

**HANFORD ELEMENTARY
SCHOOL DISTRICT**

ANNUAL FINANCIAL REPORT

JUNE 30, 2013

HANFORD ELEMENTARY SCHOOL DISTRICT

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HANFORD ELEMENTARY SCHOOL DISTRICT

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FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

Governing Board
Hanford Elementary School District
Hanford, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Hanford Elementary School District (the District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with 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; and *Standards and Procedures for Audits of California K-12 Local Education Agencies 2012-2013*, issued by the California Education Audit Appeals Panel as regulations. 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 auditors' 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 District'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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Hanford Elementary School District, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis on pages 5 through 13, budgetary comparison information and postemployment benefits information on pages 52 through 54, 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 Hanford Elementary School District's basic financial statements. The supplementary information, such as the combining and individual non-major fund financial statements and Schedule of Expenditures of Federal Awards, as required by *Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2013, on our consideration of the Hanford Elementary School District'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 Hanford Elementary School District's internal control over financial reporting and compliance.

Vannink, Trini, Day & Co, LLP

Fresno, California
December 6, 2013

Hanford Elementary School District

HANFORD ELEMENTARY SCHOOL DISTRICT KINGS COUNTY

MANAGEMENT DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2013

714 N. White Street
P O. Box 1067
Hanford, CA 93232

(559) 585-3600

Superintendent

Dr. Paul J. Terry

Governing Board

Jeff Garner

Lupe Hernandez

Dennis Hill

James L. Jay, III

Timothy L. Revious

INTRODUCTION

The Hanford Elementary School District's goal is to provide, in an atmosphere of care and concern, an opportunity for every student to recognize and fully develop his/her particular academic, technical, physical and social skills. Hanford Elementary School District students graduate prepared to continue on to high school.

The Management Discussion and Analysis of Hanford Elementary School District's financial statements provide an overall review of the District's financial activities for the fiscal year ended June 30, 2013. This analysis will look at the District's financial performance as a whole. The management discussion and analysis should be reviewed in conjunction with the auditor's transmittal letter, notes to the basic financial statements and the basic governmental wide financial statements to enhance the understanding of the District's financial performance.

The Hanford Elementary School District is a medium-sized rural school district offering instruction to students from kindergarten through eighth grade. During the 2012-13 school year, the District operated eight elementary schools, two junior high schools, and one community day school on the traditional August through June schedule, for the instruction of approximately 5,771 students.

USING THE COMPREHENSIVE ANNUAL FINANCIAL REPORT

- This comprehensive annual financial report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the District as a whole, and then proceed to provide an increasingly detailed look at specific financial activities.
- The Management Discussion and Analysis Statement is provided to assist our citizens, taxpayers and investors in reviewing the District's finances and to show the District's accountability for the money it receives.



HANFORD ELEMENTARY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

FINANCIAL HIGHLIGHTS

- The Hanford Elementary School District's Government-wide Statement of Net Position illustrates total net position of \$34.3 million, the result of assets of \$53.8 million minus liabilities of \$19.5 million.
- General Revenues accounted for \$38.7 million or 80 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$9.8 million or 20 percent of total revenues of \$48.5 million.
- The District had \$48.8 million in expenses related to governmental activities.
- The General Fund reported a positive fund balance of \$8.7 million.

STUDENT ENROLLMENT & DEMOGRAPHIC TRENDS

- The School District has an enrollment of approximately 5,771 students for the current 2012-13 school year, with enrollment projected to be slightly greater at 5,795 for the coming 2013-14 school year.
- In addition to tracking enrollment, the District also watches actual Average Daily Attendance (ADA). The ADA is typically lower than a District's enrollment, although the two terms are often (though incorrectly) used interchangeably. The anticipated 2013-14 ADA for the District is 5,565. The ratio of actual attendance to enrollment summarizes the District's changes and efforts to increase attendance. Figure 1 summarizes a historical analysis of the District's enrollment to actual positive attendance ratios.

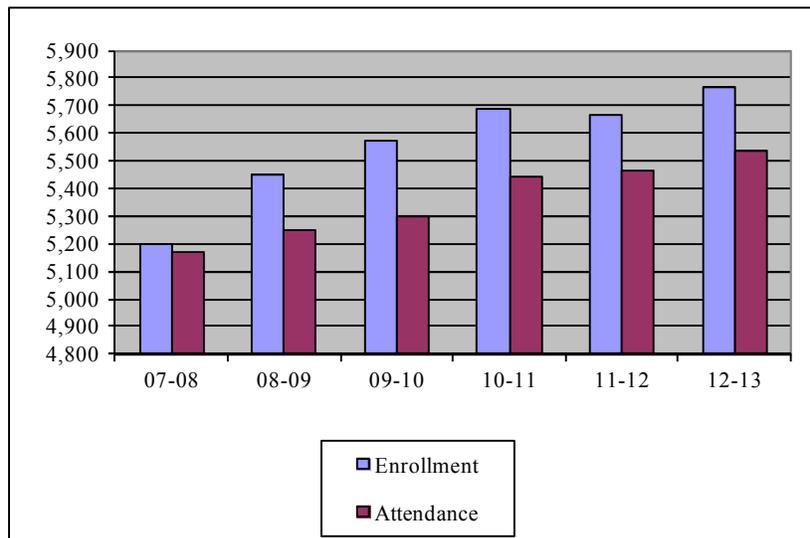


Figure 1. District Enrollment to Actual Attendance Data

HANFORD ELEMENTARY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

School districts have traditionally placed great importance on the accurate projection of student enrollment for the ensuing budget year, due to the broad range of funding and programs impacted by this number. These impacts range from the very basic funding for California school districts which calculates the number of days attended by the enrolled students times a unique "base revenue limit amount" (for 2012-13 the School District Revenue Limit amount is approximately \$5,002 ($\$6,435.51 \times 0.77728$ deficit factor), to how much a particular special program will receive, to the amount of one-time monies a district may receive. Increased ADA is intended to generate additional dollars to help offset normal inflationary costs of operating the business of education, and related growth cost for the additional enrollment.

REPORTING THE DISTRICT AS A WHOLE

- THE STATEMENT OF NET POSITION AND STATEMENT OF ACTIVITIES

One of the most important questions asked about the District's finances is, "Is the District better off or worse off as a result of the year's activities?" "The Statement of Net Position and the Statement of Activities" reports information about the District as a whole and about its activities in a manner that helps to answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector corporations. All of the current year's revenues and expenses are taken into consideration regardless of when cash is received or paid.

These two statements report the Hanford Elementary School District's net position and changes in them. The change in net position provides the reader a tool to assist in determining whether the District's financial health is improving or deteriorating. The reader will need to consider other non-financial factors, such as property tax base, current property tax laws, student enrollment, and facility conditions in arriving at their conclusion regarding the overall health of the District.

- FUND FINANCIAL STATEMENTS

The fund financial statements provide detailed information about the most significant funds, not the District as a whole. Some funds are required to be established by State statute, while many other funds are established by the District to help manage money for particular purposes and compliance with various provisions. The District's three types of funds, governmental, proprietary, and fiduciary use different accounting approaches as further described in the notes to the financial statements.

- GOVERNMENTAL FUNDS

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting. Governmental fund statements provide a detailed short-term view of the District's general governmental operations and the basic services it provides. Governmental fund information helps you determine whether there are more or less financial resources available to spend in the near future to finance the District's program. The Relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the notes to the financial statements.

HANFORD ELEMENTARY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

Governmental funds include most of the major funds of the District. A more detailed discussion of Governmental funds follows.

- PROPRIETARY FUNDS

Proprietary funds use the same basis of accounting as business-type activities, therefore the statements will essentially match. Our District has only one such Internal Service Fund – the Self-Insurance Employee Benefits – Dental Fund.

- FIDUCIARY FUNDS

Fiduciary funds are used to account for resources held for the benefit of parties outside the governmental entity. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the District's own programs. The District uses an agency fund to account for resources held for student activities and groups. These funds include Student Body funds for the two junior high schools.

The District is the trustee, or fiduciary, for its student activity funds. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Position. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

- NOTES TO THE FINANCIAL STATEMENTS

The notes provided additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements.

- THE DISTRICT AS A WHOLE

The "Statement of Net Position" provides the perspective of the District as a whole. Table 1 provides a summary of the District's net position for fiscal years 2012-13 and 2011-12, respectively.

HANFORD ELEMENTARY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

Table 1. Net Position

(Amounts in millions)	Governmental Activities		Difference over/(under)
	2013	2012	
Assets			
Current and other assets	\$ 21.9	\$ 21.2	\$ 0.7
Capital assets	31.9	32.6	(0.7)
Total Assets	53.8	53.8	(0.0)
Liabilities			
Current liabilities	9.5	8.8	0.7
Long-term obligations	10.0	10.4	(0.4)
Total Liabilities	19.5	19.2	0.3
Net Position			
Net investment in capital assets	24.2	24.1	0.1
Restricted	5.1	4.9	0.2
Unrestricted	5.0	5.6	(0.6)
Total Net Position	\$ 34.3	\$ 34.6	\$ (0.3)

Table 2 shows the changes in net position for fiscal years 2012-13 and 2011-12, respectively.

Table 2. Changes in Net Position

(Amounts in millions)	Governmental Activities		Difference over/(under)
	2013	2012	
Revenues			
Program revenues:			
Charges for services	\$ 0.3	\$ 0.3	\$ -
Operating grants and contributions	9.5	10.5	(1.0)
General revenues:			
Federal and State aid not restricted	32.7	32.5	0.2
Property taxes	3.3	3.0	0.3
Other general revenues	2.7	2.1	0.6
Total Revenues	48.5	48.4	0.1
Expenses			
Instruction related	33.1	32.5	0.6
Student support services	5.0	4.7	0.3
Administration	3.0	3.2	(0.2)
Maintenance and operations	5.8	5.7	0.1
Other	1.9	1.9	-
Total Expenses	48.8	48.0	0.8
Change in Net Position	\$ (0.3)	\$ 0.4	\$ (0.7)

HANFORD ELEMENTARY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

GOVERNMENTAL FUNDS

- The District's Governmental Funds include Special Revenue Funds for Deferred Maintenance and Cafeteria, Debt Service Funds for repayments of general obligation bonds, Capital Projects Funds, and most importantly, the General Fund. Figure 2 summarizes District Revenue by source of the District's Governmental Funds. Figure 3 summarize the District's Governmental Expenditures by function.

