

CITY OF HANFORD

**FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORT**

**FOR THE YEAR ENDED
JUNE 30, 2021**

TABLE OF CONTENTS

Principal City Officials.....	i
Independent Auditors' Report	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	12
Statement of Activities	13
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	15
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position – Governmental Activities	16
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities – Governmental Activities.....	18
Statement of Net Position – Proprietary Funds	19
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds.....	21
Statement of Cash Flows – Proprietary Funds	23
Statement of Fiduciary Net Position – Fiduciary Funds.....	27
Statement of Changes in Fiduciary Net Position – Fiduciary Funds	28
Notes to the Financial Statements	29
Required Supplementary Information:	
Schedule of Changes in the Net Pension Liability and Related Ratios	61
Schedule of the City's Proportionate Share of the Net Pension Liability	62
Schedule of Plan Contributions	63
Schedule of Changes in Net OPEB Liability and Related Ratios.....	64
Schedule of Contributions - OPEB	65
Schedule of Revenues, Expenditures and Changes in Fund Balances:	
Budget to Actual (GAAP Basis) General Fund.....	66
Budget to Actual (GAAP Basis) CDBG Home/Housing Fund	67
Budget to Actual (GAAP Basis) Transportation Impact Fees	68
Budget to Actual (GAAP Basis) Transportation Development Act Fund.....	69
Supplementary Information Section:	
Schedule of Revenues, Expenditures and Changes in Fund Balances:	
Budget to Actual (GAAP Basis) Capital Projects Fund.....	70

Non-Major Special Revenue Governmental Funds:	
Combining Balance Sheet	71
Combining Statement of Revenues, Expenditures and Changes in Fund Balances.....	75
Internal Service Funds:	
Combining Statement of Net Position.....	79
Combining Statement of Revenues, Expenses and Changes in Net Position	81
Combining Statement of Cash Flows.....	83
Trust and Custodial Funds:	
Combining Statement of Fiduciary Net Position	87
Combining Statement of Changes in Fiduciary Net Position	88
Single Audit Reports:	
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	89
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance	91
Schedule of Expenditures of Federal Awards.....	93
Notes to the Schedule of Expenditures of Federal Awards.....	94
Schedule of Findings and Questioned Costs	95
Summary Schedule of Prior Year Findings and Questioned Costs	97
Appropriations Limit Report:	
Independent Accountants' Report on Applying Agreed Upon Procedures Related to the Article XIII-B Appropriations Limit	101
Appropriations Limit Schedule	103
Management's Corrective Action Plan.....	104

CITY OF HANFORD
PRINCIPAL CITY OFFICIALS
JUNE 30, 2021

CITY COUNCIL

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

ADMINISTRATION

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



INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hanford, California (the City), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of as of June 30, 2021, 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, the schedule of changes in the net pension liability and related ratios, schedule of the City's proportionate share of the net pension liability, schedule of plan contributions, schedule of changes in net OPEB liability and related ratios, schedule of contributions - OPEB, and budgetary comparison schedules for the General Fund, CDBG Home/Housing Fund, Transportation Impact Fees Fund, and the Transportation Development Act Fund, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The principal city officials and combining and individual nonmajor fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole. The principal city officials have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 31, 2022, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

HUDSON HENDERSON & COMPANY, INC.

Hudson Henderson & Company, Inc.

Fresno, California
May 31, 2022

CITY OF HANFORD
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2021

This discussion and analysis of the City of Hanford's (the City) financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2021. We encourage readers to consider the information presented here in conjunction with the accompanying basic financial statements and the accompanying notes to those financial statements.

FINANCIAL HIGHLIGHTS

- Assets and deferred outflows of the City exceed its liabilities and deferred inflows at the close of the most recent fiscal year 2021 by \$324.4 million. Of this amount, about \$19.2 million in unrestricted net position may be used to meet the City's ongoing obligations to citizens and creditors.
- As of June 30, 2021, the City's governmental funds reported combined ending fund balances of \$50.7 million.
- Approximately 21.4% of the combined governmental fund balances is considered available for spending at the City's discretion.
- As of June 30, 2021, unassigned fund balance in the General Fund was \$10.9 million, or 35.8% of total General Fund Expenditures.
- The City's total debt decreased by \$2.7 million during fiscal year 2021, which is due to the normal maturity of debt in the water system, the wastewater system, and the citywide solar energy system.
- The following pension liabilities totaling \$48,832,889 are included in the financial statements as required by GASB 68: General Government \$39,838,853; Water System Enterprise \$2,297,442; Sewer Enterprise \$1,603,100; Storm Drainage \$227,866; Refuse Enterprise \$3,120,567; Computer Maintenance \$250,640; Building \$661,243; and Fleet Management \$833,178.

THE FINANCIAL STATEMENTS

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

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

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

CITY OF HANFORD
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
FOR THE YEAR ENDED JUNE 30, 2021

OVERVIEW OF THE FINANCIAL STATEMENTS

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities

The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities. These statements included all assets and liabilities of the City using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenue and expenses are taken into account, regardless of when cash is received or paid.

These two statements report the City's net position and changes in them. Net position is the difference between assets and liabilities, which is one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving or deteriorating. Other factors to consider are changes in the City's property tax base and sales tax base.

In the Statement of Net Position and the Statement of Activities, we separate the City activities as follows:

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

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

FUND FINANCIAL STATEMENTS

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

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

CITY OF HANFORD
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
FOR THE YEAR ENDED JUNE 30, 2021

Proprietary Funds – When the City charges customers for the services it provides, whether to outside customers or to other units of the City, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Revenues, Expenses and Changes in Fund Net Position. In fact, the City's enterprise funds are the same as the business-type activities reported in the government-wide statements, but provide more detail and additional information, such as cash flows, for proprietary funds. We use internal service funds (the other component of proprietary funds) to report activities that provide supplies and services for the City's other programs and activities – such as the City's self-insurance, fleet maintenance, and computer maintenance funds. The internal service funds are reported with governmental activities in the government-wide financial statements.

Fiduciary Funds – The City is the trustee, or fiduciary, for certain funds held on behalf of various third parties. The City's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Notes to the Financial Statement – The notes to the financial statements provide information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Statement of Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$324,449,566 at the close of the 2020-2021 fiscal year.

By far, the largest portion of the City's net position, 81.9%, reflects its investment in capital assets (e.g., land, buildings, machinery, infrastructure and equipment), less any outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, their value is not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the sources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

CITY OF HANFORD
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
FOR THE YEAR ENDED JUNE 30, 2021

Of the total current assets totaling \$93,631,161, approximately 86.8% or \$81,321,191, consists of unrestricted cash and investments. These funds are invested in accordance with State law and the City's investment policy and include funds legally and/or contractually restricted as to their use.

STATEMENT OF NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2021		2020		2021	
	2021	2020	2021	2020	2021	2020
ASSETS						
Current assets	\$ 49,354,666	\$ 42,290,355	\$ 44,276,495	\$ 45,566,389	\$ 93,631,161	\$ 87,856,744
Capital and non-current assets (net of depreciation)	177,619,707	179,691,768	140,249,947	130,994,736	317,869,654	310,686,504
Total Assets	226,974,373	221,982,123	184,526,442	176,561,125	411,500,815	398,543,248
Deferred outflows of resources	12,788,869	11,296,454	2,314,298	2,014,171	15,103,167	13,310,625
LIABILITIES						
Current and other liabilities	7,317,025	6,276,526	1,667,793	1,660,644	8,984,818	7,937,170
Long-term liabilities	51,711,380	47,671,632	40,165,540	42,201,977	91,876,920	89,873,609
Total Liabilities	59,028,405	53,948,158	41,833,333	43,862,621	100,861,738	97,810,779
Deferred inflows of resources	966,359	2,417,713	326,319	1,012,076	1,292,678	3,429,789
NET POSITION						
Net investment in capital assets	157,116,548	158,401,312	108,641,344	96,648,645	265,757,892	255,049,957
Restricted	39,517,385	31,543,209	2,379	2,379	39,519,764	31,545,588
Unrestricted	(16,865,455)	(13,031,815)	36,037,365	37,049,575	19,171,910	24,017,760
Total Net Position	<u>\$ 179,768,478</u>	<u>\$ 176,912,706</u>	<u>\$ 144,681,088</u>	<u>\$ 133,700,599</u>	<u>\$ 324,449,566</u>	<u>\$ 310,613,305</u>

An additional portion of the City's net position of \$39,519,764 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$19,171,910, may be used to meet the government's ongoing obligations to citizens and creditors.

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

CITY OF HANFORD
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
FOR THE YEAR ENDED JUNE 30, 2021

Statement of Activities

As discussed earlier, the Statement of Net Position provides a measure of the financial health of an entity at a specific date in time. The Statement of Activities provides details of how net position changed from the beginning of the year to the end of the year, and whether net assets increased or decreased. From June 30, 2020 to June 30, 2021, the net position of the City as a whole increased, largely due to the increase in other revenues.

STATEMENT OF ACTIVITIES

	Governmental Activities		Business-Type Activities		Total	
	2021		2020		2021	
	2021	2020	2020	2021	2021	2020
REVENUES						
Program Revenues:						
Charges for services	\$ 5,962,037	\$ 7,235,394	\$ 26,671,382	\$ 25,726,945	\$ 32,633,419	\$ 32,962,339
Operating grants and contributions	1,908,465	1,606,323	-	-	1,908,465	1,606,323
Capital grants and contributions	780,926	416,429	-	-	780,926	416,429
General Revenues:						
Taxes	32,191,047	28,637,619	-	-	32,191,047	28,637,619
Investment earnings	936,759	917,907	243,843	714,727	1,180,602	1,632,634
Other revenues	3,697,145	7,293,723	5,986,373	4,171,430	9,683,518	11,465,153
Total Revenues	<u>45,476,379</u>	<u>46,107,395</u>	<u>32,901,598</u>	<u>30,613,102</u>	<u>78,377,977</u>	<u>76,720,497</u>
EXPENSES						
Governmental Activities:						
General government	7,777,169	7,424,876	-	-	7,777,169	7,424,876
Public safety	21,878,581	22,348,294	-	-	21,878,581	22,348,294
Public works	4,310,762	5,328,310	-	-	4,310,762	5,328,310
Parks and recreation	3,290,716	3,628,645	-	-	3,290,716	3,628,645
Community development	2,636,159	2,780,857	-	-	2,636,159	2,780,857
Business-type Activities:						
Water system	-	-	7,613,367	7,430,096	7,613,367	7,430,096
Wastewater system	-	-	5,830,921	5,375,459	5,830,921	5,375,459
Storm drain	-	-	1,082,412	747,116	1,082,412	747,116
Refuse	-	-	8,173,990	8,478,104	8,173,990	8,478,104
Airport	-	-	645,131	505,212	645,131	505,212
Intermodal	-	-	57,818	57,761	57,818	57,761
Courthouse square	-	-	102,750	79,642	102,750	79,642
Total Expenses	<u>39,893,387</u>	<u>41,510,982</u>	<u>23,506,389</u>	<u>22,673,390</u>	<u>63,399,776</u>	<u>64,184,372</u>
Increase in Net Position						
Before Transfers	5,582,992	4,596,413	9,395,209	7,939,712	14,978,201	12,536,125
Transfers	<u>(1,861,652)</u>	<u>(1,004,179)</u>	<u>1,861,652</u>	<u>1,004,179</u>	-	-
Change in Net Position	<u>3,721,340</u>	<u>3,592,234</u>	<u>11,256,861</u>	<u>8,943,891</u>	<u>14,978,201</u>	<u>12,536,125</u>
Net Position, Beginning of Year, as Previously Reported	176,912,706	179,294,582	133,700,599	124,808,048	310,613,305	304,102,630
Prior Period Adjustment	<u>(865,568)</u>	<u>(5,974,110)</u>	<u>(276,372)</u>	<u>(51,340)</u>	<u>(1,141,940)</u>	<u>(6,025,450)</u>
Net Position, Beginning of Year, Restated	<u>176,047,138</u>	<u>173,320,472</u>	<u>133,424,227</u>	<u>124,756,708</u>	<u>309,471,365</u>	<u>298,077,180</u>
Net Position, End of Year	<u>\$ 179,768,478</u>	<u>\$ 176,912,706</u>	<u>\$ 144,681,088</u>	<u>\$ 133,700,599</u>	<u>\$ 324,449,566</u>	<u>\$ 310,613,305</u>

CITY OF HANFORD
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
FOR THE YEAR ENDED JUNE 30, 2021

The City's revenue totaled \$78,377,977 with 41.6% generated from charges for services and 41.1% generated from taxes. The largest source of revenues in governmental activities comes from taxes at 70.8%. This is typical in that traditional services provided by a city, such as public safety, parks, recreation, and public works, are primarily funded from property, sales, transient occupancy, and other local taxes. The largest source of revenues in Business-Type Activities comes from charges for services at 81.1%. The Business-Type Activities include enterprise fund operations, such as Water, Sewer, Refuse, Airport, Courthouse Square and Intermodal Funds, all of which recover their costs through fees and charges just like a normal business.

Expenses of the City totaled \$63,399,776. The two largest categories of expenses are public safety, which represents 34.5% of total costs, and general government, which represents 12.3% of total costs. However, in relation to Governmental Activity expenses only, public safety makes up 54.8% of the total and general government makes up 19.5% of the total.

As shown in the Statement of Activities, net position increased from the prior year. In the funds included within the Governmental Activities category, net position increased, after prior period adjustment, by \$2,855,772 an increase of 1.6%. The net position increased, after prior period adjustment, in the funds included within the Business-Type Activities category by \$10,980,489 or 7.5%.

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 \$10,926,987 while total fund balance was \$11,037,789. 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 35.8% of general fund expenditures.

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

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

CITY OF HANFORD
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
FOR THE YEAR ENDED JUNE 30, 2021

The Water System Fund has a total net position of \$55,720,344 at the end of the fiscal year. Total net position includes \$38,794,032 invested in capital assets and \$21 restricted for debt service, which are not available to pay for current expenses. The remaining net position of \$16,926,291 is unrestricted and available to cover current operating and capital needs of the fund.

The Refuse Fund has a total net position of \$3,524,863 at the end of the fiscal year. Total net position includes \$5,023,098 invested in capital assets, which are not available to cover current expenses.

The Wastewater Fund has a total net position of \$42,334,002 at the end of the fiscal year. Total net position includes \$37,075,687 invested in capital assets and \$2,358 restricted for debt service, which are not available to cover current expenses. The fund has \$5,255,957 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, 2021 amounts to \$297,364,116 (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 \$7,970,447. This increase is a net result of annual depreciation, land acquisition, normal equipment replacement, and construction of typical capital assets. Significant capital asset events during the fiscal year included the following:

9th/Houston Ave Sewer Main Construction	10,160,617
Five Refuse Trucks	1,552,274
Pavement Resurfacing Treatment	1,137,321
Two Refuse Sweepers	630,432
Storm Drain System Oversize Req	541,438
Water Distribution Main Ext Program	492,656
Armory Building	439,790
Tract No. 919 Street Improvements	371,799
Lacey Widen/10th-Sierra	350,342
Pavement Treatment Various St	204,390

CAPITAL ASSETS
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 60,795,382	\$ 60,418,778	\$ 11,386,981	\$ 10,845,543	\$ 72,182,363	\$ 71,264,321
Buildings	15,271,928	15,286,700	112,089,309	103,072,517	127,361,237	118,359,217
Infrastructure	70,607,008	71,580,322	-	-	70,607,008	71,580,322
Equipment	10,389,595	10,374,009	16,759,692	16,667,456	27,149,287	27,041,465
Construction in progress	52,635	741,501	11,586	406,840	64,221	1,148,341
Total Capital Assets	\$ 157,116,548	\$ 158,401,310	\$ 140,247,568	\$ 130,992,356	\$ 297,364,116	\$ 289,393,666

CITY OF HANFORD
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
FOR THE YEAR ENDED JUNE 30, 2021

Long-Term Debt - At the end of the current fiscal year, the City, had a total debt outstanding of \$31,606,224.

OUTSTANDING DEBT

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenue bonds payable	-	-	17,945,000	19,560,000	17,945,000	19,560,000
Unamortized bond premium	-	-	629,732	703,039	629,732	703,039
Notes payable	-	-	5,095,115	5,469,702	5,095,115	5,469,702
Lease purchase	-	-	7,936,377	8,610,970	7,936,377	8,610,970
Total Outstanding Debt	\$ -	\$ -	\$31,606,224	\$34,343,711	\$31,606,224	\$34,343,711

In the Business-Type Activities, the revenue bonds payable consists of three bond issues. In 2013, for the water system, the city received \$12,725,000 from the issuance of Water Revenue Bonds for the purpose of refinancing a 2003 Revenue Bond and 2007 note payable, of which \$6,780,000 remains. For the sewer system there remains a 2015 \$2,820,000 Refunding Revenue Bond, and a 2012 \$8,345,000 Refunding Revenue Bond.

The notes payable portion of the outstanding debt totaling \$5,095,115 consists of one loan. In 2002, the City obtained a \$10,000,000 loan for the purpose of expanding the wastewater treatment plant.

The outstanding lease purchase amount, \$7,936,377, is comprised of two different capital leases. The first lease was for an energy efficient solar tracker system at the wastewater treatment plant for \$4,325,556. The second lease was for a second energy efficient solar tracking system in the amount of \$8,495,138. This system is located at the wastewater treatment plant but is serving the whole city.

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

GENERAL FUND BUDGETARY HIGHLIGHTS

The fiscal year budget did not have any significant changes made from the beginning of the fiscal year. Actual revenues, however, were \$3.4 million over estimated budget amounts. This was due to conservative projections of sales tax due to the COVID-19 Pandemic. In addition, some federal funding was used to assist the City in costs created due to the pandemic. Expenditures for the fiscal year, in addition to better than projected revenues, were under budget. This was a result of a concerted effort to reduce operational costs during the pandemic and some unfilled positions in various departments.

**CITY OF HANFORD
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
FOR THE YEAR ENDED JUNE 30, 2021**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

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

- The fiscal year 2020-2021 budget had a final adoption late in the year due to staff turnover.
- Conservative revenue projections due to potential negative COVID-19 pandemic impacts.
- Contracted services in lieu of increasing or filling in vacant positions.
- Reduced or removed contributions to external programs and organizations.
- Decreased contributions to building, equipment, and vehicle reserves.
- Defer equipment and capital project expenses.

Items addressed in the budget were:

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

Airport – No capital projects this fiscal year.

Water – The completion of various water main replacements and additions, and the continuation of meter replacement and AMR replacement.

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

Building – Several ADA building modifications throughout City owned facilities.

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

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

Parks and Recreation – Continue with a variety of recreation programs and activities and look for more opportunities to involve the community as it comes out of the pandemic. Also ensure ADA compliance in all parks and modification and upgrade in parks and recreational facilities.

