27,288
Total Business-type Activities	<u>\$ 399,726</u>	<u>\$ 32,146</u>	<u>\$ (195,536)</u>	<u>\$ 236,336</u>	<u>\$ 27,288</u>

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. For the governmental activities, the compensated absences balance as of June 30, 2022 was \$1,240,973.

NOTE 8 – PENSION PLAN

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.

CITY OF HANFORD
NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 8 – PENSION PLAN (continued)

The Plan's provisions and benefits in effect at June 30, 2022, 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%

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.

CITY OF HANFORD
NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 8 – PENSION PLAN (continued)

Contributions (continued):

For the year ended June 30, 2022, the contributions recognized as part of pension expense for the Plans are as follows:

	<u>Plans</u>
Contributions - Employer	\$ 38,579,452

As of June 30, 2022, the City reported net pension liabilities for its proportionate shares of the net pension liability of each Plan as follows:

	<u>Proportionate Share of Net Pension Liability</u>
Miscellaneous	\$ 8,941,906
Safety Plans	<u>13,887,695</u>
	<u><u>\$ 22,829,601</u></u>

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, 2020, 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, 2020 rolled forward to June 30, 2021 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, 2020 and 2021 was as follows:

	<u>Miscellaneous</u>	<u>Safety</u>
Proportion - June 30, 2020	N/A	36.73%
Proportion - June 30, 2021	N/A	39.57%
Change - Increase (Decrease)	N/A	2.84%

Deferred Outflows/Inflows of Resources:

Deferred outflows/inflows of resources for the Miscellaneous Plan consisted of the following as of June 30, 2022.

	<u>Miscellaneous Plan</u>	
	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
Differences between expected and actual experiences	\$ 233,012	\$ 506,933
Net differences between projected and actual earnings on investments	-	9,954,267
Pension contributions subsequent to measurement date	<u>15,190,165</u>	-
Total	<u><u>\$ 15,423,177</u></u>	<u><u>\$ 10,461,200</u></u>

CITY OF HANFORD
NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 8 – PENSION PLAN (continued)

Deferred Outflows/Inflows of Resources (continued):

Deferred outflows/inflows of resources for the Safety Plan consisted of the following as of June 30, 2022.

Safety Plan	Deferred Outflows	Deferred Inflows
Differences between expected and actual experiences	\$ 2,372,700	\$ -
Net differences between projected and actual earnings on investments	-	8,265,845
Adjustment due to differences in proportions	1,596,054	-
Adjustment due to differences between actual and proportionate share of contributions	27,980	891,609
Pension contributions subsequent to measurement date	<u>23,389,293</u>	-
Total	<u>\$ 27,386,027</u>	<u>\$ 9,157,454</u>

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 Plan	Safety Plan
2023	\$ (2,499,733)	\$ (442,722)
2024	(2,478,880)	(868,337)
2025	(2,491,873)	(1,575,014)
2026	<u>(2,757,702)</u>	<u>(2,274,647)</u>
Total	<u>\$ (10,228,188)</u>	<u>\$ (5,160,720)</u>

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, 2021, the total pension liability was determined by rolling forward the June 30, 2020 total pension liability. The June 30, 2021 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	2.50%
Payroll Growth	2.75%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.00% Net of Pension Plan Investment and Administrative Expenses; includes inflation
Mortality Rate Table	Derived from the January 2017 CalPERS Experience Study of the period from 1997 to 2015. Pre-retirement and Post-retirement mortality rates include 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries.
Retirement Age	Derived from the 2017 CalPERS Experience Study of the period from 1997 to 2015.

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

CITY OF HANFORD
NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 8 – 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 2017 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, 2020 valuation were based on the results of an actuarial experience study for the period 1997 to 2015, 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 accounted for 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	50%	4.80%	6.00%
Global Fixed Income	28%	1.00	2.62
Inflation Sensitive	0%	0.77	1.81
Private Equity	8%	6.30	7.23
Real Estate	13%	3.75	4.93
Liquidity	1%	0.00	(0.92)
Total	100%		

*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 8 – 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
1% Decrease Net Pension Liability	6.15% \$24,967,975	6.15% \$27,299,940
Current Discount Rate Net Pension Liability	7.15% \$8,941,906	7.15% \$13,887,695
1% Increase Net Pension Liability	8.15% (\$4,235,785)	8.15% \$2,871,190

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 9 – 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 2022.

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, 2021 actuarial valuation, the following current and former City employees were covered by the OPEB plan membership:

Inactive employees or beneficiaries currently receiving benefit payments	44
Active employees	253
Total employees covered by the OPEB plan membership	297

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 year 2021-2022, the City paid approximately \$38,000 for benefits of 44 retirees or their beneficiaries receiving benefits.

CITY OF HANFORD
NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 9 – POST EMPLOYMENT HEALTH CARE BENEFITS (continued)

Total OPEB Liability: The City's total OPEB liability was measured as of June 30, 2022 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2021, based on the following actuarial methods and assumptions.

Salary increases	3.00%
Inflation	2.50%
Discount rate	3.69%
Medical/Rx trend rate	5.7% for 2022, 5.6% for 2023, 5.5% for 2024, 5.4% for 2025-2026, 5.3% for 2027-2029, 5.2% for 2030-2051, 5.1% for 2052, 5.0% for 2053-2055, 4.9% for 2056-2060, 4.8% for 2061-2066, 4.7% for 2067, 4.6% for 2068, 4.5% for 2069, 4.4% for 2070-2071, 4.3% for 2072, 4.2% for 2073-2074, 4.1% for 2075, decreasing to 4.0% for subsequent years

Discount Rate: The discount rate used to measure the total OPEB liability was 3.69 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 for the year ended June 30, 2022 is as follows:

	Increase (Decrease)		
	Plan		Net OPEB Liability (Asset)
	Total OPEB Liability	Fiduciary Net Position	
Balance at June 30, 2021	\$ 4,385,565	\$ -	\$ 4,385,565
Changes in the year:			
Service cost	310,994	-	310,994
Interest on the total OPEB liability	88,810	-	88,810
Changes in assumptions	(699,772)	-	(699,772)
Contributions from the employer	-	142,193	(142,193)
Benefit payments	(142,193)	(142,193)	-
Net change	(442,161)	-	(442,161)
Balance at June 30, 2022	<u>\$ 3,943,404</u>	<u>\$ -</u>	<u>\$ 3,943,404</u>

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 3.69 percent, if it were calculated using a discount rate that is 1 percentage-point lower (2.69 percent) or 1 percentage-point higher (1.69 percent) than the current rate:

	Current		
	Discount Rate	Discount Rate	Discount Rate
	- 1% (2.69%)	3.69%	+ 1% (4.69%)
Net OPEB Liability	<u>\$ 4,324,186</u>	<u>\$ 3,943,404</u>	<u>\$ 3,597,130</u>

CITY OF HANFORD
NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 9 – POST EMPLOYMENT HEALTH CARE BENEFITS (continued)

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% (4.70%)	Current Trend Rate	+ 1% (6.70%)
Net OPEB Liability	<u>\$ 3,523,772</u>	<u>5.70%</u>	<u>\$ 4,447,380</u>

OPEB Expense: As of the start of the measurement period (July 1, 2021), the Net OPEB liability was \$3,943,404. For the measurement period ended June 30, 2022 (the measurement date), the City incurred an OPEB expense of \$607,380.

Change in Net OPEB Liability	\$ (442,161)
Change in Deferred Outflows	269,778
Change in Deferred Inflows	637,570
Employer Contributions	142,193
OPEB Expense	<u>\$ 607,380</u>

As of June 30, 2022, the City has deferred outflows and deferred inflows of resources related to the Net OPEB liability as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 901,612	\$ -
Changes in assumptions or other inputs	1,396,614	637,570
Total	<u>\$ 2,298,226</u>	<u>\$ 637,570</u>

Other amounts reported as deferred inflows of resources related to pensions will be recognized in the future pension expense as follows:

Year ended June 30	Recognized Net Deferred Outflows (Inflows) of Resources
2023	\$ 207,576
2024	207,576
2025	207,576
2026	207,576
2027	207,576
Thereafter	622,776
	<u>\$ 1,660,656</u>

CITY OF HANFORD
NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 10 – RISK MANAGEMENT

The City is partially self-insured for workers' compensation and general liability insurance. For workers' 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.

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 11 – 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.

At June 30, 2022 the City's interfund due from/to other funds were as follows:

	Due From Other Funds	Due To Other Funds
Governmental Funds		
General Fund	\$ 684,577	\$ -
CDBG Home/Housing Fund	-	81,392
Other Governmental Funds	-	157,826
Proprietary Funds		
Water System Fund	-	159,912
Wastewater Fund	912,470	752,558
Courthouse Square	-	146,674
Computer Maintenance Fund	-	298,685
Total	<u>\$ 1,597,047</u>	<u>\$ 1,597,047</u>

CITY OF HANFORD
NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 11 – INTERFUND TRANSACTIONS (continued)

At June 30, 2022 the City's interfund advances to/from other funds were as follows:

	Advances To Other Funds	Advances From Other Funds
Governmental Funds		
Capital Projects Fund	\$ 1,659,026	\$ -
Proprietary Funds		
Airport Fund	-	375,468
Intermodal Fund	-	261,224
Courthouse Square	-	1,022,334
Total	<u>\$ 1,659,026</u>	<u>\$ 1,659,026</u>

Interfund transfers consist of operating transfers from funds receiving resources to funds through which the resources are to be expended. Interfund transfers for the year-ended June 30, 2022 were as follows:

	Transfers In	Transfers Out
Governmental Funds		
General Fund	\$ 3,712,266	\$ 3,001,032
CDBG Home/Housing Fund	-	157,802
Transportation Impact Fees	1,657,592	42,549
TDA Fund	-	26,210
Other Governmental Funds	824,143	4,280,631
Proprietary Funds		
Water System Fund	363,508	-
Wastewater Fund	-	22,944
Storm Drain Fund	752,341	645,968
Refuse Fund	492,791	-
Airport Fund	5,960	21,232
Risk Management Fund	750,000	-
Building Fund	-	71,901
Fleet Management Fund	60,746	349,078
Total	<u>\$ 8,619,347</u>	<u>\$ 8,619,347</u>

NOTE 12 – 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 other than the case as disclosed in Note 16.