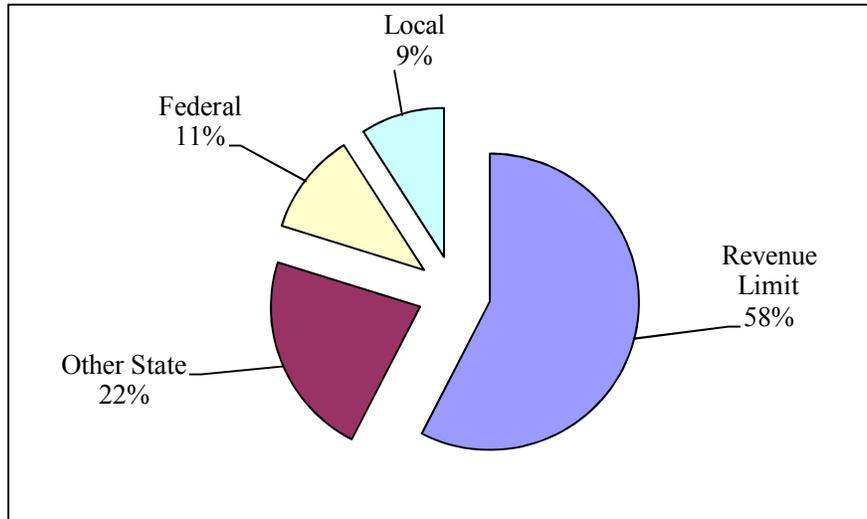


Figure 2. Revenues by Source

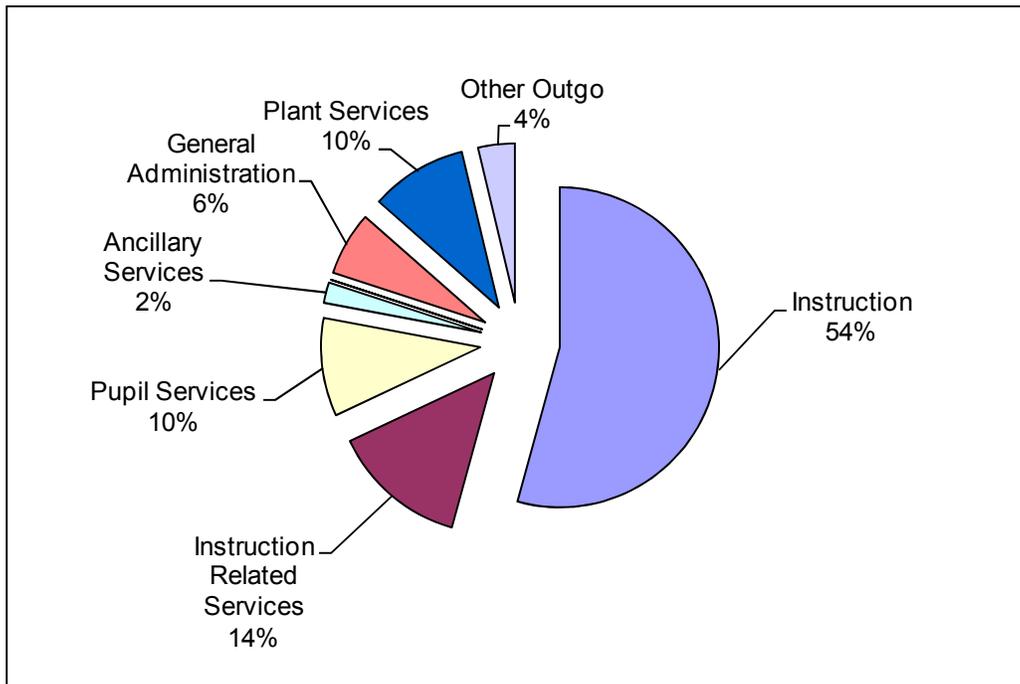


Figure 3. Expenditures by Function

HANFORD ELEMENTARY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

GENERAL FUND BUDGET INFORMATION

The District's budget is prepared in accordance with California law and is based on the cash basis of accounting, utilizing cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund.

The District begins the budget process in January of each year, to be completed by June 30. After updating of the forecast for changes in revenue and expenditure assumptions, the operating budget begins at the school level. Each school in the District receives a per pupil allocation augmented with resources for special education students. The schools and departments provide input to the superintendent and to Fiscal Services for their budget needs. The site and department budgets are reviewed monthly to ensure management becomes aware of any significant variations during the year.

- GENERAL FUND BUDGET VARIATIONS

In June of each year, a Budget is adopted by the District's Board of Trustees, effective July 1 through June 30. The Budget is based on year-ending projections from the previous year's budget. As the school year progresses, the Budget is revised and updated, with numerous financial reports made public outlining the revisions. Finally, in August of the following year, the books are closed for the July 1 – June 30 fiscal year, and the results are audited, yielding actual final numbers.

There are several reasons for Budget revisions. Most notable are any salary increases granted by the Board of Trustees for district employees for the original budget does not presume salary increases unless they have already been agreed to in a multi-year contract. Also, any changes in the number of staff and/or staff utilization of health and welfare benefits that vary from the original projections would also yield budget revisions.

The implementation of new instructional or categorical programs can also effect budget projections. For the Hanford Elementary School District, the increased emphasis on closing the achievement gap for all of our students continue to push forward several academic-focused programs that impact expenditures in personnel, instructional materials, outside services and supplies.

The State and Federal budget issues have an impact on the District's budget. As revenues from these two sources change, so do District revenues, since 94% of District revenues come from State and Federal revenue streams.

The final actual numbers of the General Fund that will be certified by February of the next year will be the reflection of the culmination of these several factors.

The net difference in fund balance between the adopted budget and the final budget was an increase of \$2 million and may be summarized as follows:

- \$4.2 million increase in total revenue
- \$2.2 million increase in total expenditures

HANFORD ELEMENTARY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

CAPITAL ASSETS AND DEBT ADMINISTRATION

• CAPITAL ASSETS

At June 30, 2012, the District had \$32.6 million in a broad range of capital assets, including land, buildings, and furniture and equipment, net of accumulated depreciation. At June 30, 2013, the District's net capital assets were \$31.9 million. This amount represents a net decrease (including additions and deductions) of \$0.7 million, or 2.1 percent, from last year. Table 3 shows the balances for fiscal years 2012-13 and 2011-12.

Table 3. Changes in Capital Assets
(Net of Depreciation)

(Amounts in millions)	Governmental Activities		Difference over/(under)
	2013	2012	
Land	\$ 2.1	\$ 2.1	\$ -
Buildings and improvements	28.5	29.2	(0.7)
Equipment	1.2	1.2	-
Construction in Progress	0.1	0.1	-
Total	\$ 31.9	\$ 32.6	\$ (0.7)

• LONG-TERM OBLIGATIONS

At the end of this year, the District had \$9.9 million in long-term obligations outstanding versus \$10.4 million last year, a decrease of 4.8 percent. Table 4 summarizes these debts.

Table 4. Outstanding Obligations

(Amounts in millions)	Governmental Activities		Difference over/(under)
	2013	2012	
General obligation bonds	\$ 7.6	\$ 8.4	\$ (0.8)
Compensated absences	0.3	0.3	-
Capital leases	-	0.1	(0.1)
Other postemployment benefits	2.1	1.6	0.5
Total	\$ 10.0	\$ 10.4	\$ (0.4)

The District's general obligation bond S&P rating at the time of their last issuance was "A+".

Other obligations include compensated absences payable, postemployment benefits (not including health benefits) and other long-term obligations. We present more detailed information regarding our long-term obligations in the Notes to Financial Statements.

HANFORD ELEMENTARY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

FOR THE FUTURE

The District's system of budgeting and internal controls is well regarded and it will take all of the District's financial abilities to meet the challenges of the future.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the Hanford Elementary School District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Nancy White, Assistant Superintendent Fiscal Services, Hanford Elementary School District, P. O. Box 1067, Hanford, CA 93232.

HANFORD ELEMENTARY SCHOOL DISTRICT

STATEMENT OF NET POSITION JUNE 30, 2013

	Governmental Activities
ASSETS	
Deposits and investments	\$ 11,519,204
Receivables	10,026,893
Deferred charges	216,862
Stores inventories	142,465
Nondepreciable capital assets	2,165,580
Capital assets being depreciated	51,183,886
Accumulated depreciation	<u>(21,472,644)</u>
Total Assets	<u>53,782,246</u>
LIABILITIES	
Accounts payable	2,635,588
Deferred revenue	55,591
Current loans	6,810,000
Current portion of long-term obligations	812,775
Noncurrent portion of long-term obligations	<u>9,129,157</u>
Total Liabilities	<u>19,443,111</u>
NET POSITION	
Net investment in capital assets	24,236,163
Restricted for:	
Debt service	916,892
Capital projects	38,873
Educational programs	1,847,592
Other activities	2,257,877
Unrestricted	5,041,738
Total Net Position	<u>\$ 34,339,135</u>

The accompanying notes are an integral part of these financial statements.

HANFORD ELEMENTARY SCHOOL DISTRICT

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>
Governmental Activities:			
Instruction	\$ 26,430,870	\$ -	\$ 3,368,886
Instruction-related activities:			
Supervision of instruction	1,863,929	-	1,306,041
Instructional library, media, and technology	330,150	-	-
School site administration	4,464,299	-	68,373
Pupil services:			
Home-to-school transportation	759,358	-	290,080
Food services	2,523,712	286,155	2,596,865
All other pupil services	1,654,976	-	421,146
Administration:			
Data processing	526,702	-	-
All other administration	2,487,463	6,016	300,950
Plant services	5,774,266	4,225	50,772
Ancillary services	1,049,655	-	933,573
Interest on long-term obligations	711,247	-	-
Other outgo	261,278	-	174,335
Total Governmental Activities	\$ 48,837,905	\$ 296,396	\$ 9,511,021

General revenues and subventions:

- Property taxes, levied for general purposes
- Property taxes, levied for debt service
- Taxes levied for other specific purposes
- Federal and State aid not restricted to specific purposes
- Interest and investment earnings
- Miscellaneous

Subtotal, General Revenues

Change in Net Position

Net Position - Beginning

Net Position - Ending

The accompanying notes are an integral part of these financial statements.