REQUESTS FOR INFORMATION

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

FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF HANFORD
STATEMENT OF NET POSITION
JUNE 30, 2021

	Primary Government		
	Governmental Activities		Total
	Business-Type Activities		
ASSETS			
Cash and investments	\$ 51,240,489	\$ 30,080,702	\$ 81,321,191
Receivables	4,236,748	6,434,363	10,671,111
Internal balances	(7,069,481)	7,069,481	-
Inventory	706,999	311,545	1,018,544
Deposits	229,500	14,000	243,500
Prepaid expenses and other assets	10,411	366,404	376,815
Long-term notes receivable	20,503,159	-	20,503,159
Restricted cash and investments	-	2,379	2,379
Capital Assets:			
Nondepreciable assets	60,848,017	11,398,567	72,246,584
Depreciable assets, net of depreciation	96,268,531	128,849,001	225,117,532
Total Assets	<u>226,974,373</u>	<u>184,526,442</u>	<u>411,500,815</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	10,811,506	1,723,658	12,535,164
Deferred outflows related to OPEB	1,977,363	590,640	2,568,003
Total Deferred Outflows of Resources	<u>12,788,869</u>	<u>2,314,298</u>	<u>15,103,167</u>
LIABILITIES			
Accounts payable	1,023,966	747,657	1,771,623
Salary and benefits payable	1,243,604	208,229	1,451,833
Accrued interest payable	-	347,905	347,905
Deposits and unearned revenue	4,919,778	340,020	5,259,798
Compensated absences - current portion	129,677	23,982	153,659
Compensated absences - noncurrent portion	1,274,498	375,744	1,650,242
Long-term debt - current	-	2,890,548	2,890,548
Long-term debt - noncurrent	-	28,085,944	28,085,944
Unamortized bond premium	-	629,732	629,732
Claims payable	5,402,000	-	5,402,000
Net OPEB liability	3,450,968	934,597	4,385,565
Net pension liability	<u>41,583,914</u>	<u>7,248,975</u>	<u>48,832,889</u>
Total Liabilities	<u>59,028,405</u>	<u>41,833,333</u>	<u>100,861,738</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	966,359	326,319	1,292,678
Total Deferred Inflows of Resources	<u>966,359</u>	<u>326,319</u>	<u>1,292,678</u>
NET POSITION			
Net investment in capital assets	157,116,548	108,641,344	265,757,892
Restricted for:			
Streets	6,439,407	-	6,439,407
Debt service	-	2,379	2,379
Community development	22,655,311	-	22,655,311
Public safety	399,646	-	399,646
Parks and recreation	5,062,528	-	5,062,528
Capital projects	4,960,493	-	4,960,493
Unrestricted	<u>(16,865,455)</u>	<u>36,037,365</u>	<u>19,171,910</u>
Total Net Position	<u>\$ 179,768,478</u>	<u>\$ 144,681,088</u>	<u>\$ 324,449,566</u>

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

CITY OF HANFORD
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

Functions/Programs	Expenses	Program Revenues			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
Governmental Activities:					
General government	\$ 7,777,169	\$ -	\$ -	\$ -	
Public safety	21,878,581	1,128,680	1,161,847	-	
Public works	4,310,762	2,053,493	-	780,926	
Recreation	3,290,716	176,440	-	-	
Community development	2,636,159	2,603,424	746,618	-	
Total Governmental Activities	<u>39,893,387</u>	<u>5,962,037</u>	<u>1,908,465</u>	<u>780,926</u>	
Business-type Activities:					
Water system	7,613,367	10,629,095	-	-	
Wastewater system	5,830,921	5,957,473	-	-	
Storm drain	1,082,412	1,445,978	-	-	
Refuse	8,173,990	8,420,936	-	-	
Airport	645,131	133,114	-	-	
Intermodal	57,818	37,928	-	-	
Courthouse square	102,750	46,858	-	-	
Total Business-type Activities	<u>23,506,389</u>	<u>26,671,382</u>	<u>-</u>	<u>-</u>	
Total Primary Government	<u><u>\$ 63,399,776</u></u>	<u><u>\$ 32,633,419</u></u>	<u><u>\$ 1,908,465</u></u>	<u><u>\$ 780,926</u></u>	

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

CITY OF HANFORD
STATEMENT OF ACTIVITIES (continued)
FOR THE YEAR ENDED JUNE 30, 2021

Functions/Programs	Net (Expense) Revenue	Net (Expense) Revenue and Changes in Net Position			
		Governmental Activities	Business-type Activities	Total	
Primary Government:					
Governmental Activities:					
General government	\$ (7,777,169)	\$ (7,777,169)	\$ -	\$ (7,777,169)	
Public safety	(19,588,054)	(19,588,054)	-	(19,588,054)	
Public works	(1,476,343)	(1,476,343)	-	(1,476,343)	
Recreation	(3,114,276)	(3,114,276)	-	(3,114,276)	
Community development	713,883	713,883	-	713,883	
Total Governmental Activities	<u>(31,241,959)</u>	<u>(31,241,959)</u>	<u>-</u>	<u>(31,241,959)</u>	
Business-type Activities:					
Water system	3,015,728	-	3,015,728	3,015,728	
Wastewater system	126,552	-	126,552	126,552	
Storm drain	363,566	-	363,566	363,566	
Refuse	246,946	-	246,946	246,946	
Airport	(512,017)	-	(512,017)	(512,017)	
Intermodal	(19,890)	-	(19,890)	(19,890)	
Courthouse square	(55,892)	-	(55,892)	(55,892)	
Total Business-type Activities	<u>3,164,993</u>	<u>-</u>	<u>3,164,993</u>	<u>3,164,993</u>	
Total Primary Government	<u>\$ (28,076,966)</u>	<u>(31,241,959)</u>	<u>3,164,993</u>	<u>(28,076,966)</u>	
General Revenues:					
Taxes:					
Property taxes	13,414,233	-	13,414,233	13,414,233	
Sales and use tax	16,332,234	-	16,332,234	16,332,234	
Franchise taxes	1,152,391	-	1,152,391	1,152,391	
Other taxes	1,292,189	-	1,292,189	1,292,189	
Revenue from use of money and property	936,759	243,843	1,180,602	1,180,602	
Impact fees	1,098,344	2,220,328	3,318,672	3,318,672	
Contributed capital	2,233,673	885,641	3,119,314	3,119,314	
Loss on disposal of assets	(8,936)	(134,464)	(143,400)	(143,400)	
Miscellaneous/other	374,064	3,014,868	3,388,932	3,388,932	
Transfers - interfund	(1,861,652)	1,861,652	-	-	
Total General Revenues and Transfers	<u>34,963,299</u>	<u>8,091,868</u>	<u>43,055,167</u>		
Change in Net Position	<u>3,721,340</u>	<u>11,256,861</u>	<u>14,978,201</u>		
Net Position, Beginning of Year, as Previously Reported	176,912,706	133,700,599	310,613,305		
Prior Period Adjustments	(865,568)	(276,372)	(1,141,940)		
Net Position, Beginning of Year, Restated	<u>176,047,138</u>	<u>133,424,227</u>	<u>309,471,365</u>		
Net Position, End of Year	<u>\$ 179,768,478</u>	<u>\$ 144,681,088</u>	<u>\$ 324,449,566</u>		

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

GOVERNMENTAL FUNDS

FINANCIAL STATEMENTS

CITY OF HANFORD
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2021

	General Fund	Capital Projects Fund	Special Revenue			Transportation Development Act Fund	All Other Non-Major Governmental Funds	Total
			CDBG/HOME/ Housing Fund	Transportation Impact Fees				
ASSETS								
Cash and investments	\$ 9,004,881	\$ 3,008,918	\$ 1,592,452	\$ 4,182,565	\$ 3,731,420	\$ 9,566,488	\$ 31,086,724	
Receivables	1,065,159	10,827	91,822	11,304	1,708,552	615,780	3,503,444	
Loan receivable	-	-	18,533,201	-	-	1,969,958	20,503,159	
Due from other funds	2,633,641	-	-	-	-	-	2,633,641	
Deposits	104,500	-	-	-	-	-	104,500	
Prepaid expenses and other assets	6,302	1,100	-	-	-	622	8,024	
Advances to other funds	104,570	1,659,026	-	-	-	-	1,763,596	
Total Assets	\$ 12,919,053	\$ 4,679,871	\$ 20,217,475	\$ 4,193,869	\$ 5,439,972	\$ 12,152,848	\$ 59,603,088	
LIABILITIES AND FUND BALANCES								
Liabilities:								
Cash overdraft	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 439	\$ 439	
Accounts payable	609,767	1,495	-	3,965	24,644	162,445	802,316	
Accrued wages payable	958,362	-	-	-	-	7,654	966,016	
Unearned revenue	-	-	-	-	4,916,643	-	4,916,643	
Consumer deposits	3,135	-	-	-	-	-	3,135	
Due to other funds	310,000	-	37,318	1,657,592	-	140,922	2,145,832	
Advances from other funds	-	104,570	-	-	-	-	104,570	
Total Liabilities	1,881,264	106,065	37,318	1,661,557	4,941,287	311,460	8,938,951	
Fund Balances:								
Nonspendable:								
Long-term receivables	-	-	18,533,201	-	-	1,969,958	20,503,159	
Prepaid expenses	6,302	1,100	-	-	-	622	8,024	
Insurance deposits	104,500	-	-	-	-	-	104,500	
Restricted for:								
Community development	-	-	1,646,956	-	-	-	1,646,956	
Streets and roads	-	-	-	2,532,312	498,685	3,491,045	6,522,042	
Recreation	-	-	-	-	-	4,322,904	4,322,904	
Landscape maintenance	-	-	-	-	-	731,600	731,600	
Public safety	-	-	-	-	-	399,646	399,646	
Committed for:								
Parking and business improvement	-	4,572,706	-	-	-	359,052	4,931,758	
Community development	-	-	-	-	-	552,161	552,161	
Cannabis	-	-	-	-	-	124,305	124,305	
Unassigned	10,926,987	-	-	-	-	(109,905)	10,817,082	
Total Fund Balances	\$ 11,037,789	\$ 4,573,806	\$ 20,180,157	\$ 2,532,312	\$ 498,685	\$ 11,841,388	\$ 50,664,137	
Total Liabilities and Fund Balances	\$ 12,919,053	\$ 4,679,871	\$ 20,217,475	\$ 4,193,869	\$ 5,439,972	\$ 12,152,848	\$ 59,603,088	

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

CITY OF HANFORD
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION - GOVERNMENTAL ACTIVITIES
JUNE 30, 2021

Total Fund Balances Governmental Funds \$ 50,664,137

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	\$ 264,924,515	
Accumulated depreciation	<u>(116,609,368)</u>	148,315,147

Internal service funds are used by management to charge the costs of fleet maintenance, purchasing, risk management, building usage, and computer maintenance to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the Statement of Net Position.

13,930,241

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

Compensated absences	\$ (1,334,891)	
Net OPEB liability	(3,450,968)	
Net pension liability	<u>(39,838,853)</u>	(44,624,712)

Deferred outflows related to pensions and OPEB 12,391,317

Deferred inflows related to pensions (907,652)

Total Net Position - Governmental Activities \$ 179,768,478

CITY OF HANFORD
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	General Fund	Capital Projects Fund	Special Revenue			All Other Non-Major Governmental Funds	Total
			CDBG/HOME/Housing Fund	Transportation Impact Fees	Transportation Development Act Fund		
REVENUES							
Taxes and special assessments	\$ 29,883,494	\$ -	\$ -	\$ 638,545	\$ 366,699	\$ 4,079,141	\$ 34,967,879
Aid from other government agencies	1,936,822	-	598,233	-	-	562,824	3,097,879
Licenses and permits	1,052,363	-	-	-	-	-	1,052,363
Fines and forfeitures	129,039	-	-	-	-	34,029	163,068
Charges for services	2,459,711	34,527	-	-	-	-	2,494,238
Revenue from use of money and property	133,083	19,647	367,742	46,107	38,816	156,219	761,614
Miscellaneous	343,367	100,000	5,787	-	174	155,857	605,185
Total Revenues	35,937,879	154,174	971,762	684,652	405,689	4,988,070	43,142,226
EXPENDITURES							
General government	2,028,736	60,338	-	12,105	3,292	29,677	2,134,148
Public safety	20,775,293	-	-	-	-	-	20,775,293
Public works	2,289,274	58,397	-	-	71,156	1,312,559	3,731,386
Recreation	3,441,612	-	-	-	-	-	3,441,612
Community development	1,820,914	-	633,315	-	-	304,476	2,758,705
Capital outlay	198,332	452,460	-	748,403	295,717	1,560,859	3,255,771
Total Expenditures	30,554,161	571,195	633,315	760,508	370,165	3,207,571	36,096,915
Excess (Deficiency) of Revenues Over Expenditures	5,383,718	(417,021)	338,447	(75,856)	35,524	1,780,499	7,045,311
Other Financing Sources (Uses)							
Operating transfers in	66,790	267,473	-	990,854	-	258,052	1,583,169
Operating transfers out	(1,240,843)	(40,000)	(166,466)	(990,854)	-	(329,139)	(2,767,302)
Total Other Financing Sources (Uses)	(1,174,053)	227,473	(166,466)	-	-	(71,087)	(1,184,133)
Net Change in Fund Balance	4,209,665	(189,548)	171,981	(75,856)	35,524	1,709,412	5,861,178
Fund Balance, Beginning of Year	5,580,872	4,786,742	20,269,345	1,635,767	481,221	12,028,171	44,782,118
Prior Period Adjustment	1,247,252	(23,388)	(261,169)	972,401	(18,060)	(1,896,195)	20,841
Fund Balance, Beginning of Year (Restated)	6,828,124	4,763,354	20,008,176	2,608,168	463,161	10,131,976	44,802,959
Fund Balance, End of Year	\$ 11,037,789	\$ 4,573,806	\$ 20,180,157	\$ 2,532,312	\$ 498,685	\$ 11,841,388	\$ 50,664,137

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

CITY OF HANFORD
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

Total Net Change in Fund Balances - Governmental Funds \$ 5,861,178

Amounts Reported for Governmental Activities in the Statement of Activities
are different because:

Capital outlays are reported in governmental funds as expenditures.

However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay and contributed capital exceeded depreciation in the current period:

Expenditures for capital outlay	\$ 3,255,771
Contributed capital and sale of assets	2,233,673
Depreciation expense	<u>(6,773,579)</u>
	(1,284,135)

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: (17,664)

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:

321,734

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

(3,948,035)

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

2,788,262

Change in Net Position of Governmental Activities

\$ 3,721,340

PROPRIETARY FUNDS

FINANCIAL STATEMENTS

CITY OF HANFORD
STATEMENT OF NET POSITION –
PROPRIETARY FUNDS
JUNE 30, 2021

	Sewer Improvement Funds			
	Water System Fund	Wastewater Fund	Storm Drain Fund	Refuse Fund
ASSETS				
Current Assets:				
Cash and investments	\$ 18,255,726	\$ 4,591,019	\$ 6,202,905	\$ 797,644
Restricted cash and investments	21	2,358	-	-
Receivables, net	1,547,113	3,711,718	179,558	980,286
Deposits	10,000	4,000	-	-
Prepaid expenses	20,126	338,904	1,074	6,300
Inventory	311,545	-	-	-
Due from other funds	-	-	-	-
Total current assets	<u>20,144,531</u>	<u>8,647,999</u>	<u>6,383,537</u>	<u>1,784,230</u>
Noncurrent Assets:				
Capital Assets:				
Land	211,614	4,135,650	4,164,210	-
Buildings and improvements	60,300,036	87,649,237	21,162,285	1,351,845
Machinery and equipment	17,913,194	2,291,130	865,680	8,086,949
Construction in progress	-	11,586	-	-
Less accumulated depreciation	(26,441,986)	(38,594,518)	(6,262,302)	(4,415,696)
Capital assets, net	<u>51,982,858</u>	<u>55,493,085</u>	<u>19,929,873</u>	<u>5,023,098</u>
Total noncurrent assets	<u>51,982,858</u>	<u>55,493,085</u>	<u>19,929,873</u>	<u>5,023,098</u>
Total Assets	<u>72,127,389</u>	<u>64,141,084</u>	<u>26,313,410</u>	<u>6,807,328</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pensions	528,456	377,699	22,826	794,677
Deferred outflows related to OPEB	179,760	154,080	-	256,800
Total Deferred Outflows of Resources	<u>708,216</u>	<u>531,779</u>	<u>22,826</u>	<u>1,051,477</u>
LIABILITIES				
Current Liabilities:				
Cash overdraft	-	-	-	-
Accounts payable	325,890	158,107	2,361	253,965
Salaries and benefits payable	67,160	45,254	12,575	81,663
Deposits and unearned revenue	334,054	1,280	635	1,570
Due to other funds	158,394	1,526,097	210,175	177,229
Advances from other funds	-	-	-	-
Interest payable	116,419	231,486	-	-
Compensated absences - current portion	14,566	2,774	1,093	5,549
Current portion of long-term debt	1,371,208	1,519,340	-	-
Total current liabilities	<u>2,387,691</u>	<u>3,484,338</u>	<u>226,839</u>	<u>519,976</u>
Noncurrent Liabilities:				
Compensated absences payable	228,197	43,466	17,147	86,934
Net OPEB liability	296,583	237,537	-	400,478
Claims payable	-	-	-	-
Unamortized bond premium	217,987	411,745	-	-
Bonds and notes payable	11,599,631	16,486,313	-	-
Net pension liability	2,297,442	1,603,100	227,866	3,120,567
Total noncurrent liabilities	<u>14,639,840</u>	<u>18,782,161</u>	<u>245,013</u>	<u>3,607,979</u>
Total Liabilities	<u>17,027,531</u>	<u>22,266,499</u>	<u>471,852</u>	<u>4,127,955</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pensions	87,730	72,362	(39,760)	205,987
Total Deferred Inflows of Resources	<u>87,730</u>	<u>72,362</u>	<u>(39,760)</u>	<u>205,987</u>
NET POSITION				
Net investment in capital assets	38,794,032	37,075,687	19,929,873	5,023,098
Restricted for debt service	21	2,358	-	-
Unrestricted	16,926,291	5,255,957	5,974,271	(1,498,235)
Total Net Position	<u>\$ 55,720,344</u>	<u>\$ 42,334,002</u>	<u>\$ 25,904,144</u>	<u>\$ 3,524,863</u>

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

CITY OF HANFORD
STATEMENT OF NET POSITION –
PROPRIETARY FUNDS (continued)
JUNE 30, 2021

	Airport Fund	Intermodal Fund	Courthouse Square	Total	Governmental Activities Internal Service Funds
ASSETS					
Current Assets:					
Cash and investments	\$ 166,436	\$ 67,293	\$ -	\$ 30,081,023	\$ 20,154,204
Restricted cash and investments	-	-	-	2,379	-
Receivables, net	7,056	5,978	2,654	6,434,363	733,304
Deposits	-	-	-	14,000	125,000
Prepaid expenses	-	-	-	366,404	2,387
Inventory	-	-	-	311,545	706,999
Due from other funds	-	-	-	-	1,967,592
Total current assets	<u>173,492</u>	<u>73,271</u>	<u>2,654</u>	<u>37,209,714</u>	<u>23,689,486</u>
Noncurrent Assets:					
Capital Assets:					
Land	2,596,623	278,884	-	11,386,981	-
Buildings and improvements	10,123,741	1,305,817	-	181,892,961	26,191
Machinery and equipment	61,873	-	-	29,218,826	17,642,579
Construction in progress	-	-	-	11,586	-
Less accumulated depreciation	(5,883,435)	(664,849)	-	(82,262,786)	(8,867,369)
Capital assets, net	<u>6,898,802</u>	<u>919,852</u>	<u>-</u>	<u>140,247,568</u>	<u>8,801,401</u>
Total other noncurrent assets	<u>6,898,802</u>	<u>919,852</u>	<u>-</u>	<u>140,247,568</u>	<u>8,801,401</u>
Total Assets	<u>7,072,294</u>	<u>993,123</u>	<u>2,654</u>	<u>177,457,282</u>	<u>32,490,887</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows related to pensions	-	-	-	1,723,658	397,552
Deferred outflows related to OPEB	-	-	-	590,640	-
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,314,298</u>	<u>397,552</u>
LIABILITIES					
Current Liabilities:					
Cash overdraft	-	-	321	321	-
Accounts payable	4,205	286	2,843	747,657	255,717
Salaries and benefits payable	1,576	-	-	208,228	277,588
Deposits and unearned revenue	2,481	-	-	340,020	-
Due to other funds	5,960	-	112,747	2,190,602	264,799
Advances from other funds	375,468	261,224	1,022,334	1,659,026	-
Interest payable	-	-	-	347,905	-
Compensated absences - current portion	-	-	-	23,982	4,157
Current portion of long-term debt	-	-	-	2,890,548	-
Total current liabilities	<u>389,690</u>	<u>261,510</u>	<u>1,138,245</u>	<u>8,408,289</u>	<u>802,261</u>
Noncurrent Liabilities:					
Compensated absences payable	-	-	-	375,744	65,127
Net OPEB liability	-	-	-	934,598	-
Claims payable	-	-	-	-	5,402,000
Unamortized bond premium	-	-	-	629,732	-
Bonds and notes payable	-	-	-	28,085,944	-
Net pension liability	-	-	-	7,248,975	1,745,061
Total noncurrent liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>37,274,993</u>	<u>7,212,188</u>
Total Liabilities	<u>389,690</u>	<u>261,510</u>	<u>1,138,245</u>	<u>45,683,282</u>	<u>8,014,449</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows related to pensions	-	-	-	326,319	58,707
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>326,319</u>	<u>58,707</u>
NET POSITION					
Net investment in capital assets	6,898,802	919,852	-	108,641,344	8,801,401
Restricted for debt service	-	-	-	2,379	-
Unrestricted	(216,198)	(188,239)	(1,135,591)	25,118,256	16,013,882
Total Net Position	<u>\$ 6,682,604</u>	<u>\$ 731,613</u>	<u>\$ (1,135,591)</u>	<u>133,761,979</u>	<u>\$ 24,815,283</u>
Adjustment to reflect the consolidation of internal service fund activities				<u>10,919,109</u>	
Net Position of Business-type Activities				<u>\$ 144,681,088</u>	