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.

CITY OF HANFORD
NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 12 – CONTINGENT LIABILITIES (continued)

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, 2022, significant amounts of grant expenditures have not been audited by the grantor agencies, but the City believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the City's overall financial position.

NOTE 13 – PRIOR PERIOD ADJUSTMENTS

Prior period adjustments for the year ended June 30, 2022 is summarized as follows:

Governmental and Business-Type Activities

	Governmental Activities	Business-Type Activities	Total
Fund Balance, Beginning of Year, as Previously Reported	\$ 179,768,478	\$ 144,681,088	\$ 324,449,566
Correct investment interest/GASB 31	(491,326)	(84,847)	(576,173)
Correct accounts receivable balances	(143,585)	-	(143,585)
Correct capital asset balances	(165,890)	-	(165,890)
Correct accounts payable balances	34,067	-	34,067
Correct revenue balances	(59,471)	(67,104)	(126,575)
Total Prior Period Adjustments	(826,205)	(151,951)	(978,156)
Fund Balance, Beginning of Year, Restated	<u>\$ 178,942,273</u>	<u>\$ 144,529,137</u>	<u>\$ 323,471,410</u>

Fund Financial Statements

	Governmental Funds				
	General Fund	Capital Projects Fund	CDBG/HOME/ Housing Fund	Transportation Impact Fees	Transportation Development Act Fund
Fund Balance, Beginning of Year, as Previously Reported	\$ 11,037,789	\$ 4,573,806	\$ 20,180,157	\$ 2,532,312	\$ 498,685
Correct investment interest/GASB 31	(114,590)	(28,427)	(16,169)	(41,659)	(38,994)
Correct accounts receivable balances	560,388	-	-	-	-
Correct revenue balances	(126,575)	-	-	-	-
Total Prior Period Adjustments	319,223	(28,427)	(16,169)	(41,659)	(38,994)
Fund Balance, Beginning of Year, Restated	<u>\$ 11,357,012</u>	<u>\$ 4,545,379</u>	<u>\$ 20,163,988</u>	<u>\$ 2,490,653</u>	<u>\$ 459,691</u>
Nonmajor Governmental Funds					
	Park Impact Fees	Landscaping Assessment District	City Housing Fund	Fire Protection Impact Fees	State Gas Tax Fund
Fund Balance, Beginning of Year, as Previously Reported	\$ 4,322,904	\$ 730,385	\$ 1,575,053	\$ 336,210	\$ 3,491,045
Correct investment interest/GASB 31	(41,446)	(7,085)	(5,168)	(3,143)	(22,468)
Total Prior Period Adjustments	(41,446)	(7,085)	(5,168)	(3,143)	(22,468)
Fund Balance, Beginning of Year, Restated	<u>\$ 4,281,458</u>	<u>\$ 723,300</u>	<u>\$ 1,569,885</u>	<u>\$ 333,067</u>	<u>\$ 3,468,577</u>

CITY OF HANFORD
NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 13 – PRIOR PERIOD ADJUSTMENTS (continued)

	Proprietary Funds		
	Wastewater Fund	Storm Drain Fund	Intermodal Fund
Net Position, Beginning of Year, as Previously Reported	\$ 42,334,002	\$ 25,904,144	\$ 731,613
Correct investment interest/GASB 31	(28,119)	(56,080)	(648)
Correct revenue balances	-	-	(67,104)
Total Prior Period Adjustments	(28,119)	(56,080)	(67,752)
Net Position (Deficit), Beginning of Year, Restated	<u>\$ 42,305,883</u>	<u>\$ 25,848,064</u>	<u>\$ 663,861</u>
Internal Service Funds			
	Risk Management Fund	Building Fund	Fleet Management Fund
Net Position, Beginning of Year, as Previously Reported	\$ 707,295	\$ 1,009,672	\$ 20,492,406
Correct investment interest/GASB 31	(57,265)	(11,400)	(88,962)
Correct revenue balances	-	67,104	-
Correct capital asset balances	-	-	(165,890)
Correct accounts payable balances	-	-	34,067
Correct accounts receivable balances	-	-	(703,973)
Total Prior Period Adjustments	(57,265)	55,704	(254,852)
Net Position, Beginning of Year, Restated	<u>\$ 650,030</u>	<u>\$ 1,065,376</u>	<u>\$ 20,237,554</u>
Fiduciary Funds			
	Redevelopment Successor Agency Private-Purpose Fund	Civil Subpoena Fund	Miscellaneous Deposits Trust Fund
Net Position, Beginning of Year, as Previously Reported	\$ 381,487	\$ (53,748)	\$ 128,005
Correct investment interest/GASB 31	(2,278)	-	-
Correct deposit balances	-	(16,054)	(88,636)
Total Prior Period Adjustments	(2,278)	(16,054)	(88,636)
Net Position (Deficit), Beginning of Year, Restated	<u>\$ 379,209</u>	<u>\$ (69,802)</u>	<u>\$ 39,369</u>
			Total

CITY OF HANFORD
NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 14 – EXCESS EXPENDITURES OVER APPROPRIATIONS

For the fiscal year ended June 30, 2022, expenditures exceeded appropriations as follows:

Fund	Amount
General Fund	
General government	\$ 1,300,893
Public safety	20,107,129
Public works	1,642,992
Recreation	1,257,687
Community development	741,464
Debt service - principal	22,193
Debt service - interest	513
Capital Projects Fund	
General government	6,395
Community development	37,900
Transportation Impact Fees	
General government	10,327
Transportation Development Act Fund	
General government	9,794
Capital outlay	178,026

NOTE 15 – DEFICIT FUND BALANCE/NET POSITION

The Courthouse Square Fund has a net position deficit of \$1,162,951. The deficit will be recovered through future charges for services.

The City Payroll Fund has a fund balance deficit of \$4,766. The deficit will be recovered through future services provided within the City.

The CMAQ Transportation Fund has a fund balance deficit of \$64,837, mainly attributable to the due to other funds balance. The deficit will be recovered through grant support received from other government agencies.

The American Rescue Plan Act Fund has a fund balance deficit of \$125,837, mainly attributable to the unearned revenues. The deficient will be recovered as the City continues to spend and earn the revenue.

NOTE 16 – SUBSEQUENT EVENT/EXTRAORDINARY ITEM/SETTLEMENT LIABILITY

On November 25, 2014, the City and Helena entered into a Memorandum of Understanding (MOU). The MOU was approved by the City Council by a 5-0 vote. The MOU generally contained provisions for the exchange of Helena's current Lacey Boulevard property for property in the Kings Industrial Park. Further, the MOU contemplated the City paying Helena's relocation costs to the Industrial Park. The MOU envisioned the parties negotiating and signing a further definitive agreement. During negotiation of definitive agreement terms in 2015, Helena identified its relocation costs as approximately \$14.6 million dollars. The parties were unable to negotiate terms and the definitive agreement was never signed.

CITY OF HANFORD
NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 16 – SUBSEQUENT EVENT/EXTRAORDINARY ITEM/SETTLEMENT LIABILITY (continued)

After a definitive agreement failed to be executed, in 2016 Helena and the City entered into a purchase and sale agreement for Helena's purchase of the same Industrial Park property. After being in escrow for several months, Helena was ultimately unable to close and the City terminated escrow. On April 11, 2017, Helena filed a lawsuit in Kings County Superior Court. On June 4, 2018, Helena filed an amended complaint to include breach of the 2016 Purchase Agreement, which included an attorney's fees provision. Trial was set to begin on February 6, 2023. It was anticipated that Helena would demand approximately \$38 million dollars at trial, not including attorney's fees, if it were successful at trial.

The City and Helena attended mediation on January 27, 2023. The parties were able to reach a tentative settlement, contingent upon approval by the City Council. The monetary terms of that settlement are as follows:

- The City will pay Helena \$7.5 million dollars within thirty (30) days of executing the settlement agreement.
- Additionally, the City will pay Helena \$5 million dollars over the course of four years. The payments will be a lump sum of \$1.25 million dollars each of the four years (no interest). The annual payments will begin on March 1, 2024. In consideration for the payments described above, Helena will dismiss its current lawsuit against the City with prejudice. The public benefit in approving such settlement is that the City will not be required to expend large amounts of time, effort, and money to take this case to trial, and the matter will be fully and finally resolved for a fixed dollar amount of \$12.5 million dollars without risk of a jury award of \$38 million dollars plus interest and Helena's legal fees. The applicable interest rate is 10% per year under state law and could have started to accrue from the time that Helena claimed the City breached.

The City is paying \$7.5 million dollars upon the parties' signature of the Settlement Agreement, and the City will pay \$1.25 million dollars each year for four years, starting on March 1, 2024. Payments will come from General Fund monies. The City will need to establish an internal note at a recommended term of up to 10 years for up to \$7 million of the funding. There currently is \$5.5 million of cash in the General Fund Reserve to pay without internal borrowing. Staff has identified the ability to take a loan from other funds with available cash that will allow the City to maintain payments in accordance with the agreement. Staff would recommend a 2.5% interest rate on these internal notes, which is comparable to conservative investment instruments available to the City as of January 2023. This loan may impact the City's ability to fund major projects while the loan is outstanding. Should the General Fund have fund balance to pay back an internal loan faster than 10 years, Council authorizes staff to direct funding towards the payment before re-establishing the General Fund Reserve.