**Net (Expenses)
Revenues and
Changes in
Net Position**

**Governmental
Activities**

\$ (23,061,984)

(557,888)

(330,150)

(4,395,926)

(469,278)

359,308

(1,233,830)

(526,702)

(2,180,497)

(5,719,269)

(116,082)

(711,247)

(86,943)

(39,030,488)

1,919,193

1,406,942

14,569

32,665,035

146,330

2,582,104

38,734,173

(296,315)

34,635,450

\$ 34,339,135

HANFORD ELEMENTARY SCHOOL DISTRICT

**GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2013**

	General Fund	Cafeteria Fund	Non-Major Governmental Funds
ASSETS			
Deposits and investments	\$ 8,297,542	\$ 1,870,988	\$ 962,504
Receivables	9,585,895	400,948	40,050
Stores inventories	108,187	34,278	-
Total Assets	\$ 17,991,624	\$ 2,306,214	\$ 1,002,554
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 2,438,442	\$ 48,337	\$ 4,363
Current loans	6,810,000	-	-
Deferred revenue	55,591	-	-
Total Liabilities	9,304,033	48,337	4,363
Fund Balances:			
Nonspendable	113,237	34,688	-
Restricted	1,847,592	2,223,189	955,765
Committed	-	-	42,426
Assigned	700,000	-	-
Unassigned	6,026,762	-	-
Total Fund Balances	8,687,591	2,257,877	998,191
Total Liabilities and Fund Balances	\$ 17,991,624	\$ 2,306,214	\$ 1,002,554

The accompanying notes are an integral part of these financial statements.

**Total
Governmental
Funds**

\$ 11,131,034
10,026,893
142,465

\$ 21,300,392

\$ 2,491,142
6,810,000
55,591

9,356,733

147,925
5,026,546
42,426
700,000
6,026,762

11,943,659

\$ 21,300,392

HANFORD ELEMENTARY SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2013**

Total Fund Balance - Governmental Funds		\$ 11,943,659
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is	\$ 53,349,466	
Accumulated depreciation is	<u>(21,472,644)</u>	
Net Capital Assets		31,876,822
Expenditures relating to issuance of debt were recognized on modified accrual basis, but are not recognized on the accrual basis.		216,862
An internal service fund is used by the District's management to charge the costs of the dental insurance program to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities.		243,724
Long-term obligations, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Long-term obligations at year-end consist of:		
Bonds payable	7,640,659	
Compensated absences	255,109	
Other postemployment benefits	<u>2,046,164</u>	
Total Long-Term Obligations		<u>(9,941,932)</u>
Total Net Position - Governmental Activities		<u><u>\$ 34,339,135</u></u>

The accompanying notes are an integral part of these financial statements.

HANFORD ELEMENTARY SCHOOL DISTRICT

**GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2013**

	General Fund	Cafeteria Fund	Non-Major Governmental Funds
REVENUES			
Revenue limit sources	\$ 28,096,624	\$ -	\$ -
Federal sources	2,900,373	2,468,937	-
Other State sources	10,402,746	199,958	(468)
Other local sources	2,561,562	317,301	1,594,557
Total Revenues	43,961,305	2,986,196	1,594,089
EXPENDITURES			
Current			
Instruction	26,063,803	-	-
Instruction-related activities:			
Supervision of instruction	1,846,141	-	-
Instructional library, media and technology	328,421	-	-
School site administration	4,429,540	-	-
Pupil services:			
Home-to-school transportation	642,752	-	-
Food services	1,656	2,546,412	-
All other pupil services	1,638,571	-	-
Administration:			
Data processing	522,244	-	-
All other administration	2,512,083	53,535	750
Plant services	4,427,137	37,593	271,332
Facility acquisition and construction	50,052	-	231,098
Ancillary services	1,037,812	-	-
Other outgo	261,278	-	-
Debt service			
Principal	-	-	877,066
Interest and other	138,519	-	547,813
Total Expenditures	43,900,009	2,637,540	1,928,059
Excess (Deficiency) of Revenues Over Expenditures	61,296	348,656	(333,970)
Other Financing Sources (Uses)			
Transfers in	8,619	-	75,000
Transfers out	(75,000)	-	(8,619)
Net Financing Sources (Uses)	(66,381)	-	66,381
NET CHANGE IN FUND BALANCES	(5,085)	348,656	(267,589)
Fund Balance - Beginning	8,692,676	1,909,221	1,265,780
Fund Balance - Ending	\$ 8,687,591	\$ 2,257,877	\$ 998,191

The accompanying notes are an integral part of these financial statements.

Total Governmental Funds	
\$	28,096,624
	5,369,310
	10,602,236
	4,473,420
	<u>48,541,590</u>
	26,063,803
	1,846,141
	328,421
	4,429,540
	642,752
	2,548,068
	1,638,571
	522,244
	2,566,368
	4,736,062
	281,150
	1,037,812
	261,278
	877,066
	686,332
	<u>48,465,608</u>
	75,982
	83,619
	<u>(83,619)</u>
	-
	75,982
	11,867,677
\$	<u><u>11,943,659</u></u>

HANFORD ELEMENTARY SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2013

Total Net Change in Fund Balances - Governmental Funds **\$ 75,982**
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures, however, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities.

This is the amount by which depreciation exceeds capital outlays in the period.

Capital outlays	\$ 505,644	
Depreciation expense	<u>(1,273,371)</u>	(767,727)

Loss on disposal of capital assets is reported in the government-wide Statement of Activities, but is not recorded in the governmental funds. (2,683)

In the Statement of Activities, certain operating expenses - compensated absences (vacations) and special termination benefits (early retirement) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, there are no special termination benefits. Vacation used was more than the amounts earned by \$15,121. 15,121

Repayment of debt principal is an expenditure in the governmental funds, but it reduces long-term obligations in the statement of Net Position and does not affect the statement of activities. Repayment of debt principal for the year consisted of:

General obligation bonds	779,150
Capital lease obligations	97,916

Under the modified basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the Statement of Activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. This adjustment combines the net changes of the following balances:

Amortization of debt premium	16,144	
Amortization of cost of issuance	<u>(41,059)</u>	
Combined adjustment		(24,915)

The accompanying notes are an integral part of these financial statements.

HANFORD ELEMENTARY SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES, Continued FOR THE YEAR ENDED JUNE 30, 2013

In governmental funds, postemployment benefits other than pensions (OPEB) costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. This year, the difference between OPEB costs and actual employer contributions was:	\$ (478,040)
An internal service fund is used by the District's management to charge the costs of the unemployment compensation insurance program to the individual funds. The net income of the internal service fund is reported with governmental activities.	8,881
Change in Net Position of Governmental Activities	<u><u>\$ (296,315)</u></u>

The accompanying notes are an integral part of these financial statements.

HANFORD ELEMENTARY SCHOOL DISTRICT

**PROPRIETARY FUND
STATEMENT OF NET POSITION
JUNE 30, 2013**

	Governmental Activities - Internal Service Fund
ASSETS	
Current Assets	
Deposits and investments	\$ 388,170
Total Assets	<u>388,170</u>
LIABILITIES	
Current Liabilities	
Accounts payable	144,446
Total Current Liabilities	<u>144,446</u>
NET POSITION	
Unrestricted	243,724
Total Net Position	<u><u>\$ 243,724</u></u>

The accompanying notes are an integral part of these financial statements.

HANFORD ELEMENTARY SCHOOL DISTRICT

**PROPRIETARY FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2013**

	Governmental Activities - Internal Service Fund
OPERATING REVENUES	
Charges to other funds and miscellaneous revenues	\$ 536,721
Total Operating Revenues	<u>536,721</u>
OPERATING EXPENSES	
Professional and contract services	<u>530,278</u>
Total Operating Expenses	<u>530,278</u>
Operating Income	<u>6,443</u>
NONOPERATING REVENUES	
Interest income	<u>2,438</u>
Total Nonoperating Revenues	<u>2,438</u>
Change in Net Position	8,881
Total Net Position - Beginning	<u>234,843</u>
Total Net Position - Ending	<u><u>\$ 243,724</u></u>

The accompanying notes are an integral part of these financial statements.

HANFORD ELEMENTARY SCHOOL DISTRICT

**PROPRIETARY FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2013**

	Governmental Activities - Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash receipts from premiums	\$ 536,721
Cash payments for insurance claims	(536,562)
Net Cash Provided by Operating Activities	<u>159</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	<u>2,438</u>
Net Cash Provided by Investing Activities	<u>2,438</u>
Net Increase in Cash and Cash Equivalents	2,597
Cash and Cash Equivalents - Beginning	385,573
Cash and Cash Equivalents - Ending	<u><u>\$ 388,170</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	\$ 6,443
Changes in assets and liabilities:	
Accounts payable	(6,284)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 159</u></u>

The accompanying notes are an integral part of these financial statements.

HANFORD ELEMENTARY SCHOOL DISTRICT

**FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2013**

	<u>Agency Funds</u>
ASSETS	
Deposits and investments	\$ 17,061
Total Assets	<u>\$ 17,061</u>
LIABILITIES	
Due to student groups	\$ 17,061
Total Liabilities	<u>\$ 17,061</u>

The accompanying notes are an integral part of these financial statements.

HANFORD ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Hanford Elementary School District (the District) was organized under the laws of the State of California. The District operates under a locally-elected five-member Board form of government and provides educational services to grades K - 8 as mandated by the State and/or Federal agencies. The District operates eight elementary schools, two junior high schools, and one community day school.

A reporting entity is comprised of the primary government and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For Hanford Elementary School District, this includes general operations, food service, and student related activities of the District.

Basis of Presentation - Fund Accounting

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The District's funds are grouped into three broad fund categories: governmental, proprietary, and fiduciary.

Governmental Funds Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major and non-major governmental funds:

Major Governmental Funds

General Fund The General Fund is the chief operating fund for all districts. It is used to account for the ordinary operations of the District. All transactions except those accounted for in another fund are accounted for in this fund.

Two funds currently defined as special revenue funds in the California State Accounting Manual (CSAM) do not meet the GASB Statement No. 54 special revenue fund definition. Specifically, Fund 15, Pupil Transportation Fund, and Fund 17, Special Reserve Non-Capital Fund, are not substantially composed of restricted or committed revenue sources. While these funds are authorized by statute and will remain open for internal reporting purposes, these funds function effectively as extensions of the General Fund, and accordingly have been combined with the General Fund for presentation in these audited financial statements.

As a result, the General Fund reflects an increase in assets, fund balance, and revenues of \$447,501, \$447,501, and \$2,602, respectively.

