

**HANFORD ELEMENTARY  
SCHOOL DISTRICT**

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ANNUAL FINANCIAL REPORT

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**JUNE 30, 2009**

**HANFORD ELEMENTARY SCHOOL DISTRICT**

**OF KINGS COUNTY**

**HANFORD, CALIFORNIA**

**JUNE 30, 2009**

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**GOVERNING BOARD**

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Lupe Hernandez	President	2010
Robert A. Garcia	Vice President	2010
Jeff Garner	Clerk	2010
Dennis Hill	Member	2012
Timothy Revious	Member	2012

**ADMINISTRATION**

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

# HANFORD ELEMENTARY SCHOOL DISTRICT

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JUNE 30, 2009

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***FINANCIAL SECTION***

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## INDEPENDENT AUDITORS' REPORT

Governing Board  
Hanford Elementary School District  
Hanford, California

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, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. 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; 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 Educational Agencies 2008-09*, 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in the Notes to the basic financial statements, the accompanying financial statements reflect certain changes required as a result of the implementation of GASB Statement No. 45 for the year ended June 30, 2009.

As discussed in the Notes to the basic financial statements, the State of California continues to suffer the effects of a recessionary economy, which directly impacts the funding requirements of the State of California to the K-12 educational community.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2009, on our consideration of the 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The required supplementary information, such as management's discussion and analysis on pages 4 through 12 and budgetary comparison and other postemployment information on pages 52 and 53, is not a required part of the basic financial statements, but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information listed in the table of contents, including the Schedule of Expenditures of Federal Awards which is required by U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*, and the Combining Statements – Non-Major Governmental Funds is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Vannink, Trine, Day & Co, LLP

Fresno, California  
December 9, 2009

# Hanford Elementary School District

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

(559) 585-3600

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**Superintendent**  
Paul J. Terry

**Superintendent**  
Robert A. Garcia  
Jeff Garner  
Lupe Hernandez  
Dennis Hill  
Timothy L. Revious

## HANFORD ELEMENTARY SCHOOL DISTRICT KINGS COUNTY

### MANAGEMENT DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2009

#### 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, 2009. 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 2008-09 school year, the District operated nine elementary schools, two junior high schools, and one community day school on the traditional August through June schedule, for the instruction of approximately 5,448 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, 2009

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### FINANCIAL HIGHLIGHTS

The Hanford Elementary School District's Government-wide Statement of Net Assets illustrates total net assets of \$33.5 million, the result of assets of \$49.4 million minus liabilities of \$15.9 million.

- General Revenues accounted for \$38.8 million or 76 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$11.9 million or 24 percent of total revenues of \$50.7 million.
- The District had \$48.6 million in expenses related to governmental activities.
- The General Fund reported a positive fund balance of \$7,703,584.

### STUDENT ENROLLMENT & DEMOGRAPHIC TRENDS

- The School District has an enrollment of approximately 5,448 students for the current 2008-09 school year, with enrollment projected to grow slightly by approximately 1.0 percent.
- 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 2009-10 ADA for the District is 5,303. 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.

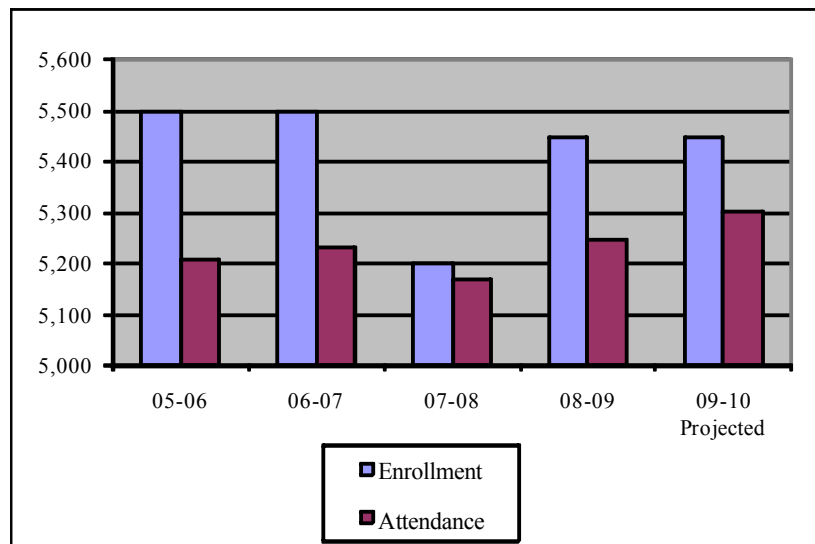


Figure 1. District Enrollment to Actual Attendance Ratios

# HANFORD ELEMENTARY SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2009

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- 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 2008-09 the School District revenue Limit amount is approximately \$5,871), 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 ASSETS 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 Assets 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 assets and changes in them. The change in net assets 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 stature, 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 Assets 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, 2009**

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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 Assets. 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 Assets" provides the perspective of the District as a whole. Table 1 provides a summary of the District's net assets for fiscal years 2008-09 and 2007-08, respectively.

**HANFORD ELEMENTARY SCHOOL DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2009**

Table 1. Net Assets

(Amounts in millions)	Governmental Activities		Difference over/(under)
	2009	2008	
Current and other assets	\$ 14.9	\$ 12.3	\$ 2.6
Capital assets	34.5	35.1	(0.6)
<b>Total Assets</b>	<b>49.4</b>	<b>47.4</b>	<b>2.0</b>
Current liabilities	4.7	4.4	0.3
Long-term obligations	11.2	11.6	(0.4)
<b>Total Liabilities</b>	<b>15.9</b>	<b>16.0</b>	<b>(0.1)</b>
Net assets			
Invested in capital assets, net of related debt	24.0	23.8	0.2
Restricted	5.1	4.1	1.0
Unrelated	4.4	3.5	0.9
<b>Total Net Assets</b>	<b>\$ 33.5</b>	<b>\$ 31.4</b>	<b>\$ 2.1</b>

Table 2 shows the changes in net assets for fiscal years 2008-09 and 2007-08, respectively.

Table 2. Changes in Net Assets

(Amounts in millions)	Governmental Activities		Difference over/(under)
	2008-09	2007-08	
<b>Revenues</b>			
Program revenues:			
Charges for services	\$ 0.3	\$ 0.4	\$ (0.1)
Operating grants and contributions	11.6	12.4	(0.8)
General revenues:			
Federal and State aid not restricted	30.9	31.4	(0.5)
Property taxes	3.0	2.8	0.2
Other general revenues	4.9	4.2	0.7
<b>Total Revenues</b>	<b>50.7</b>	<b>51.2</b>	<b>(0.5)</b>
<b>Expenses</b>			
Instruction related	32.4	31.8	0.6
Student support services	5.1	5.8	(0.7)
Administration	3.2	3.3	(0.1)
Maintenance and operations	6.0	6.2	(0.2)
Other	1.9	2.2	(0.3)
<b>Total Expenses</b>	<b>48.6</b>	<b>49.3</b>	<b>(0.7)</b>
<b>Change in Net Assets</b>	<b>\$ 2.1</b>	<b>\$ 1.9</b>	<b>\$ 0.2</b>

# HANFORD ELEMENTARY SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2009

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### GOVERNMENTAL FUNDS

- The District's Governmental Funds include Special Revenue Funds for Child Development, 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.