REQUIRED SUPPLEMENTARY INFORMATION

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

Miscellaneous Plan

	2022	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability								
Service cost	\$ 2,307,283	\$ 2,151,214	\$ 2,064,352	\$ 2,105,925	\$ 2,090,309	\$ 1,914,877	\$ 1,859,399	\$ 1,803,855
Interest	8,011,156	7,725,010	7,440,145	7,031,320	7,021,932	6,976,069	6,689,193	6,381,234
Differences between expected and actual experience	(436,335)	(410,579)	1,398,071	(1,511,015)	(3,768,183)	(831,190)	(443,007)	-
Changes in assumptions	-	-	-	(3,087,527)	6,006,913	-	(1,698,571)	-
Benefit payments, including refunds of employee contributions	(5,729,725)	(5,302,018)	(5,004,441)	(4,588,971)	(4,191,413)	(4,206,587)	(3,783,672)	(3,644,252)
Net change in total pension liability	4,152,379	4,163,627	5,898,127	(50,268)	7,159,558	3,853,169	2,623,342	4,540,837
Total pension liability- beginning	114,191,701	110,028,074	104,129,947	104,180,215	97,020,657	93,167,488	90,544,146	86,003,309
Total pension liability- ending (a)	118,344,080	114,191,701	110,028,074	104,129,947	104,180,215	97,020,657	93,167,488	90,544,146
Plan Fiduciary Net Position								
Contributions- employer	4,300,785	4,072,920	3,791,023	3,415,348	3,213,198	2,957,917	2,837,484	2,451,408
Contributions- employees	908,516	852,662	874,603	796,926	760,087	709,460	712,929	686,870
Net plan to plan resource movement	-	-	-	(188)	-	-	-	-
Net investment income ¹	20,183,976	4,294,558	5,316,832	6,405,074	7,625,528	366,113	1,494,371	10,020,177
Benefit payments	(5,729,725)	(5,302,018)	(5,004,441)	(4,588,971)	(4,191,413)	(4,206,587)	(3,783,672)	(3,644,252)
Administrative expense	(89,733)	(121,281)	(57,883)	(340,724)	(100,570)	(41,645)	(76,906)	-
Other miscellaneous income/(expense)	-	-	186	-	-	-	-	-
Net change in plan fiduciary net position	19,573,819	3,796,841	4,920,320	5,687,465	7,306,830	(214,742)	1,184,206	9,514,203
Total plan fiduciary net position- beginning	89,828,356	86,031,515	81,111,195	75,423,730	68,116,900	68,331,642	67,147,436	57,633,233
Total plan fiduciary net position- ending (b)	109,402,175	89,828,356	86,031,515	81,111,195	75,423,730	68,116,900	68,331,642	67,147,436
Net pension liability- ending (a)-(b)	\$ 8,941,905	\$ 24,363,345	\$ 23,996,559	\$ 23,018,752	\$ 28,756,485	\$ 28,903,757	\$ 24,835,846	\$ 23,396,710
Plan fiduciary net position as a percentage of the total pension liability	92.44%	78.66%	78.19%	77.89%	72.40%	70.21%	73.34%	74.16%
City's covered-employee payroll	\$ 11,735,924	\$ 10,586,681	\$ 10,064,610	\$ 10,080,535	\$ 9,434,933	\$ 9,643,787	\$ 9,090,194	\$ 8,260,542
Net pension liability as a percentage of covered-employee payroll	76.19%	230.13%	238.43%	228.35%	304.79%	299.71%	273.22%	283.23%

¹ Net 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 Plan

	2022	2021	2020	2019	2018	2017	2016	2015
City's Proportion of the Net Pension Liability/(Asset)	0.2567%	0.3673%	0.3548%	0.3536%	0.3510%	0.3570%	0.3530%	0.2402%
City's Proportionate Share of the Net Pension Liability/(Asset)	\$ 13,887,694	\$ 24,469,544	\$ 22,146,338	\$ 20,744,090	\$ 20,972,247	\$ 18,487,608	\$ 14,547,173	\$ 14,946,492
City's Covered-Employee Payroll	\$ 8,109,211	\$ 9,140,252	\$ 6,889,321	\$ 6,673,847	\$ 6,692,475	\$ 6,409,767	\$ 6,897,272	\$ 6,602,409
City's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll	171.26%	267.71%	321.46%	310.83%	313.37%	288.43%	210.91%	226.38%
City's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	86.06%	74.04%	75.21%	75.73%	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

	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 4,300,785	\$ 4,072,920	\$ 3,791,023	\$ 3,415,348	\$ 3,213,198	\$ 2,957,917	\$ 2,837,484	\$ 2,451,408
Contributions in relation to the actuarially determined contribution	<u>(4,300,785)</u>	<u>(4,072,920)</u>	<u>(3,791,023)</u>	<u>(3,415,348)</u>	<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>							
Covered-employee payroll	\$ 11,735,924	\$ 10,586,681	\$ 10,064,610	\$ 10,080,535	\$ 9,434,933	\$ 9,643,787	\$ 9,090,194	\$ 8,260,542
Contributions as a percentage of covered-employee payroll	36.65%	38.47%	37.67%	33.88%	34.06%	30.67%	31.21%	29.68%

Safety Plan

	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 22,748,720	\$ 4,062,968	\$ 3,451,832	\$ 3,067,990	\$ 3,064,625	\$ 3,728,697	\$ 2,859,367	\$ 1,937,233
Contributions in relation to the actuarially determined contribution	<u>(22,748,720)</u>	<u>(4,062,968)</u>	<u>(3,451,832)</u>	<u>(3,067,990)</u>	<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>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 8,109,211	\$ 9,140,252	\$ 6,889,321	\$ 6,673,847	\$ 6,692,475	\$ 6,409,767	\$ 6,897,272	\$ 6,602,409
Contributions as a percentage of covered-employee payroll	280.53%	44.45%	50.10%	45.97%	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 *

	2022	2021	2020	2019	2018
Total OPEB Liability					
Service cost	\$ 310,994	\$ 120,203	\$ 105,251	\$ -	\$ -
Interest on total OPEB liability	88,810	63,027	74,534	47,002	50,391
Differences between expected and actual experience	-	283,719	-	1,034,539	-
Changes in assumptions	(699,772)	1,541,087	141,650	39,397	(6,734)
Benefit payments, including refunds of employee contributions	(142,193)	(149,569)	(136,950)	(153,422)	(168,043)
Net change in total OPEB liability	(442,161)	1,858,467	184,485	967,516	(124,386)
Total Net OPEB liability- beginning	4,385,565	2,527,098	2,342,613	1,375,097	1,499,483
Total Net OPEB liability- ending (a)	<u>3,943,404</u>	<u>4,385,565</u>	<u>2,527,098</u>	<u>2,342,613</u>	<u>1,375,097</u>
Plan Fiduciary Net Position					
Contributions- employer	142,193	149,569	136,950	153,422	168,043
Contributions- employees	-	-	-	-	-
Net investment income	-	-	-	-	-
Benefit payments	(142,193)	(149,569)	(136,950)	(153,422)	(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)	<u>\$ 3,943,404</u>	<u>\$ 4,385,565</u>	<u>\$ 2,527,098</u>	<u>\$ 2,342,613</u>	<u>\$ 1,375,097</u>
Plan fiduciary net position as a percentage of the total OPEB liability	-	-	-	-	-
City's covered-employee payroll	18,572,290	19,345,356	18,420,461	19,211,409	-
Net OPEB liability as a percentage of covered-employee payroll	21.23%	22.67%	13.72%	12.19%	-

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 *

	2022	2021	2020	2019	2018
Actuarially determined contribution	\$ 142,193	\$ 149,569	\$ 136,950	\$ 153,422	\$ 168,043
Contributions in relation to the actuarially determined contribution	<u>(142,193)</u>	<u>(149,569)</u>	<u>(136,950)</u>	<u>(153,422)</u>	<u>(168,043)</u>
Contribution deficiency (excess)	<u>\$ -</u>				
City's covered-employee payroll	\$ 18,572,290	\$ 19,345,356	\$ 18,420,461	\$ 19,211,409	\$ -
Contributions as a percentage of covered-employee payroll	0.77%	0.77%	0.74%	0.80%	-

Notes to Schedule:

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2021-2022 were as follows for the June 30, 2021 measurement date actuarial valuations.