HANFORD ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

Cafeteria Fund The Cafeteria Fund is used to account separately for Federal, State, and local resources to operate the food service program (*Education Code* Sections 38090-38093) and is used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (*Education Code* Sections 38091 and 38100).

Non-Major Governmental Funds

Special Revenue Funds The Special Revenue funds are used to account for the proceeds from specific revenue sources (other than trusts, major capital projects, or debt service) that are restricted or committed to expenditures for specified purposes and that compose a substantial portion of the inflows of the fund. Additional resources that are restricted, committed, or assigned to the purpose of the fund may also be reported in the fund.

Deferred Maintenance Fund The Deferred Maintenance Fund is used to account separately for State apportionments and the District's contributions for deferred maintenance purposes (*Education Code* Sections 17582-17587) and for items of maintenance approved by the State Allocation Board.

Capital Project Funds The Capital Project funds are used to account for financial resources that are restricted, committed, or assigned to the acquisition or construction of major capital facilities and other capital assets (other than those financed by proprietary funds and trust funds).

Capital Facilities Fund The Capital Facilities Fund is used primarily to account separately for monies received from fees levied on developers or other agencies as a condition of approving a development (*Education Code* Sections 17620-17626). Expenditures are restricted to the purposes specified in *Government Code* Sections 65970-65981 or to the items specified in agreements with the developer (*Government Code* Section 66006).

Special Reserve Capital Outlay Fund The Special Reserve Capital Outlay Fund exists primarily to provide for the accumulation of General Fund monies for capital outlay purposes (*Education Code* Section 42840).

Debt Service Funds The Debt Service funds are used to account for the accumulation of restricted, committed, or assigned resources for and the payment of principal and interest on general long-term debt.

Bond Interest and Redemption Fund The Bond Interest and Redemption Fund is used for the repayment of bonds issued for a District (*Education Code* Sections 15125-15262).

Proprietary Funds Proprietary funds are used to account for activities that are more business-like than government-like in nature. Business-type activities include those for which a fee is charged to external users or to other organizational units of the local education agency, normally on a full cost-recovery basis. Proprietary funds are generally intended to be self-supporting and are classified as enterprise or internal service. The District has the following internal service fund:

Internal Service Fund Internal service funds may be used to account for goods or services provided to other funds of the District on a cost-reimbursement basis. The District operates a Self-Insurance Fund for dental coverage that is accounted for in an internal service fund.

HANFORD ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

Fiduciary Funds Fiduciary funds are used to account for assets held in trustee or agent capacity for others that cannot be used to support the District's own programs. The fiduciary fund category is agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time. The District's agency fund accounts for student body activities (ASB).

Basis of Accounting - Measurement Focus

Government-Wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements, but differs from the manner in which governmental fund financial statements are prepared.

The government-wide Statement of Activities presents a comparison between expenses, both direct and indirect, and program revenues for each governmental function, and exclude fiduciary activity. Direct expenses are those that are specifically associated with a service, program, or department and are therefore, clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the *Statement of Activities*, except for depreciation. Program revenues include charges paid by the recipients of the goods or services offered by the programs and 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 are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the District. Eliminations have been made to minimize the double counting of internal activities.

Net position should be reported as restricted when constraints placed on net position use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other activities result from special revenue funds and the restrictions on their net position use.

Fund Financial Statements Fund financial statements report detailed information about the District. The focus of governmental and proprietary fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund statements.

Governmental Funds All governmental funds are accounted for using the flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting, and the governmental fund financial statements, prepared using the flow of current financial resources measurement focus and the modified accrual basis of accounting.

HANFORD ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

Proprietary Funds Proprietary funds are accounted for using a flow of economic resources measurement focus and the accrual basis of accounting. All assets and all liabilities associated with the operation of this fund are included in the statement of net position. The statement of changes in fund net position presents increases (revenues) and decreases (expenses) in net total position. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary fund.

Fiduciary Funds Fiduciary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. Fiduciary funds are excluded from the government-wide financial statements because they do not represent resources of the District.

Revenues – Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. Generally, available is defined as collectible within 60 days. However to achieve comparability of reporting among California LEAs and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to state-aid apportionments, the California Department of Education has defined available for LEAs as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, certain grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from certain grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose requirements. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Deferred Revenue Deferred revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

Certain grants received before the eligibility requirements are met are recorded as deferred revenue. On the governmental fund financial statements, receivables that will not be collected within the available period are also recorded as deferred revenue.

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, and typically paid within 60 days. Principal and interest on long-term obligations, which has not matured, are recognized when paid in the governmental funds as expenditures. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds but are recognized in the entity-wide statements.

HANFORD ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include cash with county treasury balances for purposes of the statement of cash flows.

Investments

Investments held at June 30, 2013, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county pools are determined by the program sponsor.

Stores Inventories

Inventories consist of expendable food and supplies held for consumption. Inventories are stated at cost, on the first-in, first-out basis. The costs of inventory items are recorded as expenditures in the governmental type funds.

Capital Assets and Depreciation

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the District. The District maintains a capitalization threshold of \$5,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized, but are expensed as incurred.

When purchased, such assets are recorded as expenditures in the governmental funds and capitalized in the government-wide statement of net position. The valuation basis for capital assets is historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets are capitalized at estimated fair market value on the date donated.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 20 to 50 years; improvements/infrastructure, 5 to 50 years; equipment, 2 to 15 years.

Compensated Absences

Compensated absences are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide statement of net position as long-term obligations.

HANFORD ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

Sick leave is accumulated without limit for each employee at the rate of one day for each month worked. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave. Credit for unused sick leave is applicable to all certificated employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full-time.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide and proprietary fund financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the governmental funds.

Deferred Charges and Premiums

In the government-wide financial statements, long-term obligations are reported as liabilities in the applicable governmental activities. Bond issuance costs and premiums are deferred and amortized over the life of the bonds using the straight line method.

Current Loans

Current loans consist of amounts outstanding at June 30, 2013, for Tax Revenue and Anticipation Notes. The notes were issued as short-term obligations to provide cash flow needs. This liability is offset with cash deposits in the County Treasurer, which have been set aside to repay the notes.

Fund Balances - Governmental Funds

As of June 30, 2013, fund balances of the governmental funds are classified as follows:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed - amounts that can be used only for specific purposes determined by a formal action of the governing board. The governing board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through resolutions or other action as approved by the governing board.

HANFORD ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

Assigned - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the District's adopted policy, only the Superintendent or Assistant Superintendent, Fiscal Services may assign amounts for specific purposes.

Unassigned - all other spendable amounts.

Spending Order Policy

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the governing board has provided otherwise in its commitment or assignment actions.

Minimum Fund Balance Policy

The governing board adopted a minimum fund balance policy for the General Fund in order to protect the district against revenue shortfalls or unpredicted one-time expenditures. The policy requires a Reserve for Economic Uncertainties consisting of unassigned amounts equal to no less than three percent of General Fund expenditures and other financing uses.

Net Position

Net position represents the difference between assets and liabilities. Net position net of investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report \$5,061,234 of restricted net position.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are dental premiums. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements. Interfund transfers are eliminated in the governmental activities column of the *Statement of Activities*.

HANFORD ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

Estimates

The preparation of the 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 amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Budgetary Data

The budgetary process is prescribed by provisions of the *California Education Code* and requires the governing board to hold a public hearing and adopt an operating budget no later than July 1 of each year. The District governing board satisfied these requirements. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for. For budget purposes, on behalf payments have not been included as revenue and expenditures as required under generally accepted accounting principles.

Property Tax

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County of Kings bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

Changes in Accounting Principles

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities.

Concepts Statement No. 4 also identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

The District has implemented the provisions of this Statement for the year ended June 30, 2013.

HANFORD ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

New Accounting Pronouncements

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined the elements included in financial statements, including deferred outflows of resources and deferred inflows of resources. In addition, Concepts Statement 4 provides that reporting a deferred outflow of resources or a deferred inflow of resources should be limited to those instances identified by the Board in authoritative pronouncements that are established after applicable due process. Prior to the issuance of this Statement, only two such pronouncements have been issued. Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, requires the reporting of a deferred outflow of resources or a deferred inflow of resources for the changes in fair value of hedging derivative instruments, and Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, requires a deferred inflow of resources to be reported by a transferor government in a qualifying service concession arrangement. This Statement amends the financial statement element classification of certain items previously reported as assets and liabilities to be consistent with the definitions in Concepts Statement 4. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations.

The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. Early implementation is encouraged.

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement.

The scope of this Statement addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts that have the following characteristics:

- Contributions from employers and non-employer contributing entities to the pension plan and earnings on those contributions are irrevocable.

HANFORD ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

- Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.
- Pension plan assets are legally protected from the creditors of employers, non-employer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

Note disclosure and required supplementary information requirements about pensions also are addressed. Distinctions are made regarding the particular requirements for employers based on the number of employers whose employees are provided with pensions through the pension plan and whether pension obligations and pension plan assets are shared. Employers are classified in one of the following categories for purposes of this Statement:

- Single employers are those whose employees are provided with defined benefit pensions through single-employer pension plans—pension plans in which pensions are provided to the employees of only one employer (as defined in this Statement).
- Agent employers are those whose employees are provided with defined benefit pensions through agent multiple-employer pension plans—pension plans in which plan assets are pooled for investment purposes but separate accounts are maintained for each individual employer so that each employer's share of the pooled assets is legally available to pay the benefits of only its employees.
- Cost-sharing employers are those whose employees are provided with defined benefit pensions through cost-sharing multiple-employer pension plans—pension plans in which the pension obligations to the employees of more than one employer are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.

In addition, this Statement details the recognition and disclosure requirements for employers with liabilities (payables) to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. This Statement also addresses circumstances in which a non-employer entity has a legal requirement to make contributions directly to a pension plan.

This Statement is effective for fiscal years beginning after June 15, 2014. Early implementation is encouraged.

HANFORD ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

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

Governmental activities	\$ 11,519,204
Fiduciary funds	17,061
Total Deposits and Investments	<u>\$ 11,536,265</u>

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

Cash on hand and in banks	\$ 17,061
Cash in revolving	5,460
Cash with fiscal agent	12,000
Investments	11,501,744
Total Deposits and Investments	<u>\$ 11,536,265</u>

Policies and Practices

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations.