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

CITY OF HANFORD
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION –
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	Sewer Improvement Funds			
	Water System Fund	Wastewater Fund	Storm Drain Fund	Refuse Fund
OPERATING REVENUES				
Charges for services	\$ 10,629,095	\$ 5,957,473	\$ 1,445,978	\$ 8,420,936
Other revenues	1,512,285	435,829	17,316	131,952
Total Operating Revenues	<u>12,141,380</u>	<u>6,393,302</u>	<u>1,463,294</u>	<u>8,552,888</u>
OPERATING EXPENSES				
Personnel services	2,024,060	1,226,872	406,413	2,417,098
Services and supplies	2,959,178	2,461,421	473,013	5,329,630
Depreciation	2,260,590	1,639,243	329,124	627,108
Total Operating Expenses	<u>7,243,828</u>	<u>5,327,536</u>	<u>1,208,550</u>	<u>8,373,836</u>
Operating Income (Loss)	<u>4,897,552</u>	<u>1,065,766</u>	<u>254,744</u>	<u>179,052</u>
NONOPERATING REVENUES (EXPENSES)				
Intergovernmental	-	3,000,000	-	14,868
Interest income	166,264	95,354	64,157	8,849
Interest expense	(509,638)	(611,363)	-	-
Unrealized gain (loss) on investments	(15,061)	(58,393)	(17,051)	(2,423)
Gain (loss) on sale of capital assets	-	-	-	(134,464)
Total Nonoperating Revenues (Expenses)	<u>(358,435)</u>	<u>2,425,598</u>	<u>47,106</u>	<u>(113,170)</u>
Income (Loss) Before Capital Contributions and Transfers	4,539,117	3,491,364	301,850	65,882
Capital contributions	426,742	355,677	103,222	-
Transfers in (out)	<u>192,681</u>	<u>(12,219)</u>	<u>-</u>	<u>1,563,194</u>
Change in Net Position	<u>5,158,540</u>	<u>3,834,822</u>	<u>405,072</u>	<u>1,629,076</u>
Net Position (Deficit), Beginning of Year	50,778,258	38,801,852	25,547,875	1,604,230
Prior Period Adjustment	<u>(216,454)</u>	<u>(302,672)</u>	<u>(48,803)</u>	<u>291,557</u>
Net Position (Deficit), Beginning of Year (Restated)	<u>50,561,804</u>	<u>38,499,180</u>	<u>25,499,072</u>	<u>1,895,787</u>
Net Position (Deficit), End of Year	<u>\$ 55,720,344</u>	<u>\$ 42,334,002</u>	<u>\$ 25,904,144</u>	<u>\$ 3,524,863</u>

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

CITY OF HANFORD
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION –
PROPRIETARY FUNDS (continued)
FOR THE YEAR ENDED JUNE 30, 2021

	Airport Fund	Intermodal Fund	Courthouse Square	Total	Governmental Activities Internal Service Funds
OPERATING REVENUES					
Charges for services	\$ 133,114	\$ 37,928	\$ 46,858	\$ 26,671,382	\$ 8,023,963
Other revenues	122,165	781	-	2,220,328	889,302
Total Operating Revenues	255,279	38,709	46,858	28,891,710	8,913,265
OPERATING EXPENSES					
Personnel services	45,252	-	-	6,119,695	1,508,280
Services and supplies	199,061	31,701	111,105	11,565,109	4,823,665
Depreciation	417,527	26,117	-	5,299,709	1,191,542
Total Operating Expenses	661,840	57,818	111,105	22,984,513	7,523,487
Operating Income (Loss)	(406,561)	(19,109)	(64,247)	5,907,197	1,389,778
NONOPERATING REVENUES (EXPENSES)					
Intergovernmental	-	-	-	3,014,868	(8,936)
Interest income	1,385	351	-	336,360	211,757
Interest expense	-	-	-	(1,121,001)	-
Unrealized gain (loss) on investments	466	215	(269)	(92,516)	(28,289)
Gain (loss) on sale of capital assets	-	-	-	(134,464)	-
Total Nonoperating Revenues (Expenses)	1,851	566	(269)	2,003,247	174,532
Income (Loss) Before Capital Contributions and Transfers	(404,710)	(18,543)	(64,516)	7,910,444	1,564,310
Capital contributions	-	-	-	885,641	-
Transfers in (out)	50,887	67,107	-	1,861,650	(677,517)
Change in Net Position	(353,823)	48,564	(64,516)	10,657,735	886,793
Net Position (Deficit), Beginning of Year	7,036,427	683,049	(1,071,075)		24,814,899
Prior Period Adjustment	-	-	-		(886,409)
Net Position (Deficit), Beginning of Year (Restated)	7,036,427	683,049	(1,071,075)		23,928,490
Net Position (Deficit), End of Year	\$ 6,682,604	\$ 731,613	\$ (1,135,591)		\$ 24,815,283
Adjustment to reflect the consolidation of internal service funds				599,126	
Change in Net Position of Business-type Activities				\$ 11,256,861	

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

CITY OF HANFORD
STATEMENT OF CASH FLOWS –
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	Sewer Improvement Funds			
	Water System Fund	Wastewater Fund	Storm Drain Fund	Refuse Fund
Cash Flows from Operating Activities:				
Cash received for current services	\$ 10,025,390	\$ 2,795,886	\$ 1,391,521	\$ 8,246,395
Cash received for other operating revenues	1,513,279	435,829	17,316	131,952
Cash paid to suppliers for goods and services	(2,954,450)	(903,776)	(485,217)	(5,337,319)
Cash paid for salaries and benefits	<u>(2,077,483)</u>	<u>(1,360,594)</u>	<u>(232,313)</u>	<u>(2,447,333)</u>
Net Cash Provided (Used) by Operating Activities	<u>6,506,736</u>	<u>967,345</u>	<u>691,307</u>	<u>593,695</u>
Cash Flows from Non-Capital Financing Activities:				
Transfers (to) from other funds	192,681	(12,219)	-	1,563,194
Loans from/(to) other funds	158,394	-	-	-
Intergovernmental revenue	-	3,000,000	-	14,868
Net Cash Provided (Used) by Non-capital Financing Activities	<u>351,075</u>	<u>2,987,781</u>	<u>-</u>	<u>1,578,062</u>
Cash Flows from Capital and Related Financing Activities:				
Principal payments on long-term debt	(1,279,518)	(1,384,663)	-	-
Interest payments on long-term debt	(557,073)	(671,036)	-	-
Capital expenditures	(1,261,743)	(10,934,720)	(813,826)	(1,775,645)
Proceeds from the sale of capital assets	28,611	406,840	-	1
Capital contributions from grants	<u>426,742</u>	<u>355,677</u>	<u>103,222</u>	<u>-</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(2,642,981)</u>	<u>(12,227,902)</u>	<u>(710,604)</u>	<u>(1,775,644)</u>
Cash Flows from Investing Activities:				
Unrealized gain (loss) on investments	(15,061)	(58,393)	(17,051)	(2,423)
Interest received on investments	<u>166,264</u>	<u>95,354</u>	<u>64,157</u>	<u>8,849</u>
Net Cash Provided (Used) by Investing Activities	<u>151,203</u>	<u>36,961</u>	<u>47,106</u>	<u>6,426</u>
Net Increase (Decrease) in Cash and Investments	4,366,033	(8,235,815)	27,809	402,539
Cash and Investments, Beginning of Year	<u>13,889,714</u>	<u>12,829,192</u>	<u>6,175,096</u>	<u>395,105</u>
Cash and Investments, End of Year	<u>\$ 18,255,747</u>	<u>\$ 4,593,377</u>	<u>\$ 6,202,905</u>	<u>\$ 797,644</u>
Reconciliation to Statement of Net Position:				
Cash and investments	\$ 18,255,726	\$ 4,591,019	\$ 6,202,905	\$ 797,644
Restricted cash and investments	21	2,358	-	-
Cash overdraft	-	-	-	-
Total Cash and Investments	<u>\$ 18,255,747</u>	<u>\$ 4,593,377</u>	<u>\$ 6,202,905</u>	<u>\$ 797,644</u>

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

CITY OF HANFORD
STATEMENT OF CASH FLOWS –
PROPRIETARY FUNDS (continued)
FOR THE YEAR ENDED JUNE 30, 2021

	Airport Fund	Intermodal Fund	Courthouse Square	Total Enterprise Funds	Governmental Activities Internal Service Funds
Cash Flows from Operating Activities:					
Cash received for current services	\$ 137,834	\$ 37,542	\$ 51,588	\$ 22,686,156	\$ 6,371,673
Cash received for other operating revenues	122,165	781	-	2,221,322	905,203
Cash paid to suppliers for goods and services	(197,175)	(31,517)	(109,304)	(10,018,758)	(5,786,375)
Cash paid for salaries and benefits	(38,826)	(7,227)	56,717	(6,107,059)	(1,776,276)
Net Cash Provided (Used) by Operating Activities	<u>23,998</u>	<u>(421)</u>	<u>(999)</u>	<u>8,781,661</u>	<u>(285,775)</u>
Cash Flows from Non-Capital Financing Activities:					
Transfers (to) from other funds	50,887	67,107	-	1,861,650	(677,517)
Loans from/(to) other funds	-	-	-	158,394	1,260,854
Intergovernmental revenue	-	-	-	3,014,868	(8,936)
Net Cash Provided (Used) by Non-capital Financing Activities	<u>50,887</u>	<u>67,107</u>	<u>-</u>	<u>5,034,912</u>	<u>574,401</u>
Cash Flows from Capital and Related Financing Activities:					
Principal payments on long-term debt	-	-	-	(2,664,181)	-
Interest payments on long-term debt	-	-	-	(1,228,109)	-
Capital expenditures	(47,452)	-	-	(14,833,386)	(1,190,913)
Proceeds from the sale of capital assets	12,576	-	-	448,028	94,218
Capital contributions from grants	-	-	-	885,641	-
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(34,876)</u>	<u>-</u>	<u>-</u>	<u>(17,392,007)</u>	<u>(1,096,695)</u>
Cash Flows from Investing Activities:					
Unrealized gain (loss) on investments	466	215	(269)	(92,516)	(28,289)
Interest received on investments	<u>1,385</u>	<u>351</u>	<u>-</u>	<u>336,360</u>	<u>211,757</u>
Net Cash Provided (Used) by Investing Activities	<u>1,851</u>	<u>566</u>	<u>(269)</u>	<u>243,844</u>	<u>183,468</u>
Net Increase (Decrease) in Cash and Investments	41,860	67,252	(1,268)	(3,331,590)	(624,601)
Cash and Investments, Beginning of Year	<u>124,576</u>	<u>41</u>	<u>947</u>	<u>33,414,671</u>	<u>20,778,805</u>
Cash and Investments, End of Year	<u><u>\$ 166,436</u></u>	<u><u>\$ 67,293</u></u>	<u><u>\$ (321)</u></u>	<u><u>\$ 30,083,081</u></u>	<u><u>\$ 20,154,204</u></u>
Reconciliation to Statement of Net Position:					
Cash and investments	\$ 166,436	\$ 67,293	\$ -	\$ 30,081,023	\$ 20,154,204
Restricted cash and investments	-	-	-	2,379	-
Cash overdraft	-	-	(321)	(321)	-
Total Cash and Investments	<u>\$ 166,436</u>	<u>\$ 67,293</u>	<u>\$ (321)</u>	<u>\$ 30,083,081</u>	<u>\$ 20,154,204</u>

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

CITY OF HANFORD
STATEMENT OF CASH FLOWS –
PROPRIETARY FUNDS (continued)
FOR THE YEAR ENDED JUNE 30, 2021

	Water System Fund	Sewer Improvement Funds			
		Wastewater Fund	Storm Drain Fund		Refuse Fund
Reconciliation of Operating Income (Loss) to Net Cash					
Provided (Used) by Operating Activities:					
Operating income (loss)	\$ 4,897,552	\$ 1,065,766	\$ 254,744	\$ 179,052	
Adjustments to reconcile net income (loss) from operating to net cash provided (used) by operating activities:					
Depreciation	2,260,590	1,639,243	329,124	627,108	
(Increase) decrease in:					
Receivables, net	(608,515)	(3,161,581)	(54,382)	(174,876)	
Deposits	-	-	-	-	
Prepaid expenses	994	(11,751)	-	-	
Inventory	56,653	-	-	-	
Deferred outflows of resources	(86,122)	(79,259)	5,172	(139,918)	
Due to/from other funds	-	1,526,097	210,175	177,229	
Accounts payable	(51,925)	43,299	(12,204)	(7,689)	
Salaries and benefits payable	14,221	11,088	710	27,552	
Compensated absences	137,364	(6,810)	(105)	11,445	
Deposits and unearned revenue	4,810	(6)	(75)	335	
Net OPEB liability	65,084	54,896	-	101,550	
Net pension liability	46,435	28,683	10,563	52,524	
Deferred inflows of resources	(230,405)	(142,320)	(52,415)	(260,617)	
Claims payable	-	-	-	-	
Net Cash Provided (Used) by Operating Activities	<u>\$ 6,506,736</u>	<u>\$ 967,345</u>	<u>\$ 691,307</u>	<u>\$ 593,695</u>	
Noncash investing, capital, and financing activities:					
Contribution of capital assets	<u>\$ 426,742</u>	<u>\$ 355,677</u>	<u>\$ 103,222</u>	<u>\$ -</u>	

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

CITY OF HANFORD
STATEMENT OF CASH FLOWS –
PROPRIETARY FUNDS (continued)
FOR THE YEAR ENDED JUNE 30, 2021

	Airport Fund	Intermodal Fund	Courthouse Square	Total Enterprise Funds	Governmental Activities Internal Service Funds
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Operating income (loss)					
	\$ (406,561)	\$ (19,109)	\$ (64,247)	\$ 5,907,197	\$ 1,389,778
Adjustments to reconcile net income (loss) from operating to net cash provided (used) by operating activities:					
Depreciation	417,527	26,117	-	5,299,709	1,191,542
(Increase) decrease in:					
Receivables, net	4,720	(386)	4,730	(3,990,290)	(1,734,065)
Deposits	-	-	-	-	100,000
Prepaid expenses	-	-	-	(10,757)	2,504
Inventory	-	-	-	56,653	(58,887)
Deferred outflows of resources	-	-	-	(300,127)	17,024
Due to/from other funds	5,960	(7,227)	56,717	1,968,951	264,799
Accounts payable	1,886	184	1,801	(24,648)	(236,095)
Salaries and benefits payable	466	-	-	54,037	(156,025)
Compensated absences	-	-	-	141,894	8,764
Deposits and unearned revenue	-	-	-	5,064	-
Net OPEB liability	-	-	-	221,530	-
Net pension liability	-	-	-	138,205	34,772
Deferred inflows of resources	-	-	-	(685,757)	(172,531)
Claims payable	-	-	-	-	(937,355)
Net Cash Provided (Used) by Operating Activities	<hr/> <u>\$ 23,998</u>	<hr/> <u>\$ (421)</u>	<hr/> <u>\$ (999)</u>	<hr/> <u>\$ 8,781,661</u>	<hr/> <u>\$ (285,775)</u>
Noncash investing, capital, and financing activities:					
Contribution of capital assets	<hr/> <u>\$ -</u>	<hr/> <u>\$ -</u>	<hr/> <u>\$ -</u>	<hr/> <u>\$ 885,641</u>	<hr/> <u>\$ -</u>

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

FIDUCIARY FUNDS

FINANCIAL STATEMENTS

CITY OF HANFORD
STATEMENT OF FIDUCIARY NET POSITION –
FIDUCIARY FUNDS
JUNE 30, 2021

	Redevelopment Successor Agency Private-Purpose Trust Fund	Trust and Custodial Funds
ASSETS		
Cash and investments	\$ 243,369	\$ 1,100,182
Accounts receivable	337	26,770
Assets held for resale	<u>135,265</u>	-
Total Assets	<u>378,971</u>	<u>1,126,952</u>
LIABILITIES		
Accounts payable	-	397,678
Deposits held for others	<u>-</u>	<u>651,572</u>
Total Liabilities	<u>-</u>	<u>1,049,250</u>
NET POSITION		
Held in trust for the retirement of obligations of the former Hanford Redevelopment Agency and other purposes	378,971	-
Restricted	<u>-</u>	<u>77,702</u>
Total Net Position	<u>\$ 378,971</u>	<u>\$ 77,702</u>

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

CITY OF HANFORD
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION –
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	Redevelopment Successor Agency Private-Purpose Trust Fund	Trust and Custodial Funds
ADDITIONS		
Investment earnings (loss)	\$ 2,557	\$ -
Other additions	-	<u>382,225</u>
Total Additions	<u>2,557</u>	<u>382,225</u>
DEDUCTIONS		
General government	5,560	352,918
Unrealized (gain) loss on investments	<u>(487)</u>	<u>(11,737)</u>
Total Deductions	<u>5,073</u>	<u>341,181</u>
Change in Fiduciary Net Position	<u>(2,516)</u>	<u>41,044</u>
Net Position - Beginning of Year	333,171	301,477
Prior Period Adjustments	<u>48,316</u>	<u>(264,819)</u>
Net Position - Beginning of Year, Restated	<u>381,487</u>	<u>36,658</u>
Net Position - End of Year	<u><u>\$ 378,971</u></u>	<u><u>\$ 77,702</u></u>

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

CITY OF HANFORD
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the City of Hanford (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, 2021 and for the year then ended.

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

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

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

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

Basis of Presentation

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

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

CITY OF HANFORD
NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government-Wide Financial Statements (continued): Net Position are restricted when constraints placed on them are either externally imposed or are imposed by constitutional provisions or enabling legislation. Internally imposed designations of resources are not presented as restricted net position. When both restricted and unrestricted resources are available for use, generally it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Governmental Fund Financial Statements: The fund financial statements provide information about the City's funds, with separate statements presented for each fund category – *governmental*, *proprietary*, and *fiduciary*. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are separately aggregated and reported as non-major funds.

Proprietary fund *operating* revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

The City reports the following major governmental funds:

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

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

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

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

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

The City reports the following major enterprise funds:

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

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

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

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

CITY OF HANFORD
NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Governmental Fund Financial Statements (continued):

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

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

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

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

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

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

Additionally, the City reports the following fund types:

Internal Service Funds – Internal Service Funds are used to account for the financing of goods or services provided by one department or agency of the City to another on a cost-reimbursement basis.

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

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

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

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

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

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property and sales taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from sales tax are recognized when the underlying transactions take place. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligible requirements have been satisfied.

CITY OF HANFORD
NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued): Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Property and sales taxes, interest, certain state and federal grants and charges for services are accrued when their receipt occurs within sixty days after the end of the accounting period so as to be both measurable and available. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due. General capital assets acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and capital leases are reported as other financing sources.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Revenues and expenses not meeting this definition are reported as non-operating.

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

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

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

Further cash and investment disclosures are presented in Note 2.

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

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

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

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

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

CITY OF HANFORD
NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets (continued): 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 Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of assets is as follows:

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

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

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

Compensated Absences: It is the City's policy to permit employees to accumulate earned but unused vacation, sick pay benefits and compensatory time. All vacation and compensatory pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements. For additional information regarding compensated absences, see Note 6.