Valuation Date	June 30, 2021
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	3.69% as of June 30, 2022 1.92% as of June 30, 2021
Participants Valued	Only current active employees and retired participants and covered dependents are valued. No future entrants are considered in this valuation.
Salary Increase	3.00% per year, since benefits do not depend on salary, this is used only to allocate the cost of benefits between service years.
General Inflation Rate	2.50% per year.
Mortality	CalPERS 2017 Experience Study
Mortality Improvement	MacLeod Watts 2020 Scale Generationally
Healthcare Trend	5.7% in 2022, step down to 4.0% by 2076

*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, 2022

	General Fund			Variance With Final Budget
	Original Budget	Final Budget	Actual	
REVENUES				
Taxes and special assessments	\$ 28,663,000	\$ 29,341,000	\$ 32,425,620	\$ 3,084,620
Aid from other government agencies	957,797	957,797	1,500,269	542,472
Licenses and permits	944,880	944,880	1,797,872	852,992
Fines and forfeitures	152,000	152,000	175,263	23,263
Charges for services	2,089,063	2,089,063	3,062,208	973,145
Revenue from use of money and property	216,275	216,275	(425,086)	(641,361)
Miscellaneous	-	-	56,747	56,747
Total Revenues	33,023,015	33,701,015	38,592,893	4,891,878
EXPENDITURES				
General government	2,524,488	2,815,588	4,116,481	(1,300,893)
Public safety	21,980,609	22,421,658	42,528,787	(20,107,129)
Public works	2,924,726	2,958,088	4,601,080	(1,642,992)
Recreation	4,132,228	4,404,771	5,662,458	(1,257,687)
Community development	1,849,408	2,133,364	2,874,828	(741,464)
Debt service:				
Principal	-	-	22,193	(22,193)
Interest	-	-	513	(513)
Capital outlay	-	9,313,222	555,445	8,757,777
Total Expenditures	33,411,459	44,046,691	60,361,785	(16,315,094)
Excess (Deficiency) of Revenues Over Expenditures	(388,444)	(10,345,676)	(21,768,892)	(11,423,216)
OTHER FINANCING SOURCES (USES)				
Operating transfers in	501,010	501,010	3,712,266	3,211,256
Operating transfers out	(69,548)	(69,548)	(3,001,032)	(2,931,484)
Proceeds from issuance of bonds	-	-	25,390,437	25,390,437
Lease and other financing proceeds	-	-	89,571	89,571
Proceeds from sale of assets	-	-	1,716	1,716
Total Other Financing Sources (Uses)	431,462	431,462	26,192,958	25,761,496
EXTRAORDINARY ITEM				
Settlement expenditure	-	-	(12,500,000)	(12,500,000)
Net Change in Fund Balance	43,018	(9,914,214)	(8,075,934)	1,838,280
Fund Balance, Beginning of Year	11,037,789	11,037,789	11,037,789	-
Prior Period Adjustment	-	-	319,223	319,223
Fund Balance, Beginning of Year (Restated)	11,037,789	11,037,789	11,357,012	319,223
Fund Balance, End of Year	\$ 11,080,807	\$ 1,123,575	\$ 3,281,078	\$ 2,157,503

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, 2022

	CDBG/HOME/Housing Fund			Variance With Final Budget
	Original Budget	Final Budget	Actual	
REVENUES				
Aid from other government agencies	\$ 1,458,000	\$ 1,458,000	\$ 729,594	\$ (728,406)
Revenue from use of money and property	45,000	45,000	275,500	230,500
Miscellaneous	-	-	637	637
Total Revenues	<u>1,503,000</u>	<u>1,503,000</u>	<u>1,005,731</u>	<u>(497,269)</u>
EXPENDITURES				
Community development	1,021,000	1,021,000	288,391	732,609
Capital outlay	-	512,400	320,250	192,150
Total Expenditures	<u>1,021,000</u>	<u>1,533,400</u>	<u>608,641</u>	<u>924,759</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>482,000</u>	<u>(30,400)</u>	<u>397,090</u>	<u>427,490</u>
Other Financing Sources (Uses)				
Operating transfers in	80,000	80,000	-	(80,000)
Operating transfers out	-	-	(157,802)	(157,802)
Total Other Financing Sources (Uses)	<u>80,000</u>	<u>80,000</u>	<u>(157,802)</u>	<u>(237,802)</u>
Net Change in Fund Balance	<u>562,000</u>	<u>49,600</u>	<u>239,288</u>	<u>189,688</u>
Fund Balance, Beginning of Year	20,180,157	20,180,157	20,180,157	-
Prior Period Adjustment	-	-	(16,169)	16,169
Fund Balance, Beginning of Year (Restated)	<u>20,180,157</u>	<u>20,180,157</u>	<u>20,163,988</u>	<u>16,169</u>
Fund Balance, End of Year	<u>\$ 20,742,157</u>	<u>\$ 20,229,757</u>	<u>\$ 20,403,276</u>	<u>\$ 205,857</u>

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, 2022

	Transportation Impact Fees			Variance With Final Budget
	Original Budget	Final Budget	Actual	
REVENUES				
Taxes and special assessments	\$ 763,000	\$ 763,000	\$ 2,031,907	\$ 1,268,907
Aid from other government agencies	-	-	66,242	66,242
Revenue from use of money and property	38,510	38,510	(141,353)	(179,863)
Miscellaneous	-	-	149	149
Total Revenues	<u>801,510</u>	<u>801,510</u>	<u>1,956,945</u>	<u>1,155,435</u>
EXPENDITURES				
General government	-	-	10,327	(10,327)
Capital outlay	1,780,671	1,780,671	207,570	1,573,101
Total Expenditures	<u>1,780,671</u>	<u>1,780,671</u>	<u>217,897</u>	<u>1,562,774</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(979,161)</u>	<u>(979,161)</u>	<u>1,739,048</u>	<u>2,718,209</u>
Other Financing Sources (Uses)				
Operating transfers in	-	-	1,657,592	1,657,592
Operating transfers out	-	-	(42,549)	(42,549)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>1,615,043</u>	<u>1,615,043</u>
Net Change in Fund Balance	<u>(979,161)</u>	<u>(979,161)</u>	<u>3,354,091</u>	<u>4,333,252</u>
Fund Balance, Beginning of Year	2,532,312	2,532,312	2,532,312	-
Prior Period Adjustment	-	-	(41,659)	41,659
Fund Balance, Beginning of Year (Restated)	<u>2,532,312</u>	<u>2,532,312</u>	<u>2,490,653</u>	<u>41,659</u>
Fund Balance, End of Year	<u>\$ 1,553,151</u>	<u>\$ 1,553,151</u>	<u>\$ 5,844,744</u>	<u>\$ 4,374,911</u>

CITY OF HANFORD
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES – BUDGET TO ACTUAL (GAAP BASIS)
TRANSPORTATION DEVELOPMENT ACT FUND
FOR THE YEAR ENDED JUNE 30, 2022

	Transportation Development Act Fund			Variance With Final Budget
	Original Budget	Final Budget	Actual	
REVENUES				
Taxes and special assessments	\$ 821,000	\$ 821,000	\$ 786,999	\$ (34,001)
Aid from other government agencies	-	-	11,082	11,082
Revenue from use of money and property	8,400	8,400	(130,680)	(139,080)
Total Revenues	<u>829,400</u>	<u>829,400</u>	<u>667,401</u>	<u>(161,999)</u>
EXPENDITURES				
General government	-	-	9,794	(9,794)
Public works	629,589	629,589	258,190	371,399
Capital outlay	329,761	329,761	507,787	(178,026)
Total Expenditures	<u>959,350</u>	<u>959,350</u>	<u>775,771</u>	<u>183,579</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(129,950)</u>	<u>(129,950)</u>	<u>(108,370)</u>	<u>21,580</u>
Other Financing Sources (Uses)				
Operating transfers out	-	-	(26,210)	(26,210)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(26,210)</u>	<u>(26,210)</u>
Net Change in Fund Balance	<u>(129,950)</u>	<u>(129,950)</u>	<u>(134,580)</u>	<u>(4,630)</u>
Fund Balance, Beginning of Year	498,685	498,685	498,685	-
Prior Period Adjustment	-	-	(38,994)	(38,994)
Fund Balance, Beginning of Year (Restated)	<u>498,685</u>	<u>498,685</u>	<u>459,691</u>	<u>(38,994)</u>
Fund Balance, End of Year	<u>\$ 368,735</u>	<u>\$ 368,735</u>	<u>\$ 325,111</u>	<u>\$ (43,624)</u>

SUPPLEMENTARY INFORMATION SECTION

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, 2022

	Capital Projects Fund			Variance With Final Budget
	Original Budget	Final Budget	Actual	
REVENUES				
Aid from other government agencies	\$ 2,500	\$ 2,500	\$ -	\$ (2,500)
Charges for services	-	-	66,225	66,225
Revenue from use of money and property	30,000	30,000	(37,397)	(67,397)
Miscellaneous	-	-	492	492
Total Revenues	<u>32,500</u>	<u>32,500</u>	<u>29,320</u>	<u>(3,180)</u>
EXPENDITURES				
General government	-	-	6,395	(6,395)
Community development	-	-	37,900	(37,900)
Capital outlay	1,707,085	1,921,521	919,025	1,002,496
Total Expenditures	<u>1,707,085</u>	<u>1,921,521</u>	<u>963,320</u>	<u>958,201</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,674,585)</u>	<u>(1,889,021)</u>	<u>(934,000)</u>	<u>955,021</u>
Net Change in Fund Balance	<u>(1,674,585)</u>	<u>(1,889,021)</u>	<u>(934,000)</u>	<u>955,021</u>
Fund Balance, Beginning of Year	4,573,806	4,573,806	4,573,806	-
Prior Period Adjustment	-	-	(28,427)	28,427
Fund Balance, Beginning of Year (Restated)	<u>4,573,806</u>	<u>4,573,806</u>	<u>4,545,379</u>	<u>28,427</u>
Fund Balance, End of Year	<u>\$ 2,899,221</u>	<u>\$ 2,684,785</u>	<u>\$ 3,611,379</u>	<u>\$ 983,448</u>

