

CITY OF HANFORD

FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT

YEAR ENDED JUNE 30, 2015

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CITY OF HANFORD
June 30, 2015

CITY COUNCIL

<u>NAME</u>	<u>POSITION</u>
Russ Curry	Mayor
David Ayers	Vice Mayor
Gary Pannette	Council Member
Francisco Ramirez	Council Member
Justin Mendez	Council Member

ADMINISTRATION

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



March 2, 2016

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

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the blended component unit, each major fund, and the aggregate remaining fund information of the City of Hanford, California (the City), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with accounting standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hanford as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-11, the Public Employees Retirement System Schedule of Funding Progress on pages 61-64 and budgetary comparison information on pages 65-68 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Hanford's basic financial statements. The introductory section and combining and individual nonmajor fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 2, 2016, on our consideration of the City of Hanford's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Hanford's internal control over financial reporting and compliance.

Sampson, Sampson & Patterson, LLP

CITY OF HANFORD
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015

This discussion and analysis of the City of Hanford's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2015. We encourage readers to consider the information presented here in conjunction with the accompanying basic financial statements and the accompanying notes to those financial statements.

FINANCIAL HIGHLIGHTS

- Assets of the City of Hanford exceed its liabilities at the close of the most recent fiscal year 2015 by about \$266.6 million. Of this amount, about \$7.6 million in unrestricted assets may be used to meet the City's ongoing obligations to citizens and creditors.
- As of June 30, 2015, the City's governmental funds reported combined ending fund balances of \$60.2 million.
- Approximately 10.5% of the combined governmental fund balances is considered available for spending at the City's discretion.
- As of June 30, 2015, unassigned fund balance in the General Fund was \$6.3 million, or 27.2% of total General Fund Expenditures.
- The City's total debt decreased by \$2.08 million during the fiscal year 2015, which is due to 1) the normal maturity of debt in the water system, the wastewater system, and the citywide solar energy system and 2) refinancing of debt in the Water Enterprise Fund.
- The following pension liabilities (\$38,343,202) are included in the financial statements as required by GASB 68: General Fund \$28,979,839; Water Enterprise \$2,189,932; Sewer Enterprise \$2,210,989; Refuse Enterprise \$3,100,064; Courthouse \$7,019; Information Technology \$243,324; Building \$655,108; Fleet \$956,925.

THE FINANCIAL STATEMENTS

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

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

CITY OF HANFORD
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Continued)

The **Fund Financial Statements** include statements for each of the three categories of activities – governmental, business-type and fiduciary. The governmental activities are prepared using the current financial resources measurement focus and modified accrual basis of accounting. The business-type activities are prepared using the economic resources measurement focus and the accrual basis of accounting. The fiduciary activities are agency funds, which only report a balance sheet and do not have a measurement focus. Reconciliations of the Fund Financial Statements to the Government-Wide Financial Statements are provided to explain the differences created by the integrated approach.

OVERVIEW OF THE FINANCIAL STATEMENTS

Government-Wide Financial Statements

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

The Statement of Net Position and the Statement of Activities and Changes in Net Position 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 and Changes in Net Position, we separate the City activities as follows:

Governmental activities – Most of the City's basic services are reported in this category, including General Government, Police, Fire, Public Works, Parks/Recreation, and Community Development. Property and sales taxes, user fees, interest income, franchise fees, and state and federal shared revenues and grants generally financed these activities.

Business-Type activities – The City charges a fee to customers to cover all or most of the cost of certain services it provides. The City's Water, Sewer, Storm Drain, Refuse, Airport, Intermodal, and Courthouse Square Funds are reported in this category.

CITY OF HANFORD
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Continued)

FUND FINANCIAL STATEMENTS

The City, like other state and local governments, uses fund accounting to account for a number of funding sources and activities. In general, fund accounting provides a mechanism for separately accounting for a variety of different funding sources, and enables the City to demonstrate compliance with legal and/or contractual requirements that may be associated with these funds. Thus, the accompanying fund financial statements present individual funds, organized into one of three groups based on the nature of the activities and their purpose: Governmental, Proprietary or Fiduciary Funds. Note that the fund financial statements only present the most significant (or “major”) funds. In addition, the fund financial statements include a schedule that reconciles the fund financial statements to the Government-Wide Financial Statements. This is designed to explain the difference created by the integrated approach.

Governmental Funds – Most of the City’s basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City’s general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City’s programs. The differences between the results shown in the governmental fund financial statements and those shown in the government-wide financial statements are explained in a reconciliation schedule following each governmental fund financial statement.

Proprietary Funds – When the City charges customers for the services it provides, whether to outside customers or to other units of the City, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net 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.

CITY OF HANFORD
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Continued)

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 of Hanford, assets exceeded liabilities by \$266,610,860 at the close of the most recent fiscal year.

By far the largest portion of the City of Hanford's net position 79.0% reflects its investment in capital assets (e.g., land, buildings, machinery, infrastructure and equipment), less any outstanding debt used to acquire those assets. The City of Hanford uses these capital assets to provide services to citizens; consequently, their value is not available for future spending. Although the City of Hanford's investment in its capital assets is reported net of related debt, it should be noted that the sources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

Of the total current assets \$77,704,497, approximately 91% or \$70,920,323, consists of cash and investments. These funds are invested in accordance with State law and the City's investment policy, and includes funds legally and/or contractually restricted as to their use.

STATEMENT OF NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Assets:						
Current assets	\$ 47,249,511	\$ 44,767,797	\$ 30,454,986	\$ 33,500,656	\$ 77,704,497	\$ 78,268,453
Capital and non-current assets (net of depreciation)	<u>166,008,584</u>	<u>165,897,689</u>	<u>119,040,900</u>	<u>114,047,754</u>	<u>285,049,484</u>	<u>279,945,443</u>
Total assets	<u>213,258,095</u>	<u>210,665,486</u>	<u>149,495,886</u>	<u>147,548,410</u>	<u>362,753,981</u>	<u>358,213,896</u>
Deferred outflow of resources	<u>3,825,534</u>	_____	<u>931,408</u>	<u>362,055</u>	<u>4,756,942</u>	<u>367,055</u>
Liabilities:						
Current and other liabilities	1,579,353	1,679,929	4,179,333	4,464,711	5,758,686	6,144,640
Long-term liabilities	<u>33,451,705</u>	<u>2,629,347</u>	<u>53,255,861</u>	<u>47,227,254</u>	<u>86,707,566</u>	<u>49,856,601</u>
Total liabilities	<u>35,031,058</u>	<u>4,309,276</u>	<u>57,435,194</u>	<u>51,691,965</u>	<u>92,466,252</u>	<u>56,001,241</u>
Deferred inflow of resources	<u>6,782,470</u>	_____	<u>1,651,341</u>	<u>388,874</u>	<u>8,433,811</u>	<u>388,874</u>
Net Position:						
Invested in capital assets, net of related debt	137,807,121	138,119,695	72,850,892	65,489,040	210,658,013	203,608,735
Restricted	45,230,167	42,274,023	3,124,917	6,497,413	48,355,084	48,771,436
Unrestricted	<u>(7,767,187)</u>	<u>25,962,492</u>	<u>15,364,950</u>	<u>23,843,173</u>	<u>7,597,763</u>	<u>49,805,665</u>
Total net position	<u>\$175,270,101</u>	<u>\$206,356,210</u>	<u>\$ 91,340,759</u>	<u>\$ 95,829,626</u>	<u>\$266,610,860</u>	<u>\$302,185,836</u>

An additional portion of the City of Hanford's net position \$ 48,355,084 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position \$7,597,763 may be used to meet the government's ongoing obligations to citizens and creditors.

CITY OF HANFORD
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Continued)

At the end of the current fiscal year, the City of Hanford 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.

Statement of Activities

As discussed earlier, the Statement of Net Position provides a measure of the financial health of an entity at a specific date in time (usually year end). The Statement of Activities provides details of how net position changed from the beginning of the year to the end of the year, and whether net assets increased or decreased. Thus, it indicates that the City as a whole is less at June 30, 2015 than it was at June 30, 2014. The reduction in net position is primarily attributed to recording \$38,343,202 for pension liabilities required by GASB 68. Pension liabilities were not previously recorded in financial statements.

STATEMENT OF ACTIVITIES

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
REVENUES:						
Program revenues:						
Charges for services	\$ 5,119,281	\$ 4,872,743	\$19,793,536	\$20,111,378	\$ 24,912,817	\$ 24,984,121
Operating grants and contributions	1,252,929	556,526			1,252,929	556,526
Capital grants and contributions	914,526	822,314	3,388,446	3,419	4,302,972	825,733
General revenues:						
Taxes	22,858,595	22,972,343			22,858,595	22,972,343
Investment earnings	689,100	756,502	93,420	133,512	782,520	890,014
Other revenues	875,621	533,383	2,268,941	880,626	3,144,562	1,414,009
TOTAL REVENUES	31,710,052	30,513,811	25,544,343	21,128,935	57,254,395	51,642,746
EXPENSES:						
Governmental activities:						
General government	2,377,309	2,078,171			2,377,309	2,078,171
Public safety	14,386,240	15,742,686			14,386,240	15,742,686
Public works	7,110,149	8,334,364			7,110,149	8,334,364
Parks and recreation	3,327,204	3,608,001			3,327,204	3,608,001
Community development	2,134,853	2,245,949			2,134,853	2,245,949
Interest on long-term debt						
Business-type activities:						
Water system			6,490,128	6,265,085	6,490,128	6,265,085
Wastewater system			6,213,253	5,724,157	6,213,253	5,724,157
Storm drain			909,360	706,734	909,360	706,734
Refuse			6,535,528	6,286,504	6,535,528	6,286,504
Airport			428,542	454,832	428,542	454,832
Intermodal			78,241	71,819	78,241	71,819
Courthouse square			205,220	195,731	205,220	195,731
TOTAL EXPENSES	29,335,755	32,009,171	20,860,272	19,704,862	50,196,027	51,714,033
Increase in net position before transfers	2,374,297	(1,495,360)	4,684,071	1,424,073	7,058,368	(71,287)
Transfers	(138,102)	(14,844)	138,102	14,844		
Change in net position	2,236,195	(1,510,204)	4,822,173	1,438,917	7,058,368	(71,287)
Net position, beginning of year, as previously reported	206,356,210	207,779,628	95,829,626	94,761,246	302,185,836	302,540,874
Prior period adjustment		86,786		(370,537)		(283,751)
Effect of accounting change	(33,322,304)		(9,311,040)		(42,633,344)	
Net position, beginning of year, restated	173,033,906	207,866,414	86,518,586	94,390,709	259,552,492	302,257,123
Net position, end of year	\$175,270,101	\$206,356,210	\$91,340,759	\$95,829,626	\$266,610,860	\$302,185,836

CITY OF HANFORD
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Continued)

The City's revenue totaled \$57,254,395, with 44% generated from charges for services and 40% generated from taxes. The largest source of revenues in Governmental Activities comes from taxes at 72%. This is typical in that traditional services provided by a city, such as public safety, parks, recreation, and public works, are primarily funded from property, sales, transient occupancy, and other local taxes. The largest source of revenues in Business-Type Activities comes from charges for services at 77%. The Business-Type Activities include enterprise fund operations, such as Water, Sewer, Refuse, Airport and Intermodal Funds, all of which recover their costs through fees and charges just like a normal business.

Expenses of the City totaled \$50,196,027. The two largest categories of expense are public safety, which accounted for 29% of total costs and public works, which represents 14% of total costs. However, in relation to Governmental Activity expenses, public safety makes up 49% of the total.

As shown in the Statement of Activities, net position decreased from the prior year. In those funds included within the Governmental Activities category, net position decreased by \$31,086,109 a decrease of 15%. The net position also decreased in those funds included within the Business-Type Activities category by \$4,488,867, or 5%. The decreases are the result of required GASB 68 accounting changes implemented to report net pension liabilities in the financial statements.

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 \$6,336,292 while total fund balance reached \$15,543,131. 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 27.3% 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.

CITY OF HANFORD
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Continued)

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

The Water Fund has a total net position of \$29,850,390 at the end of the fiscal year. Total net position includes \$25,842,447 invested in capital assets and \$3,124,917 reserved for debt service, which are not available to pay for current expenses. The remaining net position of \$883,026 is unrestricted and available to cover current operating and capital needs of the fund.

The Refuse Fund has a total net position of \$713,903 at the end of the fiscal year. Total net position includes \$225,008 invested in capital assets, which are not available to cover current expenses. The remaining net position of \$488,895 is unrestricted and available to cover current operating and capital needs of the fund.

The Wastewater Fund has a total net position of \$29,488,833 at the end of the fiscal year. Total net position includes \$24,357,888 invested in capital assets, which are not available to cover current expenses. The fund has \$5,130,945 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, 2015 amounts to \$256,848,021 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, park facilities and roads. The net increase in the City's investment in capital assets for the current fiscal year was \$4,680,572. This increase is a result of annual depreciation, land acquisition, normal equipment replacement, and construction of typical capital assets. Significant capital asset events during the fiscal year included the following:

- Purchase of fleet vehicles and equipment \$1,389,036.
- Purchase of land and construction on storm drainage facilities \$462,168.
- Construction on wastewater system treatment plan and collection system for \$484,457.
- Construction on the water system storage tanks, water wells, and water mains for \$6,414,805.
- Various street construction projects, rehabilitation and betterments for \$10,798,975.
- Depreciation for fiscal year 2014-15 \$9,707,349.

Capital Assets
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$ 60,432,656	\$ 60,432,656	\$ 10,958,043	\$ 11,205,543	\$ 71,390,699	\$ 71,638,199
Buildings	10,625,505	10,949,373	6,020,617	6,278,096	16,646,122	17,227,469
Infrastructure	57,476,281	56,165,060	89,613,680	89,450,401	147,089,961	145,615,461
Equipment	8,345,453	7,759,121	3,471,758	3,600,751	11,817,211	11,359,872
Construction in progress	927,226	2,813,485	8,976,802	3,512,963	9,904,028	6,326,448
Total capital assets	<u>\$137,807,121</u>	<u>\$138,119,695</u>	<u>\$119,040,900</u>	<u>\$114,047,754</u>	<u>\$256,848,021</u>	<u>\$252,167,449</u>

CITY OF HANFORD
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Continued)

Long-Term Debt - At the end of the current fiscal year, the City of Hanford, primary government, had a total debt outstanding of \$48,692,957.

Outstanding Debt

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Compensated absences	\$ 989,915	\$ 906,153	\$ 196,937	\$ 186,927	\$ 1,186,852	\$ 1,093,080
Revenue bonds payable			26,820,000	28,005,000	26,820,000	28,005,000
Unamortized bond premium			1,069,646	902,698	1,069,646	902,698
Notes payable	246,450	246,450	7,160,982	7,465,709	7,407,432	7,712,159
Lease purchase	_____	_____	<u>12,209,027</u>	<u>13,061,186</u>	<u>12,209,027</u>	<u>13,061,186</u>
	<u>\$1,236,365</u>	<u>\$1,152,603</u>	<u>\$47,456,592</u>	<u>\$49,621,520</u>	<u>\$48,692,957</u>	<u>\$50,774,123</u>

In the Business-Type Activities, the revenue bonds payable consists of three bond issues. In 2013, for the water system, the city received \$12,725,000 from the issuance of Water Revenue Bonds for the purpose of refinancing a 2003 Revenue Bond and 2007 note payable. For the sewer system there remains a 1996 \$7,855,000 Variable Rate Refunding Bond issue, and a 2012 \$13,165,000 Refunding Revenue Bond.

The notes payable portion of the outstanding \$7,407,432 debt consists of two loans. In 2002, the City obtained a \$10,000,000 loan for the purpose of expanding the wastewater treatment plant and in September, 2011, the City obtained a \$246,450 shared appreciation loan from the Kings County Economic Development Corporation for purchase of land in the Kings Industrial Park.

The outstanding lease purchase amount, \$13,061,186, is three capital leases. The first was for an original lease amount of \$3,050,000 to lease water meters and AMR devices. The second lease was for an energy efficient solar tracker system at the wastewater treatment plant for \$4,325,556. The third lease was for a second energy efficient solar tracking system \$8,495,138 located at the wastewater treatment plant but serving the whole city.

For detail information regarding each of these bonds or notes, please refer to Note 5 – Long-Term Debt, pages 45-50.

GENERAL FUND BUDGETARY HIGHLIGHTS

The original 2015 fiscal year budget was increased by \$380,420 primarily from grant funds and prior year projects brought forward. The actual revenues were more than budget estimates by \$546,361. The increase came from sale of land, fines and state and federal revenues. Expenditure savings were about \$1,080,748, from all general fund functions.