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

CITY OF HANFORD
NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Long-Term Obligations (continued): In the fund financial statements, however, debt principal payments of governmental funds are recognized as expenditures when paid. Governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether 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.

The following timeframes are used for pension reporting:

<u>CalPERS</u>	
Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Measurement Period	June 30, 2019 to June 30, 2020

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

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

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

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

CITY OF HANFORD
NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Balance (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 (the City Council) and that remain binding unless removed in the same manner. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.
- *Assigned fund balance* – amounts that are constrained by the City's *intent* to be used for specific purposes. The intent can be established by either the highest level of decision making, or by a body or an official designated for that purpose.
- *Unassigned fund balance* – the residual classification for the City's General Fund that includes amounts not contained in the other classifications. In other funds, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

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

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

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

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

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

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

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

CITY OF HANFORD
NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Stewardship, Compliance, and Accountability

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

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

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

Supplemental budgetary appropriations were negligible for the fiscal year ended June 30, 2021. All unencumbered appropriations lapse at year-end.

For budgeting purposes, the General Fund is composed of several departments while all other budgeted funds are considered a single department. Revenues are budgeted on a line item basis. A comparison of budgeted and actual revenues by line item would be too voluminous for this report.

Budgets for the General and major Special Revenue Funds are presented in the accompanying general purpose financial statements on a basis consistent with accounting principles generally accepted in the United States of America. Budgets for Capital Projects Funds are not presented because they are budgeted on a project basis rather than on an annual basis. No budgets are adopted for the Proprietary and Fiduciary Fund types.

Deficit Fund Balance/Net Position: At June 30, 2021, the CMAQ Transportation special revenue fund had a fund balance deficit of \$82,635. The Special Aviation special revenue fund had a fund balance deficit of \$18,230. The Courthouse Square proprietary fund had a net position deficit of \$1,135,591.

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

Governmental Accounting Standards Update: During the year ending June 30, 2021, the City implemented the following standards with no financial impact:

GASB Statement No. 84 – *Fiduciary Activities*. The requirements of this statement are effective for reporting periods beginning after December 15, 2018. Subsequent to issuance, GASB Statement No. 95 postponed the requirements of this statement to reporting periods beginning after December 15, 2019.

GASB Statement No. 89 – *Accounting for Interest Cost Incurred before the End of a Construction Period*. The requirements of this statement are effective for reporting periods beginning after December 15, 2019. Subsequent to issuance, GASB Statement No. 95 postponed the requirements of this statement to reporting periods beginning after December 15, 2020.

CITY OF HANFORD
NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Governmental Accounting Standards Update (continued):

GASB Statement No. 90 – *Majority Equity Interests- an amendment of GASB Statements No. 14 and No 61*. The requirements of this statement are effective for reporting periods beginning after December 15, 2018. Subsequent to issuance, GASB Statement No. 95 postponed the requirements of this statement to reporting periods beginning after December 15, 2019.

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

GASB Statement No. 87 – *Leases*. The requirements of this statement are effective for reporting periods beginning after December 15, 2019. Subsequent to issuance, GASB Statement No. 95 postponed the requirements of this statement to reporting periods beginning after June 15, 2021.

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

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

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

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

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

GASB Statement No. 97 – *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*.

Subsequent Events: In compliance with accounting standards, management has evaluated events that have occurred after year-end to determine if these events are required to be disclosed in the financial statements. Management has determined that no events require disclosure in accordance with accounting standards. These subsequent events have been evaluated through May 31, 2022, which is the date the financial statements were available to be issued.

NOTE 2 – CASH AND INVESTMENTS

Cash and investments as of June 30, 2021 are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and investments	\$ 81,321,191
Restricted cash and investments	2,379
Fiduciary funds:	
Cash and investments	<u>1,343,551</u>
Total Cash and Investments	\$ <u>82,667,121</u>

CITY OF HANFORD
NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 2 – CASH AND INVESTMENTS (continued)

Cash and investments as of June 30, 2021 consist of the following:

Cash on hand	\$ 1,560
Deposits with financial institutions	4,506,661
Investments	<u>78,158,900</u>
Total Cash and Investments	<u>\$ 82,667,121</u>

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

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

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

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

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

CITY OF HANFORD
NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 2 – CASH AND INVESTMENTS (continued)

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

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

Investment Type	Total	Remaining Maturity (in Months)			
		12 Months or Less	13 to 24 Months	25 to 60 Months	More than 60 Months
Federal Agency Securities	\$ 4,989,480	\$ -	\$ -	\$ 4,989,480	\$ -
State and County Investment Pools	58,222,308	58,222,308	-	-	-
Negotiable Certificates of Deposits	10,190,079	835,772	5,320,841	4,033,466	-
Corporate Investments	3,921,144	-	-	3,921,144	-
Held by bond trustee:					
Money Market Funds	835,889	835,889	-	-	-
	<u>\$ 78,158,900</u>	<u>\$ 59,893,969</u>	<u>\$ 5,320,841</u>	<u>\$ 12,944,090</u>	<u>\$ -</u>

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

Investment Type	Amount	Minimum Legal Rating	Standards & Poor's Ratings as of Year End		
			AAA	AA	Unrated
Federal Agency Securities	\$ 4,989,480	AA	\$ -	\$ 4,989,480	\$ -
State and County Investment Pools	58,222,308	N/A	-	-	58,222,308
Negotiable Certificates of Deposits	10,190,079	N/A	-	-	10,190,079
Corporate Investments	3,921,144	N/A	-	-	3,921,144
Held by bond trustee:					
Money Market Funds	835,889	N/A	-	-	835,889
	<u>\$ 78,158,900</u>		<u>\$ -</u>	<u>\$ 4,989,480</u>	<u>\$ 73,169,420</u>

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

CITY OF HANFORD
NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 2 – CASH AND INVESTMENTS (continued)

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

GASB Statement No. 40 requires that the following disclosure be made with respect to custodial credit risks relating to deposits and investments: \$5,439,708 of the City's deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. None of the City's investments were subject to custodial credit risk.

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

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

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

The City has the following recurring fair value measurements as of June 30, 2021:

Debt Securities	Level 1	Level 2	Level 3	Total
Federal Agency Securities	\$ -	\$ 4,989,480	\$ -	\$ 4,989,480
Certificates of Deposit	-	10,190,079	-	10,190,079
Corporate Investments	-	3,921,144	-	3,921,144
<hr/>				
Investments not subject to fair value hierarchy				
State and County Investment Pools		58,222,308		
		<hr/>	<hr/>	<hr/>
		\$ 58,222,308		

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

CITY OF HANFORD
NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 3 – RECEIVABLES

Receivables as of June 30, 2021 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	\$ 1,054,634	\$ -	\$ -	\$ 10,525	\$ -	\$ 1,065,159
CDBG Home/Housing	90,105	-	-	1,717	18,533,201	18,625,023
Capital Projects Fund	-	-	-	10,827	-	10,827
Transportation Impact Fees	5,006	-	-	6,298	-	11,304
Transportation Development Act	-	1,702,658	-	5,894	-	1,708,552
Nonmajor and Other	46,996	556,512	-	12,272	1,969,958	2,585,738
	<u>1,196,741</u>	<u>2,259,170</u>	<u>-</u>	<u>47,533</u>	<u>20,503,159</u>	<u>24,006,603</u>
Enterprise Funds						
Water System	1,522,308	-	-	24,805	-	1,547,113
Wastewater	3,707,071	-	-	4,647	-	3,711,718
Storm Drain	171,262	-	-	8,296	-	179,558
Refuse	978,954	-	-	1,332	-	980,286
Airport Fund	6,850	-	-	206	-	7,056
Intermodal	5,889	-	-	89	-	5,978
Courthouse Square	2,654	-	-	-	-	2,654
	<u>6,394,988</u>	<u>-</u>	<u>-</u>	<u>39,375</u>	<u>-</u>	<u>6,434,363</u>
Internal Service Funds						
City Payroll Fund	30	-	-	2,736	-	2,766
Risk Management Fund	-	-	-	7,267	-	7,267
Computer Maintenance Fund	-	-	-	157	-	157
Building Fund	-	-	-	1,550	-	1,550
Fleet Maintenance Fund	2,987	-	-	12,830	-	15,817
Medical Fund	703,973	-	-	1,774	-	705,747
	<u>706,990</u>	<u>-</u>	<u>-</u>	<u>26,314</u>	<u>-</u>	<u>733,304</u>
Total	<u>\$ 8,298,719</u>	<u>\$ 2,259,170</u>	<u>\$ -</u>	<u>\$ 113,222</u>	<u>\$ 20,503,159</u>	<u>\$ 31,174,270</u>

CITY OF HANFORD
NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 4 – CAPITAL ASSETS

Capital assets activities for the year ended June 30, 2021 were as follows:

	Balance July 1, 2020	Additions/ Completions	Retirements/ Adjustments	Balance June 30, 2021
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 60,418,778	\$ 376,604	\$ -	\$ 60,795,382
Construction in progress	741,501	42,614	(731,480)	52,635
Total capital assets not being depreciated	<u>61,160,279</u>	<u>419,218</u>	<u>(731,480)</u>	<u>60,848,017</u>
Capital assets being depreciated:				
Buildings	24,108,284	439,790	-	24,548,074
Infrastructure	169,657,561	4,943,770	-	174,601,331
Equipment	21,938,860	1,608,238	(951,237)	22,595,861
Total capital assets being depreciated	<u>215,704,705</u>	<u>6,991,798</u>	<u>(951,237)</u>	<u>221,745,266</u>
Less accumulated depreciation:				
Buildings	(8,821,584)	(454,562)	-	(9,276,146)
Infrastructure	(98,077,239)	(5,917,084)	-	(103,994,323)
Equipment	(11,564,851)	(1,593,474)	952,059	(12,206,266)
Total accumulated depreciation	<u>(118,463,674)</u>	<u>(7,965,120)</u>	<u>952,059</u>	<u>(125,476,735)</u>
Total capital assets being depreciated, net	<u>97,241,031</u>	<u>(973,322)</u>	<u>822</u>	<u>96,268,531</u>
Governmental Activities capital assets, net	<u><u>\$ 158,401,310</u></u>	<u><u>\$ (554,104)</u></u>	<u><u>\$ (730,658)</u></u>	<u><u>\$ 157,116,548</u></u>
Business-type Activities				
Capital assets not being depreciated:				
Land	\$ 10,845,543	\$ 541,438	\$ -	\$ 11,386,981
Construction in progress	406,840	11,586	(406,840)	11,586
Total capital assets not being depreciated	<u>11,252,383</u>	<u>553,024</u>	<u>(406,840)</u>	<u>11,398,567</u>
Capital assets being depreciated:				
Buildings and improvements	169,451,709	12,441,252	-	181,892,961
Machinery and equipment	28,508,814	1,813,182	(1,103,170)	29,218,826
Total capital assets being depreciated	<u>197,960,523</u>	<u>14,254,434</u>	<u>(1,103,170)</u>	<u>211,111,787</u>
Less accumulated depreciation:				
Buildings and improvements	(66,379,192)	(3,424,460)	-	(69,803,652)
Machinery and equipment	(11,841,358)	(1,875,249)	1,257,473	(12,459,134)
Total accumulated depreciation	<u>(78,220,550)</u>	<u>(5,299,709)</u>	<u>1,257,473</u>	<u>(82,262,786)</u>
Total capital assets being depreciated, net	<u>119,739,973</u>	<u>8,954,725</u>	<u>154,303</u>	<u>128,849,001</u>
Business-type Activities capital assets, net	<u><u>\$ 130,992,356</u></u>	<u><u>\$ 9,507,749</u></u>	<u><u>\$ (252,537)</u></u>	<u><u>\$ 140,247,568</u></u>

CITY OF HANFORD
NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 4 – CAPITAL ASSETS (continued)

Depreciation expense for the fiscal year ending June 30, 2021 was charged to the following activities:

Governmental Activities:

General governmental	\$ 5,355,416
Public safety	227,771
Culture and recreation	180,704
Public works	948,536
Community development	61,151
Capital assets held by the internal service funds that were charged to the various functions based on their usage	<u>1,191,542</u>
Total	<u>\$ 7,965,120</u>

Business-type Activities:

Water system	\$ 2,260,590
Wastewater	1,639,243
Storm drain	329,124
Refuse	627,108
Airport	417,527
Intermodal	<u>26,117</u>
Total	<u>\$ 5,299,709</u>

NOTE 5 – LONG-TERM DEBT

The following is a summary of the long-term debt activity for the year ended June 30, 2021:

	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021	Due Within One Year
Business-type Activities					
Bonds payable	\$ 19,560,000	\$ -	\$ (1,615,000)	\$ 17,945,000	\$ 1,675,000
Bond premiums	703,039	-	(73,307)	629,732	73,307
Note payable	5,469,703	-	(374,588)	5,095,115	387,697
Capital leases	<u>8,610,970</u>	<u>-</u>	<u>(674,593)</u>	<u>7,936,377</u>	<u>754,544</u>
Total Business-type Activities	<u>34,343,712</u>	<u>-</u>	<u>(2,737,488)</u>	<u>31,606,224</u>	<u>2,890,548</u>
Total Primary Government	<u>\$ 34,343,712</u>	<u>\$ -</u>	<u>\$ (2,737,488)</u>	<u>\$ 31,606,224</u>	<u>\$ 2,890,548</u>

Business Type Activities –

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

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

CITY OF HANFORD
NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 5 – LONG-TERM DEBT (continued)

Bonds Payable (continued):

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.

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

Wastewater revenue bonds outstanding at June 30, 2021 are \$8,345,000.

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

Fiscal Year	Principal	Interest	Total
2022	\$ 640,000	\$ 293,456	\$ 933,456
2023	655,000	277,260	932,260
2024	670,000	255,264	925,264
2025	695,000	227,963	922,963
2026	725,000	201,374	926,374
2026-2030	3,745,000	591,259	4,336,259
2031-2033	<u>1,215,000</u>	<u>49,105</u>	<u>1,264,105</u>
	<u>\$ 8,345,000</u>	<u>\$ 1,895,681</u>	<u>\$ 10,240,681</u>

On July 1, 2013, the City of Hanford issued \$12,725,000 Water Revenue Refunding Bonds Series 2013 bearing interest of 2.0% to 5.0% payable semi-annually on April 1 and October 1, commencing October 1, 2013. The bonds mature annually at various amounts through October 1, 2028. The bonds are payable from net revenues of the City's Water System and from amounts on deposit in certain funds and accounts created under the Indenture.

The Bonds are being issued to refinance the City's previously issued to refinance the City's previously issued \$8,925,000 CSDA Water and Wastewater Revenue Bonds, dated December 9, 2003 and the \$8,150,000 Installment Sale Agreement – Water System dated December 20, 2007. As a result the 2003 Revenue Bond and 2007 Installment Sale Agreement are considered defeased and the liability for those issues has been removed from the long-term liabilities of the Business Activities Debt.

The aggregate debt service payments of the new debt are \$1,430,167 less than the old debt. The issuance of the new debt and refunding of the old debt resulted in an economic gain (the difference between the present value of the old debt and new debt payments) of approximately \$567,774.

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

CITY OF HANFORD
NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 5 – LONG-TERM DEBT (continued)

Bonds Payable (continued):

Water revenue bonds outstanding at June 30, 2021 are \$6,780,000.

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

Fiscal Year	Principal	Interest	Total
2022	\$ 840,000	\$ 286,150	\$ 1,126,150
2023	885,000	243,025	1,128,025
2024	930,000	197,650	1,127,650
2025	970,000	157,425	1,127,425
2026	1,015,000	115,075	1,130,075
2027-2029	<u>2,140,000</u>	<u>117,324</u>	<u>2,257,324</u>
	<u>\$ 6,780,000</u>	<u>\$ 1,116,649</u>	<u>\$ 7,896,649</u>

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

The Bonds are being issued to provide funds to refund the City's outstanding City of Hanford, Variable Rate Demand Sewer System Refunding Revenue Bonds, 1996 Series A, to purchase a reserve fund municipal bond insurance policy in lieu of cash funding a bond reserve fund for the Bonds, and to pay the cost of issuing the Bonds. As a result the 1996 Revenue Bonds are considered to be defeased and the liability for those bonds has been removed from the long-term liabilities of the Business Activities Debt.

The aggregate debt service payments of the new debt are \$644,540 more than the old debt. The issuance of the new debt and refunding of the old debt resulted in an economic loss (the difference between the present value of the old debt and new debt payments) of approximately \$621,656.

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

Wastewater revenue bonds outstanding at June 30, 2021 are \$2,820,000.

CITY OF HANFORD
NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 5 – LONG-TERM DEBT (continued)

Bonds Payable (continued):

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

Fiscal Year	Principal	Interest	Total
2022	\$ 195,000	\$ 97,275	\$ 292,275
2023	200,000	91,350	291,350
2024	205,000	85,275	290,275
2025	215,000	78,975	293,975
2026	220,000	72,450	292,450
2027-2031	1,225,000	1,462,375	2,687,375
2032-2033	<u>560,000</u>	<u>582,600</u>	<u>1,142,600</u>
	<u><u>\$ 2,820,000</u></u>	<u><u>\$ 2,470,300</u></u>	<u><u>\$ 5,290,300</u></u>

Notes Payable: On May 28, 2002, the City of Hanford obtained a loan from the California Infrastructure and Economic Development Bank in the amount of \$10,000,000. The term of the agreement is thirty (30) years with a maturity date of February 1, 2034, and an annual interest rate of 3.50%. Prior to the Bond Date, there is a .26% reduction in the interest rate, resulting in an initial rate of 3.24%. Interest on the loan is payable semi-annually on each February 1 and August 1, commencing August 1, 2003. As of June 30, 2021, the balance outstanding was \$5,095,115.

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

The future maturities of the note payable are as follows:

Fiscal Year	Principal	Interest	Total
2022	\$ 387,697	\$ 171,544	\$ 559,241
2023	401,266	157,737	559,003
2024	415,311	143,447	558,758
2025	429,847	128,657	558,504
2026	444,892	113,349	558,241
2027-2031	2,469,214	317,703	2,786,917
2032	<u>546,888</u>	<u>9,570</u>	<u>556,458</u>
	<u><u>\$ 5,095,115</u></u>	<u><u>\$ 1,042,007</u></u>	<u><u>\$ 6,137,122</u></u>

Capital Leases: 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, 2021 was \$1,745,536.

CITY OF HANFORD
NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 5 – LONG-TERM DEBT (continued)

Capital Leases (continued):

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

The annual debt service requirements for the 2011 Capital Lease outstanding at June 30, 2021 are as follows:

Fiscal Year	Principal	Interest	Total
2022	\$ 223,336	\$ 58,126	\$ 281,462
2023	248,126	50,689	298,815
2024	274,530	42,427	316,957
2025	302,640	33,285	335,925
2026	332,549	23,207	355,756
2027	364,355	12,133	376,488
	<u>\$ 1,745,536</u>	<u>\$ 219,867</u>	<u>\$ 1,965,403</u>

In March 2014, the City entered into a capital lease agreement with Bank of America National Association to design and construct a solar photovoltaic energy system using an energy service contract with Chevron Energy Solutions Company for several facilities throughout the City. The purchase price of this contract is \$8,495,138, with semi-annual payments in varying amounts including interest at 3.54% commencing on October 26, 2014 with a final payment in April, 2029. The balance outstanding as of June 30, 2021 was \$6,190,841.