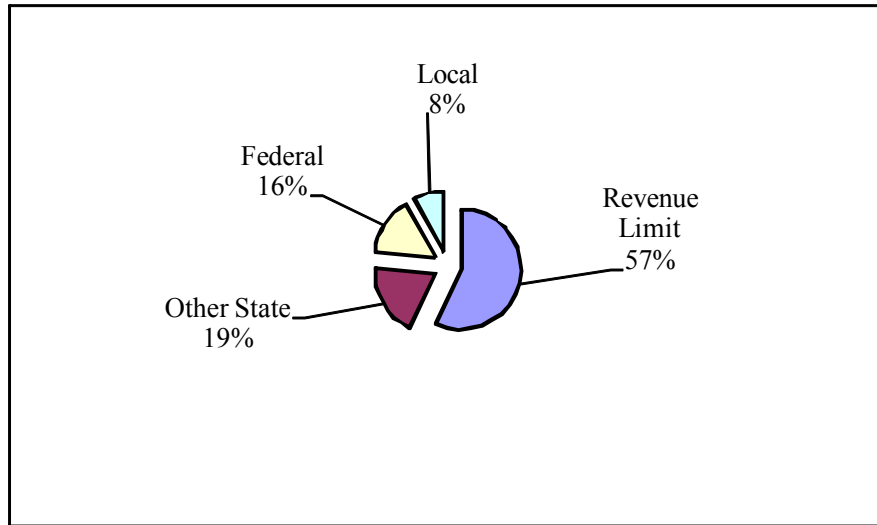


Figure 2. Revenues by Source

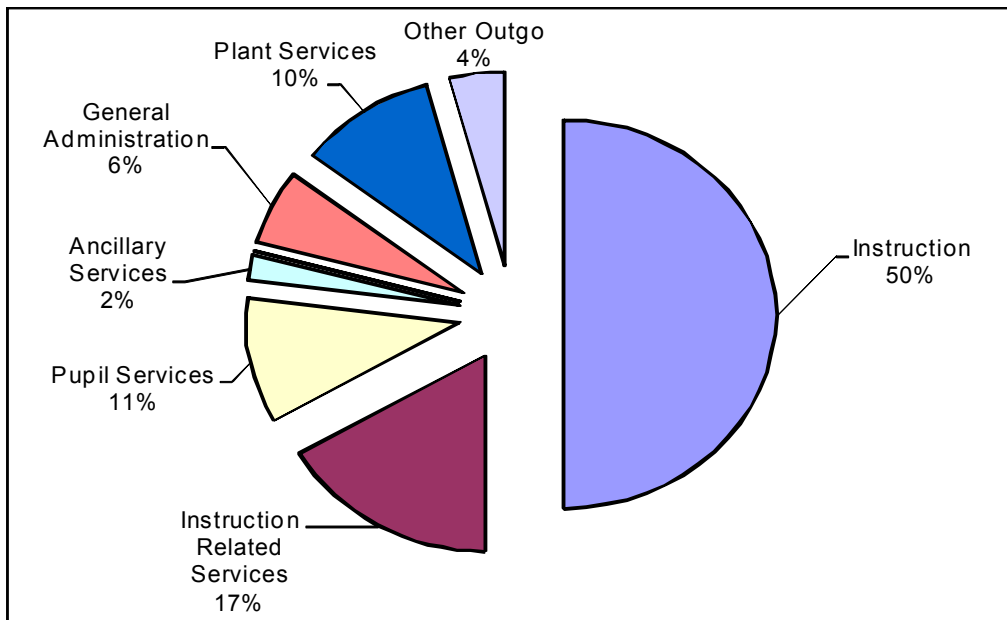


Figure 3. Expenditures by Function

# HANFORD ELEMENTARY SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2009

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### 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 99% 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 final budget and the adopted budget was a decrease of \$1,269,533 and may be summarized as follows:

- \$1,427,119 increase in total revenue
- \$2,576,919 increase in total expenditures

**HANFORD ELEMENTARY SCHOOL DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2009**

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**CAPITAL ASSETS AND DEBT ADMINISTRATION**

- CAPITAL ASSETS

At June 30, 2008, the District had \$35.1 million in a broad range of capital assets, including land, buildings, and furniture and equipment. At June 30, 2009, the District had \$34.5 million in a broad range of capital assets, including land, buildings, and furniture and equipment. This amount represents a net decrease (including additions and deductions) of \$0.6 million, or 1.7 percent, from last year. Table 3 shows the balances for fiscal years 2008-09 and 2007-08.

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

(Amounts in millions)	Governmental Activities		Difference over/(under)
	2008-09	2007-08	
Land	\$ 2.1	\$ 2.1	\$ -
Buildings and improvements	31.3	31.6	(0.3)
Equipment	1.0	1.2	(0.2)
Construction in Progress	0.1	0.2	(0.1)
<b>Total</b>	<b>\$ 34.5</b>	<b>\$ 35.1</b>	<b>\$ (0.6)</b>

- DEBT

At the end of this year, the District had \$11.2 million in long-term liabilities outstanding versus \$11.6 million last year, a decrease of 3.5 percent. Table 4 summarizes these debts.

Table 4. Outstanding Debt

(Amounts in millions)	Governmental Activities		Difference over/(under)
	2008-09	2007-08	
General obligation bonds	\$ 10.1	\$ 10.8	\$ (0.7)
Capitalized lease obligations	0.4	0.5	(0.1)
Other postemployment benefits	0.4	-	0.4
Other	0.3	0.3	-
<b>Total</b>	<b>\$ 11.2</b>	<b>\$ 11.6</b>	<b>\$ (0.4)</b>

**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.

# **HANFORD ELEMENTARY SCHOOL DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2009**

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### **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 ASSETS JUNE 30, 2009

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	<b>Governmental Activities</b>
<b>ASSETS</b>	
Deposits and investments	\$ 6,578,819
Receivables	7,887,162
Prepaid expenses	273,284
Stores inventories	188,793
Nondepreciable capital assets	2,157,707
Depreciable capital assets	49,269,591
Accumulated depreciation	(16,920,267)
<b>Total Assets</b>	<u>49,435,089</u>
<b>LIABILITIES</b>	
Accounts payable	3,656,876
Deferred revenue	1,021,594
Current portion of long-term obligations	757,763
Noncurrent portion of long-term obligations	10,443,393
<b>Total Liabilities</b>	<u>15,879,626</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	24,037,745
Restricted for:	
Debt service	551,317
Capital projects	263,742
Educational programs	2,974,818
Other activities	1,287,126
Unrestricted	4,440,715
<b>Total Net Assets</b>	<u><u>\$ 33,555,463</u></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, 2009**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>
<b>Governmental Activities:</b>			
Instruction	\$ 24,598,761	\$ -	\$ 4,330,906
Instruction-related activities:			
Supervision of instruction	3,010,683	-	1,814,814
Instructional library, media and technology	461,653	-	38,492
School site administration	4,383,698	-	180,714
Pupil services:			
Home-to-school transportation	788,708	-	302,658
Food services	2,212,866	327,303	2,053,822
All other pupil services	2,073,748	-	751,412
General administration:			
Data processing	494,898	-	-
All other general administration	2,670,474	15,991	854,379
Plant services	5,979,691	-	84,054
Ancillary services	1,155,851	-	1,021,647
Community services	19,041	-	20,813
Interest on long-term obligations	615,594	-	-
Other outgo	166,554	-	154,035
<b>Total Governmental-Type Activities</b>	<b>\$ 48,632,220</b>	<b>\$ 343,294</b>	<b>\$ 11,607,746</b>
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			
<b>Subtotal, General Revenues</b>			
<b>Change in Net Assets</b>			
Net Assets - Beginning			
Net Assets - Ending			