CITY OF HANFORD
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Continued)

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The key assumptions in the General Fund revenue forecast for fiscal year 2015-2016 were:

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

Items addressed in the budget were:

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

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

Community Development – Continue upgrade of the City general plan.

Water – The completion of construction of various water main replacements and additions and construction of a new water well.

Streets – Resurface 12th Avenue from Glendale Avenue to Home Depot, install traffic signal at 11th Avenue and Houston Avenue, and complete sealing and maintenance of various streets.

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

Parks and Recreation – Complete street median landscape renovation projects, handicap accessibility modifications, and Freedom Park playground modifications.

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, 2015

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	\$ 48,671,767	\$ 19,123,639	\$ 67,795,406
Receivables	1,670,694	4,199,951	5,870,645
Internal balances	(3,527,749)	3,527,749	
Prepaid expenses		107,542	107,542
Inventories	208,216	248,411	456,627
Deposits	225,000	10,000	235,000
Deferred charges		112,777	112,777
Other assets	1,583		1,583
Long-term notes receivable	19,972,145		19,972,145
Loan to Successor Agency	7,736,418		7,736,418
Restricted cash and investments		3,124,917	3,124,917
Land held for resale	492,900		492,900
Capital assets:			
Non-depreciable capital assets:			
Land	60,432,656	10,958,043	71,390,699
Construction in progress	927,226	8,976,802	9,904,028
Depreciable capital assets, net of depreciation	<u>76,447,239</u>	<u>99,106,055</u>	<u>175,553,294</u>
Total assets	<u>213,258,095</u>	<u>149,495,886</u>	<u>362,753,981</u>
Deferred outflow of resources			
Deferred outflows related to pensions	<u>3,825,534</u>	<u>931,408</u>	<u>4,756,942</u>
Total deferred outflow of resources	<u>3,825,534</u>	<u>931,408</u>	<u>4,756,942</u>
LIABILITIES			
Accounts payable	961,988	1,187,271	2,149,259
Salary and benefits payable	599,146	130,142	729,288
Accrued interest payable		552,058	552,058
Deposits and unearned revenue	18,219	266,227	284,446
Long-term debt – due within one year		2,043,635	2,043,635
Long-term debt – due in more than one year	246,450	44,146,373	44,392,823
Unamortized bond premium		1,069,646	1,069,646
Compensated absences – long-term	989,915	196,938	1,186,853
Net OPEB liability	1,380,142	334,900	1,715,042
Net pension liability	<u>30,835,198</u>	<u>7,508,004</u>	<u>38,343,202</u>
Total liabilities	<u>35,031,058</u>	<u>57,435,194</u>	<u>92,466,252</u>
Deferred inflow of resources			
Deferred inflows related to pensions	<u>6,782,470</u>	<u>1,651,341</u>	<u>8,433,811</u>
Total deferred inflow of resources	<u>6,782,470</u>	<u>1,651,341</u>	<u>8,433,811</u>
NET POSITION			
Invested in capital assets, net of related debt	137,807,121	72,850,892	210,658,013
Restricted for:			
Streets	9,371,596		9,371,596
Debt service		3,124,917	3,124,917
Housing	21,423,785		21,423,785
Public safety	2,132,681		2,132,681
Parks and recreation	2,575,863		2,575,863
Capital projects	9,726,242		9,726,242
Unrestricted	<u>(7,767,187)</u>	<u>15,364,950</u>	<u>7,597,763</u>
Total net position	<u>\$175,270,101</u>	<u>\$ 91,340,759</u>	<u>\$266,610,860</u>

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

CITY OF HANFORD
Statement of Activities
For the Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions			
Primary government:							
Governmental activities:							
General government	\$ 2,377,309	\$ 56,254	\$ 332,638	\$	\$ (1,988,417)		
Public safety	14,386,240	1,375,929	795,933		(12,214,378)		
Public works	7,110,149	1,319,003		914,526	(4,876,620)		
Recreation	3,327,204	697,722			(2,629,482)		
Community development	<u>2,134,853</u>	<u>1,670,373</u>	<u>124,358</u>		<u>(340,122)</u>		
Total governmental activities	<u>29,335,755</u>	<u>5,119,281</u>	<u>1,252,929</u>	<u>914,526</u>	<u>(22,049,019)</u>		
Business-type activities:							
Water system	6,490,128	5,834,543		2,857,666	2,202,081		
Wastewater system	6,213,253	5,797,126		356,833	(59,294)		
Storm drain	909,360	1,321,137		173,947	585,724		
Refuse	6,535,528	6,588,765			53,237		
Airport	428,542	86,926			(341,616)		
Intermodal	78,241	32,221			(46,020)		
Courthouse square	<u>205,220</u>	<u>132,818</u>			<u>(72,402)</u>		
Total business-type activities	<u>20,860,272</u>	<u>19,793,536</u>		<u>3,388,446</u>	<u>2,321,710</u>		
Total primary government	<u>\$50,196,027</u>	<u>\$24,912,817</u>	<u>\$1,252,929</u>	<u>\$4,302,972</u>	<u>\$(19,727,309)</u>		

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

CITY OF HANFORD
Statement of Activities
For the Year Ended June 30, 2015
(Continued)

Functions/Programs	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business-Type Activities	Total
Primary Government:			
Governmental activities:			
General government	\$ (1,988,417)	\$	\$ (1,988,417)
Public safety	(12,214,378)		(12,214,378)
Public works	(4,876,620)		(4,876,620)
Recreation	(2,629,482)		(2,629,482)
Community development	<u>(340,122)</u>		<u>(340,122)</u>
Total governmental activities	<u>(22,049,019)</u>		<u>(22,049,019)</u>
Business-type activities:			
Water system		2,202,081	2,202,081
Wastewater system		(59,294)	(59,294)
Storm drain		585,724	585,724
Refuse		53,237	53,237
Airport		(341,616)	(341,616)
Intermodal		(46,020)	(46,020)
Courthouse square		(72,402)	(72,402)
Total business-type activities		<u>2,321,710</u>	<u>2,321,710</u>
Total primary government	<u>(22,049,019)</u>	<u>2,321,710</u>	<u>(19,727,309)</u>
General revenues:			
Taxes:			
Property taxes	11,013,069		11,013,069
Sales and use tax	8,405,169		8,405,169
Franchise taxes	1,057,300		1,057,300
Other taxes	2,383,057		2,383,057
Revenue from use of money and property	689,100	93,420	782,520
Impact fees		1,829,015	1,829,015
Gain (loss) on sale of capital assets		(111,708)	(111,708)
Miscellaneous/other	875,621	551,634	1,427,255
Transfers - interfund	<u>(138,102)</u>	<u>138,102</u>	
Total general revenues and transfers	<u>24,285,214</u>	<u>2,500,463</u>	<u>26,785,677</u>
Change in net position			
	2,236,195	4,822,173	7,058,368
Net position – beginning of year, as previously reported	206,356,210	95,829,626	302,185,836
Effect of accounting change	<u>(33,322,304)</u>	<u>(9,311,040)</u>	<u>(42,633,344)</u>
Net position, beginning of year, restated	<u>173,033,906</u>	<u>86,518,586</u>	<u>259,552,492</u>
Net position, end of year	<u>\$175,270,101</u>	<u>\$91,340,759</u>	<u>\$266,610,860</u>

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

**GOVERNMENTAL
FUND FINANCIAL STATEMENTS**

CITY OF HANFORD
Combining Balance Sheet
Governmental Funds
June 30, 2015

	General Fund	CDBG Home/Housing Fund	Capital Project Fund	Transportation Funds	All Other Governmental Funds	Totals
ASSETS						
Cash and investments	\$ 7,908,800	\$ 347,450	\$6,932,893	\$1,880,685	\$13,407,269	\$30,477,097
Receivables	577,023	38,094	14,278	785,082	241,123	1,655,600
Loan receivable		17,358,362			2,613,783	19,972,145
Due from other funds	190,218		1,754,790			1,945,008
Deposits	100,000					100,000
Other assets	483		1,100			1,583
Land for resale	492,900					492,900
Advances to successor agency	<u>7,736,418</u>					<u>7,736,418</u>
Total assets	<u>\$17,005,842</u>	<u>\$17,743,906</u>	<u>\$8,703,061</u>	<u>\$2,665,767</u>	<u>\$16,262,175</u>	<u>\$62,380,751</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	368,112	33,883	100,822	238,067	88,017	828,901
Accrued wages payable	511,789					511,789
Consumer deposits	15,070	3,149				18,219
Due to other funds	321,290				190,218	511,508
Loans payable	<u>246,450</u>					<u>246,450</u>
Total liabilities	<u>1,462,711</u>	<u>37,032</u>	<u>100,822</u>	<u>238,067</u>	<u>278,235</u>	<u>2,116,867</u>
FUND BALANCES						
Nonspendable:						
Long-term receivables	7,736,418				2,568,908	10,305,326
Land for resale	246,450					246,450
Insurance deposits	100,000					100,000
Restricted for:						
Community development		17,706,874			2,427,700	17,733,678
Streets and roads					6,191,404	8,619,104
Recreation					2,574,664	2,574,664
Landscape maintenance					753,691	753,691
Public safety					2,132,681	2,132,681
Committed for:					32	32
Parking and business improvement			8,602,239		610,529	9,212,768
Community development					1,146,655	1,146,655
Capital projects	1,123,971					1,123,971
Unassigned	<u>6,336,292</u>				<u>(21,428)</u>	<u>6,314,864</u>
Total fund balances	<u>\$15,543,131</u>	<u>\$17,706,874</u>	<u>\$8,602,239</u>	<u>\$2,427,700</u>	<u>\$15,983,940</u>	<u>\$60,263,884</u>
Total liabilities and fund balances	<u>\$17,005,842</u>	<u>\$17,743,906</u>	<u>\$8,703,061</u>	<u>\$2,665,767</u>	<u>\$16,262,175</u>	<u>\$62,380,751</u>

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

CITY OF HANFORD
Reconciliation of the Governmental Fund Balances to the
Governmental Activities Net Position
June 30, 2015

Total fund balances governmental funds \$ 60,263,884

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	\$208,209,749	130,786,543
Accumulated depreciation	<u>(77,423,206)</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: 18,348,547

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

Compensated absences	\$ 989,915	(31,349,896)
Unfunded OPEB liabilities	1,380,142	
Net pension liability	<u>28,979,839</u>	

Deferred outflows related to pensions 3,595,297

Deferred inflows related to pensions (6,374,274)

Total net position – governmental activities \$175,270,101

CITY OF HANFORD
Reconciliation of the Governmental Fund Balances to the
Governmental Activities Net Position
June 30, 2015

	General Fund	CDBG Home/Housing Fund	Capital Project Fund	Transportation Funds	All Other Governmental Funds	Totals
REVENUES						
Taxes and special assessments	\$19,944,289	\$ 499,053	\$	\$1,443,576	\$ 3,500,823	\$24,888,688
Aid from other government agencies	1,791,763			517,371	402,001	3,210,188
Licenses and permits	769,258					769,258
Fines and forfeitures	221,189				64,871	286,060
Charges for services	1,015,014					1,015,014
Revenue from use of money and property	393,824	249,544	3,827	8,005	95,396	750,596
Miscellaneous	567,394		222,854			790,248
Total revenues	<u>24,702,731</u>	<u>748,597</u>	<u>226,681</u>	<u>1,968,952</u>	<u>4,063,091</u>	<u>31,710,052</u>
EXPENDITURES						
General government	2,011,761				413,317	2,425,078
Public safety	14,696,077					14,696,077
Public works	2,324,522			492,765	278,205	3,095,492
Recreation	2,815,731					2,815,731
Community development	1,396,181	73,221	428,845		172,432	2,070,679
Capital outlay		353,519	1,679,265	534,492	1,711,425	4,278,701
Total expenditures	<u>23,244,272</u>	<u>426,740</u>	<u>2,108,110</u>	<u>1,027,257</u>	<u>2,575,379</u>	<u>29,381,758</u>
Excess (deficiency) of revenues over expenditures	<u>1,458,459</u>	<u>321,857</u>	<u>(1,881,429)</u>	<u>941,695</u>	<u>1,487,712</u>	<u>2,328,294</u>
Other financing sources (uses)						
Operating transfers in	94,378		2,205,023		71,770	2,371,171
Operating transfers out	<u>(2,249,881)</u>	<u>(102,841)</u>		<u>(271)</u>	<u>(119,105)</u>	<u>(2,472,098)</u>
Total other financing sources (uses)	<u>(2,155,503)</u>	<u>(102,841)</u>	<u>2,205,023</u>	<u>(271)</u>	<u>(47,335)</u>	<u>(100,927)</u>
Net change in fund balance	<u>(697,044)</u>	<u>219,016</u>	<u>323,594</u>	<u>941,424</u>	<u>1,440,377</u>	<u>2,227,367</u>
Fund balance, beginning of year	<u>16,240,175</u>	<u>17,487,858</u>	<u>8,278,645</u>	<u>1,486,276</u>	<u>14,543,563</u>	<u>58,036,517</u>
Fund balance, end of year	<u>\$15,543,131</u>	<u>\$17,706,874</u>	<u>\$ 8,602,239</u>	<u>\$2,427,700</u>	<u>\$15,983,940</u>	<u>\$60,263,884</u>

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

CITY OF HANFORD
Reconciliation of the Governmental Funds Statement
of Revenues, Expenditures, and Changes in Fund Balances
to the Government-Wide Statement of Activities
For the Year ended June 30, 2015

Total net change in fund balances – governmental funds	\$ 2,227,367
Amounts reported for governmental activities in the statement of activities different because:	
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period:	
Expenditures for capital outlay	\$ 4,496,880
Depreciation expense	<u>(5,533,791)</u>
	(1,036,911)
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:	
	(83,762)
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:	
	569,434
Unfunded OPEB liability: These expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in government funds.	
	96,602
Pension contributions are reported as expenditures in the governmental funds, but contributions are reported as deferred outflows in the statement of net position.	
	<u>463,465</u>
Change in net position of governmental activities	<u>\$ 2,236,195</u>

PROPRIETARY FUNDS FINANCIAL STATEMENTS

CITY OF HANFORD
Statement of Net Position
Proprietary Funds
June 30, 2015

	Water System Fund	Wastewater Fund	Sewer Improvement Funds	
		Storm Drain Fund	Refuse Fund	
ASSETS				
Current assets:				
Cash and investments	\$ 1,822,203	\$ 8,285,821	\$ 5,088,102	\$ 3,767,713
Restricted cash	3,124,917			
Receivables, net	3,015,546	458,625	126,455	599,152
Deposits	6,000	4,000		
Prepaid expenses		107,542		
Inventory	248,411			
Deferred charges	30,135	82,642		
Due from other funds				
Total current assets	<u>8,247,212</u>	<u>8,938,630</u>	<u>5,214,557</u>	<u>4,366,865</u>
Noncurrent assets:				
Capital assets:				
Land	324,114	4,135,650	3,622,772	
Buildings and improvements	48,792,627	73,535,217	16,648,599	267,445
Machinery and equipment	3,807,440	742,010	129,356	1,100,516
Construction in progress	8,752,265	127,624	61,283	26,200
Less accumulated depreciation	<u>(15,213,481)</u>	<u>(28,613,123)</u>	<u>(4,342,461)</u>	<u>(1,169,153)</u>
Total capital assets	<u>46,462,965</u>	<u>49,927,378</u>	<u>16,119,549</u>	<u>225,008</u>
(net of accumulated depreciation)				
Total noncurrent assets	<u>46,462,965</u>	<u>49,927,378</u>	<u>16,119,549</u>	<u>225,008</u>
Total assets	<u>54,710,177</u>	<u>58,866,008</u>	<u>21,334,106</u>	<u>4,591,873</u>
Deferred outflow of resources				
Deferred outflows related to pensions	271,621	274,476		384,359
Total deferred outflow of resources	<u>271,621</u>	<u>274,476</u>		<u>384,359</u>
LIABILITIES				
Current liabilities:				
Accounts payable	730,285	221,304	6,761	207,122
Salaries and benefits payable	38,945	37,285		53,086
Deposits and unearned revenue	261,812		1,095	1,360
Due to other funds				
Interest payable	200,076	351,982		
Current portion of long-term debt	<u>1,063,243</u>	<u>980,392</u>		
Total current liabilities	<u>2,294,361</u>	<u>1,590,963</u>	<u>7,856</u>	<u>261,568</u>
Noncurrent liabilities:				
Compensated absences payable	61,160	56,594		79,184
Net OPEB liability	110,962	83,877		140,061
Unamortized bond premium	436,147	633,499		
Bonds and notes payable	19,557,275	24,589,098		
Net pension liability	<u>2,189,932</u>	<u>2,210,989</u>		<u>3,100,064</u>
Total noncurrent liabilities	<u>22,355,476</u>	<u>27,574,057</u>		<u>3,319,309</u>
Total liabilities	<u>24,649,837</u>	<u>29,165,020</u>	<u>7,856</u>	<u>3,580,877</u>
Deferred inflow of resources				
Deferred inflows related to pensions	481,571	486,631		681,452
Total deferred inflow of resources	<u>481,571</u>	<u>486,631</u>		<u>681,452</u>
NET POSITION				
Invested in capital assets net of related debt	25,842,447	24,357,888	16,119,549	225,008
Restricted for debt service	3,124,917			
Unrestricted	<u>883,026</u>	<u>5,130,945</u>	<u>5,206,701</u>	<u>488,895</u>
Total net position	<u>\$ 29,850,390</u>	<u>\$ 29,488,833</u>	<u>\$ 21,326,250</u>	<u>\$ 713,903</u>