CITY OF HANFORD
COMBINING BALANCE SHEET
NON-MAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2022

	CMAQ Transportation Fund	Park Impact Fees	Parking Fund	Downtown Reinvestment Fund	Landscaping Assessment District
ASSETS					
Cash and investments	\$ 4,343	\$ 5,140,102	\$ 142,572	\$ 126,899	\$ 1,021,329
Receivables	74,095	-	10,837	-	8,280
Loan receivable	-	-	-	29,558	-
Lease receivable	-	-	557,209	-	-
Prepaid expenses	-	-	-	-	-
Total Assets	<u>\$ 78,438</u>	<u>\$ 5,140,102</u>	<u>\$ 710,618</u>	<u>\$ 156,457</u>	<u>\$ 1,029,609</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICIT)					
Liabilities:					
Accounts payable	\$ 22,049	\$ 32,208	\$ -	\$ -	\$ 26,005
Accrued wages payable	-	-	-	-	-
Unearned revenue	-	-	-	-	-
Due to other funds	121,226	-	-	-	36,600
Total Liabilities	<u>143,275</u>	<u>32,208</u>	<u>-</u>	<u>-</u>	<u>62,605</u>
Deferred Inflows of Resources:					
Deferred inflows from leases	-	-	545,890	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>545,890</u>	<u>-</u>	<u>-</u>
Fund Balances:					
Nonspendable:					
Loan receivable	-	-	-	29,558	-
Lease receivable	-	-	557,209	-	-
Prepaid expenses	-	-	-	-	-
Restricted for:					
Streets and roads	-	-	-	-	-
Recreation	-	5,107,894	-	-	-
Landscape maintenance	-	-	-	-	967,004
Public safety	-	-	-	-	-
Committed for:					
Parking and business improvement	-	-	-	126,899	-
Community development	-	-	-	-	-
Cannabis	-	-	-	-	-
Unassigned	(64,837)	-	(392,481)	-	-
Total Fund Balances (Deficit)	<u>(64,837)</u>	<u>5,107,894</u>	<u>164,728</u>	<u>156,457</u>	<u>967,004</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficit)	<u>\$ 78,438</u>	<u>\$ 5,140,102</u>	<u>\$ 710,618</u>	<u>\$ 156,457</u>	<u>\$ 1,029,609</u>

CITY OF HANFORD
COMBINING BALANCE SHEET
NON-MAJOR SPECIAL REVENUE FUNDS (continued)
JUNE 30, 2022

	City Housing Fund	Central Parking and Business Improvement	Fire Protection Impact Fees	Police Protection Impact Fees
ASSETS				
Cash and investments	\$ 553,476	\$ 160,867	\$ 529,637	\$ 109,625
Receivables	18,045	4,002	2,887	1,819
Loan receivable	1,784,215	-	-	-
Lease receivable	-	-	-	-
Prepaid expenses	-	-	-	-
Total Assets	<u>\$ 2,355,736</u>	<u>\$ 164,869</u>	<u>\$ 532,524</u>	<u>\$ 111,444</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICIT)				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ 1,173
Accrued wages payable	-	-	-	-
Unearned revenue	-	-	-	-
Due to other funds	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,173</u>
Deferred Inflows of Resources:				
Deferred inflows from leases	-	-	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:				
Nonspendable:				
Loan receivable	1,784,215	-	-	-
Lease receivable	-	-	-	-
Prepaid expenses	-	-	-	-
Restricted for:				
Streets and roads	-	-	-	-
Recreation	-	-	-	-
Landscape maintenance	-	-	-	-
Public safety	-	-	532,524	110,271
Committed for:				
Parking and business improvement	-	164,869	-	-
Community development	571,521	-	-	-
Cannabis	-	-	-	-
Unassigned	-	-	-	-
Total Fund Balances (Deficit)	<u>2,355,736</u>	<u>164,869</u>	<u>532,524</u>	<u>110,271</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficit)	<u>\$ 2,355,736</u>	<u>\$ 164,869</u>	<u>\$ 532,524</u>	<u>\$ 111,444</u>

CITY OF HANFORD
COMBINING BALANCE SHEET
NON-MAJOR SPECIAL REVENUE FUNDS (continued)
JUNE 30, 2022

	Special Aviation	Traffic Safety	Street Tree Committee	American Rescue Plan Act
ASSETS				
Cash and investments	\$ 934	\$ 67,170	\$ 1,175	\$ 3,474,323
Receivables	-	3,499	-	6,538,870
Loan receivable	-	-	-	-
Lease receivable	-	-	-	-
Prepaid expenses	-	-	-	-
Total Assets	<u>\$ 934</u>	<u>\$ 70,669</u>	<u>\$ 1,175</u>	<u>\$ 10,013,193</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICIT)				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ 48,150
Accrued wages payable	-	-	-	-
Unearned revenue	-	-	-	10,090,880
Due to other funds	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,139,030</u>
Deferred Inflows of Resources:				
Deferred inflows from leases	-	-	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:				
Nonspendable:				
Loan receivable	-	-	-	-
Lease receivable	-	-	-	-
Prepaid expenses	-	-	-	-
Restricted for:				
Streets and roads	934	-	-	-
Recreation	-	-	-	-
Landscape maintenance	-	-	1,175	-
Public safety	-	70,669	-	-
Committed for:				
Parking and business improvement	-	-	-	-
Community development	-	-	-	-
Cannabis	-	-	-	-
Unassigned	-	-	-	(125,837)
Total Fund Balances (Deficit)	<u>934</u>	<u>70,669</u>	<u>1,175</u>	<u>(125,837)</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficit)	<u>\$ 934</u>	<u>\$ 70,669</u>	<u>\$ 1,175</u>	<u>\$ 10,013,193</u>

CITY OF HANFORD
COMBINING BALANCE SHEET
NON-MAJOR SPECIAL REVENUE FUNDS (continued)
JUNE 30, 2022

	State Gas Tax Fund	Public Housing Authority	Cannabis Operations	Total Non-Major Special Revenue Funds
ASSETS				
Cash and investments	\$ 3,596,314	\$ 154,240	\$ 121,818	\$ 15,204,824
Receivables	308,680	-	-	6,971,014
Loan receivable	-	-	-	1,813,773
Lease receivable	-	-	-	557,209
Prepaid expenses	-	622	-	622
Total Assets	<u>\$ 3,904,994</u>	<u>\$ 154,862</u>	<u>\$ 121,818</u>	<u>\$ 24,547,442</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICIT)				
Liabilities:				
Accounts payable	\$ -	\$ 3,152	\$ -	\$ 132,737
Accrued wages payable	-	61	-	61
Unearned revenue	-	-	-	10,090,880
Due to other funds	-	-	-	157,826
Total Liabilities	<u>-</u>	<u>3,213</u>	<u>-</u>	<u>10,381,504</u>
Deferred Inflows of Resources:				
Deferred inflows from leases	-	-	-	545,890
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>545,890</u>
Fund Balances:				
Nonspendable:				
Loan receivable	-	-	-	1,813,773
Lease receivable	-	-	-	557,209
Prepaid expenses	-	622	-	622
Restricted for:				
Streets and roads	3,904,994	-	-	3,905,928
Recreation	-	-	-	5,107,894
Landscape maintenance	-	-	-	968,179
Public safety	-	-	-	713,464
Committed for:				
Parking and business improvement	-	-	-	291,768
Community development	-	151,027	-	722,548
Cannabis	-	-	121,818	121,818
Unassigned	-	-	-	(583,155)
Total Fund Balances (Deficit)	<u>3,904,994</u>	<u>151,649</u>	<u>121,818</u>	<u>13,620,048</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficit)	<u>\$ 3,904,994</u>	<u>\$ 154,862</u>	<u>\$ 121,818</u>	<u>\$ 24,547,442</u>

CITY OF HANFORD
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NON-MAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	CMAQ Transportation Fund	Park Impact Fees	Parking Fund	Downtown Reinvestment Fund	Landscaping Assessment District
REVENUES					
Taxes and special assessments	\$ -	\$ 1,126,731	\$ -	\$ -	\$ 837,388
Aid from other government agencies	76,538	-	-	-	-
Fines and forfeitures	-	-	-	-	-
Lease revenue	-	-	19,496	-	-
Revenue from use of money and property	4,620	(123,479)	(608)	(2,014)	(25,828)
Miscellaneous	-	250	-	-	-
Total Revenues	81,158	1,003,502	18,888	(2,014)	811,560
EXPENDITURES					
General government	-	9,795	1,579	1,507	566
Public works	-	-	-	-	567,290
Community development	-	-	-	-	-
Capital outlay	25,746	167,271	-	-	-
Total Expenditures	25,746	177,066	1,579	1,507	567,856
Excess (Deficiency) of Revenues Over Expenditures	55,412	826,436	17,309	(3,521)	243,704
OTHER FINANCING SOURCES (USES)					
Operating transfers in	-	-	-	-	-
Operating transfers out	(37,614)	-	-	-	-
Proceeds from sale of assets	-	-	-	-	-
Total Other Financing Sources (Uses)	(37,614)	-	-	-	-
Net Change in Fund Balance	17,798	826,436	17,309	(3,521)	243,704
Fund Balance (Deficit), Beginning of Year	(82,635)	4,322,904	147,419	159,978	730,385
Prior Period Adjustment	-	(41,446)	-	-	(7,085)
Fund Balance (Deficit), Beginning of Year (Restated)	(82,635)	4,281,458	147,419	159,978	723,300
Fund Balance (Deficit), End of Year	\$ (64,837)	\$ 5,107,894	\$ 164,728	\$ 156,457	\$ 967,004

CITY OF HANFORD
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NON-MAJOR SPECIAL REVENUE FUNDS (continued)
FOR THE YEAR ENDED JUNE 30, 2022

	City Housing Fund	Central Parking and Business Improvement	Fire Protection Impact Fees	Police Protection Impact Fees
REVENUES				
Taxes and special assessments	\$ -	\$ 180,789	\$ 214,192	\$ 127,412
Aid from other government agencies	- -	- -	- -	- -
Fines and forfeitures	- -	- -	- -	- -
Lease revenue	- -	- -	- -	- -
Revenue from use of money and property	(49,122)	(5,190)	(13,944)	(3,358)
Miscellaneous	45	- -	- -	240
Total Revenues	(49,077)	175,599	200,248	124,294
EXPENDITURES				
General government	1,147	210	791	361
Public works	- -	90,390	- -	- -
Community development	- -	- -	- -	- -
Capital outlay	- -	520	- -	52,993
Total Expenditures	1,147	91,120	791	53,354
Excess (Deficiency) of Revenues Over Expenditures	(50,224)	84,479	199,457	70,940
OTHER FINANCING SOURCES (USES)				
Operating transfers in	816,075	- -	- -	- -
Operating transfers out	- -	- -	- -	- -
Proceeds from sale of assets	20,000	- -	- -	- -
Total Other Financing Sources (Uses)	836,075	- -	- -	- -
Net Change in Fund Balance	785,851	84,479	199,457	70,940
Fund Balance (Deficit), Beginning of Year	1,575,053	80,390	336,210	39,331
Prior Period Adjustment	(5,168)	- -	(3,143)	- -
Fund Balance (Deficit), Beginning of Year (Restated)	1,569,885	80,390	333,067	39,331
Fund Balance (Deficit), End of Year	\$ 2,355,736	\$ 164,869	\$ 532,524	\$ 110,271