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

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

**Governmental  
Activities**

\$	(20,267,855)
	(1,195,869)
	(423,161)
	(4,202,984)
	(486,050)
	168,259
	(1,322,336)
	(494,898)
	(1,800,104)
	(5,895,637)
	(134,204)
	1,772
	(615,594)
	(12,519)
	<u>(36,681,180)</u>
	1,839,474
	1,142,034
	10,898
	30,864,178
	201,417
	4,727,047
	<u>38,785,048</u>
	2,103,868
	31,451,595
\$	<u><u>33,555,463</u></u>

**HANFORD ELEMENTARY SCHOOL DISTRICT**

**GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2009**

	<b>General Fund</b>	<b>Special Reserve Capital Outlay Fund</b>	<b>Non-Major Governmental Funds</b>
<b>ASSETS</b>			
Deposits and investments	\$ 3,833,194	\$ 580,419	\$ 1,845,321
Receivables	7,804,230	-	82,856
Due from other funds	-	-	170,000
Prepaid expenditures	6,500	-	-
Stores inventories	153,606	-	35,187
<b>Total Assets</b>	<b>\$ 11,797,530</b>	<b>\$ 580,419</b>	<b>\$ 2,133,364</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 3,412,733	\$ 63,191	\$ 38,026
Due to other funds	170,000	-	-
Deferred revenue	511,213	510,381	-
<b>Total Liabilities</b>	<b>4,093,946</b>	<b>573,572</b>	<b>38,026</b>
<b>FUND BALANCES</b>			
Reserved for:			
Revolving cash	5,050	-	410
Stores inventories	153,606	-	35,187
Prepaid expenditures	6,500	-	-
Legally restricted balance	2,974,818	-	-
Unreserved:			
Designated	3,428,750	-	157,000
Undesignated, reported in:			
General Fund	1,134,860	-	-
Special revenue funds	-	-	1,094,529
Debt service funds	-	-	551,317
Capital projects funds	-	6,847	256,895
<b>Total Fund Balance</b>	<b>7,703,584</b>	<b>6,847</b>	<b>2,095,338</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 11,797,530</b>	<b>\$ 580,419</b>	<b>\$ 2,133,364</b>

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

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**Total  
Governmental  
Funds**

\$	6,258,934
	7,887,086
	170,000
	6,500
	188,793
<u>\$</u>	<u>14,511,313</u>

\$	3,513,950
	170,000
	1,021,594
<u>\$</u>	<u>4,705,544</u>

	5,460
	188,793
	6,500
	2,974,818

	3,585,750
--	-----------

	1,134,860
	1,094,529
	551,317
	263,742
<u>\$</u>	<u>9,805,769</u>

<u>\$</u>	<u>14,511,313</u>
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**HANFORD ELEMENTARY SCHOOL DISTRICT**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2009**

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**Amounts Reported for Governmental Activities in the Statement  
of Net Assets are Different Because:**

<b>Total Fund Balance - Governmental Funds</b>	<b>\$ 9,805,769</b>
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	\$ 51,427,298
Accumulated depreciation is	<u>(16,920,267)</u>
Total capital assets	34,507,031
Expenditures relating to issuance of debt were recognized in modified accrual basis, but should not be recognized in accrual basis.	
	266,784
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. Internal service fund net assets are:	
	177,035
Long-term liabilities, including general obligation bonds, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.	
Long-term liabilities at year end consist of:	
General obligation bonds	(10,088,051)
Other postemployment benefits	(427,326)
Capital lease obligations	(371,042)
Compensated absences	(304,544)
Unamortized premium on bond issue	<u>(10,193)</u>
Total long-term liabilities	<u>(11,201,156)</u>
<b>Total Net Assets - Governmental Activities</b>	<b><u>\$ 33,555,463</u></b>

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 BALANCE  
FOR THE YEAR ENDED JUNE 30, 2009**

	<b>General Fund</b>	<b>Special Reserve Capital Outlay Fund</b>
<b>REVENUES</b>		
Revenue limit sources	\$ 28,584,815	\$ -
Federal sources	6,521,730	-
Other state sources	9,867,248	135,648
Other local sources	1,921,345	6,824
<b>Total Revenues</b>	<b>46,895,138</b>	<b>142,472</b>
<b>EXPENDITURES</b>		
Current		
Instruction	24,395,913	-
Instruction-related activities:		
Supervision of instruction	2,985,673	-
Instructional library, media and technology	459,354	-
School site administration	4,340,790	-
Pupil Services:		
Home-to-school transportation	687,749	-
Food services	14,011	-
All other pupil services	2,046,062	-
General administration:		
Data processing	491,200	-
All other general administration	2,494,110	-
Plant services	4,597,225	4,802
Facility acquisition and construction	27,015	130,846
Ancillary services	1,150,580	-
Community services	19,041	-
Other outgo	166,554	-
Debt service		
Principal	74,552	-
Interest and other	23,838	-
<b>Total Expenditures</b>	<b>43,973,667</b>	<b>135,648</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>2,921,471</b>	<b>6,824</b>
<b>Other Financing Sources (Uses):</b>		
Transfers in	-	-
Transfers out	(349,733)	-
<b>Net Financing Sources (Uses)</b>	<b>(349,733)</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>2,571,738</b>	<b>6,824</b>
<b>Fund Balance - Beginning</b>	<b>5,131,846</b>	<b>23</b>
<b>Fund Balance - Ending</b>	<b>\$ 7,703,584</b>	<b>\$ 6,847</b>

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

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<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ -	\$ 28,584,815
1,953,105	8,474,835
(33,700)	9,969,196
1,777,940	3,706,109
<u>3,697,345</u>	<u>50,734,955</u>
-	24,395,913
-	2,985,673
-	459,354
-	4,340,790
-	687,749
2,182,107	2,196,118
-	2,046,062
-	491,200
106,614	2,600,724
298,829	4,900,856
451,562	609,423
-	1,150,580
-	19,041
-	166,554
740,008	814,560
558,131	581,969
<u>4,337,251</u>	<u>48,446,566</u>
<u>(639,906)</u>	<u>2,288,389</u>
349,733	349,733
-	(349,733)
<u>349,733</u>	<u>-</u>
(290,173)	2,288,389
2,385,511	7,517,380
<u>\$ 2,095,338</u>	<u>\$ 9,805,769</u>



**HANFORD ELEMENTARY SCHOOL DISTRICT**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE DISTRICT-WIDE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2009**

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**Total Net Change in Fund Balances - Governmental Funds** **\$ 2,288,389**  
**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 assets 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	\$ 652,341	
Depreciation expense	<u>(1,253,807)</u>	(601,466)

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 less than the amounts earned by \$14,051. (14,051)

Repayment of debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net assets and does not affect the statement of activities:

General obligation bonds	655,433
Capital lease obligations	159,127

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	1,133	
Amortization of cost of issuance	<u>(33,625)</u>	
Combined adjustment		(32,492)

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:

(427,326)

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 DISTRICT-WIDE STATEMENT OF ACTIVITIES, Continued FOR THE YEAR ENDED JUNE 30, 2009**

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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 gain of the internal service fund is reported with governmental activities.