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

The annual debt service requirements for the 2014 Capital Lease outstanding at June 30, 2021 are as follows:

Fiscal Year	Principal	Interest	Total
2022	\$ 531,208	\$ 231,791	\$ 762,999
2023	591,758	214,496	806,254
2024	656,391	195,160	851,551
2025	725,343	173,645	898,988
2026	798,857	149,803	948,660
2027-2030	2,887,284	185,189	3,072,473
	<u>\$ 6,190,841</u>	<u>\$ 1,150,084</u>	<u>\$ 7,340,925</u>

CITY OF HANFORD
NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 6 – CHANGES IN OTHER LONG-TERM LIABILITIES

	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021	Due Within One Year
Governmental Activities					
Compensated absences	\$ 1,377,747	\$ 226,800	\$ (200,372)	\$ 1,404,175	\$ 129,677
Total Governmental Activities	<u>\$ 1,377,747</u>	<u>\$ 226,800</u>	<u>\$ (200,372)</u>	<u>\$ 1,404,175</u>	<u>\$ 129,677</u>
Business-type Activities					
Compensated absences	\$ 257,832	\$ 169,890	\$ (27,996)	\$ 399,726	\$ 23,982
Total Business-type Activities	<u>\$ 257,832</u>	<u>\$ 169,890</u>	<u>\$ (27,996)</u>	<u>\$ 399,726</u>	<u>\$ 23,982</u>

Compensated Absences:

The City accounts for compensated absences (unpaid vacation, sick leave, and compensatory time) in accordance with GASB Codification Sec. C60. In governmental funds, compensated absences are recorded as expenditures in the year paid, as it is the City's intention to liquidate any unpaid compensated absences at June 30 from future resources, rather than current available financial resources. Accordingly, the unpaid liability for governmental funds is recorded in the government-wide statement of net assets. For the governmental activities, the compensated absences balance as of June 30, 2021 was \$1,404,175.

NOTE 7 – PENSION PLAN

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

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

CITY OF HANFORD
NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 7 – PENSION PLAN (continued)

The Plan's provisions and benefits in effect at June 30, 2021, are summarized as follows:

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

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

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

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

For the year ended June 30, 2021, the contributions recognized as part of pension expense for the Plans are as follows:

	Plans
Contributions - Employer	\$ 7,618,372

CITY OF HANFORD
NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 7 – PENSION PLAN (continued)

As of June 30, 2021, the City reported net pension liabilities for its proportionate shares of the net pension liability of each Plan as follows:

	Proportionate Share of Net Pension Liability
Miscellaneous	\$ 24,363,345
Safety Plans	<u>24,469,544</u>
	<u><u>\$ 48,832,889</u></u>

The City's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2019, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019 rolled forward to June 30, 2020 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, 2019 and 2020 was as follows:

	Miscellaneous	Safety Plans
Proportion - June 30, 2019	N/A	35.48%
Proportion - June 30, 2020	N/A	36.73%
Change - Increase (Decrease)	N/A	1.25%

Deferred Outflows/Inflows of Resources:

Deferred outflows/inflows of resources for the Miscellaneous Plan consisted of the following as of June 30, 2021.

	Miscellaneous Plan	
	Deferred Outflows	Deferred Inflows
Changes in assumptions	\$ -	\$ 514,589
Differences between expected and actual experiences	621,365	548,366
Net differences between projected and actual earnings on investments	773,309	-
Pension contributions subsequent to measurement date	<u>3,727,063</u>	-
Total	<u>\$ 5,121,737</u>	<u>\$ 1,062,955</u>

CITY OF HANFORD
NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 7 – PENSION PLAN (continued)

Deferred Outflows/Inflows of Resources (continued):

Deferred outflows/inflows of resources for the Safety Plan consisted of the following as of June 30, 2021.

Safety Plan	Deferred Outflows	Deferred Inflows
Changes in assumptions	\$ -	\$ 81,507
Differences between expected and actual experiences	1,897,491	-
Net differences between projected and actual earnings on investments	531,826	-
Adjustment due to differences in proportions	934,287	-
Adjustment due to differences between actual and proportionate share of contributions	158,514	148,216
Pension contributions subsequent to measurement date	3,891,309	-
Total	\$ 7,413,427	\$ 229,723

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

Measurement Period	Deferred Outflows (Inflows) of Resources	
	Miscellaneous Plans	Safety Plans
Ended June 30		
2021	\$ (795,360)	\$ -
2022	369,850	1,083,350
2023	390,703	1,173,472
2024	366,527	769,097
2025	-	266,476
Total	\$ 331,720	\$ 3,292,395

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

Actuarial Methods and Assumptions Used to Determine Total Pension Liability: For the measurement period ended June 30, 2020, the total pension liability was determined by rolling forward the June 30, 2019 total pension liability. The June 30, 2020 total pension liability was based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the Requirement of GASB Statement No. 68
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.625%
Payroll Growth	2.875%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.25% Net of Pension Plan Investment and Administrative Expenses; includes inflation
Mortality Rate Table	Derived from the January 2017 CalPERS Experience Study of the period from 1997 to 2015. Pre-retirement and Post-retirement mortality rates include 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries.
Retirement Age	Derived from the 2017 CalPERS Experience Study of the period from 1997 to 2015.

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

CITY OF HANFORD
NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 7 – PENSION PLAN (continued)

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

- (1) Depending on age, service and type of employment
- (2) Net of pension plan investment expenses, including inflation
- (3) The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the CalPERS 2017 experience study report available on CalPERS website
- (4) All of the City's plan for Miscellaneous and Safety employed the same assumptions

All other actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period 1997 to 2015, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found on the CalPERS website under Forms and Publications.

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

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

In determining the long-term expected rate of return, CalPERS accounted for both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound geometric returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach.

Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

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

Asset Class	New Strategic Allocation	Real Return Years 1-10*	Real Return Years 11+**
Global Equity	49%	5.25%	5.71%
Global Fixed Income	22%	0.99	2.43
Inflation Sensitive	6%	0.45	3.36
Private Equity	8%	6.83	6.95
Real Estate	12%	4.50	5.13
Liquidity	3%	(0.55)	(1.05)
Total	100%		

*An expected inflation of 2.5% used for this period

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

CITY OF HANFORD
NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 7 – PENSION PLAN (continued)

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

	Miscellaneous	Safety Plans
1% Decrease	6.15%	6.15%
Net Pension Liability	\$39,871,604	\$37,268,055
Current Discount Rate	7.15%	7.15%
Net Pension Liability	\$24,363,345	\$24,469,544
1% Increase	8.15%	8.15%
Net Pension Liability	\$11,609,048	\$13,967,150

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

NOTE 8 – 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 2021.

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

The above coverage is available for employees who satisfy the requirements for retirement under CalPERS (attained age 50 with 5 years of State or public agency service or approved disability retirement). An employee cannot terminate employment before meeting the age condition and be entitled to receive benefits. As of January 1, 2016, the City terminated its healthcare contract with CalPERS. No future retirees are eligible for healthcare coverage or benefits from the City toward the cost of retiree medical coverage.

Employees Covered: As of the June 30, 2021 actuarial valuation, the following current and former City employees were covered by the OPEB plan membership:

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

Contributions: Currently the City funds retiree healthcare benefits on a pay-as-you-go basis, paying a maximum of \$119 per month for retiree benefits from the City funds as they are due with no prefunding for future years. The City recognizes expenditures for its share of the annual premiums as these benefits become due. For fiscal year 2020-2021, the City paid approximately \$48,000 for benefits of 42 retirees or their beneficiaries receiving benefits.

CITY OF HANFORD
NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 8 – POST EMPLOYMENT HEALTH CARE BENEFITS (continued)

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

Salary increases	3.00%
Inflation	2.50%
Discount rate	1.92%
Medical/Rx trend rate	5.7% for 2022, 5.6% for 2023, 5.5% for 2024, 5.4% for 2025-2026, 5.3% for 2027-2029, 5.2% for 2030-2051, 5.1% for 2052, 5.0% for 2053-2055, 4.9% for 2056-2060, 4.8% for 2061-2066, 4.7% for 2067, 4.6% for 2068, 4.5% for 2069, 4.4% for 2070-2071, 4.3% for 2072, 4.2% for 2073-2074, 4.1% for 2075, decreasing to 4.0% for subsequent years

Discount Rate: The discount rate used to measure the total OPEB liability was 1.92 percent. The projection of the cash flows used to determine the discount rate assumed that the City contributions will be made at rates equal to the actuarially determined contribution rates. Based on these assumptions, the OPEB City's net position was projected to be available to make all projected OPEB payments for inactive employees and beneficiaries based on the "pay as you go" annual contributions.

Changes in the Net OPEB Liability:

The change in the Net OPEB liability for the year ended June 30, 2021 is as follows:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability (Asset)
		\$ 2,527,098	\$ -
Balance at June 30, 2020			\$ 2,527,098
Changes in the year:			
Service cost	120,203	-	120,203
Interest on the total OPEB liability	63,027	-	63,027
Changes in assumptions	1,541,087	-	1,541,087
Plan experience	283,719	-	283,719
Contributions from the employer	-	149,569	(149,569)
Benefit payments	(149,569)	(149,569)	-
Net change	1,858,467	-	1,858,467
Balance at June 30, 2021	<u>\$ 4,385,565</u>	<u>\$ -</u>	<u>\$ 4,385,565</u>

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate: The following presents the net OPEB liability of the Plan as of the measurement date, calculated using the discount rate of 1.92 percent, if it were calculated using a discount rate that is 1 percentage-point lower (0.92 percent) or 1 percentage-point higher (2.92 percent) than the current rate:

Net OPEB Liability	Discount Rate	Current Discount Rate	Discount Rate
	- 1% (0.92%)	1.92%	+ 1% (2.92%)
	<u>\$ 4,820,271</u>	<u>\$ 4,385,565</u>	<u>\$ 3,992,021</u>

CITY OF HANFORD
NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 8 – POST EMPLOYMENT HEALTH CARE BENEFITS (continued)

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

	Current Trend Rate		
	- 1% (4.70%)	5.70%	+ 1% (6.70%)
Net OPEB Liability	<u>\$ 3,918,882</u>	<u>\$ 4,385,565</u>	<u>\$ 4,946,051</u>

OPEB Expense: As of the start of the measurement period (July 1, 2021), the Net OPEB liability was \$4,385,565. For the measurement period ended June 30, 2021 (the measurement date), the City incurred an OPEB expense of \$453,008.

Change in Net OPEB Liability	\$ 1,858,467
Change in Deferred Outflows	(1,555,028)
Employer Contributions	149,569
OPEB Expense	<u>\$ 453,008</u>

As of June 30, 2021, the City has deferred outflows and deferred inflows of resources related to the Net OPEB liability as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 1,018,382	\$ -
Changes in assumptions or other inputs	1,549,621	-
Total	<u>\$ 2,568,003</u>	<u>\$ -</u>

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

Year ended June 30:	Deferred Outflows of Resources	Deferred Inflows of Resources
2022	\$ 269,778	\$ -
2023	269,778	-
2024	269,778	-
2025	269,778	-
2026	269,778	-
Thereafter	<u>1,219,113</u>	<u>-</u>
	<u><u>2,568,003</u></u>	<u><u>\$ -</u></u>

NOTE 9 – RISK MANAGEMENT

The City is partially self-insured for workers' compensation and general liability insurance. For workers' compensation, the City is responsible for claims up to \$250,000 per occurrence. Coverage in excess of the City's self-insured retention is purchased through CSAC Excess Insurance Authority (CSAC-EIA) up to the statutory limits. The City participates in a risk pool for general liability insurance through CSAC-EIA above the City's self-insured retention of \$100,000 up to \$5,000,000 per occurrence. Reinsurance coverage in excess of the pool layer up to \$25,000,000 is purchased through CSAC-EIA. For both workers' compensation and general liability insurance, CSAC-EIA retains responsibility for claims in excess of each member's self-insured retention. There were no reductions in insurance coverage from the prior year and there were no settlements that exceeded insurance coverage for the past three fiscal years.

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

CITY OF HANFORD
NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 9 – RISK MANAGEMENT (continued)

For general liability insurance, the City participates in a risk pool which covers the City above its self-insurance retention level of \$100,000 up to \$1,000,000. CSJVRMA participates in an excess pool which provides coverage from \$1,000,000 to \$29,000,000. CSJVRMA members may receive rebates or be required to make additional contributions through a retrospective adjustment process.

NOTE 10 – 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, 2021 were as follows:

	Due From Other Funds	Due To Other Funds
Governmental Funds		
General Fund	\$ 2,633,641	\$ 310,000
CDBG Home/Housing Fund	-	37,318
Transportation Impact Fees	-	1,657,592
Other Governmental Funds	-	140,922
Proprietary Funds		
Water System Fund	-	158,394
Wastewater Fund	-	1,526,097
Storm Drain Fund	-	210,175
Refuse Fund	-	177,229
Airport Fund	-	5,960
Courthouse Square	-	112,747
Computer Maintenance Fund	-	222,745
Fleet Management Fund	1,967,592	42,054
Total	<u>\$ 4,601,233</u>	<u>\$ 4,601,233</u>

Interfund advances to/from other funds at June 30, 2021 were as follows:

	Advances To Other Funds	Advances From Other Funds
Governmental Funds		
General Fund	\$ 104,570	\$ -
Capital Projects Fund	1,659,026	104,570
Proprietary Funds		
Airport Fund	-	375,468
Intermodal Fund	-	261,224
Courthouse Square	-	1,022,334
Total	<u>\$ 1,763,596</u>	<u>\$ 1,763,596</u>

CITY OF HANFORD
NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 10 – INTERFUND TRANSACTIONS (continued)

Interfund transfers consist of operating transfers from funds receiving resources to funds through which the resources are to be expended. Interfund transfers for the year-ended June 30, 2021 were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Funds		
General Fund	\$ 66,790	\$ 1,240,843
CDBG Home/Housing Fund	-	166,466
Capital Projects Fund	267,473	40,000
Transportation Impact Fees	990,854	990,854
Other Governmental Funds	258,052	329,139
Proprietary Funds		
Water System Fund	6,467,299	6,274,618
Wastewater Fund	13,265,313	13,277,532
Storm Drain Fund	710,604	710,604
Refuse Fund	1,575,043	11,849
Airport Fund	54,701	3,814
Intermodal Fund	67,107	-
Computer Maintenance Fund	156,204	156,204
Building Fund	-	105,177
Fleet Management Fund	1,017,045	1,589,385
Total	<u>\$ 24,896,485</u>	<u>\$ 24,896,485</u>

NOTE 11 – 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, 2021, significant amounts of grant expenditures have not been audited by the grantor agencies, but the City believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the City's overall financial position.

CITY OF HANFORD
NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 12 – PRIOR PERIOD ADJUSTMENTS

Prior period adjustments for the year ended June 30, 2021 is summarized as follows:

Governmental and Business-Type Activities

	Governmental Activities	Business-Type Activities	Total
Fund Balance, Beginning of Year, as Previously Reported	\$ 176,912,706	\$ 133,700,599	\$ 310,613,305
Correct investment interest/GASB 31	(577,477)	(211,033)	(788,510)
Correct capital asset balances	94,218	304,025	398,243
Correct inventory balances	107,463	-	107,463
Correct revenue balances	(516,044)	(163,446)	(679,490)
Correct accrued interest for loans	26,272	-	26,272
Correct OPEB expense	-	(205,918)	(205,918)
Total Prior Period Adjustments	(865,568)	(276,372)	(1,141,940)
Fund Balance, Beginning of Year, Restated	\$ 176,047,138	\$ 133,424,227	\$ 309,471,365

Fund Financial Statements

	Governmental Funds					Transportation Development Act Fund
	General Fund	Capital Projects Fund	CDBG/HOME/ Housing Fund	Transportation Impact Fees		
Net Position, Beginning of Year, as Previously Reported	\$ 5,580,872	\$ 4,786,742	\$ 20,269,345	\$ 1,635,767	\$ 481,221	
Correct investment interest/GASB 31	(36,852)	(23,388)	(330,664)	(18,453)	(18,060)	
Correct accrued interest for loans	-	-	69,495	-	-	
Correct impact fees for interfund loans	-	-	-	990,854	-	
Correct revenue balances	1,284,104	-	-	-	-	
Total Prior Period Adjustments	1,247,252	(23,388)	(261,169)	972,401	(18,060)	
Net Position (Deficit), Beginning of Year, Restated	\$ 6,828,124	\$ 4,763,354	\$ 20,008,176	\$ 2,608,168	\$ 463,161	

	Nonmajor Governmental Funds						
	CMAQ Transportation Fund	Park Impact Fees	Landscaping Assessment District	City Housing Fund	Special Aviation	State Gas Tax Fund	Public Housing Authority
Net Position, Beginning of Year, as Previously Reported	\$ 1,699,957	\$ 4,204,305	\$ 580,617	\$ 1,591,657	\$ 164,931	\$ 1,927,850	\$ 857,561
Correct investment interest/GASB 31	-	(27,412)	(4,542)	(7,152)	-	(13,718)	-
Correct revenue balances	(1,778,035)	-	-	-	(175,791)	153,678	-
Correct accrued interest for loans	-	-	-	(24,376)	-	-	(18,847)
Total Prior Period Adjustments	(1,778,035)	(27,412)	(4,542)	(31,528)	(175,791)	139,960	(18,847)
Net Position (Deficit), Beginning of Year, Restated	\$ (78,078)	\$ 4,176,893	\$ 576,075	\$ 1,560,129	\$ (10,860)	\$ 2,067,810	\$ 838,714

	Internal Service Funds				
	Risk Management Fund	Computer Maintenance Fund	Building Fund	Fleet Management Fund	Medical Fund
Net Position, Beginning of Year, as Previously Reported	\$ 890,959	\$ 1,131,716	\$ 1,069,042	\$ 21,719,579	\$ -
Correct investment interest/GASB 31	(18,755)	(4,684)	(4,771)	(69,026)	-
Correct beginning fund balance for new fund	(1,000,375)	-	-	-	1,000,375
Correct impact fees for interfund loans	-	-	-	(990,854)	-
Correct capital asset balances	-	-	-	94,218	-
Correct inventory balances	-	-	-	107,463	-
Total Prior Period Adjustments	(1,019,130)	(4,684)	(4,771)	(858,199)	1,000,375
Net Position (Deficit), Beginning of Year, Restated	\$ (128,171)	\$ 1,127,032	\$ 1,064,271	\$ 20,861,380	\$ 1,000,375

CITY OF HANFORD
NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 12 – PRIOR PERIOD ADJUSTMENTS (continued)

	Proprietary Funds			
	Water System Fund	Wastewater Fund	Storm Drain Fund	Refuse Fund
Net Position, Beginning of Year, as Previously Reported	\$ 50,778,258	\$ 38,801,852	\$ 25,547,875	\$ 1,604,230
Correct investment interest/GASB 31	(82,243)	(82,614)	(41,435)	(4,741)
Correct receivables balances	-	(163,446)	-	-
Correct equipment balances	(69,202)	-	(7,368)	380,595
Correct OPEB expense	(65,009)	(56,612)	-	(84,297)
Total Prior Period Adjustments	<u>(216,454)</u>	<u>(302,672)</u>	<u>(48,803)</u>	<u>291,557</u>
Net Position (Deficit), Beginning of Year, Restated	<u><u>\$ 50,561,804</u></u>	<u><u>\$ 38,499,180</u></u>	<u><u>\$ 25,499,072</u></u>	<u><u>\$ 1,895,787</u></u>
Fiduciary Funds				
	Redevelopment Successor Agency Private-Purpose Fund	Miscellaneous Deposits Fund	Total	
Net Position, Beginning of Year, as Previously Reported	\$ 333,171	\$ 296,127	\$ 629,298	
Correct loans payable	48,316	-	48,316	
Correct deposit balances	-	(264,819)	(264,819)	
Total Prior Period Adjustments	<u>48,316</u>	<u>(264,819)</u>	<u>(216,503)</u>	
Net Position (Deficit), Beginning of Year, Restated	<u><u>\$ 381,487</u></u>	<u><u>\$ 31,308</u></u>	<u><u>\$ 412,795</u></u>	

NOTE 13 – EXCESS EXPENDITURES OVER APPROPRIATIONS

For the fiscal year ended June 30, 2021, expenditures exceeded appropriations as follows:

Fund	Amount
General Fund	
Public safety	\$ 23,743
Community development	6,830
Capital outlay	198,332
Capital Projects Fund	
General government	60,338
Public works	58,397
Capital outlay	36,581
Transportation Impact Fees	
General government	12,105
Capital outlay	421,375
Transportation Development Act Fund	
General government	3,292
Capital outlay	228,567

CITY OF HANFORD
NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 14 – DEFICIT FUND BALANCE

The Courthouse Square Fund has a fund balance deficit of \$1,135,591. The deficit will be recovered through future charges for services.