CITY OF HANFORD
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NON-MAJOR SPECIAL REVENUE FUNDS (continued)
FOR THE YEAR ENDED JUNE 30, 2022

	Special Aviation	Traffic Safety	Street Tree Committee	American Rescue Plan Act
REVENUES				
Taxes and special assessments	\$ -	\$ -	\$ -	\$ -
Aid from other government agencies	10,000	-	-	2,986,860
Fines and forfeitures	-	49,136	-	-
Lease revenue	-	-	-	-
Revenue from use of money and property	1,096	(2,018)	(26)	(125,495)
Miscellaneous	-	-	-	-
Total Revenues	11,096	47,118	(26)	2,861,365
EXPENDITURES				
General government	-	554	14	343
Public works	-	-	-	-
Community development	-	-	-	-
Capital outlay	-	-	-	153,526
Total Expenditures	-	554	14	153,869
Excess (Deficiency) of Revenues Over Expenditures	11,096	46,564	(40)	2,707,496
OTHER FINANCING SOURCES (USES)				
Operating transfers in	8,068	-	-	-
Operating transfers out	-	-	-	(2,833,333)
Proceeds from sale of assets	-	-	-	-
Total Other Financing Sources (Uses)	8,068	-	-	(2,833,333)
Net Change in Fund Balance	19,164	46,564	(40)	(125,837)
Fund Balance (Deficit), Beginning of Year	(18,230)	24,105	1,215	-
Prior Period Adjustment	-	-	-	-
Fund Balance (Deficit), Beginning of Year (Restated)	(18,230)	24,105	1,215	-
Fund Balance (Deficit), End of Year	\$ 934	\$ 70,669	\$ 1,175	\$ (125,837)

CITY OF HANFORD
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NON-MAJOR SPECIAL REVENUE FUNDS (continued)
FOR THE YEAR ENDED JUNE 30, 2022

	State Gas Tax Fund	Public Housing Authority	Cannabis Operations	Total Non-Major Special Revenue Funds
REVENUES				
Taxes and special assessments	\$ 2,918,852	\$ -	\$ 772,280	\$ 6,177,644
Aid from other government agencies	-	-	-	3,073,398
Fines and forfeitures	-	-	-	49,136
Lease revenue	-	-	-	19,496
Revenue from use of money and property	(92,266)	49,995	(938)	(388,575)
Miscellaneous	790	8,594	126,461	136,380
Total Revenues	2,827,376	58,589	897,803	9,067,479
EXPENDITURES				
General government	2,481	-	378	19,726
Public works	675,104	-	-	1,332,784
Community development	-	286,102	20,979	307,081
Capital outlay	1,713,374	-	-	2,113,430
Total Expenditures	2,390,959	286,102	21,357	3,773,021
Excess (Deficiency) of Revenues Over Expenditures	436,417	(227,513)	876,446	5,294,458
OTHER FINANCING SOURCES (USES)				
Operating transfers in	-	-	-	824,143
Operating transfers out	-	(530,751)	(878,933)	(4,280,631)
Proceeds from sale of assets	-	-	-	20,000
Total Other Financing Sources (Uses)	-	(530,751)	(878,933)	(3,436,488)
Net Change in Fund Balance	436,417	(758,264)	(2,487)	1,857,970
Fund Balance (Deficit), Beginning of Year	3,491,045	909,913	124,305	11,841,388
Prior Period Adjustment	(22,468)	-	-	(79,310)
Fund Balance (Deficit), Beginning of Year (Restated)	3,468,577	909,913	124,305	11,762,078
Fund Balance (Deficit), End of Year	\$ 3,904,994	\$ 151,649	\$ 121,818	\$ 13,620,048

CITY OF HANFORD
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
JUNE 30, 2022

	City Payroll Fund	Risk Management Fund	Computer Maintenance Fund
ASSETS			
Current assets			
Cash and investments	\$ 925,076	\$ 6,237,196	\$ 368,858
Receivables, net	-	-	-
Deposits	-	175,000	-
Inventory	-	-	-
Prepaid expenses	-	-	-
Total Current Assets	<u>925,076</u>	<u>6,412,196</u>	<u>368,858</u>
Noncurrent assets			
Capital assets:			
Building and improvements	-	-	-
Machinery and equipment	-	-	1,589,881
Accumulated depreciation	-	-	(618,915)
Total Capital Assets (Net of Accumulated Depreciation)	<u>-</u>	<u>-</u>	<u>970,966</u>
Total Noncurrent Assets	<u>-</u>	<u>-</u>	<u>970,966</u>
Total Assets	<u>925,076</u>	<u>6,412,196</u>	<u>1,339,824</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	-	-	184,964
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>184,964</u>
LIABILITIES			
Current Liabilities			
Accounts payable	23,229	145,502	14,031
Salaries and benefits payable	906,613	-	1,458
Compensated absences - current portion	-	-	-
Bonds and notes payable - current portion	-	-	6,545
Due to other funds	-	-	298,685
Total Current Liabilities	<u>929,842</u>	<u>145,502</u>	<u>320,719</u>
Noncurrent Liabilities			
Compensated absences payable	-	-	-
Claims payable	-	5,589,000	-
Net pension liability	-	-	60,432
Bonds and notes payable	-	-	159,204
Total Noncurrent Liabilities	<u>-</u>	<u>5,589,000</u>	<u>219,636</u>
Total Liabilities	<u>929,842</u>	<u>5,734,502</u>	<u>540,355</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	-	-	130,393
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>130,393</u>
NET POSITION (DEFICIT)			
Net investment in capital assets	-	-	970,966
Unrestricted	(4,766)	677,694	(116,926)
Total Net Position (Deficit)	<u>\$ (4,766)</u>	<u>\$ 677,694</u>	<u>\$ 854,040</u>

CITY OF HANFORD
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS (continued)
JUNE 30, 2022

	Building Fund	Fleet Management Fund	Medical Fund	Totals
ASSETS				
Current assets				
Cash and investments	\$ 1,151,965	\$ 14,443,993	\$ 866,557	\$ 23,993,645
Receivables, net	-	890	77,855	78,745
Deposits	-	-	-	175,000
Inventory	-	969,531	-	969,531
Prepaid expenses	180	2,207	-	2,387
Total Current Assets	<u>1,152,145</u>	<u>15,416,621</u>	<u>944,412</u>	<u>25,219,308</u>
Noncurrent assets				
Capital assets:				
Building and improvements	254,506	26,191	-	280,697
Machinery and equipment	604,908	15,363,209	-	17,557,998
Accumulated depreciation	(225,369)	(9,066,388)	-	(9,910,672)
Total Capital Assets (Net of Accumulated Depreciation)	<u>634,045</u>	<u>6,323,012</u>	-	7,928,023
Total Noncurrent Assets	<u>634,045</u>	<u>6,323,012</u>	-	7,928,023
Total Assets	<u>1,786,190</u>	<u>21,739,633</u>	<u>944,412</u>	<u>33,147,331</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pensions	<u>448,728</u>	<u>613,636</u>	-	1,247,328
Total Deferred Outflows of Resources	<u>448,728</u>	<u>613,636</u>	-	1,247,328
LIABILITIES				
Current Liabilities				
Accounts payable	10,455	153,554	46,185	392,956
Salaries and benefits payable	1,590	2,710	85,894	998,265
Compensated absences - current portion	2,582	5,040	-	7,622
Bonds and notes payable - current portion	15,540	22,003	-	44,088
Due to other funds	-	-	-	298,685
Total Current Liabilities	<u>30,167</u>	<u>183,307</u>	<u>132,079</u>	<u>1,741,616</u>
Noncurrent Liabilities				
Compensated absences payable	19,337	37,743	-	57,080
Claims payable	-	-	-	5,589,000
Net pension liability	216,504	195,995	-	472,931
Bonds and notes payable	378,000	535,211	-	1,072,415
Total Noncurrent Liabilities	<u>613,841</u>	<u>768,949</u>	-	7,191,426
Total Liabilities	<u>644,008</u>	<u>952,256</u>	<u>132,079</u>	<u>8,933,042</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pensions	<u>292,853</u>	<u>410,732</u>	-	833,978
Total Deferred Inflows of Resources	<u>292,853</u>	<u>410,732</u>	-	833,978
NET POSITION (DEFICIT)				
Net investment in capital assets	634,045	6,323,012	-	7,928,023
Unrestricted	664,012	14,667,269	812,333	16,699,616
Total Net Position (Deficit)	<u>\$ 1,298,057</u>	<u>\$ 20,990,281</u>	<u>\$ 812,333</u>	<u>\$ 24,627,639</u>