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

CITY OF HANFORD
Statement of Net Position
Proprietary Funds
June 30, 2015
(Continued)

	Airport Fund	Intermodal Fund	Courthouse Square	Total	Governmental Activities Internal Service Funds
ASSETS					
Current assets:					
Cash and investments	\$ 159,350	\$ 450	\$	\$ 19,123,639	\$ 18,194,670
Restricted cash				3,124,917	
Accounts receivable, net			173	4,199,951	15,094
Deposits				10,000	125,000
Prepaid expenses				107,542	208,216
Inventory				248,411	
Deferred charges				112,777	
Due from other funds	46,463			46,463	
Total current assets	<u>205,813</u>	<u>450</u>	<u>173</u>	<u>26,973,700</u>	<u>18,542,980</u>
Noncurrent assets:					
Capital assets:					
Land	2,596,623	278,884		10,958,043	
Buildings and improvements	6,710,403	1,305,817		147,260,108	
Machinery and equipment	54,971			5,834,293	18,625,112
Construction in progress	9,430			8,976,802	
Less: Accumulated depreciation	(4,141,977)	(508,151)		(53,988,346)	(11,604,534)
Total capital assets (net of accumulated depreciation)	<u>5,229,450</u>	<u>1,076,550</u>		<u>119,040,900</u>	<u>7,020,578</u>
Total noncurrent assets	<u>5,229,450</u>	<u>1,076,550</u>		<u>119,040,900</u>	<u>7,020,578</u>
Total assets	<u>5,435,263</u>	<u>1,077,000</u>	<u>173</u>	<u>146,014,600</u>	<u>25,563,558</u>
Deferred outflow of resources					
Deferred outflows related to pensions				952	931,408
Total deferred outflow of resources				<u>952</u>	<u>931,408</u>
LIABILITIES					
Current Liabilities:					
Accounts payable	17,172	427	4,200	1,187,271	133,087
Salaries and benefits payable			826	130,142	87,357
Deposits and unearned revenue	1,960			266,227	
Due to other funds	375,468	222,550	881,945	1,479,963	
Interest payable				552,058	
Current portion of long-term debt				2,043,635	
Total current liabilities	<u>394,600</u>	<u>222,977</u>	<u>886,971</u>	<u>5,659,296</u>	<u>220,444</u>
Noncurrent liabilities:					
Compensated absence payable				196,938	
Net OPEB liability				334,900	
Unamortized bond premium				1,069,646	
Bonds and notes payable				44,146,373	
Net pension liability			7,019	7,508,004	1,855,359
Total noncurrent liabilities			<u>7,019</u>	<u>53,255,861</u>	<u>1,855,359</u>
Total liabilities	<u>394,600</u>	<u>222,977</u>	<u>893,990</u>	<u>58,915,157</u>	<u>2,075,803</u>
Deferred inflow of resources					
Deferred inflows related to pensions				1,687	1,651,341
Total deferred inflow of resources				<u>1,687</u>	<u>1,651,341</u>
NET POSITION					
Invested in capital assets, net of related debt	5,229,450	1,076,550		72,850,892	7,020,578
Restricted for debt service				3,124,917	
Unrestricted	(188,787)	(222,527)	(894,552)	10,403,701	16,289,218
Total net position	<u>\$ 5,040,663</u>	<u>\$ 854,023</u>	<u>\$(894,552)</u>	<u>86,379,510</u>	<u>\$ 23,309,796</u>
Adjustments to reflect the consolidation of internal service funds related to enterprise funds				<u>4,961,249</u>	
Net position of business-type activities					<u>\$ 91,340,759</u>

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

CITY OF HANFORD
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2015

	Water System Fund	Sewer Improvement Funds	
	Wastewater Fund	Storm Drain Fund	Refuse Fund
OPERATING REVENUES			
Charges for services	\$ 5,834,543	\$ 5,797,126	\$ 1,321,137
Other revenues	<u>967,265</u>	<u>1,115,429</u>	<u>127,215</u>
Total operating revenue	<u>6,801,808</u>	<u>6,912,555</u>	<u>1,448,352</u>
OPERATING EXPENSES			
Personnel services	1,424,590	1,351,474	1,892,353
Services and supplies	3,316,942	2,592,590	5,026,100
Depreciation	<u>1,126,957</u>	<u>1,471,780</u>	<u>214,055</u>
Total operating expenses	<u>5,868,489</u>	<u>5,415,844</u>	<u>6,923,147</u>
Operating income (loss)	<u>933,319</u>	<u>1,496,711</u>	<u>537,229</u>
NON-OPERATING REVENUES (EXPENSES)			
Intergovernmental	2,570,619		
Gain (loss) on disposition of assets			(2,300)
Interest income	15,699	43,398	27,668
Interest expense	(690,290)	(860,098)	2,042
Unrealized gain (loss) on investments	2,921	638	220
Miscellaneous	<u> </u>	<u> </u>	<u> </u>
Total non-operating revenue (expense)	<u>1,898,949</u>	<u>(816,062)</u>	<u>25,588</u>
Income (loss) before capital contributions and transfers	2,832,268	680,649	562,817
Capital contributions	287,047	356,833	173,947
Transfers in (out)	<u>149,584</u>	<u>(17,791)</u>	<u>(7,810)</u>
CHANGES IN NET POSITION	3,268,899	1,019,691	728,954
NET POSITION, Beginning of year	<u>29,015,855</u>	<u>30,929,086</u>	<u>20,597,296</u>
EFFECT OF ACCOUNTING CHANGE	<u>(2,434,364)</u>	<u>(2,459,944)</u>	<u>(3,444,776)</u>
NET POSITION, End of year	<u>\$29,850,390</u>	<u>\$29,488,833</u>	<u>\$21,326,250</u>
			<u>\$ 713,903</u>

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

CITY OF HANFORD
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2015
(Continued)

	Airport Fund	Intermodal Fund	Courthouse Square	Total Enterprise Funds	Governmental Activities Internal Service Funds
OPERATING REVENUES					
Charges for services	\$ 86,926	\$ 32,221	\$ 132,818	\$19,793,536	\$ 6,448,329
Other revenues	<u>108,098</u>	<u>37</u>	<u> </u>	<u>2,380,649</u>	<u> </u>
Total operating revenue	<u>195,024</u>	<u>32,258</u>	<u>132,818</u>	<u>22,174,185</u>	<u>6,448,329</u>
OPERATING EXPENSES					
Personnel services	15,932		5,755	4,690,104	1,086,872
Services and supplies	183,828	53,887	201,228	12,071,643	3,560,056
Depreciation	<u>234,092</u>	<u>26,117</u>	<u> </u>	<u>3,077,695</u>	<u>1,100,211</u>
Total operating expenses	<u>433,852</u>	<u>80,004</u>	<u>206,983</u>	<u>19,839,442</u>	<u>5,747,139</u>
Operating income (loss)	<u>(238,828)</u>	<u>(47,746)</u>	<u>(74,165)</u>	<u>2,334,743</u>	<u>701,190</u>
NON-OPERATING REVENUES (EXPENSES)					
Intergovernmental				2,570,619	217,753
Gain (loss) on disposition of assets		(109,408)		(111,708)	4,716
Interest income				88,807	64,154
Interest expense				(1,550,388)	
Unrealized gain (loss) on investments	27	30	25	4,613	2,484
Miscellaneous	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u>145,870</u>
Total non-operating revenue (expense)	<u>27</u>	<u>(109,378)</u>	<u>25</u>	<u>1,001,943</u>	<u>434,977</u>
Income (loss) before capital contributions and transfers	(238,801)	(157,124)	(74,140)	3,336,686	1,136,167
Capital contributions				817,827	
Transfers in (out)	<u>14,119</u>	<u> </u>	<u> </u>	<u>138,102</u>	<u>(37,175)</u>
CHANGES IN NET POSITION					
(224,682)	(157,124)	(74,140)	4,292,615	1,098,992	
NET POSITION, Beginning of year	<u>5,265,345</u>	<u>1,011,147</u>	<u>(811,886)</u>	<u> </u>	<u>24,274,257</u>
EFFECT OF ACCOUNTING CHANGE	<u> </u>	<u> </u>	<u>(8,526)</u>	<u> </u>	<u>(2,063,453)</u>
NET POSITION, End of year	<u>\$5,040,663</u>	<u>\$ 854,023</u>	<u>\$(894,552)</u>	<u> </u>	<u>\$23,309,796</u>
Adjustment to reflect the consolidation of the internal service funds activities related to enterprise funds				529,558	
Change in net position of business-type activities (Page 14)				<u> </u>	<u>\$ 4,822,173</u>

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

CITY OF HANFORD
Statement of Cash Flows
Proprietary Funds
For the Year ended June 30, 2015

	Water System Fund	Sewer Improvement Funds			
	Wastewater Fund	Storm Drain Fund	Refuse Fund	Airport Fund	
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash received for current services					
Cash received for current services	\$ 5,949,472	\$ 5,855,069	\$ 1,330,702	\$ 6,602,069	\$ 86,172
Cash received for other operating revenues	967,265	1,115,429	127,215	62,605	108,098
Cash paid for services and supplies	(3,068,762)	(2,643,617)	(693,079)	(5,000,243)	(184,176)
Cash paid for salaries and benefits	<u>(1,445,666)</u>	<u>(1,391,725)</u>	_____	<u>(1,931,544)</u>	<u>(7,383)</u>
Net cash provided (used) by operating activities	<u>2,402,309</u>	<u>2,935,156</u>	<u>764,838</u>	<u>(267,113)</u>	<u>2,711</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:					
Transfers (to) from other funds	149,584	(17,791)	(7,810)		14,119
Loans from/(to) other funds	_____	_____	_____	_____	23,330
Net cash provided (used) by non-capital financing activities	<u>149,584</u>	<u>(17,791)</u>	<u>(7,810)</u>		<u>37,449</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Proceeds from capital lease	1,246,352				
Proceeds from refunding bonds		3,885,000			
Principal paid on long-term debt	(2,043,252)	(5,208,039)			
Interest paid	(786,179)	(856,707)			
Proceeds from sale of equipment					
Capital expenditures	<u>(7,239,767)</u>	<u>(235,164)</u>	<u>(262,628)</u>	<u>(48,480)</u>	<u>(9,430)</u>
Net cash provided (used) by capital and related financing activities	<u>(8,822,846)</u>	<u>(2,414,910)</u>	<u>(262,628)</u>	<u>(48,480)</u>	<u>(9,430)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:					
Unrealized gain (loss) on investments	2,921	638	220	752	27
Other non-operating revenue (expense)					
Interest received	<u>18,138</u>	<u>40,825</u>	<u>25,777</u>	<u>1,897</u>	_____
Net cash provided by investing activities	<u>21,059</u>	<u>41,463</u>	<u>25,997</u>	<u>2,649</u>	<u>27</u>
Net increase (decrease) in cash and cash equivalents	(6,249,894)	543,918	520,397	(312,944)	30,757
Cash and cash equivalents, beginning of year	<u>11,197,014</u>	<u>7,741,903</u>	<u>4,567,705</u>	<u>4,080,657</u>	<u>128,593</u>
Cash and cash equivalents, end of year	<u>\$ 4,947,120</u>	<u>\$ 8,285,821</u>	<u>\$5,088,102</u>	<u>\$ 3,767,713</u>	<u>\$ 159,350</u>

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

CITY OF HANFORD
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2015
(Continued)

	Water System Fund	<u>Sewer Improvement Funds</u>		Refuse Fund	Airport Fund
	Wastewater Fund	Storm Drain Fund			
Reconciliation of operating income to net cash provided by operating activities:					
Operating income (loss)	\$ 933,319	\$ 1,496,711	\$ 537,229	\$ (271,777)	\$(238,828)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation	1,126,957	1,471,780	214,055	4,694	234,092
Accounts receivable	102,254	57,943	8,470	11,944	1,618
Prepaid expenses		(107,542)			
Inventory	(45,597)				
Accounts payable	293,777	56,515	3,989	25,857	8,549
Salaries and benefits payable	7,563	6,238		10,875	(348)
Compensated absences	9,400	66		545	
Deposits and unearned revenue	12,675		1,095	1,360	(2,372)
OPEB liability	(3,557)	(9,755)		(2,992)	
Net pension related liabilities	<u>(34,482)</u>	<u>(36,800)</u>	<u>227,609</u>	<u>(47,619)</u>	<u>241,539</u>
Total adjustments	<u>1,468,990</u>	<u>1,438,445</u>	<u>4,664</u>		
Net cash provided (used) by operating activities	<u>\$ 2,402,309</u>	<u>\$ 2,935,156</u>	<u>\$ 764,838</u>	<u>\$ (267,113)</u>	<u>\$ 2,711</u>
Noncash investing, capital, and financing activities:					
Contribution of capital assets	<u>\$ 287,047</u>	<u>\$ 356,833</u>	<u>\$ 173,947</u>	<u>\$ _____</u>	<u>\$ _____</u>

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

CITY OF HANFORD
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2015
(Continued)

	Intermodal Fund	Courthouse Square	Total Enterprise Funds	Governmental Activities- Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received for current services	\$ 32,221	\$ 188,673	\$ 20,044,378	\$ 6,448,329
Cash received for other operating revenues	37		2,380,649	
Cash paid for services and supplies	(53,851)	(198,190)	(11,841,918)	(3,812,486)
Cash paid for salaries and benefits	_____	(5,701)	(4,782,019)	(1,115,174)
Net cash provided (used) by operating activities	<u>(21,593)</u>	<u>(15,218)</u>	<u>5,801,090</u>	<u>1,520,669</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:				
Transfers (to) from other funds			138,102	(37,175)
Loans from/ (to) other funds	<u>(408,734)</u>	<u>15,193</u>	<u>(370,211)</u>	<u>_____</u>
Net cash provided (used) by non-capital financing activities	<u>(408,734)</u>	<u>15,193</u>	<u>(232,109)</u>	<u>(37,175)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Proceeds from capital lease			1,246,352	
Proceeds from refunding bonds			3,885,000	
Principal paid on long-term debt			(7,251,291)	
Interest paid			(1,642,886)	
Proceeds from sale of equipment	430,747		430,747	4,716
Capital expenditures	_____	_____	<u>(7,795,469)</u>	<u>(1,824,548)</u>
Net cash provided (used) by capital and related financing activities	<u>430,747</u>	<u>_____</u>	<u>(11,127,547)</u>	<u>(1,819,832)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Unrealized gain (loss) on investments	30	25	4,613	2,484
Other non-operating revenue (expense)				363,623
Interest received	_____	_____	<u>86,637</u>	<u>61,234</u>
Net cash provided (used) by investing activities	<u>30</u>	<u>25</u>	<u>91,250</u>	<u>427,341</u>
Net increase (decrease) in cash and cash equivalents	450		(5,467,316)	91,003
Cash and cash equivalents, beginning of year	_____	_____	<u>27,715,872</u>	<u>18,103,667</u>
Cash and cash equivalents, end of year	<u>\$ 450</u>	<u>\$ _____</u>	<u>\$ 22,248,556</u>	<u>\$18,194,670</u>

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

CITY OF HANFORD
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2015
(Continued)