**Change in Net Assets of Governmental Activities**

\$	76,254
<b>\$</b>	<b>2,103,868</b>

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

**HANFORD ELEMENTARY SCHOOL DISTRICT**

**PROPRIETARY FUNDS  
STATEMENT OF NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2009**

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	<b>Governmental Activities - Internal Service Fund</b>
<b>ASSETS</b>	
Current Assets	
Deposits and investments	\$ 319,885
Receivables	76
Total Assets	<u>319,961</u>
<b>LIABILITIES</b>	
Current Liabilities	
Accounts payable	142,926
Total Current Liabilities	<u>142,926</u>
<b>NET ASSETS</b>	
Unrestricted	177,035
Total Net Assets	<u>\$ 177,035</u>

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

**HANFORD ELEMENTARY SCHOOL DISTRICT**

**PROPRIETARY FUNDS  
STATEMENT OF REVENUES, EXPENSES AND CHANGES  
IN FUND NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2009**

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	<b>Governmental Activities - Internal Service Fund</b>
	<u>                    </u>
<b>OPERATING REVENUES</b>	
Charges to other funds and miscellaneous revenues	\$ 556,937
Total Operating Revenues	<u>556,937</u>
<b>OPERATING EXPENSES</b>	
Professional and contract services	486,110
Total Operating Expenses	<u>486,110</u>
Operating Income	<u>70,827</u>
<b>NONOPERATING REVENUES</b>	
Interest income	5,427
Total Nonoperating Revenues	<u>5,427</u>
<b>Change in Net Assets</b>	76,254
<b>Total Net Assets - Beginning</b>	<u>100,781</u>
<b>Total Net Assets - Ending</b>	<u>\$ 177,035</u>

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

**HANFORD ELEMENTARY SCHOOL DISTRICT**

**PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2009**

	<b>Governmental Activities - Internal Service Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash receipts from premiums	\$ 559,588
Cash payments for insurance claims	(496,639)
Net Cash Provided by Operating Activities	<u>62,949</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest on investments	5,427
Net Cash Provided by Investing Activities	<u>5,427</u>
Net Increase in Cash and Cash Equivalents	68,376
Cash and Cash Equivalents - Beginning	251,509
Cash and Cash Equivalents - Ending	<u>\$ 319,885</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>	
Operating income	\$ 70,827
Changes in assets and liabilities:	
Receivables	2,651
Accrued liabilities	(10,529)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>\$ 62,949</u>

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

**HANFORD ELEMENTARY SCHOOL DISTRICT**

**FIDUCIARY FUNDS  
STATEMENT OF NET ASSETS  
JUNE 30, 2009**

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	<u>Agency Funds</u>
<b>ASSETS</b>	
Deposits and investments	\$ 19,126
<b>Total Assets</b>	<u>\$ 19,126</u>
 <b>LIABILITIES</b>	
Due to student groups	\$ 19,126
<b>Total Liabilities</b>	<u>\$ 19,126</u>

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

# HANFORD ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Financial Reporting Entity

The Hanford Elementary School 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 nine 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 a district. All transactions except those required or permitted by law to be in another fund are accounted for in this fund.

**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).

#### Non-Major Governmental Funds

**Special Revenue Funds** The Special Revenue Funds are established to account for the proceeds from specific revenue sources (other than trusts or for major capital projects) that are restricted to the financing of particular activities:

**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).

# HANFORD ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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**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.

**Pupil Transportation Equipment Fund** The Pupil Transportation Equipment Fund is used to account separately for State and local revenues specifically for the acquisition, rehabilitation, or replacement of equipment used to transport students (*Education Code* Section 41852[b]).

**Special Reserve Non-Capital Fund** The Special Reserve Non-Capital Fund is used primarily to provide for the accumulation of General Fund monies for general operating purposes other than for capital outlay (*Education Code* Section 42840)

**Capital Project Funds** The Capital Project funds are established to account for financial resources to be used for the acquisition or construction of major capital facilities (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).

**Debt Service Funds** The Debt Service Funds are established to account for the accumulation of resources for and the payment of principal and interest on long-term obligations.

**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 fund reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows. The District applies all GASB pronouncements, as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. Proprietary funds 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 any activity for which goods or services are 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.

**Fiduciary Funds** Fiduciary fund reporting focuses on net assets and changes in net assets. 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).



# HANFORD ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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### 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 assets should be reported as restricted when constraints placed on net asset 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 assets restricted for other activities result from special revenue funds and the restrictions on their net asset 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 balance 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.

**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 assets. The statement of changes in fund net assets presents increases (revenues) and decreases (expenses) in net total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary fund.

# HANFORD ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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**Fiduciary Funds** Fiduciary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting.

**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 45 or 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 90 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.

### **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.

# HANFORD ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2009**

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### **Investments**

Investments held at June 30, 2009, 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.

### **Restricted Assets**

Restricted assets arise when restrictions on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation.

### **Prepaid Expenditures**

Prepaid expenditures (expenses) represent amounts paid in advance of receiving goods or services. The District has the option of reporting an expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditures when incurred.

### **Stores Inventory**

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 assets. 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.

### **Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental column of the statement of net assets.

# HANFORD ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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### Compensated Absences

Accumulated unpaid vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide statement of net assets as long-term obligations.

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 Issuance Costs

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

### Fund Balance Reserves and Designations

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for revolving cash accounts, stores inventories, and legally restricted grants and entitlements.

Designations of fund balances consist of that portion of the fund balance that has been designated (set aside) by the governing board to provide for specific purposes or uses. Fund equity designations have been established for economic uncertainties and other purposes.

# HANFORD ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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### Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt 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 assets are 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 assets are available. The government-wide financial statements reports \$5,077,033 of restricted net assets, of which \$5,060,619 is restricted by enabling legislation.

### 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*.

### 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.

# HANFORD ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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### 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 July 2004, the GASB issued GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement requires local governmental employers who provide other postemployment benefits (OPEB) as part of the total compensation offered to employees to recognize the expense and related liabilities (assets) in the government-wide financial statements of net assets and activities. This Statement established standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of State and local governmental employers.

This Statement provided for prospective implementation – that is, that the employers set the beginning net OPEB obligation at zero as of the beginning of the initial year. The District has implemented the provisions of this Statement for the fiscal year ended June 30, 2009. The District's annual required contribution (ARC) was \$842,280 for the year ended June 30, 2009, and made a contribution of \$445,910, which was more than the actuarial "pay-as-you-go" costs. The actuarial estimated "pay-as-you-go" amount of \$414,954 was deducted from the ARC which resulted in a net OPEB obligation of \$427,326.

### New Accounting Pronouncements

In March 2009, the GASB issued GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The requirements of this Statement are effective for the financial statements for periods beginning after June 15, 2010. Early implementation is encouraged.

In April 2009, the GASB issued GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to incorporate the hierarchy of generally accepted accounting principles (GAAP) for State and local governments into the GASB authoritative literature. The "GAAP hierarchy" consists of the sources of accounting principles used in the preparation of financial statements of State and local governmental entities that are presented in conformity with GAAP, and the framework for selecting those principles. GASB Statement No. 55 is effective immediately.