The CMAQ Transportation Fund has a fund balance deficit of \$82,635, mainly attributable to the due to other funds balance. The deficit will be recovered through grant support received from other government agencies.

The Special Aviation Fund has a fund balance deficit of \$18,230, mainly attributable to the due to other funds balance. The deficit will be recovered by the collection of future grant revenues and fees.

REQUIRED SUPPLEMENTARY INFORMATION

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

Miscellaneous Plan

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

¹ Net of administrative expenses.

Notes to Schedule:

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

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

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

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

Safety Plans

	2021	2020	2019	2018	2017	2016	2015
City's Proportion of the Net Pension Liability/(Asset)	0.3673%	0.3548%	0.3536%	0.3510%	0.3570%	0.3530%	0.2402%
City's Proportionate Share of the Net Pension Liability/(Asset)	\$ 24,469,544	\$ 22,146,338	\$ 20,744,090	\$ 20,972,247	\$ 18,487,608	\$ 14,547,173	\$ 14,946,492
City's Covered-Employee Payroll	\$ 9,140,252	\$ 6,889,321	\$ 6,673,847	\$ 6,692,475	\$ 6,409,767	\$ 6,897,272	\$ 6,602,409
City's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll	267.71%	321.46%	310.83%	313.37%	288.43%	210.91%	226.38%
City's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	74.04%	75.21%	75.73%	74.07%	74.41%	78.71%	77.21%

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

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

Miscellaneous Plan

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

Safety Plan

	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 4,062,968	\$ 3,451,832	\$ 3,067,990	\$ 3,064,625	\$ 3,728,697	\$ 2,859,367	\$ 1,937,233
Contributions in relation to the actuarially determined contribution	<u>(4,062,968)</u>	<u>(3,451,832)</u>	<u>(3,067,990)</u>	<u>(3,064,625)</u>	<u>(3,728,697)</u>	<u>(2,859,367)</u>	<u>(1,937,233)</u>
Contribution deficiency (excess)	<u>\$ -</u>						
Covered-employee payroll	\$ 9,466,906	\$ 9,140,252	\$ 6,889,321	\$ 6,692,475	\$ 6,409,767	\$ 6,897,272	\$ 6,602,409
Contributions as a percentage of covered-employee payroll	42.92%	37.77%	44.53%	45.79%	58.17%	41.46%	29.34%

Notes to Schedule:

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

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

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

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

Notes to Schedule:

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

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

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

Notes to Schedule:

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2020-2021 were as follows for the June 30, 2021 measurement date actuarial valuations.

Valuation Date	June 30, 2021
Funding Method	Entry Age Normal Cost, level percent of pay
Asset Valuation Method	Market value of assets (\$0; plan is not yet funded)
Discount Rate	1.92% as of June 30, 2021
	2.45% as of June 30, 2020
Participants Valued	Only current active employees and retired participants and covered dependents are valued. No future entrants are considered in this valuation.
Salary Increase	3.00% per year, since benefits do not depend on salary, this is used only to allocate the cost of benefits between service years.
General Inflation Rate	2.50% per year.
Mortality	CalPERS 2017 Experience Study
Mortality Improvement	MacLeod Watts 2020 Scale Generationally
Healthcare Trend	5.7% in 2022, step down to 4.0% by 2026

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

CITY OF HANFORD
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES – BUDGET TO ACTUAL (GAAP BASIS)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021

	General Fund			Variance With Final Budget
	Original Budget	Final Budget	Actual	
REVENUES				
Taxes and special assessments	\$ 25,460,700	\$ 25,460,700	\$ 29,883,494	\$ 4,422,794
Aid from other government agencies	1,981,196	1,981,196	1,936,822	(44,374)
Licenses and permits	902,780	902,780	1,052,363	149,583
Fines and forfeitures	484,030	484,030	129,039	(354,991)
Charges for services	2,025,226	2,025,226	2,459,711	434,485
Revenue from use of money and property	219,275	219,275	133,083	(86,192)
Miscellaneous	<u>11,900</u>	<u>11,900</u>	<u>343,367</u>	<u>331,467</u>
Total Revenues	<u>31,085,107</u>	<u>31,085,107</u>	<u>35,937,879</u>	<u>4,852,772</u>
EXPENDITURES				
General government	4,053,293	4,053,586	2,028,736	2,024,850
Public safety	20,744,923	20,751,550	20,775,293	(23,743)
Public works	4,593,955	4,619,967	2,289,274	2,330,693
Recreation	4,153,966	4,155,038	3,441,612	713,426
Community development	1,813,818	1,814,084	1,820,914	(6,830)
Capital outlay	<u>-</u>	<u>-</u>	<u>198,332</u>	<u>(198,332)</u>
Total Expenditures	<u>35,359,955</u>	<u>35,394,225</u>	<u>30,554,161</u>	<u>4,840,064</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(4,274,848)</u>	<u>(4,309,118)</u>	<u>5,383,718</u>	<u>9,692,836</u>
Other Financing Sources (Uses)				
Operating transfers in	208,126	208,126	66,790	(141,336)
Operating transfers out	<u>(280,000)</u>	<u>(306,790)</u>	<u>(1,240,843)</u>	<u>(934,053)</u>
Total Other Financing Sources (Uses)	<u>(71,874)</u>	<u>(98,664)</u>	<u>(1,174,053)</u>	<u>(1,075,389)</u>
Net Change in Fund Balance	<u>(4,346,722)</u>	<u>(4,407,782)</u>	<u>4,209,665</u>	<u>8,617,447</u>
Fund Balance, Beginning of Year	5,580,872	5,580,872	5,580,872	-
Prior Period Adjustment	<u>-</u>	<u>-</u>	<u>1,247,252</u>	<u>1,247,252</u>
Fund Balance, Beginning of Year (Restated)	<u>5,580,872</u>	<u>5,580,872</u>	<u>6,828,124</u>	<u>1,247,252</u>
Fund Balance, End of Year	<u>\$ 1,234,150</u>	<u>\$ 1,173,090</u>	<u>\$ 11,037,789</u>	<u>\$ 9,864,699</u>

CITY OF HANFORD
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES – BUDGET TO ACTUAL (GAAP BASIS)
CDBG HOME/HOUSING FUND
FOR THE YEAR ENDED JUNE 30, 2021

	CDBG/HOME/Housing Fund			Variance With Final Budget
	Original Budget	Final Budget	Actual	
REVENUES				
Aid from other government agencies	\$ 458,714	\$ 458,714	\$ 598,233	\$ 139,519
Revenue from use of money and property	2,734,322	2,734,322	367,742	(2,366,580)
Miscellaneous	-	-	5,787	5,787
Total Revenues	<u>3,193,036</u>	<u>3,193,036</u>	<u>971,762</u>	<u>(2,221,274)</u>
EXPENDITURES				
Community development	4,393,560	4,393,560	633,315	3,760,245
Total Expenditures	<u>4,393,560</u>	<u>4,393,560</u>	<u>633,315</u>	<u>3,760,245</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,200,524)</u>	<u>(1,200,524)</u>	<u>338,447</u>	<u>1,538,971</u>
Other Financing Sources (Uses)				
Operating transfers in	10,447	10,447	-	(10,447)
Operating transfers out	(80,000)	(80,000)	(166,466)	(86,466)
Total Other Financing Sources (Uses)	<u>(69,553)</u>	<u>(69,553)</u>	<u>(166,466)</u>	<u>(96,913)</u>
Net Change in Fund Balance	(1,270,077)	(1,270,077)	171,981	1,442,058
Fund Balance, Beginning of Year	<u>20,269,345</u>	<u>20,269,345</u>	<u>20,269,345</u>	<u>-</u>
Prior Period Adjustment	-	-	(261,169)	261,169
Fund Balance, Beginning of Year (Restated)	<u>20,269,345</u>	<u>20,269,345</u>	<u>20,008,176</u>	<u>261,169</u>
Fund Balance, End of Year	<u>\$ 18,999,268</u>	<u>\$ 18,999,268</u>	<u>\$ 20,180,157</u>	<u>\$ 1,703,227</u>

CITY OF HANFORD
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES – BUDGET TO ACTUAL (GAAP BASIS)
TRANSPORTATION IMPACT FEES
FOR THE YEAR ENDED JUNE 30, 2021

	Transportation Impact Fees			Variance With Final Budget
	Original Budget	Final Budget	Actual	
REVENUES				
Taxes and special assessments	\$ 950,314	\$ 950,314	\$ 638,545	\$ (311,769)
Revenue from use of money and property	<u>38,510</u>	<u>38,510</u>	<u>46,107</u>	<u>7,597</u>
Total Revenues	<u>988,824</u>	<u>988,824</u>	<u>684,652</u>	<u>(304,172)</u>
EXPENDITURES				
General government	-	-	12,105	(12,105)
Capital outlay	<u>327,028</u>	<u>327,028</u>	<u>748,403</u>	<u>(421,375)</u>
Total Expenditures	<u>327,028</u>	<u>327,028</u>	<u>760,508</u>	<u>(433,480)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>661,796</u>	<u>661,796</u>	<u>(75,856)</u>	<u>(737,652)</u>
Other Financing Sources (Uses)				
Operating transfers in	-	-	(990,854)	(990,854)
Operating transfers out	-	-	990,854	990,854
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balance	<u>661,796</u>	<u>661,796</u>	<u>(75,856)</u>	<u>(737,652)</u>
Fund Balance, Beginning of Year	<u>1,635,767</u>	<u>1,635,767</u>	<u>1,635,767</u>	<u>-</u>
Prior Period Adjustment	-	-	972,401	(972,401)
Fund Balance, Beginning of Year (Restated)	<u>1,635,767</u>	<u>1,635,767</u>	<u>2,608,168</u>	<u>(972,401)</u>
Fund Balance, End of Year	<u>\$ 2,297,563</u>	<u>\$ 2,297,563</u>	<u>\$ 2,532,312</u>	<u>\$ (1,710,053)</u>

CITY OF HANFORD
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES – BUDGET TO ACTUAL (GAAP BASIS)
TRANSPORTATION DEVELOPMENT ACT FUND
FOR THE YEAR ENDED JUNE 30, 2021

	Transportation Development Act Fund			Variance With Final Budget
	Original Budget	Final Budget	Actual	
REVENUES				
Taxes and special assessments	\$ 821,000	\$ 821,000	\$ 366,699	\$ (454,301)
Revenue from use of money and property	8,400	8,400	38,816	30,416
Miscellaneous	-	-	174	174
Total Revenues	<u>829,400</u>	<u>829,400</u>	<u>405,689</u>	<u>(423,711)</u>
EXPENDITURES				
General government	-	-	3,292	(3,292)
Public works	425,137	425,137	71,156	353,981
Capital outlay	<u>67,150</u>	<u>67,150</u>	<u>295,717</u>	<u>(228,567)</u>
Total Expenditures	<u>492,287</u>	<u>492,287</u>	<u>370,165</u>	<u>122,122</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>337,113</u>	<u>337,113</u>	<u>35,524</u>	<u>(301,589)</u>
Net Change in Fund Balance	<u>337,113</u>	<u>337,113</u>	<u>35,524</u>	<u>(301,589)</u>
Fund Balance, Beginning of Year	481,221	481,221	481,221	-
Prior Period Adjustment	-	-	(18,060)	(18,060)
Fund Balance, Beginning of Year (Restated)	<u>481,221</u>	<u>481,221</u>	<u>463,161</u>	<u>(18,060)</u>
Fund Balance, End of Year	<u>\$ 818,334</u>	<u>\$ 818,334</u>	<u>\$ 498,685</u>	<u>\$ (319,649)</u>

SUPPLEMENTARY INFORMATION SECTION

CITY OF HANFORD
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES – BUDGET TO ACTUAL (GAAP BASIS)
CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2021

	Capital Projects Fund			Variance With Final Budget
	Original Budget	Final Budget	Actual	
REVENUES				
Aid from other government agencies	\$ 2,500	\$ 2,500	\$ -	\$ (2,500)
Charges for services	-	-	34,527	34,527
Revenue from use of money and property	30,000	30,000	19,647	(10,353)
Miscellaneous	-	-	100,000	100,000
 Total Revenues	 32,500	 32,500	 154,174	 121,674
EXPENDITURES				
General government	-	-	60,338	(60,338)
Public works	-	-	58,397	(58,397)
Capital outlay	415,879	415,879	452,460	(36,581)
 Total Expenditures	 415,879	 415,879	 571,195	 (155,316)
 Excess (Deficiency) of Revenues Over Expenditures	 (383,379)	 (383,379)	 (417,021)	 (33,642)
 Other Financing Sources (Uses)				
Operating transfers in	103,411	103,411	(40,000)	(143,411)
Operating transfers out	(54,180)	(54,810)	267,473	322,283
 Total Other Financing Sources (Uses)	 49,231	 48,601	 227,473	 178,872
 Net Change in Fund Balance	 (334,148)	 (334,778)	 (189,548)	 145,230
 Fund Balance, Beginning of Year	 4,786,742	 4,786,742	 4,786,742	 -
 Prior Period Adjustment	 -	 -	 (23,388)	 23,388
 Fund Balance, Beginning of Year (Restated)	 4,786,742	 4,786,742	 4,763,354	 23,388
 Fund Balance, End of Year	 \$ 4,452,594	 \$ 4,451,964	 \$ 4,573,806	 \$ 168,618

CITY OF HANFORD
COMBINING BALANCE SHEET
NON-MAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2021

	CMAQ Transportation Fund	Park Impact Fees	Parking Fund	Downtown Reinvestment Fund	Landscaping Assessment District
ASSETS					
Cash and investments	\$ 64	\$ 4,426,622	\$ 136,709	\$ 131,062	\$ 776,557
Receivables	-	8,750	10,710	181	9,511
Loan receivable	-	-	-	28,735	-
Prepaid expenses	-	-	-	-	-
Total Assets	<u>\$ 64</u>	<u>\$ 4,435,372</u>	<u>\$ 147,419</u>	<u>\$ 159,978</u>	<u>\$ 786,068</u>
LIABILITIES AND FUND BALANCES (DEFICIT)					
Liabilities:					
Cash overdraft	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable	342	112,468	-	-	35,186
Accrued wages payable	-	-	-	-	-
Due to other funds	82,357	-	-	-	20,497
Total Liabilities	<u>82,699</u>	<u>112,468</u>	<u>-</u>	<u>-</u>	<u>55,683</u>
Fund Balances:					
Nonspendable:					
Long-term receivables	-	-	-	28,735	-
Prepaid expenses	-	-	-	-	-
Restricted for:					
Community development	-	-	-	-	-
Streets and roads	-	-	-	-	-
Recreation	-	4,322,904	-	-	-
Landscape maintenance	-	-	-	-	730,385
Public safety	-	-	-	-	-
Committed for:					
Parking and business improvement	-	-	147,419	131,243	-
Community development	-	-	-	-	-
Cannabis	-	-	-	-	-
Unassigned	<u>(82,635)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Fund Balances (Deficit)	<u>(82,635)</u>	<u>4,322,904</u>	<u>147,419</u>	<u>159,978</u>	<u>730,385</u>
Total Liabilities and Fund Balances (Deficit)	<u>\$ 64</u>	<u>\$ 4,435,372</u>	<u>\$ 147,419</u>	<u>\$ 159,978</u>	<u>\$ 786,068</u>

CITY OF HANFORD
COMBINING BALANCE SHEET
NON-MAJOR SPECIAL REVENUE FUNDS (continued)
JUNE 30, 2021

	City Housing Fund	Central Parking and Business Improvement	Fire Protection Impact Fees	Police Protection Impact Fees
ASSETS				
Cash and investments	\$ 551,434	\$ 80,154	\$ 335,226	\$ 38,759
Receivables	727	2,924	984	572
Loan receivable	1,022,892	-	-	-
Prepaid expenses	-	-	-	-
Total Assets	<u>\$ 1,575,053</u>	<u>\$ 83,078</u>	<u>\$ 336,210</u>	<u>\$ 39,331</u>
LIABILITIES AND FUND BALANCES (DEFICIT)				
Liabilities:				
Cash overdraft	\$ -	\$ -	\$ -	\$ -
Accounts payable	-	2,688	-	-
Accrued wages payable	-	-	-	-
Due to other funds	-	-	-	-
Total Liabilities	<u>-</u>	<u>2,688</u>	<u>-</u>	<u>-</u>
Fund Balances:				
Nonspendable:				
Long-term receivables	1,022,892	-	-	-
Prepaid expenses	-	-	-	-
Restricted for:				
Community development	-	-	-	-
Streets and roads	-	-	-	-
Recreation	-	-	-	-
Landscape maintenance	-	-	-	-
Public safety	-	-	336,210	39,331
Committed for:				
Parking and business improvement	-	80,390	-	-
Community development	552,161	-	-	-
Cannabis	-	-	-	-
Unassigned	-	-	-	-
Total Fund Balances (Deficit)	<u>1,575,053</u>	<u>80,390</u>	<u>336,210</u>	<u>39,331</u>
Total Liabilities and Fund Balances (Deficit)	<u>\$ 1,575,053</u>	<u>\$ 83,078</u>	<u>\$ 336,210</u>	<u>\$ 39,331</u>

CITY OF HANFORD
COMBINING BALANCE SHEET
NON-MAJOR SPECIAL REVENUE FUNDS (continued)
JUNE 30, 2021

	Special Aviation	Learning Center Operation	Traffic Safety	Street Tree Committee
ASSETS				
Cash and investments	\$ -	\$ -	\$ 22,442	\$ 1,213
Receivables	19,946	-	1,663	2
Loan receivable	-	-	-	-
Prepaid expenses	-	-	-	-
Total Assets	<u>\$ 19,946</u>	<u>\$ -</u>	<u>\$ 24,105</u>	<u>\$ 1,215</u>
LIABILITIES AND FUND BALANCES (DEFICIT)				
Liabilities:				
Cash overdraft	\$ 108	\$ -	\$ -	\$ -
Accounts payable	-	-	-	-
Accrued wages payable	-	-	-	-
Due to other funds	38,068	-	-	-
Total Liabilities	<u>38,176</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:				
Nonspendable:				
Long-term receivables	-	-	-	-
Prepaid expenses	-	-	-	-
Restricted for:				
Community development	-	-	-	-
Streets and roads	-	-	-	-
Recreation	-	-	-	-
Landscape maintenance	-	-	-	1,215
Public safety	-	-	24,105	-
Committed for:				
Parking and business improvement	-	-	-	-
Community development	-	-	-	-
Cannabis	-	-	-	-
Unassigned	<u>(18,230)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Fund Balances (Deficit)	<u>(18,230)</u>	<u>-</u>	<u>24,105</u>	<u>1,215</u>
Total Liabilities and Fund Balances (Deficit)	<u>\$ 19,946</u>	<u>\$ -</u>	<u>\$ 24,105</u>	<u>\$ 1,215</u>

CITY OF HANFORD
COMBINING BALANCE SHEET
NON-MAJOR SPECIAL REVENUE FUNDS (continued)
JUNE 30, 2021

	State Gas Tax Fund	Public Housing Authority	Cannabis Operations	Total Non-Major Special Revenue Funds
ASSETS				
Cash and investments	\$ 2,942,048	\$ -	\$ 124,198	\$ 9,566,488
Receivables	559,703	-	107	615,780
Loan receivable	-	918,331	-	1,969,958
Prepaid expenses	-	622	-	622
Total Assets	<u>\$ 3,501,751</u>	<u>\$ 918,953</u>	<u>\$ 124,305</u>	<u>\$ 12,152,848</u>
LIABILITIES AND FUND BALANCES (DEFICIT)				
Liabilities:				
Cash overdraft	\$ -	\$ 331	\$ -	\$ 439
Accounts payable	10,706	1,055	-	162,445
Accrued wages payable	-	7,654	-	7,654
Due to other funds	-	-	-	140,922
Total Liabilities	<u>10,706</u>	<u>9,040</u>	<u>-</u>	<u>311,460</u>
Fund Balances:				
Nonspendable:				
Long-term receivables	-	918,331	-	1,969,958
Prepaid expenses	-	622	-	622
Restricted for:				
Community development	-	-	-	-
Streets and roads	3,491,045	-	-	3,491,045
Recreation	-	-	-	4,322,904
Landscape maintenance	-	-	-	731,600
Public safety	-	-	-	399,646
Committed for:				
Parking and business improvement	-	-	-	359,052
Community development	-	-	-	552,161
Cannabis	-	-	124,305	124,305
Unassigned	-	(9,040)	-	(109,905)
Total Fund Balances (Deficit)	<u>3,491,045</u>	<u>909,913</u>	<u>124,305</u>	<u>11,841,388</u>
Total Liabilities and Fund Balances (Deficit)	<u>\$ 3,501,751</u>	<u>\$ 918,953</u>	<u>\$ 124,305</u>	<u>\$ 12,152,848</u>