Investment in County Treasury - The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (*Education Code* Section 41001). The fair value of the District's investment in the pool is reported in the accounting financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

HANFORD ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

General Authorizations

Limitations as they relate to interest rate risk and concentration of credit risk are indicated in the schedules below:

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

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. The District manages its exposure to interest rate risk by investing in the County Pool and having the Pool purchase a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Segmented Time Distribution

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following schedule that shows the distribution of the District's investments by maturity:

Investment Type	Fair Value	12 Months or Less	13 - 24 Months	25 - 60 Months	More Than 60 Months
County Pool	\$ 11,408,186	\$11,408,186	\$ -	\$ -	\$ -

HANFORD ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

Credit Risk

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 the California Government Code, the District's investment policy, or debt agreements, and the actual rating as of the year-end for each investment type.

Investment Type	Fair Value	Minimum Legal Rating	Rating as of Year End		
			AAA	Aa	Unrated
County Pool	\$11,408,186	N/A	\$ -	\$ -	\$11,408,186

N/A - Not applicable

NOTE 3 - RECEIVABLES

Receivables at June 30, 2013, consisted of intergovernmental grants, entitlements, state apportionments, and local sources. All receivables are considered collectible in full.

	General Fund	Cafeteria Fund	Non-Major Governmental Funds	Total Governmental Activities
Federal Government				
Categorical aid	\$ 333,925	\$ 369,527	\$ -	\$ 703,452
State Government				
Apportionment	7,776,211	-	-	7,776,211
Other state	1,057,379	29,683	-	1,087,062
Local Sources	418,380	1,738	40,050	460,168
Total	\$ 9,585,895	\$ 400,948	\$ 40,050	\$ 10,026,893

HANFORD ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2013, was as follows:

	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	\$ 2,052,315	\$ -	\$ -	\$ 2,052,315
Construction in progress	105,392	7,873	-	113,265
Total Capital Assets Not Being Depreciated	<u>2,157,707</u>	<u>7,873</u>	<u>-</u>	<u>2,165,580</u>
Capital Assets Being Depreciated				
Land improvements	5,410,010	96,611	-	5,506,621
Buildings and improvements	41,215,458	176,667	-	41,392,125
Furniture and equipment	4,148,725	224,493	88,078	4,285,140
Total Capital Assets Being Depreciated	<u>50,774,193</u>	<u>497,771</u>	<u>88,078</u>	<u>51,183,886</u>
Less Accumulated Depreciation				
Land improvements	4,193,753	189,280	-	4,383,033
Buildings and improvements	13,168,844	845,926	-	14,014,770
Furniture and equipment	2,922,071	238,165	85,395	3,074,841
Total Accumulated Depreciation	<u>20,284,668</u>	<u>1,273,371</u>	<u>85,395</u>	<u>21,472,644</u>
Governmental Activities Capital Assets, Net	<u>\$ 32,647,232</u>	<u>\$ (767,727)</u>	<u>\$ 2,683</u>	<u>\$ 31,876,822</u>

Depreciation expense was charged to the following functions as follows:

Governmental Activities	
Instruction	\$ 67,319
Supervision of instruction	1,798
School site administration	2,024
Home-to-school transportation	109,684
Food services	46,820
Ancillary services	6,801
All other general administration	33,148
Plant services	1,005,777
Total Depreciation Expenses Governmental Activities	<u>\$ 1,273,371</u>

HANFORD ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 5 - INTERFUND TRANSACTIONS

Operating Transfers

Interfund transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Interfund transfers for the year ended June 30, 2013, consisted of the following:

The Special Reserve Capital Outlay Fund transferred interest earnings to the General Fund.	\$ 8,619
The General Fund transferred to the Deferred Maintenance Fund an amount for maintenance needs.	<u>75,000</u>
Total	<u><u>\$ 83,619</u></u>

NOTE 6 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2013, consisted of the following:

	General Fund	Cafeteria Fund	Non-Major Governmental Funds	Governmental Activities Subtotal	Internal Service Fund	Total Governmental Activities
Vendor payables	\$ 872,786	\$ 44,745	\$ 4,363	\$ 921,894	\$ 144,446	\$ 1,066,340
Salaries and benefits	154,742	3,592	-	158,334	-	158,334
Deferred payroll	1,350,748	-	-	1,350,748	-	1,350,748
State apportionment	60,166	-	-	60,166	-	60,166
Total	<u><u>\$ 2,438,442</u></u>	<u><u>\$ 48,337</u></u>	<u><u>\$ 4,363</u></u>	<u><u>\$ 2,491,142</u></u>	<u><u>\$ 144,446</u></u>	<u><u>\$ 2,635,588</u></u>

NOTE 7 - DEFERRED REVENUE

Deferred revenue at June 30, 2013, consisted of the following:

Federal financial assistance	<u><u>\$ 55,591</u></u>
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HANFORD ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 8 - TAX AND REVENUE ANTICIPATION NOTES (TRANS)

At July 1, 2012, the District had outstanding Tax and Revenue Anticipation Notes in the amount of \$6,100,000, which matured on December 31, 2012. On February 27, 2013, the District issued \$6,810,000 of Tax and Revenue Anticipation Notes bearing interest at 2.0 percent. The notes were issued to supplement cash flows. Repayment requirements are that \$176,000, \$4,609,000, and \$2,105,963 shall be held in a separate restricted account for the benefit of the holder of the note on or before June 30, 2013, July 31, 2013, and August 31, 2013, respectively. The cash is reported in the General Fund as Cash in County Treasury with the corresponding obligation being reflected as a current loan.

Changes in the outstanding liabilities for the Tax and Revenue Anticipation Notes are as follows:

Issue Date	Rate	Maturity Date	Outstanding July 1, 2012	Additions	Payments	Outstanding June 30, 2013
February 24, 2012	2.00%	December 31, 2012	\$ 6,100,000	\$ -	\$ 6,100,000	\$ -
February 27, 2013	2.00%	October 1, 2013	-	6,810,000	-	6,810,000
Total			<u>\$ 6,100,000</u>	<u>\$ 6,810,000</u>	<u>\$ 6,100,000</u>	<u>\$ 6,810,000</u>

NOTE 9 - LONG-TERM OBLIGATIONS

Summary

The changes in the District's long-term obligations during the year consisted of the following:

	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013	Due in One Year
General obligation bonds-					
1993 Issuance	\$ 669,033	\$ -	\$ 124,150	\$ 544,883	\$ 131,631
2003 Issuance	2,265,000	-	305,000	1,960,000	300,000
2010 issuance	5,315,000	-	350,000	4,965,000	365,000
Unamortized bond premium-					
2003 Issuance	6,794	-	1,133	5,661	1,133
2010 Issuance	180,126	-	15,011	165,115	15,011
Compensated absences - net	270,230	-	15,121	255,109	-
Capital leases	97,916	-	97,916	-	-
Other postemployment benefits	1,568,124	936,465	458,425	2,046,164	-
Total	<u>\$ 10,372,223</u>	<u>\$ 936,465</u>	<u>\$ 1,366,756</u>	<u>\$ 9,941,932</u>	<u>\$ 812,775</u>

Payments on the general obligation bonds are made by the Bond Interest and Redemption Fund with local revenues. Payments for the Capital leases are made by the Capital Facilities Funds. The compensated absences and other postemployment benefits obligations will be paid by the fund for which the employee worked.

HANFORD ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

Bonded Debt

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate %	Original Issue	Bonds Outstanding July 1, 2012	Issued	Redeemed	Bonds Outstanding June 30, 2013
1993 ¹	2002-17	5.15-5.8	\$ 1,750,000	\$ 669,033	\$ -	\$ 124,150	\$ 544,883
2003	2005-19	2.0-3.5	\$ 4,775,000	\$ 2,265,000	\$ -	\$ 305,000	\$ 1,960,000
2010	2012-24	2.0-5.0	\$ 5,740,000	\$ 5,315,000	\$ -	\$ 350,000	\$ 4,965,000

¹ Bonds are Capital Appreciation Bonds. No interest payments are due on the bonds until their maturity date at which time, the accreted interest earned on the par value of the bonds are paid in full along with the par value of the bonds.

Debt Service Requirements to Maturity

1993 Capital Appreciation Bond Issuance

On July 1, 1993, the District issued \$1,750,000 of general obligation bonds in the aggregate. The proceeds from the sale of these bonds were used to finance the acquisition and construction of a new junior high school and for the making of safety improvements to existing school facilities. The bond interest rates range from 5.15 percent to 5.80 percent. A portion of the original 1993 general obligation bond was refunded in 2003 to obtain a lower interest rate.

The annual requirements to amortize the general obligation bonds payable outstanding as of June 30, 2013, are as follows:

Fiscal Year	Initial Principal	Accreted Interest	Maturity Value
2014	\$ 131,631	\$ 293,369	\$ 425,000
2015	131,629	318,371	450,000
2016	138,127	361,873	500,000
2017	143,496	406,504	550,000
Total	\$ 544,883	\$ 1,380,117	\$ 1,925,000

HANFORD ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

2003 General Obligation Bonds

On June 12, 2003, the District issued general obligation refunding bonds in the amount of \$4,775,000 for the purpose of refunding the *callable* outstanding 1993 General Obligation Bonds of the District. The bond interest rates range from 2.0 percent to 3.5 percent. Interest on the Bonds is payable semiannually each January 1 and July 1, commencing on July 1, 2004.

The bonds mature through 2019 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2014	\$ 300,000	\$ 59,178	\$ 359,178
2015	315,000	49,874	364,874
2016	325,000	39,870	364,870
2017	340,000	29,060	369,060
2018	350,000	17,500	367,500
2019	330,000	5,775	335,775
Total	<u>\$ 1,960,000</u>	<u>\$ 201,257</u>	<u>\$ 2,161,257</u>

The bonds were sold at a premium of \$16,991 which is being amortized over the life of the bonds at \$1,133 per year. The unamortized premium as of June 30, 2013, amounted to \$5,661.

2010 General Obligation Bonds

On December 9, 2010, the District issued general obligation refunding bonds in the amount of \$5,740,000 for the purpose of refunding the outstanding 1998 General Obligation Bonds of the District originally issued to fund improvements to real property for school purposes. The bond interest rates range from 2.0 percent to 5.0 percent. Interest on the Bonds is payable semiannually each March 1 and September 1, commencing on March 1, 2011.