CITY OF HANFORD
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	City Payroll Fund	Risk Management Fund	Computer Maintenance Fund
OPERATING REVENUES			
Charges for services	\$ -	\$ 1,207,026	\$ 624,440
Other revenues	<u>1,393</u>	<u>3,742</u>	<u>-</u>
Total Operating Revenues	<u>1,393</u>	<u>1,210,768</u>	<u>624,440</u>
OPERATING EXPENSES			
Personnel services	- -	- -	239,913
Services and supplies	3,440	1,789,152	356,832
Depreciation	<u>-</u>	<u>-</u>	<u>233,660</u>
Total Operating Expenses	<u>3,440</u>	<u>1,789,152</u>	<u>830,405</u>
Operating Income (Loss)	<u>(2,047)</u>	<u>(578,384)</u>	<u>(205,965)</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest income	5,046	46,174	2,920
Interest expense	- -	- -	(1,109)
Unrealized gain (loss) on investments	<u>(34,898)</u>	<u>(190,126)</u>	<u>(2,996)</u>
Total Non-operating Revenue (Expenses)	<u>(29,852)</u>	<u>(143,952)</u>	<u>(1,185)</u>
Income (Loss) Before Capital Contributions and Transfers	<u>(31,899)</u>	<u>(722,336)</u>	<u>(207,150)</u>
Transfers in/(out)	<u>-</u>	<u>750,000</u>	<u>-</u>
Change in Net Position (Deficit)	<u>(31,899)</u>	<u>27,664</u>	<u>(207,150)</u>
Net Position (Deficit), Beginning of Year	27,133	707,295	1,061,190
Prior Period Adjustment	<u>-</u>	<u>(57,265)</u>	<u>-</u>
Net Position (Deficit), Beginning of Year (Restated)	<u>27,133</u>	<u>650,030</u>	<u>1,061,190</u>
Net Position (Deficit), End of Year	<u><u>\$ (4,766)</u></u>	<u><u>\$ 677,694</u></u>	<u><u>\$ 854,040</u></u>

CITY OF HANFORD
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
INTERNAL SERVICE FUNDS (continued)
FOR THE YEAR ENDED JUNE 30, 2022

	Building Fund	Fleet Management Fund	Medical Fund	Totals
OPERATING REVENUES				
Charges for services	\$ 1,205,942	\$ 5,136,192	\$ 3,334,918	\$ 11,508,518
Other revenues	-	9,315	-	14,450
Total Operating Revenues	1,205,942	5,145,507	3,334,918	11,522,968
OPERATING EXPENSES				
Personnel services	427,724	666,230	-	1,333,867
Services and supplies	396,118	2,128,309	3,337,010	8,010,861
Depreciation	50,294	932,249	-	1,216,203
Total Operating Expenses	874,136	3,726,788	3,337,010	10,560,931
Operating Income (Loss)	331,806	1,418,719	(2,092)	962,037
NON-OPERATING REVENUES (EXPENSES)				
Interest income	9,900	95,054	3,201	162,295
Interest expense	(2,632)	(3,727)	-	(7,468)
Unrealized gain (loss) on investments	(34,492)	(468,987)	(21,907)	(753,406)
Total Non-operating Revenue (Expenses)	(27,224)	(377,660)	(18,706)	(598,579)
Income (Loss) Before Capital Contributions and Transfers	304,582	1,041,059	(20,798)	363,458
Transfers in/(out)	(71,901)	(288,332)	-	389,767
Change in Net Position (Deficit)	232,681	752,727	(20,798)	753,225
Net Position (Deficit), Beginning of Year	1,009,672	20,492,406	1,517,587	24,815,283
Prior Period Adjustment	55,704	(254,852)	(684,456)	(940,869)
Net Position (Deficit), Beginning of Year (Restated)	1,065,376	20,237,554	833,131	23,874,414
Net Position (Deficit), End of Year	\$ 1,298,057	\$ 20,990,281	\$ 812,333	\$ 24,627,639

CITY OF HANFORD
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	City Payroll Fund	Risk Management Fund	Computer Maintenance Fund
Cash Flows from Operating Activities:			
Cash received for current services	\$ 2,766	\$ 1,401,293	\$ 624,597
Cash received for other operating revenues	12,254	(46,258)	-
Cash paid for services and supplies	(3,440)	(1,770,507)	(272,949)
Cash paid for salaries and benefits	<u>682,308</u>	-	(448,140)
Net Cash Provided (Used) by Operating Activities	<u>693,888</u>	<u>(415,472)</u>	<u>(96,492)</u>
Cash Flows from Non-Capital Financing Activities:			
Transfers (to)/from other funds	-	750,000	-
Loans from/(to) other funds	<u>-</u>	<u>-</u>	<u>-</u>
Net Cash Provided (Used) by Non-capital Financing Activities	<u>-</u>	<u>750,000</u>	<u>-</u>
Cash Flows from Capital and Related Financing Activities:			
Capital expenditures	-	-	(98,422)
Proceeds from the issuance of debt	-	-	164,640
Proceeds from the sale of capital assets	<u>-</u>	<u>-</u>	<u>-</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>-</u>	<u>-</u>	<u>66,218</u>
Cash Flows from Investing Activities:			
Unrealized gain (loss) on investments	(34,898)	(190,126)	(2,996)
Interest received	<u>5,046</u>	<u>(11,091)</u>	<u>2,920</u>
Net Cash Provided (Used) by Investing Activities	<u>(29,852)</u>	<u>(201,217)</u>	<u>(76)</u>
Net Increase (Decrease) in Cash and Investments	<u>664,036</u>	<u>133,311</u>	<u>(30,350)</u>
Cash and Investments, Beginning of Year	<u>261,040</u>	<u>6,103,885</u>	<u>399,208</u>
Cash and Investments, End of Year	<u><u>\$ 925,076</u></u>	<u><u>\$ 6,237,196</u></u>	<u><u>\$ 368,858</u></u>
Reconciliation to Statement of Net Position:			
Cash and investments	<u><u>\$ 925,076</u></u>	<u><u>\$ 6,237,196</u></u>	<u><u>\$ 368,858</u></u>
Total Cash and Investments	<u><u>\$ 925,076</u></u>	<u><u>\$ 6,237,196</u></u>	<u><u>\$ 368,858</u></u>

CITY OF HANFORD
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS (continued)
FOR THE YEAR ENDED JUNE 30, 2022

	Building Fund	Fleet Management Fund	Medical Fund	Totals
Cash Flows from Operating Activities:				
Cash received for current services	\$ 1,207,492	\$ 5,151,119	\$ 3,252,837	\$ 11,640,104
Cash received for other operating revenues	-	9,315	-	(24,689)
Cash paid for services and supplies	(405,571)	(2,369,837)	(3,193,964)	(8,016,268)
Cash paid for salaries and benefits	(915,044)	(1,369,425)	-	(2,050,301)
Net Cash Provided (Used) by Operating Activities	<u>(113,123)</u>	<u>1,421,172</u>	<u>58,873</u>	<u>1,548,846</u>
Cash Flows from Non-Capital Financing Activities:				
Transfers (to)/from other funds	(4,797)	(288,332)	-	456,871
Loans from/(to) other funds	-	1,967,592	-	1,967,592
Net Cash Provided (Used) by Non-capital Financing Activities	<u>(4,797)</u>	<u>1,679,260</u>	<u>-</u>	<u>2,424,463</u>
Cash Flows from Capital and Related Financing Activities:				
Capital expenditures	(304,427)	(160,984)	-	(563,833)
Proceeds from the issuance of debt	390,908	553,487	-	1,109,035
Proceeds from the sale of capital assets	-	55,118	-	55,118
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>86,481</u>	<u>447,621</u>	<u>-</u>	<u>600,320</u>
Cash Flows from Investing Activities:				
Unrealized gain (loss) on investments	(45,892)	(557,949)	(7,357)	(839,218)
Interest received	9,900	95,054	3,201	105,030
Net Cash Provided (Used) by Investing Activities	<u>(35,992)</u>	<u>(462,895)</u>	<u>(4,156)</u>	<u>(734,188)</u>
Net Increase (Decrease) in Cash and Investments	<u>(67,431)</u>	<u>3,085,158</u>	<u>54,717</u>	<u>3,839,441</u>
Cash and Investments, Beginning of Year	<u>1,219,396</u>	<u>11,358,835</u>	<u>811,840</u>	<u>20,154,204</u>
Cash and Investments, End of Year	<u>\$ 1,151,965</u>	<u>\$ 14,443,993</u>	<u>\$ 866,557</u>	<u>\$ 23,993,645</u>
Reconciliation to Statement of Net Position:				
Cash and investments	\$ 1,151,965	\$ 14,443,993	\$ 866,557	\$ 23,993,645
Total Cash and Investments	<u>\$ 1,151,965</u>	<u>\$ 14,443,993</u>	<u>\$ 866,557</u>	<u>\$ 23,993,645</u>

CITY OF HANFORD
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS (continued)
FOR THE YEAR ENDED JUNE 30, 2022

	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)	\$ (2,047)	\$ (578,384)	\$ (205,965)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	-	-	233,660
(Increase) decrease in:			
Receivables, net	2,766	7,267	157
Deposits	-	(50,000)	-
Inventory	-	-	-
Deferred outflow of resources	-	-	(127,058)
Due to/from other funds	-	-	75,940
Accounts payable	10,861	18,645	7,943
Salaries and benefits payable	682,308	-	(6,879)
Compensated absences	-	-	-
Net pension liability	-	-	(190,208)
Deferred inflow of resources	-	-	115,918
Claims payable	-	187,000	-
Total Adjustments	695,935	162,912	109,473
Net Cash Provided (Used) by Operating Activities	<u>\$ 693,888</u>	<u>\$ (415,472)</u>	<u>\$ (96,492)</u>

CITY OF HANFORD
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS (continued)
FOR THE YEAR ENDED JUNE 30, 2022