CITY OF HANFORD
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NON-MAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	CMAQ Transportation Fund	Park Impact Fees	Parking Fund	Downtown Reinvestment Fund	Landscaping Assessment District
REVENUES					
Taxes and special assessments	\$ -	\$ 371,656	\$ -	\$ -	\$ 737,032
Aid from other government agencies	536,499	-	-	-	-
Fines and forfeitures	-	-	-	-	-
Revenue from use of money and property	361	35,271	12,215	378	4,424
Miscellaneous	-	75	-	-	-
Total Revenues	536,860	407,002	12,215	378	741,456
EXPENDITURES					
General government	-	12,416	106	101	549
Public works	541,417	-	-	-	586,597
Community development	-	-	-	-	-
Capital outlay	-	248,575	-	-	-
Total Expenditures	541,417	260,991	106	101	587,146
Excess (Deficiency) of Revenues Over Expenditures	(4,557)	146,011	12,109	277	154,310
Other Financing Sources (Uses)					
Operating transfers in	-	-	-	-	-
Operating transfers out	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-
Net Change in Fund Balance	(4,557)	146,011	12,109	277	154,310
Fund Balance (Deficit), Beginning of Year	1,699,957	4,204,305	135,310	159,701	580,617
Prior Period Adjustment	(1,778,035)	(27,412)	-	-	(4,542)
Fund Balance (Deficit), Beginning of Year (Restated)	(78,078)	4,176,893	135,310	159,701	576,075
Fund Balance (Deficit), End of Year	\$ (82,635)	\$ 4,322,904	\$ 147,419	\$ 159,978	\$ 730,385

CITY OF HANFORD
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NON-MAJOR SPECIAL REVENUE FUNDS (continued)
FOR THE YEAR ENDED JUNE 30, 2021

	City Housing Fund	Central Parking and Business Improvement	Fire Protection Impact Fees	Police Protection Impact Fees
REVENUES				
Taxes and special assessments	\$ -	\$ 100,797	\$ 88,143	\$ 48,717
Aid from other government agencies	- -	- -	- -	- -
Fines and forfeitures	- -	- -	- -	- -
Revenue from use of money and property	15,241	939	2,788	3,158
Miscellaneous	90	- -	- -	- -
Total Revenues	15,331	101,736	90,931	51,875
EXPENDITURES				
General government	407	4,178	4,676	4,537
Public works	- -	91,344	- -	- -
Community development	- -	- -	- -	- -
Capital outlay	- -	- -	- -	73,868
Total Expenditures	407	95,522	4,676	78,405
Excess (Deficiency) of Revenues Over Expenditures	14,924	6,214	86,255	(26,530)
Other Financing Sources (Uses)				
Operating transfers in	- -	- -	- -	- -
Operating transfers out	- -	- -	- -	(267,473)
Total Other Financing Sources (Uses)	- -	- -	- -	(267,473)
Net Change in Fund Balance	14,924	6,214	86,255	(294,003)
Fund Balance (Deficit), Beginning of Year	1,591,657	74,176	249,955	333,334
Prior Period Adjustment	(31,528)	- -	- -	- -
Fund Balance (Deficit), Beginning of Year (Restated)	1,560,129	74,176	249,955	333,334
Fund Balance (Deficit), End of Year	\$ 1,575,053	\$ 80,390	\$ 336,210	\$ 39,331

CITY OF HANFORD
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NON-MAJOR SPECIAL REVENUE FUNDS (continued)
FOR THE YEAR ENDED JUNE 30, 2021

	Special Aviation	Learning Center Operation	Traffic Safety	Street Tree Committee
REVENUES				
Taxes and special assessments	\$ -	\$ -	\$ -	\$ -
Aid from other government agencies	26,325	-	-	-
Fines and forfeitures	-	-	34,029	-
Revenue from use of money and property	380	(5)	949	15
Miscellaneous	801	-	-	-
Total Revenues	<u>27,506</u>	<u>(5)</u>	<u>34,978</u>	<u>15</u>
EXPENDITURES				
General government	-	-	39	1
Public works	-	-	-	-
Community development	-	-	-	-
Capital outlay	-	-	63,719	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>63,758</u>	<u>1</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>27,506</u>	<u>(5)</u>	<u>(28,780)</u>	<u>14</u>
Other Financing Sources (Uses)				
Operating transfers in	-	-	-	-
Operating transfers out	<u>(34,876)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(34,876)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	<u>(7,370)</u>	<u>(5)</u>	<u>(28,780)</u>	<u>14</u>
Fund Balance (Deficit), Beginning of Year	164,931	5	52,885	1,201
Prior Period Adjustment	<u>(175,791)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance (Deficit), Beginning of Year (Restated)	<u>(10,860)</u>	<u>5</u>	<u>52,885</u>	<u>1,201</u>
Fund Balance (Deficit), End of Year	<u>\$ (18,230)</u>	<u>\$ -</u>	<u>\$ 24,105</u>	<u>\$ 1,215</u>

CITY OF HANFORD
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NON-MAJOR SPECIAL REVENUE FUNDS (continued)
FOR THE YEAR ENDED JUNE 30, 2021

	State Gas Tax Fund	Public Housing Authority	Cannabis Operations	Total Non-Major Special Revenue Funds
REVENUES				
Taxes and special assessments	\$ 2,702,103	\$ -	\$ 30,693	\$ 4,079,141
Aid from other government agencies	-	-	-	562,824
Fines and forfeitures	-	-	-	34,029
Revenue from use of money and property	17,602	61,901	602	156,219
Miscellaneous	-	45	154,846	155,857
Total Revenues	2,719,705	61,946	186,141	4,988,070
EXPENDITURES				
General government	1,782	-	885	29,677
Public works	93,201	-	-	1,312,559
Community development	-	248,799	55,677	304,476
Capital outlay	1,174,697	-	-	1,560,859
Total Expenditures	1,269,680	248,799	56,562	3,207,571
Excess (Deficiency) of Revenues Over Expenditures	1,450,025	(186,853)	129,579	1,780,499
Other Financing Sources (Uses)				
Operating transfers in	-	258,052	-	258,052
Operating transfers out	(26,790)	-	-	(329,139)
Total Other Financing Sources (Uses)	(26,790)	258,052	-	(71,087)
Net Change in Fund Balance	1,423,235	71,199	129,579	1,709,412
Fund Balance (Deficit), Beginning of Year	1,927,850	857,561	(5,274)	12,028,171
Prior Period Adjustment	139,960	(18,847)	-	(1,896,195)
Fund Balance (Deficit), Beginning of Year (Restated)	2,067,810	838,714	(5,274)	10,131,976
Fund Balance (Deficit), End of Year	\$ 3,491,045	\$ 909,913	\$ 124,305	\$ 11,841,388

CITY OF HANFORD
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
JUNE 30, 2021

	City Payroll Fund	Risk Management Fund	Computer Maintenance Fund
ASSETS			
Current assets			
Cash and investments	\$ 261,040	\$ 6,103,885	\$ 399,208
Receivables, net	2,766	7,267	157
Deposits	-	125,000	-
Inventory	-	-	-
Prepaid expenses	-	-	-
Due from other funds	-	-	-
Total Current Assets	<u>263,806</u>	<u>6,236,152</u>	<u>399,365</u>
Noncurrent assets			
Capital assets:			
Building and improvements	-	-	-
Machinery and equipment	-	-	1,491,459
Accumulated depreciation	-	-	(385,255)
Total Capital Assets (Net of Accumulated Depreciation)	<u>-</u>	<u>-</u>	<u>1,106,204</u>
Total Noncurrent Assets	<u>-</u>	<u>-</u>	<u>1,106,204</u>
Total Assets	<u>263,806</u>	<u>6,236,152</u>	<u>1,505,569</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	-	-	57,906
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>57,906</u>
LIABILITIES			
Current Liabilities			
Accounts payable	12,368	126,857	6,088
Salaries and benefits payable	224,305	-	8,337
Compensated absences - current portion	-	-	-
Due to other funds	-	-	222,745
Total Current Liabilities	<u>236,673</u>	<u>126,857</u>	<u>237,170</u>
Noncurrent Liabilities			
Compensated absences payable	-	-	-
Claims payable	-	5,402,000	-
Net pension liability	-	-	250,640
Total Noncurrent Liabilities	<u>-</u>	<u>5,402,000</u>	<u>250,640</u>
Total Liabilities	<u>236,673</u>	<u>5,528,857</u>	<u>487,810</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	-	-	14,475
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>14,475</u>
NET POSITION			
Net investment in capital assets	-	-	1,106,204
Unrestricted	27,133	707,295	(45,014)
Total Net Position	<u>\$ 27,133</u>	<u>\$ 707,295</u>	<u>\$ 1,061,190</u>

CITY OF HANFORD
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS (continued)
JUNE 30, 2021

	Building Fund	Fleet Management Fund	Medical Fund	Totals
ASSETS				
Current assets				
Cash and investments	\$ 1,219,396	\$ 11,358,835	\$ 811,840	\$ 20,154,204
Receivables, net	1,550	15,817	705,747	733,304
Deposits	-	-	-	125,000
Inventory	-	706,999	-	706,999
Prepaid expenses	180	2,207	-	2,387
Due from other funds	-	<u>1,967,592</u>	-	<u>1,967,592</u>
Total Current Assets	<u>1,221,126</u>	<u>14,051,450</u>	<u>1,517,587</u>	<u>23,689,486</u>
Noncurrent assets				
Capital assets:				
Building and improvements	-	26,191	-	26,191
Machinery and equipment	554,987	15,596,133	-	17,642,579
Accumulated depreciation	(175,075)	(8,307,039)	-	(8,867,369)
Total Capital Assets (Net of Accumulated Depreciation)	<u>379,912</u>	<u>7,315,285</u>	-	8,801,401
Total Noncurrent Assets	<u>379,912</u>	<u>7,315,285</u>	-	8,801,401
Total Assets	<u>1,601,038</u>	<u>21,366,735</u>	<u>1,517,587</u>	<u>32,490,887</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pensions	151,645	188,001	-	397,552
Total Deferred Outflows of Resources	<u>151,645</u>	<u>188,001</u>	-	397,552
LIABILITIES				
Current Liabilities				
Accounts payable	19,908	90,496	-	255,717
Salaries and benefits payable	18,411	26,535	-	277,588
Compensated absences - current portion	1,298	2,859	-	4,157
Due to other funds	-	<u>42,054</u>	-	264,799
Total Current Liabilities	<u>39,617</u>	<u>161,944</u>	-	802,261
Noncurrent Liabilities				
Compensated absences payable	20,334	44,793	-	65,127
Claims payable	-	-	-	5,402,000
Net pension liability	661,243	833,178	-	1,745,061
Total Noncurrent Liabilities	<u>681,577</u>	<u>877,971</u>	-	7,212,188
Total Liabilities	<u>721,194</u>	<u>1,039,915</u>	-	8,014,449
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pensions	21,817	22,415	-	58,707
Total Deferred Inflows of Resources	<u>21,817</u>	<u>22,415</u>	-	58,707
NET POSITION				
Net investment in capital assets	379,912	7,315,285	-	8,801,401
Unrestricted	629,760	13,177,121	1,517,587	16,013,882
Total Net Position	<u>\$ 1,009,672</u>	<u>\$ 20,492,406</u>	<u>\$ 1,517,587</u>	<u>\$ 24,815,283</u>

CITY OF HANFORD
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	City Payroll Fund	Risk Management Fund	Computer Maintenance Fund
OPERATING REVENUES			
Charges for services	\$ -	\$ 590,688	\$ 512,029
Other revenues	<u>5,629</u>	<u>691,043</u>	<u>16</u>
 Total Operating Revenues	 <u>5,629</u>	 <u>1,281,731</u>	 <u>512,045</u>
OPERATING EXPENSES			
Personnel services	- -	- -	217,519
Services and supplies	3,055	495,618	190,035
Depreciation	<u>- -</u>	<u>- -</u>	<u>171,549</u>
 Total Operating Expenses	 <u>3,055</u>	 <u>495,618</u>	 <u>579,103</u>
 Operating Income (Loss)	 <u>2,574</u>	 <u>786,113</u>	 <u>(67,058)</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest income	20,741	48,209	4,725
Unrealized gain (loss) on investments	215	1,144	(3,509)
Intergovernmental	<u>- -</u>	<u>- -</u>	<u>- -</u>
 Total Non-operating Revenue (Expenses)	 <u>20,956</u>	 <u>49,353</u>	 <u>1,216</u>
 Income (Loss) Before Capital Contributions and Transfers	 <u>23,530</u>	 <u>835,466</u>	 <u>(65,842)</u>
 Transfers in/(out)	 <u>- -</u>	 <u>- -</u>	 <u>- -</u>
 Change in Net Position	 <u>23,530</u>	 <u>835,466</u>	 <u>(65,842)</u>
 Net Position (Deficit), Beginning of Year	 <u>3,603</u>	 <u>890,959</u>	 <u>1,131,716</u>
 Prior Period Adjustment	 <u>- -</u>	 <u>(1,019,130)</u>	 <u>(4,684)</u>
 Net Position (Deficit), Beginning of Year (Restated)	 <u>3,603</u>	 <u>(128,171)</u>	 <u>1,127,032</u>
 Net Position (Deficit), End of Year	 <u>\$ 27,133</u>	 <u>\$ 707,295</u>	 <u>\$ 1,061,190</u>

CITY OF HANFORD
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
INTERNAL SERVICE FUNDS (continued)
FOR THE YEAR ENDED JUNE 30, 2021

	Building Fund	Fleet Management Fund	Medical Fund	Totals
OPERATING REVENUES				
Charges for services	\$ 899,422	\$ 3,177,894	\$ 2,843,930	\$ 8,023,963
Other revenues	50,879	<u>141,735</u>	-	889,302
Total Operating Revenues	<u>950,301</u>	<u>3,319,629</u>	<u>2,843,930</u>	<u>8,913,265</u>
OPERATING EXPENSES				
Personnel services	537,411	753,350	-	1,508,280
Services and supplies	324,966	1,467,793	2,342,198	4,823,665
Depreciation	49,055	<u>970,938</u>	-	1,191,542
Total Operating Expenses	<u>911,432</u>	<u>3,192,081</u>	<u>2,342,198</u>	<u>7,523,487</u>
Operating Income (Loss)	<u>38,869</u>	<u>127,548</u>	<u>501,732</u>	<u>1,389,778</u>
NON-OPERATING REVENUES (EXPENSES)				
Interest income	12,537	114,431	11,114	211,757
Unrealized gain (loss) on investments	(828)	(29,677)	4,366	(28,289)
Intergovernmental	-	<u>(8,936)</u>	-	(8,936)
Total Non-operating Revenue (Expenses)	<u>11,709</u>	<u>75,818</u>	<u>15,480</u>	<u>174,532</u>
Income (Loss) Before Capital Contributions and Transfers	<u>50,578</u>	<u>203,366</u>	<u>517,212</u>	<u>1,564,310</u>
Transfers in/(out)	<u>(105,177)</u>	<u>(572,340)</u>	-	(677,517)
Change in Net Position	<u>(54,599)</u>	<u>(368,974)</u>	<u>517,212</u>	<u>886,793</u>
Net Position (Deficit), Beginning of Year	1,069,042	21,719,579	-	24,814,899
Prior Period Adjustment	(4,771)	(858,199)	1,000,375	(886,409)
Net Position (Deficit), Beginning of Year (Restated)	<u>1,064,271</u>	<u>20,861,380</u>	<u>1,000,375</u>	<u>23,928,490</u>
Net Position (Deficit), End of Year	<u>\$ 1,009,672</u>	<u>\$ 20,492,406</u>	<u>\$ 1,517,587</u>	<u>\$ 24,815,283</u>

CITY OF HANFORD
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	City Payroll Fund	Risk Management Fund	Computer Maintenance Fund
Cash Flows from Operating Activities:			
Cash received for current services	\$ (2,070)	\$ 678,400	\$ 510,489
Cash received for other operating revenues	(80,974)	791,043	994
Cash paid for services and supplies	(3,055)	(1,484,143)	18,692
Cash paid for salaries and benefits	(169,555)	-	(233,332)
Net Cash Provided (Used) by Operating Activities	<u>(255,654)</u>	<u>(14,700)</u>	<u>296,843</u>
Cash Flows from Non-Capital Financing Activities:			
Transfers (to)/from other funds	-	-	-
Loans from/(to) other funds	-	-	-
Intergovernmental revenue	-	-	-
Net Cash Provided (Used) by Non-capital Financing Activities	<u>-</u>	<u>-</u>	<u>-</u>
Cash Flows from Capital and Related Financing Activities:			
Capital expenditures	-	-	(372,300)
Proceeds from the sale of capital assets	-	-	-
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>-</u>	<u>-</u>	<u>(372,300)</u>
Cash Flows from Investing Activities:			
Unrealized gain (loss) on investments	215	1,144	(3,509)
Interest received	<u>20,741</u>	<u>48,209</u>	<u>4,725</u>
Net Cash Provided (Used) by Investing Activities	<u>20,956</u>	<u>49,353</u>	<u>1,216</u>
Net Increase (Decrease) in Cash and Investments	<u>(234,698)</u>	<u>34,653</u>	<u>(74,241)</u>
Cash and Investments, Beginning of Year	<u>495,738</u>	<u>6,069,232</u>	<u>473,449</u>
Cash and Investments, End of Year	<u><u>\$ 261,040</u></u>	<u><u>\$ 6,103,885</u></u>	<u><u>\$ 399,208</u></u>
Reconciliation to Statement of Net Position:			
Cash and investments	<u><u>\$ 261,040</u></u>	<u><u>\$ 6,103,885</u></u>	<u><u>\$ 399,208</u></u>
Total Cash and Investments	<u><u>\$ 261,040</u></u>	<u><u>\$ 6,103,885</u></u>	<u><u>\$ 399,208</u></u>

CITY OF HANFORD
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS (continued)
FOR THE YEAR ENDED JUNE 30, 2021

	Building Fund	Fleet Management Fund	Medical Fund	Totals
Cash Flows from Operating Activities:				
Cash received for current services	\$ 896,325	\$ 2,150,346	\$ 2,138,183	\$ 6,371,673
Cash received for other operating revenues	52,405	141,735	-	905,203
Cash paid for services and supplies	(322,733)	(1,652,938)	(2,342,198)	(5,786,375)
Cash paid for salaries and benefits	<u>(569,322)</u>	<u>(804,067)</u>	-	(1,776,276)
Net Cash Provided (Used) by Operating Activities	<u>56,675</u>	<u>(164,924)</u>	<u>(204,015)</u>	<u>(285,775)</u>
Cash Flows from Non-Capital Financing Activities:				
Transfers (to)/from other funds	(105,177)	(572,340)	-	(677,517)
Loans from/(to) other funds	-	1,260,854	-	1,260,854
Intergovernmental revenue	-	(8,936)	-	(8,936)
Net Cash Provided (Used) by Non-capital Financing Activities	<u>(105,177)</u>	<u>679,578</u>	-	574,401
Cash Flows from Capital and Related Financing Activities:				
Capital expenditures	(12,393)	(806,220)	-	(1,190,913)
Proceeds from the sale of capital assets	-	94,218	-	94,218
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(12,393)</u>	<u>(712,002)</u>	-	(1,096,695)
Cash Flows from Investing Activities:				
Unrealized gain (loss) on investments	(828)	(29,677)	4,366	(28,289)
Interest received	12,537	114,431	11,114	211,757
Net Cash Provided (Used) by Investing Activities	<u>11,709</u>	<u>84,754</u>	<u>15,480</u>	<u>183,468</u>
Net Increase (Decrease) in Cash and Investments	<u>(49,186)</u>	<u>(112,594)</u>	<u>(188,535)</u>	<u>(624,601)</u>
Cash and Investments, Beginning of Year	<u>1,268,582</u>	<u>11,471,429</u>	<u>1,000,375</u>	<u>20,778,805</u>
Cash and Investments, End of Year	<u>\$ 1,219,396</u>	<u>\$ 11,358,835</u>	<u>\$ 811,840</u>	<u>\$ 20,154,204</u>
Reconciliation to Statement of Net Position:				
Cash and investments	<u>\$ 1,219,396</u>	<u>\$ 11,358,835</u>	<u>\$ 811,840</u>	<u>\$ 20,154,204</u>
Total Cash and Investments	<u>\$ 1,219,396</u>	<u>\$ 11,358,835</u>	<u>\$ 811,840</u>	<u>\$ 20,154,204</u>