The bonds mature through 2024 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2014	\$ 365,000	\$ 210,663	\$ 575,663
2015	380,000	195,763	575,763
2016	395,000	180,263	575,263
2017	410,000	164,163	574,163
2018	430,000	147,363	577,363
2019-2023	2,430,000	436,506	2,866,506
2024	555,000	13,875	568,875
Total	<u>\$ 4,965,000</u>	<u>\$ 1,348,594</u>	<u>\$ 6,313,594</u>

The bonds were sold at a premium of \$210,148 which is being amortized over the life of the bonds at \$15,011 per year. The unamortized premium as of June 30, 2013, amounted to \$165,115.

HANFORD ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

Compensated Absences

The long-term portion of compensated absences for the District at June 30, 2013, amounted to \$255,109.

Capital Leases

The District has entered into agreements to lease various facilities and equipment. Such agreements are, in substance, purchases (capital leases) and are reported as capital lease obligations. The District's liability on lease agreements with options to purchase is summarized below:

	Administration and Library
Balance, July 1, 2012	\$ 97,916
Payments	97,916
Balance, June 30, 2013	<u>\$ -</u>

Other Postemployment Benefits (OPEB) Obligation

The District's annual required contribution for the year ended June 30, 2013, was \$858,059, and contributions made by the District during the year were \$384,932. Interest on the net OPEB obligation and adjustments to the annual required contribution were \$78,406 and \$(73,493), respectively, which resulted in an increase to the net OPEB obligation of \$478,040. As of June 30, 2013, the net OPEB obligation was \$2,046,164. See Note 12 for additional information regarding the OPEB obligation and the postemployment benefits plan.

HANFORD ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 10 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Cafeteria Fund	Non-Major Governmental Funds	Total
Nonspendable				
Revolving cash	\$ 5,050	\$ 410	\$ -	\$ 5,460
Stores inventories	108,187	34,278	-	142,465
Total Nonspendable	<u>113,237</u>	<u>34,688</u>	<u>-</u>	<u>147,925</u>
Restricted				
Legally restricted programs	1,847,592	2,223,189	-	4,070,781
Capital projects	-	-	38,873	38,873
Debt services	-	-	916,892	916,892
Total Restricted	<u>1,847,592</u>	<u>2,223,189</u>	<u>955,765</u>	<u>5,026,546</u>
Committed				
Deferred maintenance program	-	-	42,426	42,426
Total Committed	<u>-</u>	<u>-</u>	<u>42,426</u>	<u>42,426</u>
Assigned				
Facilities projects	700,000	-	-	700,000
Total Assigned	<u>700,000</u>	<u>-</u>	<u>-</u>	<u>700,000</u>
Unassigned				
Reserve for economic uncertainties	3,052,000	-	-	3,052,000
Remaining unassigned	2,974,762	-	-	2,974,762
Total Unassigned	<u>6,026,762</u>	<u>-</u>	<u>-</u>	<u>6,026,762</u>
Total	<u>\$ 8,687,591</u>	<u>\$ 2,257,877</u>	<u>\$ 998,191</u>	<u>\$ 11,943,659</u>

NOTE 11 - EXPENDITURES (BUDGET VERSUS ACTUAL)

At June 30, 2013, the following District major fund exceeded the budgeted amount in total as follows:

Fund	Expenditures and Other Uses		
	Budget	Actual	Excess
General			
Other outgo	\$ 205,785	\$ 207,743	\$ 1,958

HANFORD ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 12 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION

Plan Description

The Postemployment Benefits Plan (the "Plan") is a single-employer defined benefit healthcare plan administered by the Hanford Elementary School District. The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Membership of the Plan consists of approximately 50 retirees and beneficiaries currently receiving benefits and approximately 440 active plan members.

Contribution Information

The contribution requirements of plan members and the District are established and may be amended by the District and the Hanford Elementary Teachers Association (HETA), the local California Service Employees Association (CSEA), and unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2012-2013, the District contributed \$384,932 to the plan, all of which was used for current premiums (approximately 71 percent of total premiums). Plan members receiving benefits contributed \$153,972, or approximately 29 percent of the total premiums.

Annual OPEB Cost and Net OPEB Obligation

The District's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation to the Plan:

Annual required contribution	\$ 858,059
Interest on net OPEB obligation	78,406
Adjustment to annual required contribution	<u>(73,493)</u>
Annual OPEB cost	862,972
Contributions made	<u>(384,932)</u>
Increase in net OPEB obligation	478,040
Net OPEB obligation, beginning of year	<u>1,568,124</u>
Net OPEB obligation, end of year	<u><u>\$ 2,046,164</u></u>

HANFORD ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

Trend Information

Trend information for annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation is as follows:

Year Ended June 30,	Annual OPEB Cost	Actual Contribution	Percentage Contributed	Net OPEB Obligation
2013	\$ 862,972	\$ 384,932	44.61%	\$ 2,046,164
2012	841,054	402,691	47.88%	1,568,124
2011	815,448	445,255	54.60%	1,129,761

Funded Status and Funding Progress

A schedule of funding progress as of the most recent actuarial valuation is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
July 1, 2011	\$ -	\$ 6,907,714	\$ 6,907,714	0%	\$ 27,944,015	24.72%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, investment returns, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

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

HANFORD ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

In the July 1, 2011, actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a 5.0 percent investment rate of return (net of administrative expenses), based on the plan being funded in an irrevocable employee benefit trust invested in a combined equity and fixed income portfolio. Healthcare cost trend rates ranged from an initial 8.0 percent to an ultimate rate of 5.0 percent. The cost trend rate used for the Dental and Vision programs was 4.0 percent. The UAAL is being amortized at a level dollar method. The remaining amortization period at July 1, 2013, was 26 years.

NOTE 13 - RISK MANAGEMENT

Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2013, the District contracted with Northern California Regional Excess Liability Fund for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Workers' Compensation

For fiscal year 2013, the District participated in the Kings County Self-Insured Schools (KCSIC), an insurance purchasing pool. The intent of KCSIC is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in KCSIC. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in KCSIC. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage. A participant will then either receive money from or be required to contribute to the "equity-pooling fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of KCSIC. Participation in KCSIC is limited to districts that can meet KCSIC's selection criteria.

Employee Medical and Vision Benefits

The District has contracted with the Self-Insured Schools of California (SISC III) to provide employee medical benefits. SISC III is a shared risk pool comprised of agencies in California. Rates are set through an annual calculation process. The District pays a monthly contribution, which is placed in a common fund from which claim payments are made for all participating Districts. Claims are paid for all participants regardless of claims flow. The Board of Directors has a right to return monies to a district subsequent to the settlement of all expenses and claims if a district withdraws from the pool. The District has a contract with Keenan-Medical Eye Services for employee vision benefits. The plan is fully insured.

HANFORD ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

Employee Dental Benefits Claims Liabilities

The District records an estimated liability for dental claims paid out of the Self-Insurance Fund of the District. Claims liabilities are based on estimates of the ultimate cost of reported claims (including future claim adjustment expenses) and an estimate for claims incurred, but not reported based on historical experience. The following represent the changes in approximate aggregate liabilities for the District from June 30, 2011 to June 30, 2013 (in thousands):

	<u>Dental Care</u>
Liability Balance, June 30, 2011	\$ 150,895
Claims and changes in estimates	(165)
Liability Balance, June 30, 2012	<u>150,730</u>
Claims and changes in estimates	(6,284)
Liability Balance, June 30, 2013	<u>\$ 144,446</u>
Assets available to pay claims at June 30, 2013	<u><u>\$ 388,170</u></u>

NOTE 14 - EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer retirement plans maintained by agencies of the State of California. Certificated employees are members of the California State Teachers' Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS).

CalSTRS

Plan Description

The District contributes to the CalSTRS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 100 Waterfront Place, West Sacramento, CA 95605.

Funding Policy

Active plan members are required to contribute 8.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2012-12 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalSTRS for the fiscal years ending June 30, 2013, 2012, and 2011, were \$1,682,296, \$1,691,897, and \$1,656,601, respectively, and equal 100 percent of the required contributions for each year.

HANFORD ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

CalPERS

Plan Description

The District contributes to the School Employer Pool under the CalPERS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and survivor benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Laws. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95811.

Funding Policy

Active plan members are required to contribute 7.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2012-2013 was 11.417 percent of covered payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the fiscal years ending June 30, 2013, 2012, and 2011, were \$844,694, \$811,957, and \$799,687, respectively, and equal 100 percent of the required contributions for each year.

Social Security

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by Social Security or an alternative plan. The District has elected to use Social Security. Contributions made by the District and an employee vest immediately. The District contributes 6.0 percent of an employee's gross earnings. An employee is required to contribute 6.0 percent of his or her gross earnings Social Security.

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$1,039,341 (5.176 percent of annual payroll). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been excluded from the calculation of available reserves, and have not been included in the budgeted and actual amounts reported in the *General Fund - Budgetary Comparison Schedule*.

HANFORD ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 15 - COMMITMENTS AND CONTINGENCIES

Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2013.

Litigation

The District is not currently a party to any legal proceedings.

NOTE 16 - PARTICIPATION IN JOINT POWERS AUTHORITIES

The District is a member of the Northern California Regional Excess Liability Fund (NorCal ReLiEF), the Self-Insured Schools of California (SISC III), and the Kings County Self-Insured Schools (KCSIS) joint powers authorities (JPAs). The District pays an annual premium to each entity for its health, workers' compensation, and property liability coverage. The relationships between the District, the pools, and the JPAs are such that they are not component units of the District for financial reporting purposes.

These entities have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, fund transactions between the entities and the District are included in these statements. Audited financial statements are available from the respective entities.

The District has an appointed representative to the governing board of NorCal ReLiEF.

During the year ended June 30, 2013, the District made payment of \$249,875 to NorCal ReLiEF for property and liability insurance.

The District has appointed no members to the governing board of SISC III.

During the year ended June 30, 2013, the District made payment of \$4,891,651 to SISC III for health insurance.

The District has appointed no members to the governing board of KCSIS.

During the year ended June 30, 2013, the District made payment of \$448,624 to KCSIS for workers' compensation insurance.