	Building Fund	Fleet Management Fund	Medical Fund	Totals
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating income (loss)	\$ 331,806	\$ 1,418,719	\$ (2,092)	\$ 962,037
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	50,294	932,249	-	1,216,203
(Increase) decrease in:				
Receivables, net	1,550	14,927	(82,081)	(55,414)
Deposits	-	-	-	(50,000)
Inventory	-	(262,532)	-	(262,532)
Deferred outflow of resources	(297,083)	(425,635)	-	(849,776)
Due to/from other funds	-	(42,054)	-	33,886
Accounts payable	(9,453)	63,058	57,152	148,206
Salaries and benefits payable	(16,821)	(23,825)	85,894	720,677
Compensated absences	287	(4,869)	-	(4,582)
Net pension liability	(444,739)	(637,183)	-	(1,272,130)
Deferred inflow of resources	271,036	388,317	-	775,271
Claims payable	-	-	-	187,000
Total Adjustments	<u>(444,929)</u>	<u>2,453</u>	<u>60,965</u>	<u>586,809</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (113,123)</u>	<u>\$ 1,421,172</u>	<u>\$ 58,873</u>	<u>\$ 1,548,846</u>

CITY OF HANFORD
COMBINING STATEMENT OF FIDUCIARY NET POSITION
TRUST AND CUSTODIAL FUNDS
JUNE 30, 2022

	Civil Subpoena	Renters' Insurance Deposits	COE Park Deposits	Miscellaneous Deposits Trust	Total
ASSETS					
Cash and investments	\$ 44,055	\$ 3,726	\$ 471	\$ 1,407,039	\$ 1,455,291
Accounts receivable	-	-	-	17,095	17,095
Total Assets	<u>44,055</u>	<u>3,726</u>	<u>471</u>	<u>1,424,134</u>	<u>1,472,386</u>
LIABILITIES					
Accounts payable	-	-	-	834,369	834,369
Deposits held for others	115,716	836	-	555,162	671,714
Total Liabilities	<u>115,716</u>	<u>836</u>	<u>-</u>	<u>1,389,531</u>	<u>1,506,083</u>
NET POSITION					
Restricted	(71,661)	2,890	471	34,603	(33,697)
Total Net Position	<u>\$ (71,661)</u>	<u>\$ 2,890</u>	<u>\$ 471</u>	<u>\$ 34,603</u>	<u>\$ (33,697)</u>

CITY OF HANFORD
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
TRUST AND CUSTODIAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	Civil Subpoena	Renters' Insurance Deposits	COE Park Deposits	Miscellaneous Deposits Trust	Total
ADDITIONS					
Other additions	\$ -	\$ 53	\$ -	\$ 42,888	\$ 42,941
Total Additions	<u>-</u>	<u>53</u>	<u>-</u>	<u>42,888</u>	<u>42,941</u>
DEDUCTIONS					
General government	2,361	46	-	6,804	9,211
Unrealized (gain) loss on investments	(502)	77	14	40,850	40,439
Total Deductions	<u>1,859</u>	<u>123</u>	<u>14</u>	<u>47,654</u>	<u>49,650</u>
Change in Fiduciary Net Position	<u>(1,859)</u>	<u>(70)</u>	<u>(14)</u>	<u>(4,766)</u>	<u>(6,709)</u>
Net Position, Beginning of Year, as Previously Reported	(53,748)	2,960	485	128,005	77,702
Prior Period Adjustments	(16,054)	-	-	(88,636)	(104,690)
Net Position, Beginning of Year, Restated	<u>(69,802)</u>	<u>2,960</u>	<u>485</u>	<u>39,369</u>	<u>(26,988)</u>
Net Position, End of Year	<u>\$ (71,661)</u>	<u>\$ 2,890</u>	<u>\$ 471</u>	<u>\$ 34,603</u>	<u>\$ (33,697)</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 City of Hanford, California (the City), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 30, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing 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's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from 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 financial statements. 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*.

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 City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

HUDSON HENDERSON & COMPANY, INC.

Hudson Henderson & Company, Inc.

Fresno, California

March 30, 2023



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES 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

Opinion on Each Major Federal Program

We have audited the City of Hanford, California's (the City) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2022. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City 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, 2022.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Purpose of Report

The purpose of 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.

Hudson Henderson & Company, Inc.

Fresno, California
March 30, 2023

CITY OF HANFORD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022

<u>Federal Grantor/ Pass-through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA No.</u>	<u>Supplemental Identifying Number</u>	<u>Pass-Through to Sub-Recipients</u>	<u>Federal Expenditures</u>
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>				
Direct Programs				
CDBG - Entitlement Grants Cluster				
CDBG/Entitlement Grants FY18	14.218	B-17-MC-0061	\$ -	\$ 729,594
Total CDBG - Entitlement Grants Cluster				
<u>TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>				
<u>U.S. DEPARTMENT OF JUSTICE</u>				
Direct Program				
Bulletproof Vest Partnership Program	16.607			
<u>TOTAL U.S. DEPARTMENT OF JUSTICE</u>				
<u>U.S. DEPARTMENT OF TREASURY</u>				
Direct Program				
Coronavirus State and Local Fiscal Recovery Funds	21.027			
<u>TOTAL U.S. DEPARTMENT OF TREASURY</u>				
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Direct Program				
Cooperative Fire Protection Agreement	10.703			
<u>TOTAL U.S. DEPARTMENT OF AGRICULTURE</u>				
<u>U.S. DEPARTMENT OF INTERIOR</u>				
Direct Program				
National Park Service Conservation, Protection, Outreach and Education	15.954			
<u>TOTAL U.S. DEPARTMENT OF AGRICULTURE</u>				
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>				
Passed through California Department of Transportation				
Highway Planning and Construction Cluster				
Highway Planning and Construction	20.205	CML-5091(064)	-	2,240
Highway Planning and Construction	20.205	CML-5091(065)	-	36,600
Highway Planning and Construction	20.205	CML-5091(066)		37,698
Total Highway Planning and Construction Cluster				
<u>TOTAL U.S. DEPARTMENT OF TRANSPORTATION</u>				
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>				
Direct Programs				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036		-	18,728
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083		-	30,219
Staffing for Adequate Fire and Emergency Response (SAFER)	97.067		-	86,965
<u>TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY</u>				
<u>TOTAL EXPENDITURES OF FEDERAL AWARDS</u>				

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 – GENERAL

The accompanying Schedule of Expenditures of Federal Awards presents all the activity of all the federal award programs of the City of Hanford, California (the City) for the year ended June 30, 2022. The City reporting entity is defined in Note 1 to the City's basic financial statements. Federal awards received directly from federal agencies as well as federal awards passed through other government agencies are included on the schedule.

NOTE 2 – BASIS OF ACCOUNTING

Consistent with the City's method of filing federal financial reports, the accompanying Schedule of Expenditures of Federal Awards is prepared using the accrual basis method of accounting. The information in this schedule is presented in accordance with the 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). Therefore, some of the amounts presented in this schedule may differ from amounts presented or used in the preparation of the basic financial statements. The amounts reported in the accompanying Schedule of Expenditures of Federal Awards agree, in all material respects, to amounts reported within the City's financial statements.

NOTE 3 – RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

Amounts reported in the accompanying schedule agree with the amounts reported in the related periodic federal financial reports.

NOTE 4 – CATALOG OF FEDERAL DOMESTIC ASSISTANCE (CFDA)

The CFDA numbers included in the accompanying Schedule of Expenditures of Federal Awards were determined based on the program name, review of the grant or contract information and the Office of Management and Budget's Catalog of Federal Domestic Assistance.

NOTE 5 – PASS-THROUGH ENTITY IDENTIFYING NUMBERS

When Federal awards were received from a pass-through entity, the Schedule of Expenditures of Federal Awards show, if available, the identifying number assigned by the pass-through entity. When no identifying number is shown, the City has either determined that no identifying number is assigned for the program, or the City was unable to obtain an identifying number from the pass-through entity.

NOTE 6 – 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, 2022

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

Type of auditors’ report issued: Unmodified

Internal control over financial reporting:

· Material weakness identified? Yes X No

· Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes X 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

Any audit findings disclosed that are required to be reported in accordance with 2CFR Section 200.516(a)? 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>
21.027	Coronavirus State and Local Fiscal Recovery Funds

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, 2022

SECTION II – FINANCIAL STATEMENT FINDINGS

There were no reportable financial statement findings to be reported in accordance with *Government Auditing Standards*.

SECTION III – FEDERAL AWARD FINDINGS

There were no federal award findings or questioned costs to be reported in accordance with the Uniform Guidance.

CITY OF HANFORD
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021

SECTION II – FINANCIAL STATEMENT FINDINGS

There were no reportable financial statement findings to be reported in accordance with *Government Auditing Standards*.

SECTION III – FEDERAL AWARD FINDINGS

There were no federal award findings or questioned costs to be reported in accordance with the Uniform Guidance.

APPROPRIATIONS 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
City of Hanford
Hanford, California

We have performed the procedures enumerated below to the accompanying calculation of the Appropriations Limit of the City of Hanford, California (the City) for the year ended June 30, 2022. 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, 2022 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: In the prior year, when comparing the population change rate, we noted that the City utilized the incorrect rate. This resulted in an adjustment in the prior year and consequently the ending limit for the current year being overstated by \$134,276. Per discussion with management, this came to light after the adoption of the current year limit and has since been corrected on the subsequent year's limit.

- 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 30, 2023

**CITY OF HANFORD
APPROPRIATIONS LIMIT SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2022**

Appropriations Limit, fiscal year 2021, as revised \$ 71,934,925

Adjustment Factors:

Per Capita Personal Income Change	5.73%
Population change - City of Hanford	1.36%
Per Capita converted to a ratio	1.0573
Population converted to a ratio	1.0136
Calculation of factor FY 21-22	1.0717

Annual adjustment in dollars 5,157,734

Appropriations limit, fiscal year 2022, as revised \$ 77,092,659