	Intermodal Fund	Courthouse Square	Total Enterprise Funds	Governmental Activities- Internal Service Fund
Reconciliation of operating income to net cash provided by operating activities:				
Operating income/(loss)	\$ (47,746)	\$ (74,165)	\$ 2,334,743	\$ 701,190
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	26,117	55,855	3,077,695	1,100,211
Accounts receivable			238,084	
Prepaid expenses			(107,542)	
Deposits				(45,000)
Inventory			(45,597)	(23,299)
Accounts payable	36	3,038	391,761	(184,131)
Salaries and benefits payable		826	25,154	1,833
Compensated absences			10,011	
Deposits and unearned revenue			12,758	
OPEB liability			(16,304)	
Net pension related liabilities		(772)	(119,673)	(30,135)
Total adjustments	<u>26,153</u>	<u>58,947</u>	<u>3,466,347</u>	<u>819,479</u>
Net cash provided (used) by operating activities	<u>\$ (21,593)</u>	<u>\$ (15,218)</u>	<u>\$ 5,801,090</u>	<u>\$ 1,520,669</u>
Noncash investing, capital, and financing activities:				
Contribution of capital assets	\$ _____	\$ _____	\$ 817,827	\$ _____

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

FIDUCIARY FUNDS FINANCIAL STATEMENTS

CITY OF HANFORD
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2015

	Redevelopment Successor Agency Private-Purpose Trust Fund	Trust and Agency Funds
ASSETS		
Cash and investments	\$ 250,342	\$1,444,296
Interest receivable	339	3,774
Assets held for resale	135,265	
Other	_____	855,000
Total assets	<u>\$ 385,946</u>	<u>\$2,303,070</u>
LIABILITIES		
Accounts payable	\$	\$ 226,788
Deposits held for others	311,473	
Advances from City of Hanford	7,736,418	
Bonds/notes payable	<u>48,384</u>	855,000
Total liabilities	<u>7,784,802</u>	<u>1,393,261</u>
NET POSITION (Deficit)		
Held in trust for the retirement of obligations of the former Hanford Redevelopment Agency and other purposes	<u>(7,398,856)</u>	<u>909,809</u>
Total net position (deficit)	<u><u>\$7,398,856</u></u>	<u><u>\$ 909,809</u></u>

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

CITY OF HANFORD
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2015

	Redevelopment Successor Agency Private-Purpose Trust Fund	Trust and Agency Funds
ADDITIONS		
Taxes	\$ 15,224	\$
Investment earnings	1,727	
Other additions	8,000	479,792
Gain on sale of assets held for resale	<u>93,511</u>	
 Total additions	 <u>118,462</u>	 <u>479,792</u>
DEDUCTIONS		
General government	10,269	18,267
Other agencies	179,768	
Unrealized (gain) loss on investments		126
Debt service:		
Principal	390,000	
Interest	<u>63,000</u>	
 Total deductions	 <u>190,037</u>	 <u>471,393</u>
 Change in net position	 (71,575)	 8,399
 Net position (deficit) – beginning of year	 <u>(7,327,281)</u>	 <u>901,410</u>
 Net position (deficit) – end of year	 <u>\$(7,398,856)</u>	 <u>\$909,809</u>

CITY OF HANFORD
Notes to Financial Statements
June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the City of Hanford (the “City”) have been prepared in conformity with U.S. Generally Accepted Accounting principles as prescribed by the Governmental Accounting Standards Board (GASB).

The accompanying financial statements present the financial position of the City and the various funds and fund types, the results of operations of the City and the various funds and fund types, and the cash flows of the proprietary funds. The financial statements are presented as of June 30, 2015 and for the year then ended.

A. Description of the Reporting Entity

The City of Hanford was incorporated as a General Law city in 1891. The City operates under a Council-Administrator form of government and provides the following services: Public safety (police and fire), community development, community services, public works, cultural, general administrative services, and capital improvements.

As required by accounting principles generally accepted in the United States of America, these financial statements present the City of Hanford (the primary government) and its component units. The component units discussed below is included in the City’s reporting entity because of the significance of their operational or financial relationship with the City. However, elected officials of the City of Hanford have a continuing accountability for fiscal matters of the other entities. The financial reporting entity consists of: (1) the City (2) organizations for which the City is financially accountable and (3) organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City’s financial statements to be misleading or incomplete.

An organization is fiscally dependent on the primary government if it is unable to adopt its budget, levy taxes or set rates or charges, or issue bonded debt without approval by the primary government. In a blended presentation, component unit balances and transactions are reported in a manner similar to the balances and transactions of the City. A component unit is presented on a blended basis when the component unit’s governing body is substantially the same as the City’s or the component unit provides services almost entirely to the City, otherwise the component unit is presented discretely.

Blended Component Unit:

The financial statements of the City of Hanford include the financial activities of the City as well as of the Hanford Improvement Corporation. Although the Hanford Improvement Corporation is a legally distinct unit from the City, their financial operations are overseen by the City of Hanford and the City Council is the board of directors of the Corporation.

CITY OF HANFORD
Notes to Financial Statements
June 30, 2015
(Continued)

B. Basis of Presentation

Government-Wide Financial Statements

The Government-wide financial statements (the statement of net assets and the statement of activities) report information of all of the non-fiduciary activities of the primary government and its component units. For the most part, eliminations have been made to minimize the double counting on internal activities. These statements distinguish between the *governmental and business type activities* of the City. Governmental activities, which normally are supported by taxes and inter-governmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and; therefore, are clearly identifiable to a particular function. Program revenues include 1) charges paid by the recipients of goods or services offered by the programs and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented instead as general revenues.

Net assets are restricted when constraints placed on them are either externally imposed or are imposed by constitutional provisions or enabling legislation. Internally imposed designations of resources are not presented as restricted net assets. When both restricted and unrestricted resources are available for use, generally it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Governmental Fund Financial Statements

The 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.

CITY OF HANFORD
Notes to Financial Statements
June 30, 2015
(Continued)

The City reports the following major governmental funds:

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

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

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

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

The City reports the following major enterprise funds:

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

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

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

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

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

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

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

CITY OF HANFORD
Notes to Financial Statements
June 30, 2015
(Continued)

The City reports the following fund types in aggregate as part of other non-major governmental funds:

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

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 Funds – Private-purpose trust funds are used to account for the activities of the former Hanford Redevelopment Agency during the wind down period.

Trust and Agency Funds – Trust and Agency Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations and/or other governments.

C. 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 Financial Statements
June 30, 2015
(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.

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

Cash and Investments

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

Investments

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

Further cash and investment disclosures are presented in Note 2.

Interfund Transactions

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

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

CITY OF HANFORD
Notes to Financial Statements
June 30, 2015
(Continued)

Receivables

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

Land Held for Resale

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

Capital Assets

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

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

The City's capitalization threshold is \$5,000. In other words, fixed assets are capitalized only if they have a cost in excess of \$5,000 and have an expected useful life of three years or more. Fixed assets that have a cost below \$5,000 are 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 Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of assets is as follows:

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

CITY OF HANFORD
Notes to Financial Statements
June 30, 2015
(Continued)

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

Fund Financial Statements

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

Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation, sick pay benefits and compensatory time. All vacation, sick and compensatory pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements. For additional information regarding compensated absences, see Note 5.

Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Debt principal payments of both government and business-type activities are reported as decreases in the balance of the liability on the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed when incurred.

In the fund financial statements, however, debt principal payments of governmental funds are recognized as expenditures when paid. Governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Pensions

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

CITY OF HANFORD
Notes to Financial Statements
June 30, 2015
(Continued)

The following timeframes are used for pension reporting:

<u>CalPERS</u>	
Valuation Date	June 30, 2013
Measurement Date	June 30, 2014
Measurement Period	July 1, 2013 to June 30, 2014

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:

- *Invested in Capital Assets, Net of Related Debt* – This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.
- *Restricted Net Assets* – This category presents external restrictions imposed by creditors, grantors, contributors or laws and regulations of other governments and restrictions imposed by law through constructional provisions or enabling legislation.
- *Unrestricted net assets* – This category represents net assets of the City, not restricted for any project or other purpose.

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

CITY OF HANFORD
Notes to Financial Statements
June 30, 2015
(Continued)

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

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

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

Property Taxes

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

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

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

CITY OF HANFORD
Notes to Financial Statements
June 30, 2015
(Continued)

E. Unearned Revenue

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

F. Use of Estimates

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

G. Stewardship, Compliance, and Accountability

Budgets and Budgetary Accounting

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

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

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

Supplemental budgetary appropriations were negligible for the fiscal year ended June 30, 2015. 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.

CITY OF HANFORD
Notes to Financial Statements
June 30, 2015
(Continued)

Deficit Fund Equity/Net Position

At June 30, 2015, the Courthouse Square Proprietary Fund had a deficit net position of \$894,552 and the Grants special revenue fund had a deficit fund balance of \$21,354. These deficits are expected to be eliminated in future years through revenues or transfers from other funds.

Reclassification and Eliminations

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

H. Accounting Change

The City adopted the provisions of the following Governmental Accounting Standards Board (GASB) Statements, which became effective during the year ended June 30, 2015.

GASB Statement No. 68 – In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. The intention of this Statement is to improve the decision-usefulness of information in employer and governmental non-employer contributing entity financial reports and enhance its value for assessing accountability and inter-period equity by requiring recognition of the entire net pension liability and a more comprehensive measurement of pension expense.

GASB Statement No. 71 – In 2014, GASB issued Statement No. 71, *Pension Transition for Contributions made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. The intention of this Statement is to eliminate the source of a potential significant understatement restricted beginning net position and expense in the first year of implementation of Statement 68 in the accrual-basis financial statements of employers and non-employer contributing entities.

The implementation of the above Statements resulted in a reduction of the beginning net positions of the Governmental Activities by \$33,322,304 and the business-Type Activities by \$9,311,040.

CITY OF HANFORD
Notes to Financial Statements
June 30, 2015
(Continued)

NOTE 2 – CASH AND INVESTMENTS

Cash and investments as of June 30, 2015 are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and investments	\$67,795,406
Restricted cash and investments	3,124,917
Fiduciary funds:	
Cash and investments	<u>1,694,638</u>
Total cash and investments	<u>\$72,614,961</u>

Cash and investments as of June 30, 2015 consist of the following:

Cash on hand	\$ 1,705
Deposits with financial institutions	9,158,554
Investments	<u>63,454,702</u>
Total cash and investments	<u>\$72,614,961</u>

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

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

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

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

CITY OF HANFORD
Notes to Financial Statements
June 30, 2015
(Continued)

Investments Authorized by Debt Agreements

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

Authorized Investment type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptances	180 days	None	None
Commercial Paper	270 days	None	None
Money Market Mutual Funds	N/A	None	None
Investment Contracts	30 years	None	None

Disclosure Relating to Interest Rate risk

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

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

Investment Type	Amount	Remaining Maturity (in Months)			
		12 Months or Less	13 to 24 Months	25 to 60 Months	More Than 60 Months
Federal Agency Securities	\$23,332,019	\$	\$	\$23,332,019	\$
State Investment Pool	36,098,395	36,098,395			
Negotiable Certificates of Deposits Held by Bond Trustee:	3,039,719	1,395,397	1,293,976	350,346	
Money Market Funds	<u>984,569</u>	<u>984,569</u>	_____	_____	_____
Total	<u>\$63,454,702</u>	<u>\$38,478,361</u>	<u>\$1,293,976</u>	<u>\$23,682,365</u>	<u>\$_____</u>

CITY OF HANFORD
Notes to Financial Statements
June 30, 2015
(Continued)

Disclosures Relating to Credit Risk

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

Investment Type	Minimum Legal Rating	Standard & Poors Ratings as of Year End			Not Rated
		AAAm	AA		
Federal Agency Securities	\$23,332,019	N/A	\$	\$23,332,019	\$
State Investment Pool	36,098,395	N/A			36,098,395
Negotiable Certificates of Deposits	3,039,719	N/A			3,039,719
Held by Bond Trustee:					
Money Market Funds	<u>984,569</u>	N/A	<u>984,569</u>	_____	_____
Total	<u>\$63,454,702</u>		<u>\$984,569</u>	<u>\$23,332,019</u>	<u>\$39,138,114</u>

Concentration of Credit Risk

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

Issuer	Investment Type	Reported Amount
FHLB	Federal Agency Securities	\$3,345,105
FNMA	Federal Agency Securities	\$7,749,985
FFCB	Federal Agency Securities	\$8,770,287
FHLMC	Federal Agency Securities	\$3,466,642

Custodial Credit Risk

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

CITY OF HANFORD
Notes to Financial Statements
June 30, 2015
(Continued)

GASB Statement No. 40 requires that the following disclosure be made with respect to custodial credit risks relating to deposits and investments: \$10,183,319 of the City of Hanford's deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. None of the City's investments were subject to custodial credit risk.

Investment in State Investment Pool

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

NOTE 3 – RECEIVABLES

Receivables as of June 30, 2015 for the City's individual major funds, nonmajor funds and internal service funds in the aggregate are as follows:

	Accounts	Taxes	Grants	Interest	Loans	Total
Governmental Funds						
General	\$ 342,399	\$201,029	\$ 37,597	\$33,595	\$ 17,358,362	\$ 577,023
CDBG Home/Housing			497			17,396,456
Capital Projects Fund	14,278					14,278
Transportation Funds		239,180	542,716	3,186		785,082
Nonmajor and Other		6,534	218,059	16,530	2,613,783	2,854,906
Total	<u>\$ 356,677</u>	<u>\$446,743</u>	<u>\$ 798,372</u>	<u>\$53,808</u>	<u>\$19,972,145</u>	<u>\$21,627,745</u>
Enterprise Funds						
Water System	\$ 487,885	\$	\$2,525,224	\$ 2,437	\$	\$ 3,015,546
Wastewater	447,823			10,802		458,625
Storm Drain	119,789			6,666		126,455
Refuse	598,642			510		599,152
Courthouse Square	173					173
Total	<u>\$1,654,312</u>	<u>\$ _____</u>	<u>\$2,525,224</u>	<u>\$20,415</u>	<u>\$ _____</u>	<u>\$ 4,199,951</u>
Internal Service Funds						
Fleet Maintenance Fund	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$15,094</u>	<u>\$ _____</u>	<u>\$ 15,094</u>
Total	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$15,094</u>	<u>\$ _____</u>	<u>\$ 15,094</u>

CITY OF HANFORD
Notes to Financial Statements
June 30, 2015
(Continued)

NOTE 4 – CAPITAL ASSETS

Capital assets activities for the year ended June 30, 2015 were as follows:

	Balance July 1, 2014	Addition Completions	Retirements/ Adjustments	Balance June 30, 2015
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 60,432,656	\$	\$	\$ 60,432,656
Construction in Progress	<u>2,813,485</u>	<u>894,903</u>	<u>(2,781,162)</u>	<u>927,226</u>
Total capital assets, not being depreciated	63,246,141	894,903	(2,781,162)	61,359,882
Capital assets being depreciated				
Buildings	18,264,030			18,264,030
Infrastructure	119,360,520	6,323,098		125,683,618
Equipment	<u>20,102,992</u>	<u>1,917,184</u>	<u>(492,845)</u>	<u>21,527,331</u>
Total capital assets being depreciated	157,727,542	8,240,282	(492,845)	165,474,979
Less: Accumulated depreciation				
Buildings	(7,314,657)	(323,868)		(7,638,525)
Infrastructure	(63,195,460)	(5,011,877)		(68,207,337)
Equipment	<u>(12,343,871)</u>	<u>(1,293,908)</u>	<u>455,901</u>	<u>(13,181,878)</u>
Total accumulated depreciation	(82,853,988)	(6,629,653)	455,901	(89,027,740)
Total capital assets being depreciated, net	<u>74,873,554</u>	<u>1,610,629</u>	<u>(36,944)</u>	<u>76,447,239</u>
Governmental activities capital assets, net	<u>\$138,119,695</u>	<u>\$ 2,505,532</u>	<u>\$(2,818,106)</u>	<u>\$137,807,121</u>
Business-type activities				
Capital assets, not being depreciated				
Land	\$ 11,205,543	\$	\$	\$ 10,958,043
Construction in progress	<u>3,512,963</u>	<u>6,958,745</u>	<u>(1,494,906)</u>	<u>8,976,802</u>
Total capital assets, not being depreciated	<u>14,718,506</u>	<u>6,958,745</u>	<u>(1,742,406)</u>	<u>19,934,845</u>
Capital assets being depreciated				
Buildings and improvement	144,704,871	3,041,918	(486,680)	147,260,109
Machinery and equipment	<u>5,726,753</u>	<u>107,540</u>	<u>_____</u>	<u>5,834,293</u>
Total capital assets being depreciated	150,431,624	3,149,458	(486,680)	153,094,402
Less: Accumulated depreciation for:				
Buildings and improvement	(48,976,374)	(2,841,163)	191,725	(51,625,812)
Machinery and equipment	<u>(2,126,002)</u>	<u>(236,533)</u>	<u>_____</u>	<u>(2,362,535)</u>
Total accumulated depreciation	(51,102,376)	(3,077,696)	191,725	(53,988,347)
Total capital assets being depreciated, net	<u>99,329,248</u>	<u>71,762</u>	<u>(294,955)</u>	<u>99,106,055</u>
Business-type activities capital assets, net	<u>\$114,047,754</u>	<u>\$ 7,030,507</u>	<u>\$(2,037,361)</u>	<u>\$119,040,900</u>