REQUIRED SUPPLEMENTARY INFORMATION

HANFORD ELEMENTARY SCHOOL DISTRICT

GENERAL FUND BUDGETARY COMPARISON SCHEDULE FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual	Variances -
	Original	Final		Favorable
				(Unfavorable)
				Final to Actual
REVENUES				
Revenue limit sources	\$ 25,435,247	\$ 28,089,469	\$ 28,096,624	\$ 7,155
Federal sources	2,747,890	3,634,578	2,900,373	(734,205)
Other State sources	8,812,910	9,245,758	9,363,405	117,647
Other local sources	2,199,626	2,526,477	2,561,562	35,085
Total Revenues ¹	39,195,673	43,496,282	42,921,964	(574,318)
EXPENDITURES				
Current				
Certificated salaries	20,695,442	21,044,109	20,586,808	457,301
Classified salaries	7,543,202	7,578,519	7,500,648	77,871
Employee benefits	9,213,667	9,202,086	9,014,838	187,248
Books and supplies	1,821,420	2,861,607	2,341,135	520,472
Services and operating expenditures	2,951,622	3,587,825	3,016,865	570,960
Other outgo	193,605	217,326	207,743	9,583
Capital outlay	138,383	218,446	192,631	25,815
Total Expenditures ¹	42,557,341	44,709,918	42,860,668	1,849,250
Excess (Deficiency) of Revenues Over Expenditures	(3,361,668)	(1,213,636)	61,296	1,274,932
Other Financing Sources (Uses)				
Transfers in	-	8,619	8,619	-
Transfers out	-	(75,000)	(75,000)	-
Net Financing Sources (Uses)	-	(66,381)	(66,381)	-
NET CHANGE IN FUND BALANCES	(3,361,668)	(1,280,017)	(5,085)	1,274,932
Fund Balance - Beginning	8,692,676	8,692,676	8,692,676	-
Fund Balance - Ending	\$ 5,331,008	\$ 7,412,659	\$ 8,687,591	\$ 1,274,932

¹ On behalf payments are not included in revenues and expenditures in this schedule. In addition, due to the consolidation of Fund 15, Pupil Transportation Fund and Fund 17, Special Reserve Non-Capital Fund for reporting purposes into the General Fund, additional revenues and expenditures pertaining to these other funds are included in the actual revenues and expenditures, however, are not included in the original and final General Fund budgets.

HANFORD ELEMENTARY SCHOOL DISTRICT

**CAFETERIA FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2013**

	Budgeted Amounts		Actual	Variances -
	Original	Final		Favorable (Unfavorable)
				Final to Actual
REVENUES				
Federal sources	\$ 2,225,166	\$ 2,225,166	\$ 2,468,937	\$ 243,771
Other State sources	190,175	190,175	199,958	9,783
Other local sources	321,702	321,702	317,301	(4,401)
Total Revenues	2,737,043	2,737,043	2,986,196	249,153
EXPENDITURES				
Current				
Classified salaries	819,226	816,294	801,614	14,680
Employee benefits	254,752	254,440	246,236	8,204
Books and supplies	1,878,770	1,937,603	1,393,309	544,294
Services and operating expenditures	88,201	67,719	60,932	6,787
Other outgo	65,076	53,535	53,535	-
Capital outlay	170,800	247,513	81,914	165,599
Total Expenditures	3,276,825	3,377,104	2,637,540	739,564
NET CHANGE IN FUND BALANCES	(539,782)	(640,061)	348,656	988,717
Fund Balance - Beginning	1,909,221	1,909,221	1,909,221	-
Fund Balance - Ending	\$ 1,369,439	\$ 1,269,160	\$ 2,257,877	\$ 988,717

HANFORD ELEMENTARY SCHOOL DISTRICT

**SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB)
 FUNDING PROGRESS
 FOR THE YEAR ENDED JUNE 30, 2012**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
July 1, 2011	\$ -	\$ 6,907,714	\$ 6,907,714	0%	\$ 27,944,015	24.72%
July 1, 2009	\$ -	\$ 6,767,755	\$ 6,767,755	0%	\$ 26,464,473	25.57%
July 1, 2007	\$ -	\$ 6,232,463	\$ 6,232,463	0%	\$ 25,315,899	24.62%

SUPPLEMENTARY INFORMATION

HANFORD ELEMENTARY SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed Through California Department of Education (CDE):			
No Child Left Behind Act			
Title I, Part A, Basic Grants - Reallocation Funds	84.010	14981	\$ 1,727,658
Title I, Migrant Education, Regular	84.011	14326	125,778
Title I, Migrant Education, Summer Program	84.011	10005	104,301
Title II, Part A, Teacher Quality	84.367	14341	327,739
Title II, Part D, EETT - Competitive Grants	84.318	14368	13,564
Title III, Limited English Proficiency	84.365	14346	122,816
Special Education Programs			
Local Assistance	84.027	13379	209,811
Local Assistance, Part B, Section 611, Private School	84.027	10115	3,921
IDEA, Mental Health Allocation Plan, Part B, Section 611	84.027	14468	74,178
Subtotal Special Education Programs			<u>287,910</u>
Total U.S. Department of Education			<u>2,709,766</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed Through California Department of Health Care Services:			
Medicaid Programs			
Medi-Cal Administrative Assistance	93.778	10060	150,212
Medi-Cal Billing Option	93.778	10013	40,395
Total U.S. Department of Health and Human Services			<u>190,607</u>
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through CDE:			
Child Nutrition Cluster			
National School Lunch	10.555	13391	1,823,251
Especially Needy Breakfast	10.553	13526	525,443
Meals Supplements - Snack	10.555	13391	100,623
Summer Food Program	10.559	13004	19,620
Food Distribution	10.555	13391	169,213
Subtotal Child Nutrition Cluster			<u>2,638,150</u>
Total U.S. Department of Agriculture			<u>2,638,150</u>
Total Expenditures of Federal Awards			<u>\$ 5,538,523</u>

See accompanying note to supplementary information.

HANFORD ELEMENTARY SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2013

ORGANIZATION

The Hanford Elementary School District was established in August 1891 and consists of an area comprising approximately 12.92 square miles. The District operates eight elementary schools, two junior high schools, and one community day school. As of July 1, 2006, the Hanford Elementary School District transferred to Pioneer School District an area consisting of approximately 237.31 square acres to be included in the Pioneer School District boundaries. On that same date, Pioneer School District transferred to Hanford Elementary School District 427 acres to be included in the Hanford Elementary School District.

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
Timothy Revious	President	2016
James L. Jay III	Vice President	2014
Lupe Hernandez	Clerk	2014
Jeff Garner	Member	2014
Dennis Hill	Member	2016

ADMINISTRATION

Paul J. Terry, Ed.D.	Superintendent
Nancy White	Assistant Superintendent Fiscal Services
Diane Williams	Assistant Superintendent Human Resources
Joy Gabler	Assistant Superintendent Curriculum, Instruction and Professional Development

See accompanying note to supplementary information.

HANFORD ELEMENTARY SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE FOR THE YEAR ENDED JUNE 30, 2013

	<u>Second Period Report</u>	<u>Annual Report</u>
ELEMENTARY		
Kindergarten	683.62	683.84
First through third	1,966.08	1,964.41
Fourth through sixth	1,736.35	1,734.51
Seventh and eighth	1,050.50	1,042.07
Home and hospital	0.73	0.71
Special education	86.12	86.06
Community day school	13.93	15.24
Total	<u>5,537.33</u>	<u>5,526.84</u>

See accompanying note to supplementary information.

HANFORD ELEMENTARY SCHOOL DISTRICT

**SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2013**

Grade Level	1982-83	Reduced	1986-87	Reduced	2012-13 Actual Minutes	Number of Days		Status
	Actual Minutes	1982-83 Actual Minutes	1986-87 Minutes Requirement	1986-87 Minutes Requirement		Traditional Calendar	Multitrack Calendar	
Kindergarten	31,680	30,800	36,000	35,000	52,513	180	N/A	Complied
Grades 1 - 3	42,240	41,067	50,400	49,000				
Grade 1					52,103	180	N/A	Complied
Grade 2					52,103	180	N/A	Complied
Grade 3					52,103	180	N/A	Complied
Grades 4 - 6	48,224	46,884	54,000	52,500				
Grade 4					55,293	180	N/A	Complied
Grade 5					55,293	180	N/A	Complied
Grade 6					55,293	180	N/A	Complied
Grades 7 - 8	48,224	46,884	54,000	52,500				
Grade 7					57,034	180	N/A	Complied
Grade 8					57,034	180	N/A	Complied

See accompanying note to supplementary information.

HANFORD ELEMENTARY SCHOOL DISTRICT

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2013.

See accompanying note to supplementary information.

HANFORD ELEMENTARY SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2013

	(Budget) 2014 ¹	2013 ⁴	2012 ⁴	2011 ⁴
GENERAL FUND				
Revenues	\$ 43,037,035	\$ 42,919,362	\$ 43,135,093	\$ 44,475,921
Other sources and transfers in	-	8,619	28,546	10,000
Total Revenues and Other Sources ³	43,037,035	42,927,981	43,163,639	44,485,921
Expenditures	44,692,799	42,860,668	42,305,614	42,724,288
Other uses and transfers out	125,000	269,222	-	398,978
Total Expenditures and Other Uses ³	44,817,799	43,129,890	42,305,614	43,123,266
INCREASE (DECREASE) IN FUND BALANCE	\$ (1,780,764)	\$ (201,909)	\$ 858,025	\$ 1,362,655
ENDING FUND BALANCE	\$ 6,459,326	\$ 8,240,090	\$ 8,441,999	\$ 7,583,974
AVAILABLE RESERVES ²	\$ 4,312,245	\$ 6,026,762	\$ 5,838,290	\$ 5,304,682
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO	9.62%	13.97%	13.80%	12.30%
LONG-TERM OBLIGATIONS	Not Available	\$ 9,941,932	\$ 10,372,223	\$ 10,894,106
AVERAGE DAILY ATTENDANCE AT P-2	5,565	5,537	5,462	5,445

The General Fund balance has increased by \$656,116 over the past two years. The fiscal year 2013-2014 budget projects a decrease of \$1,780,764 (22 percent). For a district this size, the State recommends available reserves of at least 3.0 percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in two of the past three years but anticipates incurring an operating deficit during the 2013-2014 fiscal year. Total long-term obligations decreased by \$952,174 over the past two years.

Average daily attendance has increased by 92 ADA over the past two years. Additional growth of 28 ADA is anticipated during fiscal year 2013-2014.

¹ Budget 2014 is included for analytical purposes only and has not been subjected to audit.

² Available reserves consist of all undesignated fund balances and all funds designated for economic uncertainty contained within the General Fund.

³ On behalf payments have been excluded from revenues and expenditures in this schedule.

⁴ General Fund amounts do not include activity related to the consolidation of the Pupil Transportation Fund and the Special Reserve Non-Capital Fund as required by GASB Statement No. 54.