# HANFORD ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2009**

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In April 2009, the GASB issued GASB Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*. The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' Statements on Auditing Standards. This Statement addresses three issues not included in the authoritative literature that establishes accounting principles – related party transactions, going concern considerations, and subsequent events. The presentation of principles used in the preparation of financial statements is more appropriately included in accounting and financial reporting standards rather than in the auditing literature. GASB Statement No. 56 is effective immediately.

### NOTE 2 - DEPOSITS AND INVESTMENTS

#### Summary of Deposits and Investments

Deposits and investments as of June 30, 2009, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 6,578,819
Fiduciary funds	19,126
Total Deposits and Investments	<u><u>\$ 6,597,945</u></u>

Deposits and investments as of June 30, 2009, consist of the following:

Cash on hand and in banks	\$ 19,126
Cash with fiscal agent	7,000
Cash in revolving	5,460
Investments	6,566,359
Total Deposits and Investments	<u><u>\$ 6,597,945</u></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, 2009**

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### General Authorizations

Limitations as they relate to interest rate risk, credit 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

### Authorized Under Debt Agreements

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Investment contract	One year	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.



**HANFORD ELEMENTARY SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2009**

**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	\$ 6,013,174	\$ 6,013,174	\$ -	\$ -	\$ -
Held by Trustee:					
Investment Contract	553,185	553,185	-	-	-
Total	<u>\$ 6,566,359</u>	<u>\$ 6,566,359</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**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	\$ 6,013,174	N/A	\$ -	\$ -	\$ 6,013,174
Held by Trustee:					
Investment Contract	553,185	N/A	-	-	553,185
Total	<u>\$ 6,566,359</u>		<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,566,359</u>

N/A - Not applicable

**Concentration of Credit Risk**

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government code. Investments in any one issuer that represent five percent or more of the total investments are as follows:

Issuer	Investment Type	Reported Amount
Piper Jaffray	Investment Contract	<u>\$ 553,185</u>

# HANFORD ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2009**

### Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2009, none of the District's bank balance was exposed to custodial credit risk.

### Custodial Credit Risk - Investments

This is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. Of the investment in an investment contract of \$553,185, the District has a custodial credit risk exposure of \$553,185 because the related securities are uninsured, unregistered and held by the brokerage firm which is also the counterparty for these securities.

### NOTE 3 - RECEIVABLES

Receivables at June 30, 2009, consisted of intergovernmental grants, entitlements, interest and other local sources. All receivables are considered collectible in full.

	General Fund	Non-Major Governmental Funds	Subtotal	Internal Service Fund	Total Governmental Activities
Federal Government					
Categorical aid	\$ 2,052,249	\$ 47,023	\$ 2,099,272	\$ -	\$ 2,099,272
State Government					
Apportionment	4,001,112	-	4,001,112	-	4,001,112
Categorical aid	246,750	669	247,419	-	247,419
Lottery	334,690	-	334,690	-	334,690
Other state	996,112	-	996,112	-	996,112
Local Government					
Interest	13,545	-	13,545	-	13,545
Other Local Sources	159,772	35,164	194,936	76	195,012
Total	<u>\$ 7,804,230</u>	<u>\$ 82,856</u>	<u>\$ 7,887,086</u>	<u>\$ 76</u>	<u>\$ 7,887,162</u>

**HANFORD ELEMENTARY SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

**NOTE 4 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2009, was as follows:

	Balance <u>July 1, 2008</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>June 30, 2009</u>
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	\$ 2,052,315	\$ -	\$ -	\$ 2,052,315
Construction in process	221,967	13,029	129,604	105,392
Total Capital Assets Not Being Depreciated	<u>2,274,282</u>	<u>13,029</u>	<u>129,604</u>	<u>2,157,707</u>
Capital Assets Being Depreciated				
Land improvements	4,935,463	34,458	-	4,969,921
Buildings and improvements	40,061,981	691,540	97,792	40,655,729
Furniture and equipment	3,890,809	42,918	289,786	3,643,941
Total Capital Assets Being Depreciated	<u>48,888,253</u>	<u>768,916</u>	<u>387,578</u>	<u>49,269,591</u>
Less Accumulated Depreciation				
Land improvements	3,518,115	167,725	-	3,685,840
Buildings and improvements	9,871,263	840,089	97,792	10,613,560
Furniture and equipment	2,664,660	245,993	289,786	2,620,867
Total Accumulated Depreciation	<u>16,054,038</u>	<u>1,253,807</u>	<u>387,578</u>	<u>16,920,267</u>
Governmental Activities Capital Assets, Net	<u>\$ 35,108,497</u>	<u>\$ (471,862)</u>	<u>\$ 129,604</u>	<u>\$ 34,507,031</u>

Depreciation expense was charged to the following functions as follows:

Governmental Activities	
Instruction	\$ 24,478
Supervision of instruction	2,544
School site administration	4,519
Home-to-school transportation	93,714
Food services	38,570
Ancillary services	6,506
All other general administration	38,665
Plant services	1,044,811
Total Depreciation Expenses Governmental Activities	<u>\$ 1,253,807</u>

**HANFORD ELEMENTARY SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

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**NOTE 5 - INTERFUND TRANSACTIONS**

**Interfund Receivables/Payables (Due To/Due From)**

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund receivable and payable balances at June 30, 2009, consisted of the following:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Governmental Funds		
General	\$ -	\$ 170,000
Non-Major Governmental Funds	<u>170,000</u>	<u>-</u>
Total	<u><u>\$ 170,000</u></u>	<u><u>\$ 170,000</u></u>

**Operating Transfers**

Interfund transfers for the year ended June 30, 2009, consisted of the following:

The General Fund transferred to the Deferred Maintenance Fund for the District match for 2007-08 and 2008-09.	<u>\$ 349,733</u>
Total	<u><u>\$ 349,733</u></u>

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.

**HANFORD ELEMENTARY SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

**NOTE 6 - ACCOUNTS PAYABLE**

Accounts payable at June 30, 2009, consisted of the following:

	General Fund	Special Reserve Capital Outlay Fund	Non-Major Governmental Funds	Governmental Activities Subtotal	Internal Service Fund	Total Governmental Activities
Vendor payables	\$ 1,072,578	\$ -	\$ 38,026	\$ 1,110,604	\$ 6,224	\$ 1,116,828
Unpaid claims liability	-	-	-	-	136,702	136,702
State apportionment	438,062	63,191	-	501,253	-	501,253
Deferred payroll	1,352,093	-	-	1,352,093	-	1,352,093
Tax and revenue anticipation note	550,000	-	-	550,000	-	550,000
Total	<u>\$ 3,412,733</u>	<u>\$ 63,191</u>	<u>\$ 38,026</u>	<u>\$ 3,513,950</u>	<u>\$ 142,926</u>	<u>\$ 3,656,876</u>

**NOTE 7 - PREPAID EXPENDITURES**

Prepaid expenditures at June 30, 2009, consisted of the following:

	Total
July and August postage	<u>\$ 6,500</u>
Total General Fund	<u>6,500</u>
Prepaid debt issuance costs	<u>266,784</u>
Total prepaid expenses on government-wide statements	<u>\$ 273,284</u>

**NOTE 8 - DEFERRED REVENUE**

Deferred revenue at June 30, 2009, consists of the following:

	General Fund	Special Reserve Capital Outlay Fund	Total Governmental Activities
Federal financial assistance	\$ 511,213	\$ -	\$ 511,213
State categorical aid	-	510,381	510,381
Total	<u>\$ 511,213</u>	<u>\$ 510,381</u>	<u>\$ 1,021,594</u>

**HANFORD ELEMENTARY SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

**NOTE 9 - TAX AND REVENUE ANTICIPATION NOTES (TRANS)**

At July 1, 2008, the District had outstanding Tax and Revenue Anticipation Notes in the amount of \$485,000, which matured on July 1, 2008. On July 1, 2008, the District issued \$550,000 Tax and Revenue Anticipation Notes bearing interest at 1.65 percent. The notes were issued to supplement cash flows. Interest and principal were due and payable on July 6, 2009. By June 30, 2009, the District had placed 100 percent of principal and interest in an irrevocable trust for the sole purpose of satisfying the notes. The District was not required to make any additional payments on the notes.