CITY OF HANFORD
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS (continued)
FOR THE YEAR ENDED JUNE 30, 2021

	City Payroll Fund	Risk Management Fund	Computer Maintenance Fund
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ 2,574	\$ 786,113	\$ (67,058)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	-	-	171,549
(Increase) decrease in:			
Receivables, net	(2,070)	5,937	(1,540)
Deposits	-	100,000	-
Prepaid expenses	-	-	978
Inventory	-	-	-
Deferred outflow of resources	-	-	2,532
Due to/from other funds	-	-	222,745
Accounts payable	(86,603)	30,605	(14,018)
Salaries and benefits payable	(169,555)	-	2,144
Compensated absences	-	-	-
Net pension liability	-	-	5,172
Deferred inflow of resources	-	-	(25,661)
Claims payable	-	(937,355)	-
Total Adjustments	<u>(258,228)</u>	<u>(800,813)</u>	<u>363,901</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (255,654)</u>	<u>\$ (14,700)</u>	<u>\$ 296,843</u>
Noncash investing, capital, and financing activities:			
Contribution of capital assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF HANFORD
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS (continued)
FOR THE YEAR ENDED JUNE 30, 2021

	Building Fund	Fleet Management Fund	Medical Fund	Totals
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating income (loss)				
	\$ 38,869	\$ 127,548	\$ 501,732	\$ 1,389,778
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	49,055	970,938	-	1,191,542
(Increase) decrease in:				
Receivables, net	(3,097)	(1,027,548)	(705,747)	(1,734,065)
Deposits	-	-	-	100,000
Prepaid expenses	1,526	-	-	2,504
Inventory	-	(58,887)	-	(58,887)
Deferred outflow of resources	5,998	8,494	-	17,024
Due to/from other funds	-	42,054	-	264,799
Accounts payable	2,233	(168,312)	-	(236,095)
Salaries and benefits payable	4,263	7,123	-	(156,025)
Compensated absences	6,363	2,401	-	8,764
Net pension liability	12,251	17,349	-	34,772
Deferred inflow of resources	(60,786)	(86,084)	-	(172,531)
Claims payable	-	-	-	(937,355)
Total Adjustments	17,806	(292,472)	(705,747)	(1,675,553)
Net Cash Provided (Used) by Operating Activities	\$ 56,675	\$ (164,924)	\$ (204,015)	\$ (285,775)
Noncash investing, capital, and financing activities:				
Contribution of capital assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF HANFORD
COMBINING STATEMENT OF FIDUCIARY NET POSITION
TRUST AND CUSTODIAL FUNDS
JUNE 30, 2021

	Civil Subpoena	Renters' Insurance Deposits	COE Park Deposits	Miscellaneous Deposits Trust	Total
ASSETS					
Cash and investments	\$ 49,931	\$ 3,962	\$ 485	\$ 1,045,804	\$ 1,100,182
Accounts receivable	2,964	5	-	23,801	26,770
Total Assets	<u>52,895</u>	<u>3,967</u>	<u>485</u>	<u>1,069,605</u>	<u>1,126,952</u>
LIABILITIES					
Accounts payable	-	171	-	397,507	397,678
Deposits held for others	106,643	836	-	544,093	651,572
Total Liabilities	<u>106,643</u>	<u>1,007</u>	<u>-</u>	<u>941,600</u>	<u>1,049,250</u>
NET POSITION					
Restricted	(53,748)	2,960	485	128,005	77,702
Total Net Position	<u>\$ (53,748)</u>	<u>\$ 2,960</u>	<u>\$ 485</u>	<u>\$ 128,005</u>	<u>\$ 77,702</u>

CITY OF HANFORD
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
TRUST AND CUSTODIAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	Civil Subpoena	Renters' Insurance Deposits	COE Park Deposits	Miscellaneous Deposits Trust	Total
ADDITIONS					
Other additions	\$ 18,752	1,000	\$ 485	\$ 361,988	\$ 382,225
Total Additions	<u>18,752</u>	<u>1,000</u>	<u>485</u>	<u>361,988</u>	<u>382,225</u>
DEDUCTIONS					
General government	74,144	391	-	278,383	352,918
Unrealized (gain) loss on investments	1,397	(42)	-	(13,092)	(11,737)
Total Deductions	<u>75,541</u>	<u>349</u>	<u>-</u>	<u>265,291</u>	<u>341,181</u>
Change in Fiduciary Net Position	<u>(56,789)</u>	<u>651</u>	<u>485</u>	<u>96,697</u>	<u>41,044</u>
Net Position, Beginning of Year, as Previously Reported	3,041	2,309	-	296,127	301,477
Prior Period Adjustments	-	-	-	(264,819)	(264,819)
Net Position, Beginning of Year, Restated	<u>3,041</u>	<u>2,309</u>	<u>-</u>	<u>31,308</u>	<u>36,658</u>
Net Position, End of Year	<u>\$ (53,748)</u>	<u>\$ 2,960</u>	<u>\$ 485</u>	<u>\$ 128,005</u>	<u>\$ 77,702</u>

SINGLE AUDIT REPORTS



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hanford (the City), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 31, 2022.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City'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's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify deficiencies in internal control that we consider to be significant deficiencies. We also did not identify certain deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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*.

Purpose of this Report

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

HUDSON HENDERSON & COMPANY, INC.

Hudson Henderson & Company, Inc.

Fresno, California
May 31, 2022



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

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

Report on Compliance for Each Major Federal Program

We have audited the City of Hanford's (the City) compliance with the types of compliance requirements described in *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2021. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs and Uniform Guidance.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City'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 the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City'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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City'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, and therefore material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify certain deficiencies in internal control that we consider to be a significant deficiency. We did not identify deficiencies in internal control over compliance that we considered to be material weaknesses.

Purpose of Report

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

HUDSON HENDERSON & COMPANY, INC.

Hudson Henderson & Company, Inc.

Fresno, California
May 31, 2022

CITY OF HANFORD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021

Federal Grantor/ Pass-through Grantor/ Program or Cluster Title	Federal CFDA No.	Supplemental Identifying Number	Pass- Through to Sub- recipients	Federal Expenditures
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>				
Direct Programs				
CDBG - Entitlement Grants Cluster				
CDBG/Entitlement Grants FY18	14.218	B-17-MC-0061	\$ -	\$ 565,009
CDBG/Entitlement Grants FY20	14.218	B-17-MC-0061	_____ -	375,734
Total CDBG - Entitlement Grants Cluster			_____ -	940,743
<i>TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</i>				
			_____ -	940,743
<u>U.S. DEPARTMENT OF JUSTICE</u>				
Direct Program				
Bulletproof Vest Partnership Program	16.607	1121-0235	-	17,684
Coronavirus Emergency Supplemental Funding	16.034		_____ -	53,740
<i>TOTAL U.S. DEPARTMENT OF JUSTICE</i>				
			_____ -	71,424
<u>U.S. DEPARTMENT OF COMMERCE</u>				
Direct Program				
Investments for Public Works and Economic Development Facilities	11.300	EDA 07-01-07288	_____ -	3,000,000
<i>TOTAL U.S. DEPARTMENT OF COMMERCE</i>				
			_____ -	3,000,000
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>				
Passed through California Department of Transportation				
Highway Planning and Construction Cluster				
Highway Planning and Construction	20.205	CML-5091(062)	-	1,959
Highway Planning and Construction	20.205	CML-5091(063)	_____ -	536,499
Total Highway Planning and Construction Cluster			_____ -	538,458
<i>TOTAL U.S. DEPARTMENT OF TRANSPORTATION</i>				
			_____ -	538,458
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>				
Direct Programs				
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083		-	140,497
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083		-	6,330
Staffing for Adequate Fire and Emergency Response (SAFER)	97.067		-	13,918
Assistance to Firefighters Grant	97.044		-	1,204
<i>TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY</i>				
			_____ -	161,949
<i>TOTAL EXPENDITURES OF FEDERAL AWARDS</i>				
			\$ -	\$ 4,712,574

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

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

NOTE 1 – GENERAL

The accompanying Schedule of Expenditures of Federal Awards presents all the activity of all the federal award programs of the City of Hanford (the City) for the year ended June 30, 2021. The City reporting entity is defined in Note 1 to the City's basic financial statements. Federal awards received directly from federal agencies as well as federal awards passed through other government agencies are included on the schedule.

NOTE 2 – BASIS OF ACCOUNTING

Consistent with the City's method of filing federal financial reports, the accompanying Schedule of Expenditures of Federal Awards is prepared using the accrual basis method of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S., *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some of the amounts presented in this schedule may differ from amounts presented or used in the preparation of the basic financial statements. The amounts reported in the accompanying Schedule of Expenditures of Federal Awards agree, in all material respects, to amounts reported within the City's financial statements.

NOTE 3 – RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

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

NOTE 4 – CATALOG OF FEDERAL DOMESTIC ASSISTANCE (CFDA)

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

NOTE 5 – PASS-THROUGH ENTITY IDENTIFYING NUMBERS

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

NOTE 6 – INDIRECT COST RATE

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

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

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

Type of auditors’ report issued: Unmodified

Internal control over financial reporting:

· Material weakness identified? Yes X No

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

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major federal programs:

· Material weakness identified? Yes X No

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

Noncompliance material to federal awards? Yes X No

Any audit findings disclosed that are required to be reported in accordance with 2CFR Section 200.516(a)? Yes X No

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

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
11.300	Investments for Public Works and Economic Development Facilities

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

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

CITY OF HANFORD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
FOR THE YEAR ENDED JUNE 30, 2021

SECTION II – FINANCIAL STATEMENT FINDINGS

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

SECTION III – FEDERAL AWARD FINDINGS

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

CITY OF HANFORD
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020

SECTION II – FINANCIAL STATEMENT FINDINGS

Finding 2020-001 – Material Weakness

Bank Reconciliations

Criteria:

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

Condition:

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

Cause of Condition:

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

Effect of Condition:

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

Recommendation:

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

Management Response:

The City has completed steps to have cash reconciled on a timely basis (within 30 days after month end). Steps were taken immediately by new management to catchup on past cash reconciliations and assign resources for timely completion.

Staffing shortages had caused delays but those positions have now been filled. After the staffing changes, more than one staff person is now able to reconcile and verify the condition of the City Treasury.

Current Year Status:

Implemented.

Finding 2020-002 – Material Weakness

Financial Close

Criteria:

In accordance with accounting principles generally accepted in the United States of America, adequate internal controls should be implemented to ensure that all assets, liabilities, revenues, and expenses are properly recorded and reported. Furthermore, proper accounting principles should be applied to all financial closing accounts and processes, thus resulting in the proper presentation of all System activities and/or funds.

Condition:

During the audit of the City's financial statements, we identified material misstatements in the City's account balances which required material audit adjustments. Additionally, the City required an excessive number of year-end closing journal entries to complete the financial close process. In addition, the material adjustments made significantly delayed the audit process.

CITY OF HANFORD
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS (continued)
FOR THE YEAR ENDED JUNE 30, 2020

Cause of Condition:

The City did not have an adequate financial close process in place and was implementing new accounting software.

Effect of Condition:

Material adjustments were identified through the audit procedures performed. Additionally, the significant adjustments made prevented the audit from being completed in a timely manner.

Recommendation:

The City should further enhance their accounting process to ensure that all accounting records are properly reflected in the financial statements prior to the commencement of the audit.

Management Response:

A change in accounting software and internal turnover in the Finance Department caused significant delay in year-end accounting. The City filled vacated positions after the end of the fiscal year, including a new Finance Director and added two new Analyst positions to oversee management of accounting functions.

In addition, the City Council has approved hiring of a Certified Public Accounting firm to assist staff in preparing timely year end accounting entries, including accruals and adjustments. City staff has also implemented a formal year end closing process and is focusing resources on having strong financial systems in place to create more efficiency and accuracy in the City's accounting. Lastly, the City has established the Finance Manager to oversee improvements to financial systems and work to improve the efficiency and accuracy of information being imported into the City's financial system.

Current Year Status:

Implemented.

Finding 2020-003 – Material Weakness

Intergovernmental Balances

Criteria:

In accordance with accounting principles generally accepted in the United States of America, adequate internal controls should be implemented to ensure the internal balances are properly balanced and reflected in the funds.

Condition:

Through review of the City's transfers in and out, due to and from, and advances to and from balances, posted material adjusting journal entries as intergovernmental balances did not balance.

Cause of Condition:

The cause of this deficiency was attributed to the lack of a proper recording system for intergovernmental activity.

Effect of Condition:

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

Recommendation:

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

CITY OF HANFORD
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS (continued)
FOR THE YEAR ENDED JUNE 30, 2020

Management Response:

A change in accounting software and internal turnover in the Finance Department caused significant delay in year-end accounting. The City filled vacated positions after the end of the fiscal year including a new Finance Director and added two new Analyst positions to oversee management of accounting functions.

In addition, the City Council has approved hiring of a Certified Public Accounting firm to assist staff in preparing timely year end accounting entries, including entries and adjustments for intergovernmental balances. City staff has also implemented a formal year end closing process to create more efficiency, review and accuracy in the City's accounting of intergovernmental balances.

Current Year Status:

Implemented.

Finding 2020-004 – Significant Deficiency

Capital Assets

Criteria:

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

Condition:

Per audit procedures performed over capital assets, we noted the City improperly recorded the disposal of capital assets.

Cause of Condition:

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

Effect of Condition:

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

Recommendation:

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

Management Response:

A change in accounting software and internal turnover in the Finance Department caused significant delay in year-end accounting. The City filled vacated positions after the end of the fiscal year including a new Finance Director and added two new Analyst positions to oversee management of accounting functions.

In addition, the City Council has approved hiring of a Certified Public Accounting firm to assist staff in preparing timely year end accounting entries, including entries and adjustments for capital assets. City staff has also implemented a formal year end closing process to create more efficiency, review and accuracy in the City's accounting of capital assets.

Current Year Status:

Implemented.

CITY OF HANFORD
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS (continued)
FOR THE YEAR ENDED JUNE 30, 2020

SECTION III – FEDERAL AWARD FINDINGS

Finding 2020-005 – Preparation of Schedule of Expenditures of Federal Awards (SEFA)

Program: N/A

CFDA No.: N/A

Federal Agency: N/A

Pass Through: N/A

Award Numbers: N/A

Award Year: 2019-2020 Fiscal Year

Compliance Requirement: Reporting

Questioned Costs: N/A

Criteria:

In accordance with accounting principles generally accepted in the United States of America and Uniform Guidance, adequate procedures should be in place to ensure the proper reporting of the federal expenditures on the SEFA.

Condition:

We identified an error in the reporting of the federal award expenditures in the preliminary SEFA received at the beginning of the audit. An adjustment was required and the SEFA was corrected prior to final issuance.

Cause of Condition:

The City did not have an adequate review process for recording federal expenditures and preparing the SEFA, including reconciling the SEFA to supporting ledgers and records of the City.

Effect of Condition:

Improper amounts were initially recorded in the SEFA which can impact federal funding.

Recommendation:

The City should further enhance their accounting process to ensure that all accounting records are properly reflected in the SEFA prior to the commencement of the audit by implement a financial closing process with adequate reviews, and ensure the process the include sufficient time for review and implementation for a more timely closing process and preparation of the SEFA.

Management Response and Corrective Action Plan:

A change in accounting software and internal turnover in the Finance Department caused significant delay in year-end accounting. The City filled vacated positions after the end of the fiscal year including a new Finance Director and added two new Analyst positions to oversee management of accounting functions.

City staff has implemented a formal year end closing process to create more efficiency, review, and accuracy of the City's SEFA. In addition, the City has established the Finance Manager to oversee improvements to financial systems and work to improve the efficiency and accuracy of information and reports to use for external reporting.

Current Year Status:

Implemented

APPROPRIATIONS LIMIT REPORT



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

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

We have performed the procedures enumerated below to the accompanying calculation of the Appropriations Limit of the City of Hanford, California (the City) for the year ended June 30, 2021. These procedures, which were agreed to by the City and recommended by the California Committee on Municipal Accounting (CCMA) (as presented in the CCMA White Paper entitled *Agreed-upon Procedures Applied to the Appropriations Limitation Prescribed by Article XIII-B of the California Constitution*) were performed solely to assist the City in meeting the requirements of Section 1.5 of Article XIII-B of the California Constitution. The City's management is responsible for the Appropriations Limit Calculation.

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

The procedures and associated findings are as follows:

- 1) We obtained the City's calculation of the June 30, 2021 appropriations limit and compared the limit and annual adjustment factors included in the calculation to the limit and annual adjustment factors that were adopted by the resolution of the City Council. We also compared the population and inflation factors included in the aforementioned worksheet to those that were selected by a recorded vote of the City Council.

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

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

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

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

Finding: When comparing the population change rate, we noted that the City utilized the incorrect rate. This resulted in the current year adjustment and consequently the ending limit for the current year being overstated by \$125,291. Per discussion with management, this came to light after the adoption of the current year limit and has since been corrected on the subsequent year's limit.

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

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

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

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

HUDSON HENDERSON & COMPANY, INC.

Hudson Henderson & Company, Inc.

Fresno, California
May 31, 2022

**CITY OF HANFORD
APPROPRIATIONS LIMIT SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2021**

Appropriations Limit, fiscal year 2020, as adopted \$ 68,831,996

Adjustment Factors:

Per Capita Personal Income Change	3.73%
Population change - City of Hanford	0.75%
Per Capita converted to a ratio	1.037300
Population converted to a ratio	1.007500
Calculation of factor FY 20-21	1.045080

Annual adjustment in dollars 3,102,929

Appropriations limit, fiscal year 2021, as calculated \$ 71,934,925

City of **H A N F O R D**
CALIFORNIA 93230
CITY OFFICES 319 NORTH DOUTY STREET
FINANCE DEPARTMENT 315 NORTH DOUTY STREET



MAYOR
KALISH MORROW

VICE MAYOR
DIANE SHARP

COUNCIL MEMBERS
AMANDA SALTTRAY
FRANCISCO RAMIREZ
ART BRIENO

CITY MANAGER
MARIO CIFUENTEZ

CITY ATTORNEY
ROBERT M. DOWD

Prior Year Findings and Questioned Costs

Reference: 2020-005

Type of Finding: Significant Deficiency

Criteria:

In accordance with accounting principles generally accepted in the United States of America and Uniform Guidance, adequate procedures should be in place to ensure the proper reporting of the federal expenditures on the SEFA.

Condition:

We identified an error in the reporting of the federal award expenditures in the preliminary SEFA received at the beginning of the single audit. An adjustment was required and the SEFA was corrected prior to final issuance.

Cause of Condition:

The City did not have an adequate review process for recording federal expenditures and preparing the SEFA, including reconciling the SEFA to supporting ledgers and records of the City.

Effect of Condition:

Improper amounts were initially recorded in the SEFA which can impact federal funding.

Questioned Costs:

N/A

Recommendation:

The City should further enhance their accounting process to ensure that all accounting records are properly reflected in the SEFA prior to the commencement of the audit by implementing a financial close process with adequate reviews, and ensure the process includes sufficient time for review and implementation for a more timely closing process and preparation of the SEFA.

Current Year Status:

Corrected.