CITY OF HANFORD
Notes to Financial Statements
June 30, 2015
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Depreciation expense for the fiscal year ending June 30, 2015 was charged to the following activities:

Governmental functions:

General governmental	\$ 27,281
Public safety	315,549
Culture and recreation	728,484
Public works	4,326,395
Community development	131,731
Capital assets held by the internal service funds were charged to the various functions based on their usage	<u>1,100,213</u>

Total \$6,629,653

Business-type functions:

Water system	\$1,126,957
Wastewater	1,471,781
Storm drain	214,055
Refuse	4,694
Airport	234,092
Intermodal	<u>26,117</u>

Total \$3,077,696

NOTE 5 – LONG-TERM DEBT

The following is a summary of the long-term debt activity for the year ended June 30, 2015:

Type of Debt	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015	Amounts Due Within One Year
Governmental activities					
Notes payable	\$ 246,450	\$	\$	\$ 246,450	\$
Compensated absences	<u>906,153</u>	<u>83,762</u>	_____	<u>989,915</u>	_____
Total governmental activities	<u>1,152,603</u>	<u>83,762</u>	_____	<u>1,236,365</u>	_____
Business activities					
Bonds payable	28,005,000	3,885,000	5,070,000	26,820,000	1,365,000
Add deferred amounts for issuance premium	902,698	276,635	109,687	1,069,646	
Notes payable	7,465,709		304,727	7,160,982	315,392
Capital lease	13,061,186	409,454	1,261,613	12,209,027	363,243
Compensated absences	<u>186,927</u>	<u>10,813</u>	<u>803</u>	<u>196,937</u>	_____
Total business activities	<u>49,621,520</u>	<u>4,581,902</u>	<u>6,746,830</u>	<u>47,456,592</u>	<u>2,043,635</u>
Total primary government	<u>\$50,774,123</u>	<u>\$4,665,664</u>	<u>\$6,746,830</u>	<u>\$48,692,957</u>	<u>\$2,043,635</u>

CITY OF HANFORD
Notes to Financial Statements
June 30, 2015
(Continued)

Governmental Activities –

Notes Payable:

On September 20, 2011, the City entered into a loan agreement with the Kings County Economic Development Corporation in the amount of \$246,450 to fund 50% of the purchase price of 16.43 acres of vacant land for the Kings County Industrial Park Project. The note does not accrue interest at a fixed rate, but instead will pay a contingent deferred interest for a price in excess of \$30,000 per acre. The note represents a shared appreciation loan and the City is required to pay \$15,000 in principal for each acre it sells. The principal balance at June 30, 2015 was \$246,450.

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.

\$989,915

Business Type Activities –

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

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

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

Bonds outstanding at June 30, 2015 are \$11,685,000.

CITY OF HANFORD
Notes to Financial Statements
June 30, 2015
(Continued)

The future maturities of the Bonds payable are as follows:

Fiscal Year	Principal	Interest	Total
2016	\$ 500,000	\$ 430,556	\$ 930,556
2017	520,000	410,156	930,156
2018	545,000	388,856	933,856
2019	565,000	366,656	931,656
2020	590,000	340,606	930,606
2021-2025	3,280,000	1,285,197	4,565,197
2026-2030	3,900,000	732,638	4,632,638
2031-2033	<u>1,785,000</u>	<u>109,100</u>	<u>1,894,100</u>
Total	<u>\$11,685,000</u>	<u>\$4,063,765</u>	<u>\$15,748,765</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)).

Bonds outstanding at June 30, 2015 are \$11,250,000.

Fiscal Year	Principal	Interest	Total
2016	\$ 700,000	\$ 435,950	\$ 1,135,950
2017	710,000	421,850	1,131,850
2018	730,000	403,800	1,133,800
2019	750,000	381,600	1,131,600
2020	775,000	354,850	1,129,850
2021-2025	4,430,000	1,207,500	5,637,500
2026-2029	<u>3,155,000</u>	<u>232,400</u>	<u>3,387,400</u>
Total	<u>\$11,250,000</u>	<u>\$3,437,950</u>	<u>\$14,687,950</u>

Long-Term Debt – Bonds Payable

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.

CITY OF HANFORD
Notes to Financial Statements
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(Continued)

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.

Bonds outstanding at June 30, 2015 are \$3,885,000.

The future maturities of the Bonds payable are as follows:

Fiscal Year	Principal	Interest	Total
2016	\$ 165,000	\$ 127,150	\$ 292,150
2017	170,000	123,800	293,800
2018	175,000	119,475	294,475
2019	180,000	114,150	294,150
2020	185,000	108,675	293,675
2021-2025	1,005,000	455,925	1,460,925
2026-2030	1,180,000	282,125	1,462,125
2031-2033	<u>825,000</u>	<u>50,300</u>	<u>875,300</u>
Total	<u><u>\$3,885,000</u></u>	<u><u>\$1,381,600</u></u>	<u><u>\$5,266,600</u></u>

Long-Term Debt – Notes Payable

On May 28, 2002, the City of Hanford obtained a loan from the California Infrastructure and Economic Development Bank in the amount of \$10,000,000. The term of the agreement is thirty (30) years with a maturity date of February 1, 2034, and an annual interest rate of 3.50%. Prior to the Bond Date, there is a .26% reduction in the interest rate, resulting in an initial rate of 3.24%. Interest on the loan is payable semi-annually on each February 1 and August 1, commencing August 1, 2003. As of June 30, 2015, the balance outstanding was \$7,160,982.

The future maturities of the Note payable were as follows:

Fiscal Year	Principal	Interest	Total
2016	\$ 315,392	\$ 245,115	\$ 560,507
2017	326,431	233,883	560,314
2018	337,856	222,258	560,114
2019	349,681	210,226	559,907
2020	361,920	197,773	559,693
2021-2025	2,008,709	786,271	2,794,980
2026-2030	2,385,716	402,667	2,788,383
2031-2032	<u>1,075,277</u>	<u>37,958</u>	<u>1,113,235</u>
Total	<u><u>\$7,160,982</u></u>	<u><u>\$2,336,151</u></u>	<u><u>\$9,497,133</u></u>

CITY OF HANFORD
Notes to Financial Statements
June 30, 2015
(Continued)

On December 20, 2007, the City of Hanford entered into an installment sale agreement with the City of Hanford Public Improvement Corporation in the amount of \$8,150,000. The agreement was to enable the City to finance the costs of acquisition and construction of certain public facilities constituting a part of the City's water enterprise. The term of the agreement is thirty (30) years with a maturity date of December 1, 2027 and an annual interest rate of 2.0% to 5.25%. Interest on the loan is payable semi-annually on each June 1 and December 1, commencing June 1, 2008. This note was refinanced in July, 2013 and is considered defeased and the liability has been removed from the long-term debt.

Capital Lease

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

On August 28, 2014 the City refinanced the 2009 capital lease to add an Automated Reading System (ARS). The purchase price was approximately \$400,000 and was added to the current balance of the prior capital lease. The revised principal balance is \$1,246,352 and commenced on February 18, 2015, with semi-annual payments of \$148,253 including interest of 2.79%, with a final payment in February, 2019. The balance outstanding as of June 30, 2015 was \$1,114,906.

The annual debt service requirements for the 2014 Capital Lease outstanding at June 30, 2015 are as follows:

Fiscal Year	Principal	Interest	Total
2016	\$ 267,252	\$29,255	\$ 296,507
2017	274,760	21,746	296,506
2018	282,479	14,027	296,506
2019	<u>290,415</u>	<u>6,091</u>	<u>296,506</u>
Total	<u><u>\$1,114,906</u></u>	<u><u>\$71,119</u></u>	<u><u>\$1,186,025</u></u>

In November, 2011, the City entered into a capital lease agreement with Bank of America to design and construct an energy efficient tracker system for the City's wastewater treatment plant. The purchase price of this project is \$4,325,556, with annual payments in varying amounts including interest at 3.33% commencing on July 8, 2012 with a final payment in July, 2026. The balance outstanding as of June 30, 2015 was \$2,838,508.

The annual debt service requirements for the 2011 Capital Lease outstanding at June 30, 2015 are as follows:

Fiscal Year	Principal	Interest	Total
2017	\$ 418,118	\$ 94,522	\$ 512,640
2018	138,686	80,599	219,285
2019	157,826	75,981	233,807
2020	178,265	70,725	248,990
2021-2025	1,248,708	249,316	1,498,024
2026-2027	<u>696,905</u>	<u>35,340</u>	<u>732,245</u>
Total	<u><u>\$2,838,508</u></u>	<u><u>\$606,483</u></u>	<u><u>\$3,444,991</u></u>

CITY OF HANFORD
Notes to Financial Statements
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In March 2014, the City entered into a capital lease agreement with Bank of America National Association to design and construct a solar photovoltaic energy system using an energy service contract with Chevron Energy Solutions Company for several facilities throughout the City. The purchase price of this contract is \$8,495,138, with semi-annual payments in varying amounts including interest at 3.54% commencing on October 26, 2014 with a final payment in April, 2029. The balance outstanding as of June 30, 2015 was \$8,255,613.

The annual debt service requirements for the 2014 Capital Lease outstanding at June 30, 2015 are as follows:

Fiscal Year	Principal	Interest	Total
2016	\$ 230,543	\$ 290,226	\$ 520,769
2017	269,727	281,721	551,448
2018	311,746	271,804	583,550
2019	356,766	260,374	617,140
2020	421,475	247,176	668,651
2021-2025	2,979,222	964,894	3,944,116
2026-2029	<u>3,686,134</u>	<u>308,670</u>	<u>3,994,804</u>
Total	<u><u>\$8,255,613</u></u>	<u><u>\$2,624,865</u></u>	<u><u>\$10,880,478</u></u>

NOTE 6 – PENSION PLAN

General Information

Plan Descriptions

The City's defined benefit plans, the Miscellaneous, Police Safety and Fire Safety Plans of the City of Hanford, 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 52 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
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June 30, 2015
(Continued)

The Plans' provisions and benefits in effect at June 30, 2015, are summarized as follows:

Date of Hire	Miscellaneous	
	Prior to January 1, 2013	On or After January 1, 2013
Benefit formula	2.7% @ 55	2% @ 62
Benefit vesting schedule	5 years' service	5 years' service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	55
Monthly benefits, as a percentage of eligible compensation	1.426% - 2.418%	1.000% - 2.500%
Required employee contribution rates	8%	8%
Required employer contribution rates	27.327%	28.226%

Date of Hire	Safety Police		PEPRA
	Prior to January 1, 2013	On or After January 1, 2013	On or After January 1, 2013
Benefit formula	3% @ 55	2.7% @ 57	2% @ 62
Benefit vesting schedule	5 years' service	5 years' service	5 years' service
Benefit payments	Monthly for life	Monthly for life	Monthly for life
Retirement age	50	50	52
Monthly benefits, as a percentage of eligible compensation	3.00%	2.0% - 2.7%	1.000% - 2.500%
Required employee contribution rates	9%	9%	6.25%
Required employer contribution rates	31.532%	31.254%	6.25%

Date of Hire	Safety Fire	
	Prior to January 1, 2013	On or After January 1, 2013
Benefit formula	3% @ 55	2.7% @ 57
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 percentage of eligible compensation	3.00%	2.0% - 2.7%
Required employee contribution rates	9%	9%
Required employer contribution rates	29.883%	30.882%

CITY OF HANFORD
Notes to Financial Statements
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Contributions

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

For the year ended June 30, 2015, the contributions recognized as part of pension expense for the Plans are as follows:

	<u>Plans</u>
Contributions - employer	<u>\$4,333,900</u>

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2015, 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	\$23,396,710
Safety Police Plan	9,125,998
Safety Fire Plan	5,820,426
PEPRA Safety Police Plan	68
Total Net Pension Liability	<u>\$38,343,202</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, 2014, and the total pension liability for each Plan use is calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 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, 2013 and 2014 was as follows:

	<u>Miscellaneous</u>	<u>Safety Police</u>	<u>Safety Fire</u>	<u>PEPRA Safety Police</u>
Proportion – June 30, 2013	N/A	0.240%	0.149%	0.000%
Proportion – June 30, 2014	N/A	0.243%	0.155%	0.000%
Change – Increase (Decrease)	N/A	0.003%	0.006%	0.000%

CITY OF HANFORD
Notes to Financial Statements
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(Continued)

For the year ended June 30, 2015, the City recognized pension expense of \$4,752,839. At June 30, 2015 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$4,752,839	\$
Difference between actual and expected experience changes in assumptions:		
Net difference between projected and actual earnings on pension plan investments		8,117,736
Adjustments due to differences in proportion	<u>4,103</u>	<u>316,075</u>
Total	<u>\$4,756,942</u>	<u>\$8,433,811</u>

\$4,756,942 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year Ended</u> <u>June 30</u>	
2015	\$(2,140,852)
2016	(2,140,852)
2017	(2,118,573)
2018	(2,029,431)

Actuarial Assumptions

For the measurement period ended June 30, 2014, the total pension liabilities were determined by rolling forward the June 30, 2013 total pension liability. The June 30, 2013 and June 30, 2014 total pension liabilities were based on the following actuarial methods and assumptions:

	<u>All Plans (3)</u>
Valuation Date	June 30, 2013
Measurement Date	June 30, 2014
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.5%
Inflation	2.75%
Projected Salary Increase	(1)
Investment Rate of Return	7.5% (2)
Mortality	Derived using CalPERS' Membership Data for all funds (3) Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter
Post Retirement Benefit Increase	

CITY OF HANFORD
Notes to Financial Statements
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(Continued)

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

All other actuarial assumptions used in the June 30, 2013 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found on the CalPERS website under Forms and Publications.

Discount Rate

The discount rate used to measure the total pension liability was 7.50% for each Plan. To determine whether the municipal bond rates should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would mostly result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50% will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from CalPERS website.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50% investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65%. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in the calculation until such time as they have changed their methodology.

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.

CITY OF HANFORD
Notes to Financial Statements
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(Continued)

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

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

Asset Class	New Strategic Allocation	Real Return Years 1-10(a)	Real Return Years 11+(b)
Global Equity	47.0%	5.25%	5.71%
Global Fixed Income	19.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	12.0%	6.83%	6.95%
Real Estate	11.0%	4.50%	5.13%
Infrastructure and Forestland	3.0%	4.50%	5.09%
Liquidity	<u>2.0%</u>	-0.55%	-1.05%
Total	<u>100%</u>		

(a) An expected inflation of 2.5% used for this period.
 (b) An expected inflation of 3.0% used for this period.

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 Police	Safety Fire	PEPRA Safety Police
1% Decrease	6.50%	6.50%	6.50%	6.50%
Net Pension Liability	\$35,680,765	\$14,722,296	\$9,106,041	\$117
Current Discount Rate	7.50%	7.50%	7.50%	7.50%
Net Pension Liability	\$23,396,710	\$9,125,998	\$5,820,426	\$ 68
1% Increase	8.50%	8.50%	8.50%	8.50%
Net Pension Liability	\$13,259,855	\$4,514,889	\$3,113,221	\$ 27

CITY OF HANFORD
Notes to Financial Statements
June 30, 2015
(Continued)

Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

Payable to the Pension Plan

At June 30, 2015, the City reported a payable of \$112,309 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2015.

NOTE 7 – POST EMPLOYMENT HEALTH CARE BENEFITS

Plan Description

The City participates in the CalPERS medical program under the Public Employees' Medical and Hospital and Care Act (PEMHCA). As such, the City is obligated to contribute toward the cost of retiree medical coverage for the retiree's lifetime or until coverage is discontinued. The City has selected the equal contribution method, where it resolves to contribute the same amount for retirees as is contributed toward active employee medical plan coverage. The City currently pays the minimum employer contribution (MEC) for both active and retired employees as well as their survivors, if covered at the time of the employee's death. The MEC is \$119 per month for 2015.

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

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

Funding Policy

Currently the City funds retiree healthcare benefits on a pay-as-you-go basis, paying a maximum of \$119 per month for retiree benefits from the City funds as they are due with no prefunding for future years. The City recognizes expenditures for its share of the annual premiums as these benefits become due. For fiscal years 2014-2015, the City paid \$85,680 for benefits of 52 retirees or their beneficiaries receiving benefits.