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

<u>Issue Date</u>	<u>Rate</u>	<u>Maturity Date</u>	<u>Outstanding July 1, 2008</u>	<u>Additions</u>	<u>Payments</u>	<u>Outstanding June 30, 2009</u>
July 6, 2007	3.62%	July 1, 2008	\$ 485,000	\$ -	\$ 485,000	\$ -
July 1, 2008	1.65%	July 6, 2009	-	550,000	-	550,000
Total			<u>\$ 485,000</u>	<u>\$ 550,000</u>	<u>\$ 485,000</u>	<u>\$ 550,000</u>

**NOTE 10 - LONG-TERM OBLIGATIONS**

**Summary**

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

	<u>Balance July 1, 2008</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2009</u>	<u>Due in One Year</u>
General obligation bonds-1993	\$ 1,093,484	\$ -	\$ 100,433	\$ 993,051	\$ 98,901
General obligation bonds-1998	6,420,000	-	225,000	6,195,000	250,000
General obligation bonds-2003	3,230,000	-	330,000	2,900,000	320,000
Unamortized Bond Premium-2003	11,326	-	1,133	10,193	1,133
Compensated absences - net	290,493	14,051	-	304,544	-
Capital leases	530,169	-	159,127	371,042	87,729
Other postemployment benefits	-	842,280	414,954	427,326	-
Total	<u>\$11,575,472</u>	<u>\$ 856,331</u>	<u>\$ 1,230,647</u>	<u>\$ 11,201,156</u>	<u>\$ 757,763</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 General and 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, 2009

### Bonded Debt

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2008	Redeemed	Bonds Outstanding June 30, 2009
1993 <sup>1</sup>	2002-2017	5.15-5.8%	\$ 1,750,000	\$ 1,093,484	\$ 100,433	\$ 993,051
1998	2001-2024	4.4-5.0%	\$ 7,350,000	\$ 6,420,000	\$ 225,000	\$ 6,195,000
2003	2005-2018	2.0-3.5%	\$ 4,775,000	\$ 3,230,000	\$ 330,000	\$ 2,900,000

<sup>1</sup> 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, 2009, are as follows:

Fiscal Year	Accreted Value	Unaccreted Interest	Maturity Value
2010	\$ 98,901	\$ 151,099	\$ 250,000
2011	111,244	188,756	300,000
2012	113,873	211,127	325,000
2013	124,150	250,850	375,000
2014	131,631	293,369	425,000
2015-2017	413,252	1,086,748	1,500,000
Total	\$ 993,051	\$ 2,181,949	\$ 3,175,000

#### 1998 General Obligation Bonds

On September 1, 1998, the District issued \$7,350,000 of general obligation bonds in the aggregate. The proceeds from the sale of these bonds are to be used for the acquisition and construction of a new elementary school, the upgrade of classrooms for computer technology to insure internet access, and for safety improvements to existing school facilities. The bond interest rates range from 4.40 percent to 5.00 percent.

# HANFORD ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2009**

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The annual requirements to amortize the general obligation bonds payable outstanding as of June 30, 2009, are as follows:

The bonds mature through 2024 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2010	\$ 250,000	\$ 293,316	\$ 543,316
2011	275,000	281,697	556,697
2012	320,000	268,378	588,378
2013	335,000	253,557	588,557
2014	355,000	237,771	592,771
2015-2019	2,050,000	911,798	2,961,798
2020-2024	2,610,000	339,383	2,949,383
Total	<u>\$ 6,195,000</u>	<u>\$ 2,585,900</u>	<u>\$ 8,780,900</u>

### 2003 General Obligation Bonds

The bonds mature through 2018 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2010	\$ 320,000	\$ 84,880	\$ 404,880
2011	315,000	76,549	391,549
2012	305,000	67,948	372,948
2013	300,000	59,178	359,178
2014	315,000	49,874	364,874
2015-2018	1,345,000	92,201	1,437,201
Total	<u>\$ 2,900,000</u>	<u>\$ 430,630</u>	<u>\$ 3,330,630</u>

The bonds were sold at a premium of \$16,991 which will be amortized over the term of the bonds for 15 years at \$1,133 a year. The unamortized premium as of June 30, 2009, amounted to \$10,193. These bonds were originally a part of the 1993 bonds. This portion was refunded in 2003 to obtain a lower interest rate.

The bonds are general obligations of the District, and the Board of Supervisors of the County of Kings has the power and is obligated to levy and collect ad valorem taxes for payments of both principal and interest upon all property located within the Hanford Elementary School District subject to taxation by the District.

### Compensated Absences

The long-term portion of compensated absences for the District at June 30, 2009, amounted to \$304,544.



**HANFORD ELEMENTARY SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

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**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	Buses	Total
Balance, July 1, 2008	\$ 455,617	\$ 74,552	\$ 530,169
Payments	84,575	74,552	159,127
Balance, June 30, 2009	<u>\$ 371,042</u>	<u>\$ -</u>	<u>\$ 371,042</u>

The capital leases have minimum lease payments as follows:

Year Ending June 30,	Lease Payment
2010	\$ 101,569
2011	101,569
2012	101,569
2013	101,569
Total	<u>406,276</u>
Less: Amount Representing Interest	35,234
Present Value of Minimum Lease Payments	<u>\$ 371,042</u>

**Other Postemployment Benefit (OPEB) Obligation**

The District implemented GASBS No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions during the year ended June 30, 2009. The District's annual required contribution (ARC) was \$842,280 for the year ended June 30, 2009, and made a contribution of \$445,910, which was more than the actuarial "pay-as-you-go" costs. The actuarial estimated "pay-as-you-go" amount of \$414,954 was deducted from the ARC which resulted in a net OPEB obligation of \$427,326. See Note 13 for additional information regarding the OPEB obligation and the post employment benefit plan.

**HANFORD ELEMENTARY SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

**NOTE 11 - FUND BALANCES**

Fund balances with reservations/designations are composed of the following elements:

	General Fund	Special Reserve Capital Outlay Fund	Non-Major Governmental Funds	Governmental Funds Total	Self Insurance Fund
Reserved					
Revolving cash	\$ 5,050	\$ -	\$ 410	\$ 5,460	\$ -
Stores inventory	153,606	-	35,187	188,793	-
Prepaid expenditures	6,500	-	-	6,500	-
Restricted programs	2,974,818	-	-	2,974,818	-
Total Reserved	<u>3,139,974</u>	<u>-</u>	<u>35,597</u>	<u>3,175,571</u>	<u>-</u>
Unreserved					
Designated					
Economic uncertainties	1,600,000	-	157,000	1,757,000	-
Other designation	1,828,750	-	-	1,828,750	-
Total Designated	<u>3,428,750</u>	<u>-</u>	<u>157,000</u>	<u>3,585,750</u>	<u>-</u>
Undesignated	1,134,860	6,847	1,902,741	3,044,448	177,035
Total Unreserved	<u>4,563,610</u>	<u>6,847</u>	<u>2,059,741</u>	<u>6,630,198</u>	<u>177,035</u>
Total	<u>\$ 7,703,584</u>	<u>\$ 6,847</u>	<u>\$ 2,095,338</u>	<u>\$ 9,805,769</u>	<u>\$ 177,035</u>

**NOTE 12 - EXPENDITURES (BUDGET VERSUS ACTUAL)**

At June 30, 2009, there were no District major funds that exceeded the budgeted amounts.