See accompanying note to supplementary information.

HANFORD ELEMENTARY SCHOOL DISTRICT

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2013**

	Deferred Maintenance Fund	Capital Facilities Fund	Special Reserve Capital Outlay Fund
ASSETS			
Deposits and investments	\$ 42,426	\$ 3,186	\$ -
Receivables	-	40,050	-
Total Assets	\$ 42,426	\$ 43,236	\$ -
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	\$ 4,363	\$ -
Total Liabilities	-	4,363	-
Fund Balances:			
Restricted	-	38,873	-
Committed	42,426	-	-
Total Fund Balances	42,426	38,873	-
Total Liabilities and Fund Balances	\$ 42,426	\$ 43,236	\$ -

See accompanying note to supplementary information.

Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
\$ 916,892	\$ 962,504
-	40,050
<u>\$ 916,892</u>	<u>\$ 1,002,554</u>
\$ -	\$ 4,363
-	4,363
916,892	955,765
-	42,426
<u>916,892</u>	<u>998,191</u>
<u>\$ 916,892</u>	<u>\$ 1,002,554</u>

HANFORD ELEMENTARY SCHOOL DISTRICT

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2013**

	Deferred Maintenance Fund	Capital Facilities Fund	Special Reserve Capital Outlay Fund
REVENUES			
Other State sources	\$ (468)	\$ -	\$ -
Other local sources	246	184,249	48
Total Revenues	<u>(222)</u>	<u>184,249</u>	<u>48</u>
EXPENDITURES			
Current			
Administration:			
All other administration	-	750	-
Plant services	63,468	207,864	-
Facility acquisition and construction	231,098	-	-
Debt service			
Principal	-	97,916	-
Interest and other	-	3,653	-
Total Expenditures	<u>294,566</u>	<u>310,183</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(294,788)</u>	<u>(125,934)</u>	<u>48</u>
Other Financing Sources (Uses)			
Transfers in	75,000	-	-
Transfers out	-	-	(8,619)
Net Financing Sources (Uses)	<u>75,000</u>	<u>-</u>	<u>(8,619)</u>
NET CHANGE IN FUND BALANCES	<u>(219,788)</u>	<u>(125,934)</u>	<u>(8,571)</u>
Fund Balance - Beginning	262,214	164,807	8,571
Fund Balance - Ending	<u>\$ 42,426</u>	<u>\$ 38,873</u>	<u>\$ -</u>

See accompanying note to supplementary information.

Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
\$ -	\$ (468)
1,410,014	1,594,557
<u>1,410,014</u>	<u>1,594,089</u>
-	750
-	271,332
-	231,098
779,150	877,066
544,160	547,813
<u>1,323,310</u>	<u>1,928,059</u>
<u>86,704</u>	<u>(333,970)</u>
-	75,000
-	(8,619)
-	66,381
86,704	(267,589)
830,188	1,265,780
<u>\$ 916,892</u>	<u>\$ 998,191</u>

HANFORD ELEMENTARY SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2013

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amount consists primarily of the fair market of federal food commodities received but not recorded by the District.

	CFDA Number	Amount
Total Federal Revenues From the Statement of Revenues, Expenditures, and Changes in Fund Balances:		\$ 5,369,310
Reconciling items:		
Food Distribution	10.555	169,213
Total Schedule of Expenditures of Federal Awards		<u>\$ 5,538,523</u>

Local Education Agency Organization Structure

This schedule provides information about the District's boundaries and schools operated, members of the governing board, and members of the administration.

Schedule of Average Daily Attendance (ADA)

Average daily attendance (ADA) is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds are made to school districts. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *Education Code* Sections 46200 through 46206.

Districts must maintain their instructional minutes at either the 1982-83 actual minutes or the 1986-87 requirements, whichever is greater, as required by *Education Code* Section 46201.

HANFORD ELEMENTARY SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2013

Reconciliation of Annual Financial and Budget Report With Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Unaudited Actual Financial Report to the audited financial statements.

Schedule of Financial Trends and Analysis

This schedule discloses the District's financial trends by displaying past years' data along with current year budget information. These financial trend disclosures are used to evaluate the District's ability to continue as a going concern for a reasonable period of time.

Non-Major Governmental Funds - Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances

The Non-Major Governmental Funds Combining Balance Sheet and Combining Statement of Revenues, Expenditures, and Changes in Fund Balances is included to provide information regarding the individual funds that have been included in the Non-Major Governmental Funds column on the Governmental Funds Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances.

INDEPENDENT AUDITORS' 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***

Governing Board
Hanford Elementary School District
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, each major fund, and the aggregate remaining fund information of Hanford Elementary School District (the District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Hanford Elementary School District's basic financial statements, and have issued our report thereon dated December 6, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Hanford Elementary School District'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 Hanford Elementary School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Hanford Elementary School District'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 District's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hanford Elementary School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

We noted certain matters that we reported to management of Hanford Elementary School District in a separate letter dated December 6, 2013.

Purpose of This Report

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

Varrink, Trine, Day & Co., LLP

Fresno, California
December 6, 2013



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Governing Board
Hanford Elementary School District
Hanford, California

Report on Compliance for Each Major Federal Program

We have audited Hanford Elementary School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Hanford Elementary School District's (the District) major Federal programs for the year ended June 30, 2013. Hanford Elementary School District'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 the requirements of laws, regulations, contracts, and grants applicable to its Federal programs.

Auditors' Responsibility

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

Management of Hanford Elementary School District 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 Hanford Elementary School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Hanford Elementary School District's internal control over compliance.

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

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

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

Varrink, Trine, Day & Co., LLP

Fresno, California
December 6, 2013



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Governing Board
Hanford Elementary School District
Hanford, California

Report on State Compliance

We have audited Hanford Elementary School District's compliance with the types of compliance requirements as identified in the *Standards and Procedures for Audit of California K-12 Local Educational Agencies 2012-2013* that could have a direct and material effect on each of Hanford Elementary School District's State government programs as noted below for the year ended June 30, 2013.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance of each of the Hanford Elementary School District's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit 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 *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2012-2013*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about Hanford Elementary School District'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 opinions. Our audit does not provide a legal determination of Hanford Elementary School District's compliance with those requirements.

Unmodified Opinion

In our opinion, Hanford Elementary School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2013.

In connection with the audit referred to above, we selected and tested transactions and records to determine the Hanford Elementary School District's compliance with the State laws and regulations applicable to the following items:

	<u>Procedures in Audit Guide</u>	<u>Procedures Performed</u>
Attendance Accounting:		
Attendance Reporting	6	Yes
Teacher Certification and Misassignments	3	Yes
Kindergarten Continuance	3	Yes
Independent Study	23	Not Applicable
Continuation Education	10	Not Applicable
Instructional Time:		
School Districts	6	Yes
County Offices of Education	3	Not Applicable
Instructional Materials:		
General Requirements	8	Yes
Ratios of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive	4	Not Applicable
Gann Limit Calculation	1	Yes
School Accountability Report Card	3	Yes
Juvenile Court Schools	8	Not Applicable
Class Size Reduction Program (including in charter schools):		
General Requirements	7	Yes
Option One Classes	3	Yes
Option Two Classes	4	Not Applicable
Districts or Charter Schools With Only One School Serving K-3	4	Not Applicable
After School Education and Safety Program:		
General Requirements	4	Yes
After School	5	Yes
Before School	6	Not Applicable
Charter Schools:		
Contemporaneous Records of Attendance	1	Not Applicable
Mode of Instruction	1	Not Applicable
Non Classroom-Based Instruction/Independent Study	15	Not Applicable
Determination of Funding for Non Classroom-Based Instruction	3	Not Applicable
Annual Instruction Minutes Classroom-Based	4	Not Applicable

Vannink, Trine, Day & Co., LLP

Fresno, California
December 6, 2013

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

HANFORD ELEMENTARY SCHOOL DISTRICT

**SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2013**

FINANCIAL STATEMENTS

Type of auditors' report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major programs:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None reported</u>
Type of auditors' report issued on compliance for major programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133?	<u>No</u>
Identification of major programs:	

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
<u>84.010</u>	<u>Title I, Part A, Basic</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 300,000</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

STATE AWARDS

Type of auditors' report issued on compliance for programs:	<u>Unmodified</u>
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HANFORD ELEMENTARY SCHOOL DISTRICT

**FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2013**

None reported.

HANFORD ELEMENTARY SCHOOL DISTRICT

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

None reported.

HANFORD ELEMENTARY SCHOOL DISTRICT

**STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

None reported.

HANFORD ELEMENTARY SCHOOL DISTRICT

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2013**

There were no audit findings reported in the prior year's schedule of financial statement findings.



December 6, 2013

Governing Board
Hanford Elementary School District
Hanford, California

In planning and performing our audit of the financial statements of Hanford Elementary School District for the year ended June 30, 2013, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we noted matters that are opportunities for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated December 6, 2013, on the financial statements of Hanford Elementary School District.

JOHN F. KENNEDY JR. HIGH SCHOOL - ASSOCIATED STUDENT BODY (ASB)

Cash Disbursements

Observation

We discovered purchase orders were dated after the date of the invoice. This would indicate that items are being purchased prior to their approval.

Recommendation

The site should review the cash disbursement procedures outlined in the California Department of Education's manual titled, "Accounting and Procedures for Student Organization." In order to provide proper controls over spending, the site should take the necessary steps to ensure that expenditures are approved prior to the item being purchased.

Budgeting

Observation

The student body organization at the site does not incorporate a budget into their control procedures as suggested in the "Accounting Procedures for Student Organizations" manual, as prepared by the School Business Services Division of the California Department of Education.

Recommendation

The manual suggests preparing budgets to control and monitor the financial activities of the student body organizations. The ASB should prepare a budget at the beginning of the school year. Some aspects that the Department of Education highlights are:

- Updates will be necessary to the budget as circumstances change; the budgeting procedures are an ongoing process.
- The preliminary budget should include the beginning balances of the organizations, estimated sources of income, and estimated expenditures.
- The surplus left over in the accounts at the end of the year must be kept at a minimum. The underlying focus of a student body is that the funds generated by a group of students should be spent during the same year for the benefit of those students.
- The budget should be compared regularly to the actual financial activities of the organizations. One reason for this is to ensure that no organization enters into a deficit spending situation during the year.

We will review the status of the current year comments during our next audit engagement.

Vannink, Trine, Day & Co, LLP

Fresno, California
December 6, 2013