Net OPEB Obligation

The City's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), and amount which was determined as part of the June 30, 2015 actuarial valuation in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The ARC is subject to change with each actuarial valuation date performed no less than every three years.

CITY OF HANFORD
Notes to Financial Statements
June 30, 2015
(Continued)

The City's OPEB unfunded actuarial accrued liability as of July 1, 2015, the date of the most recent actuarial valuation, was a total of \$2,415,062. The OPEB obligation has been adjusted by an annual wage inflation percentage of 3.00% based on the assumptions of the actuarial valuation and a general salary increase of 3.25%.

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

Annual required contributions (ARC) and annual OPEB cost	\$ 167,006
Interest on net OPEB obligation	73,118
Adjustment to the ARC	<u>(119,889)</u>
Annual required contribution annual OPEB cost (expense)	120,235
Less: Employer contribution	<u>(233,141)</u>
Change in net OPEB obligation	(112,906)
Net OPEB obligations, beginning of year	<u>1,827,948</u>
Net OPEB obligations, end of year	<u>\$1,715,042</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2015 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/13	\$386,521	15.12%	\$1,483,048
6/30/14	\$412,280	16.34%	\$1,827,948
6/30/15	\$120,235	193.9%	\$1,715,042

Funded Status and Funding Progress

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

CITY OF HANFORD
Notes to Financial Statements
June 30, 2015
(Continued)

The funded status of the plan as of June 30, 2015 was as follows:

Actuarial accrued liability	\$2,415,062
Actuarial value of plan assets	0
Unfunded Actuarial accrued liability (UAAL)	<u>\$2,415,062</u>
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	\$ N/A
UAAL as a percentage of covered payroll	N/A%

The funded ratio (the ratio of the Actuarial Value of Assets divided by the Actuarial Accrued Liability) is 0.0% as of June 30, 2015. Because the few eligible active employees retired shortly after the valuation date, they were treated as retirees for valuation purposes. Thus, for all practical purposes, there is no "covered" payroll as of June 30, 2015. This valuation reflects a number of important benefits and assumption changes, including extrapolation of Methodology to value the implicit subsidy liability and closure of the retiree medical benefits for those not retired as of December 31, 2015.

Actuarial Methods and Assumptions

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

NOTE 8 – RISK MANAGEMENT

The City is partially self-insured for workers' compensation and general liability insurance. For worker's compensation, the City is responsible for claims up to \$250,000 per occurrence. Coverage in excess of the City's self-insured retention is purchased through CSAC Excess Insurance Authority (CSAC-EIA) up to the statutory limits. The City participates in a risk pool 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.

CITY OF HANFORD
Notes to Financial Statements
June 30, 2015
(Continued)

NOTE 9 – INTERFUND TRANSACTIONS

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

Interfund due from/to other funds at June 30, 2015 were as follows:

	Due From Other Funds	Due To Other Funds
Governmental Funds		
General Fund	\$ 190,218	\$ 321,290
Capital Project Fund	1,754,790	
Other Governmental Funds		190,218
Proprietary Funds		
Airport Fund	46,463	375,468
Intermodal Fund		222,550
Courthouse Square		<u>881,945</u>
Total	<u>\$1,991,471</u>	<u>\$1,991,471</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 2014/15 fiscal year were as follows:

	Transfers In	Transfers Out
Governmental Funds		
General Fund	\$ 94,378	\$2,249,881
CDBG Home/Housing Fund		102,841
Capital Project Fund	2,205,023	
Transportation Funds		271
Other Governmental funds	71,770	119,105
Proprietary Funds		
Water System Fund	149,584	
Wastewater Fund		17,791
Storm Drain Fund		7,810
Airport Fund	14,119	
Computer Maintenance Fund		29,507
Building Fund		31,098
Fleet Management Fund	<u>23,430</u>	
	<u>\$2,558,304</u>	<u>\$2,558,304</u>

CITY OF HANFORD
Notes to Financial Statements
June 30, 2015
(Continued)

NOTE 10 – CONTINGENT LIABILITIES

Litigation

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

Special Tax Bond Series 1998

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

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, 2015, significant amounts of grant expenditures have not been audited by the grantor agencies, but the City believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the City’s overall financial position.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF HANFORD
Required Supplementary Information
Agent Multiple – Employer Defined Benefit Pension Plan
Schedule of Changes in Net Pension Liability and Related Ratios

California Public Employees' Retirement System (CalPERS) – Miscellaneous Plan

Measurement Period	2013-14 ¹
TOTAL PENSION LIABILITY	
Service Cost	\$ 1,803,855
Interest	6,381,234
Changes in Benefit Terms	0
Difference Between Expected and Actual Experience	0
Changes of Assumptions	
Benefit Payments, Including Refunds of Employee Contributions	<u>(3,644,252)</u>
Net Change in Total Pension Liability	4,540,837
Total Pension Liability – Beginning	<u>86,003,309</u>
Total Pension Liability – Ending (a)	<u>\$90,544,146</u>
PLAN FIDUCIARY NET POSITION	
Contributions – Employer	\$ 2,451,408
Contributions – Employee	686,870
Net Investment Income ²	10,020,177
Benefit Payments, Including Refunds of Employee Contributions	(3,644,252)
Other Changes in Fiduciary Net Position	0
Net Change in Fiduciary Net Position	9,514,203
Plan Fiduciary Net Position – Beginning	<u>57,633,233</u>
Plan Fiduciary Net Position – Ending (b)	<u>\$67,147,436</u>
Plan net Pension Liability/(Asset) – Ending (a) - (b)	<u>\$23,396,710</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.16%
Covered-Employee Payroll	\$ 8,260,542
Plan Net Pension Liability/(Asset) as a percentage of Covered-Employee Payroll	283.23%

¹ Historical information is required only for measurement periods for which GASB 68 is applicable.

² 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: There were no changes in assumptions.

CITY OF HANFORD
Required Supplementary Information
Cost-Sharing Multiple-Employer Defined Benefit Pension Plan – Last 10 Years*

**Schedule of Plan's Proportionate Share of the Net Pension
 Liability and Related Ratios as of the Measurement Date**

Safety Police Plan	
Plan's Proportion of the Net Pension Liability/(Asset)	0.14666%
Plan's Proportionate Share of the Net Pension Liability/(Asset)	\$9,125,998
Plan's Covered-Employee Payroll	\$4,460,282
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll	204.61%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	78.16%
Safety Fire Plan	
Plan's Proportion of the Net Pension Liability/(Asset)	0.09354%
Plan's Proportionate Share of the Net Pension Liability/(Asset)	\$5,820,426
Plan's Covered-Employee Payroll	\$2,084,839
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll	279.18%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	76.27%
Safety Health Plan	
Plan's Proportion of the Net Pension Liability/(Asset)	0.00000%
Plan's Proportionate Share of the Net Pension Liability/(Asset)	\$ 68
Plan's Covered-Employee Payroll	\$ 57,288
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll	0.12%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	81.52%

*Fiscal year 2015 was the first year of implementation, therefore only one year is shown.

CITY OF HANFORD
Required Supplementary Information
Schedule of Funding Progress PERS Information
For the Year Ended June 30, 2015

Schedule of Contributions

	<u>Miscellaneous</u>
Actuarially determined contribution	\$ 2,451,408
Contributions in relation to the actuarially determined contributions	<u>(2,451,408)</u>
Contribution deficiency (excess)	<u>\$ 0</u>
 Covered-employee payroll	 <u>\$ 8,260,542</u>
Contributions as a percentage of covered-employee payroll	29.68%
	<u>Safety Police Plan</u>
Actuarially determined contribution	\$ 1,289,596
Contributions in relation to the actuarially determined contributions	<u>(1,289,596)</u>
Contribution deficiency (excess)	<u>\$ 0</u>
 Covered-employee payroll	 <u>\$ 4,460,282</u>
Contributions as a percentage of covered-employee payroll	28.91%
	<u>Safety Fire Plan</u>
Actuarially determined contribution	\$ 627,308
Contributions in relation to the actuarially determined contributions	<u>(627,308)</u>
Contribution deficiency (excess)	<u>\$ 0</u>
 Covered-employee payroll	 <u>\$ 2,084,839</u>
Contributions as a percentage of covered-employee payroll	30.09%
	<u>PEPRA Safety Police Plan</u>
Actuarially determined contribution	\$ 20,329
Contributions in relation to the actuarially determined contributions	<u>(20,329)</u>
Contribution deficiency (excess)	<u>\$ 0</u>
 Covered-employee payroll	 <u>\$ 57,288</u>
Contributions as a percentage of covered-employee payroll	35.49%

See independent auditors' report and notes to financial statements.

CITY OF HANFORD
Required Supplementary Information
Schedule of Funding Progress PERS Information
For the Year Ended June 30, 2015
(Continued)

Notes to Schedule

Valuation date: 6/30/13

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	30 years
Asset valuation method	5-year smoothed market
Inflation	2.75%
Salary increases	3.3% to 14.2%, depending on Age, Service and type of employment
Investment rate of return	7.50%, net of pension plan investment expense, including inflation
Retirement age	59 years, Miscellaneous, 54 years Safety
Mortality	The probabilities of mortality are derived from CalPERS' Membership data for all funds based on CalPERS' specific data from a 2014 CalPERS experience Study. The table includes 20 years of mortality improvements using the Society of Actuaries Scale BB.

*Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

CITY OF HANFORD
Schedule of Revenues, Expenditures, and Changes in
Fund Balances – Budget and Actual (GAAP Basis)
General Fund
For the Year Ended June 30, 2015

	General Fund			Variance With Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
REVENUES				
Taxes and special assessments	\$20,057,720	\$20,057,720	\$19,944,289	\$ (113,431)
Aid from other governmental agencies	1,465,040	1,528,630	1,791,763	263,133
License and permits	815,130	815,130	769,258	(45,872)
Fines and forfeits	80,700	80,700	221,189	140,489
Charges for services	1,056,120	1,056,120	1,015,014	(41,106)
Revenue from use of money and property	469,860	469,860	393,824	(76,036)
Miscellaneous	<u>148,210</u>	<u>148,210</u>	<u>567,394</u>	<u>419,184</u>
Total revenues	<u>24,092,780</u>	<u>24,156,370</u>	<u>24,702,731</u>	<u>546,361</u>
EXPENDITURES				
General government	1,866,210	1,866,210	2,011,761	(145,551)
Public safety	15,342,670	15,452,090	14,696,077	756,013
Public works	2,413,760	2,684,760	2,324,522	360,238
Parks and recreation	2,909,980	2,909,980	2,815,731	94,249
Community development	<u>1,411,980</u>	<u>1,411,980</u>	<u>1,396,181</u>	<u>15,799</u>
Total expenditures	<u>23,944,600</u>	<u>24,325,020</u>	<u>23,244,272</u>	<u>1,080,748</u>
Excess (deficiency) of revenue over expenditures	148,180	(168,650)	1,458,459	1,627,109
Other financing sources (uses)				
Operating transfers in	60,000	60,000	94,378	34,378
Operating transfers out	<u>(128,140)</u>	<u>(238,680)</u>	<u>(2,249,881)</u>	<u>(2,011,201)</u>
Total other financing sources (uses)	<u>(68,140)</u>	<u>(178,680)</u>	<u>(2,155,503)</u>	<u>(1,976,823)</u>
Net change in fund balances	<u>80,040</u>	<u>(347,330)</u>	<u>(697,044)</u>	<u>(349,714)</u>
Fund balances, beginning of year	<u>16,240,175</u>	<u>16,240,175</u>	<u>16,240,175</u>	<u> </u>
Fund balances, end of year	<u>\$16,320,215</u>	<u>\$15,892,845</u>	<u>\$15,543,131</u>	<u>\$ (349,714)</u>

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

CITY OF HANFORD
Schedule of Revenues, Expenditures, and Changes in
Fund Balances – Budget and Actual (GAAP Basis)
CDBG Home/Housing Fund
For the Year Ended June 30, 2015

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

CITY OF HANFORD
Schedule of Revenues, Expenditures, and Changes in
Fund Balances – Budget and Actual (GAAP Basis)
Capital Projects Fund
For the Year Ended June 30, 2015

	Capital Projects Fund			Variance With Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
REVENUES				
Revenue from use of money and property	\$ 25,000	\$ 25,000	\$ 3,827	\$ 3,827
Miscellaneous			222,854	197,854
Total revenues	<u>25,000</u>	<u>25,000</u>	<u>226,681</u>	<u>201,681</u>
EXPENDITURES				
Community development			428,848	(428,845)
Capital outlay	<u>1,190,000</u>	<u>3,340,370</u>	<u>1,679,265</u>	<u>1,661,105</u>
Total expenditures	<u>1,190,000</u>	<u>3,340,370</u>	<u>2,108,110</u>	<u>1,232,260</u>
Excess (deficiency) of revenue over expenditures	<u>(1,165,000)</u>	<u>(3,315,370)</u>	<u>(1,881,429)</u>	<u>1,433,941</u>
Other financing sources (uses)				
Operating transfers in	64,180	64,180	2,205,023	2,140,843
Operating transfers out	<u>(96,820)</u>	<u>(96,820)</u>		<u>96,820</u>
Total other financing sources (uses)	<u>(32,640)</u>	<u>(32,640)</u>	<u>2,205,023</u>	<u>2,237,663</u>
Net change in fund balances	(1,197,640)	(3,348,010)	323,594	3,671,604
Fund balances, beginning of year	<u>8,278,645</u>	<u>8,278,645</u>	<u>8,278,645</u>	
Fund balances, end of year	<u>\$ 7,081,005</u>	<u>\$ 4,930,635</u>	<u>\$ 8,602,239</u>	<u>\$3,671,604</u>

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

CITY OF HANFORD
Schedule of Revenues, Expenditures, and Changes in
Fund Balances – Budget and Actual (GAAP Basis)
Transportation Funds
For the Year Ended June 30, 2015

	Transportation Funds			Variance With Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
REVENUES				
Taxes and special assessments	\$ 606,430	\$ 606,430	\$1,443,576	\$ 837,146
Aid from other governmental agencies	1,959,280	2,258,250	517,371	(1,740,879)
Revenue from use of money and property	<u>2,500</u>	<u>2,500</u>	<u>8,005</u>	<u>5,505</u>
Total revenues	<u>2,568,210</u>	<u>2,867,180</u>	<u>1,968,952</u>	<u>(898,228)</u>
EXPENDITURES				
Public works	392,000	770,370	492,765	277,605
Capital outlay	<u>456,000</u>	<u>1,352,440</u>	<u>534,492</u>	<u>817,948</u>
Total expenditures	<u>848,000</u>	<u>2,122,810</u>	<u>1,027,257</u>	<u>1,095,553</u>
Excess (deficiency) of revenue over expenditures	<u>1,720,210</u>	<u>744,370</u>	<u>941,695</u>	<u>197,325</u>
Other financing sources (uses)				
Operating transfers out	_____	_____	(271)	(271)
Total other financing sources (uses)	_____	_____	(271)	(271)
Net change in fund balances		744,370	941,424	197,054
Fund balances, beginning of year	<u>1,486,276</u>	<u>1,486,276</u>	<u>1,486,276</u>	_____
Fund balances, end of year	<u>\$3,206,486</u>	<u>\$2,230,646</u>	<u>\$2,427,700</u>	<u>\$ 197,054</u>

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

SUPPLEMENTARY INFORMATION SECTION

CITY OF HANFORD
Combining Balance Sheet
Non-Major Special Revenue Funds
June 30, 2015

	Transportation Impact Fees	Park Impact Fees	Parking Fund	Downtown Reinvestment Fund	Landscaping Assessment District
ASSETS					
Cash and investments	\$1,719,136	\$2,573,292	\$89,105	\$292,599	\$768,847
Accounts receivable	2,388	3,372		383	5,310
Loans receivable	_____	_____	_____	44,875	_____
Total assets	<u>\$1,721,524</u>	<u>\$2,576,664</u>	<u>\$89,105</u>	<u>\$337,857</u>	<u>\$774,157</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$	\$ 2,000	\$	\$	\$ 21,665
Due to other funds	_____	_____	_____	_____	_____
Total liabilities	_____	<u>2,000</u>	_____	_____	<u>21,665</u>
Fund balances					
Nonspendable:					
Long-term receivables					
Restricted for:					
Community development					
Streets and roads	1,721,524				
Recreation		2,574,664			
Landscape maintenance					752,492
Public safety					
Aviation					
Committed for:					
Parking and business improvement			89,105	337,857	
Community development					
Unassigned	_____	_____	_____	_____	_____
Total fund balances	<u>1,721,524</u>	<u>2,574,664</u>	<u>89,105</u>	<u>337,857</u>	<u>752,492</u>
Total liabilities and fund balances	<u>\$1,721,524</u>	<u>\$2,576,664</u>	<u>\$89,105</u>	<u>\$337,857</u>	<u>\$774,157</u>