**NOTE 13 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION**

**Plan Description**

The Postemployment Benefit 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 45 retirees and beneficiaries currently receiving benefits and 445 active plan members.

# HANFORD ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2009**

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### Contribution Information

The contribution requirements of plan members and the District are established and may be amended by the District and the 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 2008-09, the District contributed \$445,910 to the plan, all of which was used for current premiums (approximately 68 percent of total premiums). Plan members receiving benefits contributed \$207,278, or approximately 32 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	\$ 842,280
Contributions made	<u>(414,954)</u>
Increase in net OPEB obligation	427,326
Net OPEB obligation, beginning of year	<u>-</u>
Net OPEB obligation, end of year	<u><u>\$ 427,326</u></u>

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2009 was as follows:

Year Ended <u>June 30,</u> 2009	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation</u>
	\$ 842,280	49.27	\$ 427,326

### Funded Status and Funding Progress

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about 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 multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. Since this is the first year of implementation, only the current year information is presented.

# HANFORD ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2009**

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### **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.

In the July 1, 2007, actuarial valuation, the unprojected 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 9.0 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, 2009, was 28 years.

### **NOTE 14 - 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, 2009, the District contracted with Self-Insured Schools of California (SISC II) 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 2009, 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.

# HANFORD ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2009**

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### Employee Medical Benefits

The District has contracted with the Self-Insured Schools of California (SISC III) to provide employee health 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.

### 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.

### Unpaid Claims Liabilities

The fund establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represent the changes in approximate aggregate liabilities for the District from June 30, 2007 to June 30, 2009 (in thousands):

	<u>Dental Care</u>
Liability Balance, June 30, 2007	\$ 131,103
Claims and changes in estimates	<u>(6,338)</u>
Liability Balance, June 30, 2008	124,765
Claims and changes in estimates	<u>11,937</u>
Liability Balance, June 30, 2009	<u>\$ 136,702</u>
Assets available to pay claims at June 30, 2009	<u><u>\$ 177,035</u></u>

### NOTE 15 - 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).

# HANFORD ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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### 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, 7919 Folsom Blvd., Sacramento, California 95826.

#### 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 2008-2009 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, 2009, 2008, and 2007, were \$1,661,703, \$1,739,375, and \$1,597,008, respectively, and equal 100 percent of the required contributions for each year.

### 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 2008-2009 was 9.428 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, 2009, 2008, and 2007, were \$768,951, \$782,860, and \$759,272, respectively, and equal 100 percent of the required contributions for each year.

# HANFORD ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2009**

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### **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 \$909,808 (4.517 percent of annual payroll). 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 budget amounts reported in the *General Fund - Budgetary Comparison Schedule*.

## **NOTE 16 - 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, 2009.

### **Litigation**

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

### **Construction Commitments**

As of June 30, 2009, the District had no commitments with respect to the unfinished capital projects.

# HANFORD ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2009**

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### **NOTE 17 - PARTICIPATION IN JOINT POWERS AUTHORITIES**

The District is a member of the Self-Insured Schools of California (SISC II), 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 no appointed board members to the governing board of SISC II.

During the year ended June 30, 2009, the District made payment of \$226,282 to SISC II for property and liability insurance.

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

During the year ended June 30, 2009, the District made payment of \$5,160,407 to SISC III for health insurance.

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

During the year ended June 30, 2009, the District made payment of \$353,716 to KCSIS for workers' compensation insurance.

### **NOTE 18 - SUBSEQUENT EVENT**

On July 28, 2009, Governor Schwarzenegger signed a package of bills amending the 2008-09 and 2009-10 California State budgets. The budget amendments were designed to address the State's budget gap of \$24 billion that had developed as a result of the deepening recession since the State's last budget actions in February 2009.

The July budget package reduced, on a State-wide basis, \$1.6 billion in 2008-09 Proposition 98 funding through a reversion of undistributed categorical program balances. The budget language identified 51 specific programs and required the amounts associated with these programs that were "unallocated, unexpended, or not liquidated as of June 30, 2009" to revert to the State's General Fund. The July budget package also provided an appropriation in 2009-10 to backfill \$1.5 billion of these cuts to repay the 2008-09 reversion of the undistributed categorical program balances.

In accordance with the requirements of Governmental Accounting Standards Board Statement No. 33, the District has not recorded the revenue and related receivable associated with the District's portion of the unallocated, unexpended or unliquidated categorical program balances identified in the July 2009 State Budget package.



# HANFORD ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2009**

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### **NOTE 19 - FISCAL ISSUES RELATING TO BUDGET REDUCTIONS**

The State of California continues to suffer the effects of a recessionary economy. California school districts are reliant on the State of California to appropriate the funding necessary to continue the level of educational services expected by the State constituency. With the implementation of education trailer bill Senate Bill 4 of the 2009-10 Third Extraordinary Session (SBX3 4) (Chapter 12, Statutes of 2009), 14 percent of current year appropriations have now been deferred to a subsequent period, creating significant cash flow management issues for districts in addition to requiring substantial budget reductions, ultimately impacting the ability of California school districts to meet their goals for educational services.

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***REQUIRED SUPPLEMENTARY INFORMATION***

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# HANFORD ELEMENTARY SCHOOL DISTRICT

## GENERAL FUND BUDGETARY COMPARISON SCHEDULE FOR THE YEAR ENDED JUNE 30, 2009

	Budgeted Amounts		Actual <sup>1</sup> (GAAP Basis)	Variances -
	(GAAP Basis)			Favorable
	Original	Final		(Unfavorable)
				Final to Actual
<b>REVENUES</b>				
Revenue limit sources	\$28,883,447	\$28,564,150	\$ 28,584,815	\$ 20,665
Federal sources	4,505,557	5,883,852	6,521,730	637,878
Other state sources	10,308,870	9,321,355	8,957,440	(363,915)
Other local sources	734,889	2,090,525	1,921,345	(169,180)
<b>Total Revenues</b>	<b>44,432,763</b>	<b>45,859,882</b>	<b>45,985,330</b>	<b>125,448</b>
<b>EXPENDITURES</b>				
Current				
Certificated Salaries	20,020,882	20,505,657	20,470,165	35,492
Classified salaries	8,354,480	8,402,946	8,233,145	169,801
Employee benefits	9,158,905	9,245,764	9,059,648	186,116
Books and supplies	2,049,204	2,562,037	2,015,707	546,330
Services and operating expenditures	3,668,758	5,062,356	3,099,178	1,963,178
Other outgo	58,660	78,354	59,938	18,416
Capital outlay	61,517	92,210	48,111	44,099
Debt service	77,966	77,967	77,967	-
<b>Total Expenditures</b>	<b>43,450,372</b>	<b>46,027,291</b>	<b>43,063,859</b>	<b>2,963,432</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>982,391</b>	<b>(167,409)</b>	<b>2,921,471</b>	<b>3,088,880</b>
<b>Other Financing Sources (Uses):</b>				
Transfers out	(230,000)	(349,733)	(349,733)	-
<b>Net Financing Sources (Uses)</b>	<b>(230,000)</b>	<b>(349,733)</b>	<b>(349,733)</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>752,391</b>	<b>(517,142)</b>	<b>2,571,738</b>	<b>3,088,880</b>
<b>Fund Balance - Beginning</b>	<b>5,131,846</b>	<b>5,131,846</b>	<b>5,131,846</b>	<b>-</b>
<b>Fund Balance - Ending</b>	<b>\$ 5,884,237</b>	<b>\$ 4,614,704</b>	<b>\$ 7,703,584</b>	<b>\$ 3,088,880</b>

<sup>1</sup> On behalf payments are not included in revenues and expenditures in this statement.