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

CITY OF HANFORD
Combining Balance Sheet
Non-Major Special Revenue Funds
June 30, 2015
(Continued)

	City Housing Fund	Central Parking and Business Improvement	Fire Protection Impact Fees	Police Protection Impact Fees
ASSETS				
Cash and investments	\$1,119,732	\$183,327	\$595,604	\$1,539,780
Accounts receivable	1,467	240	780	2,017
Loans receivable	<u>1,296,679</u>	—	—	—
Total assets	<u><u>\$2,417,878</u></u>	<u><u>\$183,567</u></u>	<u><u>\$596,384</u></u>	<u><u>\$1,541,797</u></u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$	\$	\$	\$ 5,500
Due to other funds	—	—	—	—
Total liabilities	—	—	—	5,500
Fund balances				
Nonspendable:				
Long-term receivables	1,296,679			
Restricted for:				
Community development				
Streets and roads				
Recreation				
Landscape maintenance				
Public safety			596,384	1,536,297
Aviation				
Committed for:				
Parking and business improvement		183,567		
Community development	1,121,199			
Unassigned	—	—	—	—
Total fund balances	<u><u>\$2,417,878</u></u>	<u><u>\$183,567</u></u>	<u><u>\$596,384</u></u>	<u><u>\$1,536,297</u></u>
Total liabilities and fund balances	<u><u>\$2,417,878</u></u>	<u><u>\$183,567</u></u>	<u><u>\$596,384</u></u>	<u><u>\$1,541,797</u></u>

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

CITY OF HANFORD
Combining Balance Sheet
Non-Major Special Revenue Funds
June 30, 2015
(Continued)

	Special Aviation	Learning Center Operation	Traffic Safety	Street Tree Committee
ASSETS				
Cash and investments	\$ 47,704	\$25,423	\$2,991	\$1,199
Accounts receivable		33	1,225	
Loans receivable	—	—	—	—
Total assets	<u>\$47,704</u>	<u>\$25,456</u>	<u>\$4,216</u>	<u>\$1,199</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$12,808	\$	\$3,065	\$
Due to other funds	<u>34,864</u>	—	<u>1,225</u>	—
Total liabilities	<u>47,672</u>	—	<u>4,290</u>	—
Fund balances				
Nonspendable:				
Long-term receivables				
Restricted for:				
Community development				
Streets and roads				
Recreation				
Landscape maintenance				1,199
Public safety				
Aviation	32			
Committed for:				
Parking and business improvement			25,456	
Community development			(74)	
Unassigned	—	—	—	—
Total fund balances	<u>32</u>	<u>25,456</u>	<u>(74)</u>	<u>1,199</u>
Total liabilities and fund balances	<u>\$47,704</u>	<u>\$25,456</u>	<u>\$4,216</u>	<u>\$1,199</u>

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

CITY OF HANFORD
Combining Balance Sheet
Non-Major Special Revenue Funds
June 30, 2015
(Continued)

	State Gas Tax Fund	Grants	Public Housing Authority	Total Non-Major Special Revenue Funds
ASSETS				
Cash and investments	\$4,464,031	\$ 32,203	\$13,407,269	
Accounts receivable	5,849	170,355		241,123
Loans receivable	_____	_____	1,272,229	2,613,783
Total assets	<u>\$4,469,880</u>	<u>\$170,355</u>	<u>\$1,304,432</u>	<u>\$16,262,175</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 37,580	\$ 5,399	\$ 88,017	
Due to other funds	_____	154,129	_____	190,218
Total liabilities	_____	191,709	5,399	278,235
Fund balances				
Nonspendable:				
Long-term receivables			1,272,229	2,568,908
Restricted for:				
Community development			26,804	26,804
Streets and roads	4,469,880			6,191,404
Recreation				2,574,664
Landscape maintenance				753,691
Public safety				2,132,681
Aviation				32
Committed for:				
Parking and business improvement				610,529
Community development				1,146,655
Unassigned	_____	(21,354)	_____	(21,428)
Total fund balances	<u>4,469,880</u>	<u>(21,354)</u>	<u>1,299,033</u>	<u>15,983,940</u>
Total liabilities and fund balances	<u>\$4,469,880</u>	<u>\$170,355</u>	<u>\$1,304,432</u>	<u>\$16,262,175</u>

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

CITY OF HANFORD
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Non-Major Special Revenue Funds
For the Year Ended June 30, 2015

	Transportation Impact Fees	Park Impact Fees	Parking Fund	Downtown Reinvestment Fund	Landscaping Assessment District
REVENUES					
Taxes and special assessments	\$ 840,869	\$ 410,299	\$	\$	\$353,006
Aid from other governmental agencies	9,411				
Fines and forfeitures					
Revenue from use of money and property	8	13,465	8,814	3,523	91
Total revenues	<u>850,288</u>	<u>423,764</u>	<u>8,814</u>	<u>3,523</u>	<u>353,097</u>
EXPENDITURES					
General government					413,317
Public works					
Community development					
Capital outlay	<u>499,996</u>	<u>2,000</u>	<u> </u>	<u> </u>	<u> </u>
Total expenditures	<u>499,996</u>	<u>2,000</u>	<u> </u>	<u> </u>	<u>413,317</u>
Excess (deficiency) of revenue over expenditures	<u>350,292</u>	<u>421,764</u>	<u>8,814</u>	<u>3,523</u>	<u>(60,220)</u>
Other financing sources (uses)					
Operating transfers in	271				
Operating transfers out					
Total other financing sources (uses)	<u>271</u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net change in fund balances	350,563	421,764	8,814	3,523	(60,220)
Fund balances, beginning of year	<u>1,370,961</u>	<u>2,152,900</u>	<u>80,291</u>	<u>334,334</u>	<u>812,712</u>
Fund balances, end of year	<u>\$1,721,524</u>	<u>\$2,574,664</u>	<u>\$89,105</u>	<u>\$337,857</u>	<u>\$752,492</u>

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

CITY OF HANFORD
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Non-Major Special Revenue Funds
For the Year Ended June 30, 2015
(Continued)

	City Housing Fund	Central Parking and Business Improvement	Fire Protection Impact Fees	Police Protection Impact Fees
REVENUES				
Taxes and special assessments	\$	\$102,956	\$ 61,227	\$ 90,361
Aid from other governmental agencies				
Fines and forfeitures				
Revenue from use of money and property	<u>12,190</u>	<u>947</u>	<u>3,167</u>	<u>8,480</u>
Total revenues	<u>12,190</u>	<u>103,903</u>	<u>64,394</u>	<u>98,841</u>
EXPENDITURES				
General government				
Public works				5,500
Community development				
Capital outlay		<u>81,090</u>		
Total expenditures		<u>81,090</u>		5,500
Excess (deficiency) of revenue over expenditures	<u>12,190</u>	<u>22,813</u>	<u>64,394</u>	<u>93,341</u>
Other financing sources (uses)				
Operating transfers in				
Operating transfers out	<u>(44,234)</u>			
Total other financing sources (uses)	<u>(44,234)</u>			
Net change in fund balances	<u>(32,044)</u>	<u>22,813</u>	<u>64,394</u>	<u>93,341</u>
Fund balances, beginning of year	<u>2,449,922</u>	<u>160,754</u>	<u>531,990</u>	<u>1,442,956</u>
Fund balances, end of year	<u>\$2,417,878</u>	<u>\$183,567</u>	<u>\$596,384</u>	<u>\$1,536,297</u>

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

CITY OF HANFORD
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Non-Major Special Revenue Funds
For the Year Ended June 30, 2015
(Continued)

	Special Aviation	Learning Center Operation	Traffic Safety	Street Tree Committee
REVENUES				
Taxes and special assessments	\$ 95,469	\$	\$	\$
Aid from other governmental agencies				
Fines and forfeitures			64,871	
Revenue from use of money and property	(111)	2,536	(72)	
Total revenues	<u>95,358</u>	<u>2,536</u>	<u>64,799</u>	
EXPENDITURES				
General government				
Public works	79,531			
Community development				
Capital outlay				
Total expenditures	<u>79,531</u>	<u>—</u>	<u>—</u>	
Excess (deficiency) of revenue over expenditures	<u>15,827</u>	<u>2,536</u>	<u>64,799</u>	
Other financing sources (uses)				
Operating transfers in				
Operating transfers out	(10,000)		(64,871)	
Total other financing sources (uses)	<u>(10,000)</u>	<u>—</u>	<u>(64,871)</u>	
Net change in fund balances	5,827	2,536	(72)	
Fund balances, beginning of year	<u>(5,795)</u>	<u>22,920</u>	(2)	<u>1,199</u>
Fund balances, end of year	<u>\$ 32</u>	<u>\$25,456</u>	<u>\$ (74)</u>	<u>\$1,199</u>

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

CITY OF HANFORD
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Non-Major Special Revenue Funds
For the Year Ended June 30, 2015
(Continued)

	State Gas Tax Fund	Grants	Public Housing Authority	Total Non-Major Special Revenue Funds
REVENUES				
Taxes and special assessments	\$1,642,105	\$ 172,764	\$ 124,357	\$ 3,500,823
Aid from other governmental agencies				402,001
Fines and forfeitures				64,871
Revenue from use of money and property	<u>21,606</u>	<u>123</u>	<u>20,629</u>	<u>95,396</u>
Total revenues	<u>1,663,711</u>	<u>172,887</u>	<u>144,986</u>	<u>4,063,091</u>
EXPENDITURES				
General government				413,317
Public works		193,174		278,205
Community development			172,432	172,432
Capital outlay	<u>1,128,339</u>	<u> </u>	<u> </u>	<u>1,711,425</u>
Total expenditures	<u>1,128,339</u>	<u>193,174</u>	<u>172,432</u>	<u>2,575,379</u>
Excess (deficiency) of revenue over expenditures	<u>535,372</u>	<u>(20,287)</u>	<u>(27,446)</u>	<u>1,487,712</u>
Other financing sources (uses)				
Operating transfers in			71,499	71,770
Operating transfers out				(119,105)
Total other financing sources (uses)	<u> </u>	<u> </u>	<u>71,499</u>	<u>(47,335)</u>
Net change in fund balances	535,372	(20,287)	44,053	1,440,377
Fund balances, beginning of year	<u>3,934,508</u>	<u>(1,067)</u>	<u>1,254,980</u>	<u>14,543,563</u>
Fund balances, end of year	<u>\$4,469,880</u>	<u>\$ (21,354)</u>	<u>\$1,299,033</u>	<u>\$15,983,940</u>

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

CITY OF HANFORD
Combining Statement of Net Position
Internal Service Funds
June 30, 2015

	City Payroll Fund	Risk Management Fund	Computer Maintenance Fund
ASSETS			
Current assets			
Cash and investments	\$4,921	\$3,221,804	\$1,757,838
Receivables, net			
Deposits		125,000	
Inventory	—	—	—
Total current assets	<u>4,921</u>	<u>3,346,804</u>	<u>1,757,838</u>
Capital assets			
Machinery and equipment			
Accumulated depreciation	—	—	—
Capital assets, net	—	—	—
Total assets	<u>\$4,921</u>	<u>\$3,346,804</u>	<u>\$1,757,838</u>
Deferred outflows of resources			
Deferred outflows related to pensions	—	—	<u>29,969</u>
LIABILITIES			
Current liabilities			
Accounts payable	\$	37,340	\$ 888
Salaries and benefits payable	<u>5,740</u>	—	<u>3,473</u>
Total current liabilities	<u>5,740</u>	<u>37,340</u>	<u>4,361</u>
Noncurrent liabilities			
Net pension liability	—	—	<u>243,326</u>
Total noncurrent liabilities	—	—	<u>243,326</u>
Total liabilities	<u>5,740</u>	<u>37,340</u>	<u>247,687</u>
Deferred inflows of resources			
Deferred inflows related to pensions	—	—	<u>53,133</u>
NET POSITION			
Investment in capital assets, net of related debt			
Unrestricted	<u>(819)</u>	<u>3,309,464</u>	<u>1,486,987</u>
Total net position	<u>\$ (819)</u>	<u>\$3,309,464</u>	<u>\$1,486,987</u>

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

CITY OF HANFORD
Combining Statement of Net Position
Internal Service Funds
June 30, 2015
(Continued)

	Building Fund	Fleet Maintenance Fund	Totals
ASSETS			
Current assets			
Cash and investments	\$ 1,103,237	\$ 12,106,870	\$ 18,194,670
Receivables, net		15,094	15,094
Deposits			125,000
Inventory	_____	208,216	208,216
Total current assets	<u>1,103,237</u>	<u>12,330,180</u>	<u>18,542,980</u>
Capital assets			
Machinery and equipment	51,735	18,573,377	18,625,112
Accumulated depreciation	<u>(9,734)</u>	<u>(11,594,800)</u>	<u>(11,604,534)</u>
Capital assets, net	<u>42,001</u>	<u>6,978,577</u>	<u>7,020,578</u>
Total assets	<u><u>\$1,145,238</u></u>	<u><u>\$ 19,308,757</u></u>	<u><u>\$ 25,563,558</u></u>
Deferred outflows of resources			
Deferred outflows related to pensions	<u>81,344</u>	<u>118,924</u>	<u>230,237</u>
LIABILITIES			
Current liabilities			
Accounts payable	\$ 13,923	\$ 80,936	\$ 133,087
Salaries and benefits payable	<u>27,491</u>	<u>50,653</u>	<u>87,357</u>
Total current liabilities	<u>41,414</u>	<u>131,589</u>	<u>220,444</u>
Noncurrent liabilities			
Net pension liability	655,108	956,925	1,855,359
Total noncurrent liabilities	<u>655,108</u>	<u>956,925</u>	<u>1,855,359</u>
Total liabilities	<u>696,522</u>	<u>1,088,514</u>	<u>2,075,803</u>
Deferred inflows of resources			
Deferred inflows related to pensions	<u>144,218</u>	<u>210,845</u>	<u>408,196</u>
NET POSITION			
Investment in capital assets, net of related debt	42,001	6,978,577	7,020,578
Unrestricted	<u>343,841</u>	<u>11,149,745</u>	<u>16,289,218</u>
Total net position	<u><u>\$ 385,842</u></u>	<u><u>\$18,128,322</u></u>	<u><u>\$ 23,309,796</u></u>

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

CITY OF HANFORD
Combining Statement of Revenues, Expenses,
and Changes in Net Position
Internal Service funds
For the Year Ended June 30, 2015

	City Payroll Fund	Risk Management Fund	Computer Maintenance Fund
REVENUES			
Charges for services	\$ ____	<u>\$1,622,250</u>	<u>\$ 269,270</u>
EXPENSES			
Personnel services			131,765
Services and supplies		1,589,013	135,788
Depreciation	____	____	____
Total expenses	____	<u>1,589,013</u>	<u>267,553</u>
Operating income (loss)	____	<u>33,237</u>	<u>1,717</u>
Non-operating revenues (expenses)			
Gain (loss) on disposition of assets			
Interest income			
Unrealized gain (loss) on investments	(809)	1,465	267
Miscellaneous		141,632	
Intergovernmental revenue	____	____	____
Total non-operating revenue (expenses)	<u>(809)</u>	<u>143,097</u>	<u>267</u>
Income (loss) before transfers	<u>(809)</u>	<u>176,334</u>	<u>1,984</u>
Transfers in/(out)	____	____	<u>(29,507)</u>
Change in net position	(809)	176,334	(27,523)
Net position, beginning of year	<u>(10)</u>	<u>3,133,130</u>	<u>1,783,100</u>
Effect of accounting change	____	____	<u>(268,590)</u>
Net position, end of year	<u><u>\$(819)</u></u>	<u><u>\$3,309,464</u></u>	<u><u>\$1,486,987</u></u>

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

CITY OF HANFORD
Combining Statement of Revenues, Expenses,
and Changes in Net Position
Internal Service Funds
For the Year Ended June 30, 2015
(Continued)

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

CITY OF HANFORD
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2015

	<u>City Payroll Fund</u>	<u>Risk Management Fund</u>	<u>Computer Maintenance Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received for current services	\$	\$ 1,622,250	\$ 269,270
Cash paid for services and supplies		(1,819,129)	(135,489)
Cash paid for salaries and benefits	(5,056)		(133,346)
Net cash provided (used) by operating activities	<u>(5,056)</u>	<u>(196,879)</u>	<u>435</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers (to)/from other funds			(29,507)
Loans from/(to) other funds			
Net cash provided (used) by noncapital financing activities	<u> </u>	<u> </u>	<u>(29,507)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Proceeds from sale of equipment			
Capital expenditures			
Net cash provided (used) by capital and related financing activities	<u> </u>	<u> </u>	<u> </u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Unrealized gain (loss) on investments	(809)	1,465	267
Other non-operating revenue (expenses)		141,632	
Interest received			
Net cash provided (used) by investing activities	<u>(809)</u>	<u>143,097</u>	<u>267</u>
Net increase (decrease) in cash and cash equivalents	(5,865)	(53,782)	(28,805)
Cash and cash equivalents, beginning of year	<u>10,786</u>	<u>3,275,586</u>	<u>1,786,643</u>
Cash and cash equivalents, end of year	<u>\$ 4,921</u>	<u>\$3,221,804</u>	<u>\$1,757,838</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
CASH FLOWS FROM OPERATING ACTIVITIES:			
Operating income/(loss)	\$	\$ 33,237	\$ 1,717
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation			
(Increase) decrease in net assets:			
Deposits		(45,000)	
Inventory			
Increase (decrease) in net liabilities:			
Accounts payable		(185,116)	299
Salaries and benefits payable	(5,056)		519
Net pension related liabilities			(2,100)
Total adjustments	<u>(5,056)</u>	<u>(230,116)</u>	<u>(1,282)</u>
Net cash provided (used) by operating activities	<u>\$ (5,056)</u>	<u>\$ (196,879)</u>	<u>\$ 435</u>

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

CITY OF HANFORD
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2015
(Continued)

	Building Fund	Fleet Maintenance Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received for current services	\$ 778,089	\$ 3,778,720	\$ 6,448,329
Cash paid for services and supplies	(247,128)	(1,610,740)	(3,812,486)
Cash paid for salaries and benefits	(385,593)	(591,179)	(1,115,174)
Net cash provided (used) by operating activities	<u>145,368</u>	<u>1,576,801</u>	<u>1,520,669</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers (to)/from other funds	(31,098)	23,430	(37,175)
Loans from/(to) other funds	<u></u>	<u></u>	<u></u>
Net cash provided (used) by noncapital financing activities	<u>(31,098)</u>	<u>23,430</u>	<u>(37,175)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Proceeds from sale of equipment	4,716	4,716	4,716
Capital expenditures	(15,715)	(1,808,833)	(1,824,548)
Net cash provided (used) by capital and related financing activities	<u>(15,715)</u>	<u>(1,804,117)</u>	<u>(1,819,832)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Unrealized gain (loss) on investments	13	1,548	2,484
Other non-operating revenue (expenses)	<u></u>	<u>221,991</u>	<u>363,623</u>
Interest received	<u></u>	<u>61,234</u>	<u>61,234</u>
Net cash provided (used) by investing activities	<u>13</u>	<u>284,773</u>	<u>427,341</u>
Net increase (decrease) in cash and cash equivalents	98,568	80,887	91,003
Cash and cash equivalents, beginning of year	<u>1,004,669</u>	<u>12,025,983</u>	<u>18,103,667</u>
Cash and cash equivalents, end of year	<u>\$1,103,237</u>	<u>\$12,106,870</u>	<u>\$18,194,670</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
CASH FLOWS FROM OPERATING ACTIVITIES:			
Operating income/(loss)	\$ 149,263	\$ 516,973	\$ 701,190
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	4,055	1,096,156	1,100,211
(Increase) decrease in net assets:			
Deposits			(45,000)
Inventory		(23,299)	(23,299)
Increase (decrease) in net liabilities:			
Accounts payable	(443)	1,129	(184,131)
Salaries and benefits payable	3,541	2,829	1,833
Net pension related liabilities	<u>(11,048)</u>	<u>(16,987)</u>	<u>(30,135)</u>
Total adjustments	<u>(3,895)</u>	<u>1,059,828</u>	<u>819,479</u>
Net cash provided (used) by operating activities	<u>\$ 145,368</u>	<u>\$ 1,576,801</u>	<u>\$ 1,520,669</u>

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

CITY OF HANFORD
Combining Statement of Net Position
Trust and Agency Fiduciary Funds
June 30, 2015

	Community Facilities District	Civil Subpoena	Renters' Insurance Deposits	COE Park Deposits	Miscellaneous Deposits Trust	Total
ASSETS						
Cash and investments	\$ 909,368	\$69,899	\$4,267	\$480	\$460,282	\$1,444,296
Accounts receivable					3,774	3,774
Other	<u>855,000</u>	_____	_____	_____	_____	<u>855,000</u>
Total assets	<u>\$1,764,368</u>	<u>\$69,899</u>	<u>\$4,267</u>	<u>\$480</u>	<u>\$464,056</u>	<u>\$2,303,070</u>
LIABILITIES						
Accounts payable	\$	\$	\$2,280	\$	\$224,508	\$ 226,788
Deposits held for others		69,899	1,987	480	239,107	311,473
Bonds/notes payable	<u>855,000</u>	_____	_____	_____	_____	<u>855,000</u>
Total liabilities	<u>855,000</u>	<u>69,899</u>	<u>4,267</u>	<u>480</u>	<u>463,615</u>	<u>1,393,261</u>
NET POSITION						
Unreserved	<u>909,368</u>	_____	_____	_____	<u>441</u>	<u>909,809</u>
Total net position	<u>\$ 909,368</u>	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ 441</u>	<u>\$ 909,809</u>

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

CITY OF HANFORD
Combining Statement of Changes in Fiduciary Net Position
Trust and Agency Funds
Year Ended June 30, 2015

	Community Facilities District	Miscellaneous Deposits Trust	Total
ADDITIONS			
Other additions	<u>\$479,792</u>	\$ _____	<u>\$479,792</u>
DEDUCTIONS			
General government	18,267	124	18,267
Unrealized (gain) loss on investments	2	124	126
Debt service:			
Principal	390,000	_____	390,000
Interest	<u>63,000</u>	_____	<u>63,000</u>
Total Deductions	<u>471,269</u>	<u>124</u>	<u>471,393</u>
Change in net position	<u>8,523</u>	<u>(124)</u>	<u>8,399</u>
Net position, beginning of year	<u>900,845</u>	<u>565</u>	<u>901,410</u>
Net position, end of year	<u><u>\$909,368</u></u>	<u><u>\$ 441</u></u>	<u><u>\$909,809</u></u>

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

SINGLE AUDIT REPORTS



March 2, 2016

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the blended component unit, each major fund, and the aggregate remaining fund information of the City of Hanford, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Hanford's basic financial statements, and have issued our report thereon dated March 2, 2016.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2015-1 through 2015-4 that we consider to be significant deficiencies.

Compliance and Other Matters

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

City of Hanford's Response to Findings

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

Purpose of this Report

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

Sampson, Sampson & Patterson, LLP



March 2, 2016

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

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

Report on Compliance for Each Major Federal Program

We have audited the City of Hanford's compliance with the types of compliance requirements described in *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Hanford's major federal programs for the year ended June 30, 2015. City of Hanford's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of City of Hanford's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, "*Audits of States, Local Governments, and Non-Profit Organizations*." Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Hanford's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of City of Hanford's compliance.

Opinion on Each Major Federal Program

In our opinion, City of Hanford complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

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

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

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

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

Sampson, Sampson & Patterson, LLP

CITY OF HANFORD
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2015

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal Catalog Number	Pass-Through Grantors Number	Expenditures
<u>U.S. Department of Homeland Security</u>			
Passed through State Office of Homeland Security			
State Domestic Preparedness Equipment and Support Program Assistance to Firefighters Grant	97.044 97.044	2014-00093-031-0000 EMW-2012-FO-05701	\$ 55,619 117,753 <u>173,372</u>
Total U.S. Department of Homeland Security			
<u>U.S. Department of Transportation</u>			
Federal Aviation Administration			
Airport Improvement	20.106	3-06-0098-021	36,500
Airport Improvement	20.106	3-06-0098-022	43,031
Federal Highway Administration			
Passed through California Department of Transportation			
Highway Planning and Construction	20.205	CML-5091(15)	2,313
Highway Planning and Construction	20.205	CML-5091(51)	548,601
Highway Planning and Construction	20.205	GPBIKE	36,108
Passed through California Office of Traffic Safety			
National Highway Safety Programs	20.601	TSC (AL1326)	<u>9,628</u>
Total U.S. Department of Transportation			
<u>U.S. Department of Housing and Urban Development</u>			
Office of Community Planning and Development			
CDBG/Entitlement Grants (A)	14.218	B-13-MC-06-0061	116,384
CDBG/Entitlement Grants (A)	14.218	B-14-MC-06-0061	330,265
Home Investment Partnership Program	14.239	10-HOME-6894	28,295
Home Investment Partnership Program	14.239	13-HOME-9020	<u>231,141</u>
Total U.S. Department of Housing and Urban Development			
<u>U.S. Department of Justice</u>			
Direct Program			
Public Safety Partnership and Community Policing Grants	16.710	2010UMWX0031	3,169
Edward Byrne Justice Assistance Grant	16.804	2013-DJ-BX-107	18,142
Bullet Proof Vest Partnership Program	16.607	1121-0235	<u>7,300</u>
Total U.S. Department of Justice			
Total Expenditures of Federal Awards			
<u>\$1,584,249</u>			

See accompanying notes to schedule of expenditures of federal awards.

CITY OF HANFORD
Notes to the Schedule of Expenditures of Federal Awards
June 30, 2015

1. Summary of Significant Accounting Policies:

Basis of Accounting

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

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

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

Schedule of Expenditures of Federal Awards

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

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

CITY OF HANFORD
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015

Part I - Summary of Auditor's Results

Financial Statements

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

Federal Awards

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

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

Programs Subjected to Audit Procedures as Major Programs

	<u>Name of Federal Program or Cluster</u>
20.205	Highway Planning and Construction
14.239	Home Investment Partnership Program
Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 300,000</u>
Auditee qualified as low-risk auditee?	<u>X</u> Yes

CITY OF HANFORD
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015
(Continued)

Part II - Financial Statement Finding Section

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

Significant Deficiency

2015-1 – Cash Receipts

Condition:

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

1. Proper support is not being consistently attached and reviewed for cash received in the recreation department at its various offsite locations.
2. Proper controls have not been established to cover all of the recreation department's various offsite activities.
3. Cash receipts from various offsite activities are not always turned into the Finance Department for deposit timely.

Criteria:

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

Effect of Condition:

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

Cause of Condition:

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

Recommendation:

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

CITY OF HANFORD
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015
(Continued)

Response:

City Management agrees with the audit findings and recommendations. Finance is updating the City's cash handling policy to include detailed cash handling procedures for Recreation. The procedures will include the required support for deposits received from offsite locations. Recreation management will ensure that all deposits are turned into the Finance department within one business day of the event.

CITY OF HANFORD
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015
(Continued)

Significant Deficiency

2015-2 – Credit Cards

Condition:

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

1. Claim forms for department heads were signed by the actual user of the credit card instead of separate personnel.
2. Receipts were not attached to two credit card statements.
3. One purchase order was not attached to a credit card statement.

Criteria:

Internal control over credit cards dictates that segregation of duties exist within the purchasing cycle, custody of credit cards should be separate from someone who is authorized to use the credit cards for purchase, authorization of credit cards should be from the user's supervisor, and individuals should not be allowed to review and approve their own purchases. All support for credit card charges should be retained.

Effect of Condition:

Lack of segregation of duties within the purchasing environment raises concerns surrounding the ability to make purchases that are not for proper business use. Employees making personal purchases could result in the financial statements being misstated. Credit card approval provides a review of the purchases support to indicate purchases are for business use.

Cause of Condition:

Failure to follow proper purchasing procedures.

Recommendation:

We recommend a review of claim forms for department heads be performed by the City Manager. We also recommend sufficient support for credit card charges be retained. Segregation of duties should be set up in order to prevent authorized credit card users from being able to make personal purchases.

Response:

City Management agrees with the audit finding and recommendations. The City Manager or his designee will review the charges and documentation prior to signing off for the charges to be processed for payment. Finance will review the supporting documentation for the credit card charges prior to the charges being processed for payment.

CITY OF HANFORD
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015
(Continued)

Significant Deficiency

2015-3 – Cash Disbursements

Condition:

As part of our test of controls over cash disbursements we selected forty-five checks for testing. From our controls testing performed we noted the following:

1. Two refund checks were not approved for payment.
2. One blanket purchase order did not have an approval signature.

Criteria:

Internal control over cash disbursements dictates that segregation of duties exists within the purchasing cycle. Strong internal controls over cash disbursements should be continuously monitored to reduce the possibility of misappropriation of City's funds.

Effect of Condition:

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

Cause of Condition:

Internal control procedures are not being consistently followed.

Recommendation:

We recommend management perform a thorough review of all purchase orders and refunds to residents to ensure proper segregation of duties is being enforced.

Response:

City Management agrees with the audit finding and recommendations. Management will review all purchase orders prior to submitting to Finance. Refund checks to utility billing customers will be approved by the Finance director or his designee prior to issuing to ensure that the refund is appropriate.

CITY OF HANFORD
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015
(Continued)

Significant Deficiency

2015-4 – Gift Cards

Condition:

As part of our testing of control procedures, we noted a lack of controls over the purchase and disbursement of gift cards. From our controls testing performed we noted the following:

The purchase of gift cards is initiated by an individual at the City of Hanford. Once the gift cards are purchased and received, they are brought back to the City of Hanford. Gift cards are not logged in after the purchase. The value of each gift card is not checked for accuracy after the purchase is made. The employees in each department in which gift cards are purchased, have access to the locked drawer and safe. When the gift card is locked into the safe, there is a sticky note denoting who is to receive the gift card, but this is not attached or noted on the Claim Form for the gift card. When an individual is presented a gift card, there is nothing signed or noted that it was received by that individual.

Criteria:

Internal controls over gift cards were not established.

Effect of Condition:

Lack of controls in place raises concerns surrounding the purchase and disbursement of gift cards that are not for proper business use and possible employee use. Establishment of gift card procedures provides a control over the purchase and disbursement of gift cards.

Cause of Condition:

Failure to establish proper gift card procedures.

Recommendation:

Staff should establish procedures for gift cards and make sure they are following City policy for purchases.

The following should be considered or implemented:

When gift cards are received they should be logged in right away or locked in the safe to be entered in the following day. The log-in sheet should be initialed by the staff person logging in the gift cards. The value of the gift cards should be checked when logged in. Log-in and log-out sheets and gift cards should be located at one location and there should be limited access to the locked location. The invoices for the purchased gift cards should be signed by the individual upon receipt and a copy of the signed receipt should be filed.

CITY OF HANFORD
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015
(Continued)

Response:

City Management agrees with the audit finding and recommendations. Finance is updating the City's cash handling policy to include handling of gift cards. The procedures will define appropriate security procedures and appropriate support to accompany the invoices for the purchased gift cards that may be verified by the purchaser of the gift cards as well as Finance staff.

CITY OF HANFORD
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015
(Continued)

Part III - Federal Award Findings and Questioned Costs Section

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

None

CITY OF HANFORD
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2015

None

APPROPRIATIONS LIMIT REPORT



March 2, 2016

The Honorable City Council
City of Hanford
Hanford, California

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

We have applied the procedures enumerated below to the accompanying appropriations limit of the City of Hanford for the year ended June 30, 2015. These procedures, which were agreed to by the League of California Cities and presented in their Article XIIIIB Appropriations Limitation Uniform Guidelines, were performed solely to assist you in meeting the requirement of Section 1.5 of Article XIIIIB of the California Constitution. This report is intended for the information of management and the City Council. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

The procedures performed and our findings were as follows:

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

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

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

Sampson, Sampson & Patterson, LLP

CITY OF HANFORD
Appropriations Limit
Schedules A and B
June 30, 2015

Schedule A	Fiscal Year 2014-2015	Amount
A. Last Year's Limit – 2014		\$53,842,792
B. Add: Adjustment for Annexation Service Deliver Charge		<u>12,526</u>
Subtotal		<u>\$53,855,318</u>
Apply ratio of Change Factor (Schedule B)		1.0006
C. Appropriations Limit – Fiscal Year 2014-2015		<u><u>\$53,887,631</u></u>

Schedule B	Worksheet for Permitted Growth in Appropriations Limit 2014-2015
City of Hanford Population Change (1)	.29%
Converted to a Ratio	1.0029
California Per Capita Income Change (1)	-.23%
Converted to a Ratio	.9977
Calculation of Factor for 2014-2015	1.0029 x .9977
Ratio of Change Factor	1.0006

(1) Provided by the California State Department of Finance