**HANFORD ELEMENTARY SCHOOL DISTRICT**

**SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB)  
 FUNDING PROGRESS  
 FOR THE YEAR ENDED JUNE 30, 2009**

<b>Schedule of Funding Progress</b>						
<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) - Unprojected Unit Credit (b)</b>	<b>Unfunded AAL (UAAL) (b - a)</b>	<b>Funded Ratio (a / b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ( b - a  / c)</b>
July 1, 2007	\$ -	\$ 6,232,463	\$ 6,232,463	0%	\$ 25,315,899	24.62%

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***SUPPLEMENTARY INFORMATION***

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**HANFORD ELEMENTARY SCHOOL DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2009**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
Impact Aid	84.041	10015	\$ 1,509
Carol White Physical Education Grant	84.215F	N/A	492,665
Elementary and Secondary School Counseling Demonstration Program	84.215E	N/A	338,786
Partnerships in Character Education	84.215S	N/A	520,104
ESEA, Arts in Education	84.215C	N/A	7,146
Passed through California Department of Education (CDE):			
No Child Left Behind Act			
Title I, Part A, Programs	84.010	14981/14955	2,059,723
Title I, Migrant Education, Regular Program	84.011	14326	93,529
Title I, Migrant Education, Summer Program	84.011	10005	48,156
Title II, Part A, Teacher Quality	84.367	14341	427,143
Title II, Part D, Enhancing Education	84.318	14334	7,747
Title III, Limited English Proficiency	84.365	10084	149,013
Title III, Immigration Education Program	84.365	14346	11,619
Special Education - State Grants			
Local Assistance	84.027	13379	211,524
Total U.S. Department of Education			<u>4,368,664</u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
Passed through California Department of Health Care Services:			
Medicaid Cluster			
Medi-Cal Administrative Assistance	93.778	10060	381,691
Medi-Cal Billing Option	93.778	10013	24,121
Total Medicaid Cluster			<u>405,812</u>
Total U.S. Department of Health and Human Services			<u>405,812</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
Passed through CDE:			
Child Nutrition Cluster			
Especially Needy Breakfast	10.553	13526	456,334
National School Lunch	10.555	13391	1,409,799
Meals Supplements - Snack	10.555	13391	86,972
Food Distribution	10.555	13391	140,274
Total Child Nutrition Cluster			<u>2,093,379</u>
Total U.S. Department of Agriculture			<u>2,093,379</u>
Total Expenditures of Federal Awards			<u>\$ 6,867,855</u>

See accompanying note to supplementary information.

# HANFORD ELEMENTARY SCHOOL DISTRICT

## LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2009

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### 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 nine 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
Lupe Hernandez	President	2010
Robert A. Garcia	Vice President	2010
Jeff Garner	Clerk	2010
Dennis Hill	Member	2012
Timothy Revious	Member	2012

### ADMINISTRATION

Paul J. Terry, Ed.D.	Superintendent
Nancy White	Assistant Superintendent Fiscal Services
Diane Williams	Assistant Superintendent Human Resources
Joy Gabler	Assistant Superintendent 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, 2009

	Second Period Report	Annual Report
ELEMENTARY		
Kindergarten	605.41	603.85
First through third	1,736.67	1,736.77
Fourth through sixth	1,728.79	1,723.57
Seventh and eighth	1,055.18	1,048.23
Home and hospital	2.83	3.37
Special education	96.86	97.38
Community day school	24.68	25.51
Total	5,250.42	5,238.68
		Hours of Attendance
Supplemental Hours		
K-12 Core instruction		2,469
7-12 Remedial instruction		6,210
2-9 Pupils retained / recommended for retention		2,127
Total Hours		10,806

See accompanying note to supplementary information.



# HANFORD ELEMENTARY SCHOOL DISTRICT

## SCHEDULE OF INSTRUCTIONAL TIME FOR THE YEAR ENDED JUNE 30, 2009

Grade Level	1982-83	1986-87	2008-09	Number of Days		Status
	Actual Minutes	Minutes Requirement	Actual Minutes	Traditional Calendar	Multitrack Calendar	
Kindergarten	31,680	36,000	48,913	180	N/A	Complied
Grades 1 - 3	42,240	50,400				
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	54,000				
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	54,000				
Grade 7			57,239	180	N/A	Complied
Grade 8			57,239	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, 2009**

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Summarized below are the fund balance reconciliations between the Unaudited Actual Financial Report and the audited financial statements.

	<u>General Fund</u>
FUND BALANCE	
Balance, June 30, 2009, Unaudited Actuals	\$ 8,106,331
Decrease in:	
Accounts receivable - ABX4 3 <sup>1</sup>	<u>(402,747)</u>
Balance, June 30, 2009, Audited Financial Statement	<u><u>\$ 7,703,584</u></u>

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<sup>1</sup> The adjustment is the ABX4 3 un-appropriated state categoricals as described in Note 18 - Subsequent Event.

See accompanying note to supplementary information.

# HANFORD ELEMENTARY SCHOOL DISTRICT

## SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2009

	(Budget) 2010 <sup>1</sup>	2009 <sup>3</sup>	2008 <sup>3</sup>	2007 <sup>3</sup>
<b>GENERAL FUND</b>				
Revenues	\$ 46,703,066	\$ 45,985,330	\$ 45,589,256	\$ 44,929,637
Other sources and transfers in	-	-	38,000	250,000
Total Revenues and Other Sources	46,703,066	45,985,330	45,627,256	45,179,637
Expenditures	42,864,616	43,063,859	44,261,794	44,205,200
Other uses and transfers out	-	349,733	230,000	225,000
Total Expenditures and Other Uses	42,864,616	43,413,592	44,491,794	44,430,200
<b>INCREASE (DECREASE) IN FUND BALANCE</b>	<b>\$ 3,838,450</b>	<b>\$ 2,571,738</b>	<b>\$ 1,135,462</b>	<b>\$ 749,437</b>
<b>ENDING FUND BALANCE</b>	<b>\$ 11,542,034</b>	<b>\$ 7,703,584</b>	<b>\$ 5,131,846</b>	<b>\$ 3,996,384</b>
<b>AVAILABLE RESERVES<sup>2</sup></b>	<b>\$ 3,520,756</b>	<b>\$ 3,147,144</b>	<b>\$ 2,539,116</b>	<b>\$ 2,703,613</b>
<b>AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO</b>	<b>8.21%</b>	<b>7.25%</b>	<b>5.71%</b>	<b>6.09%</b>
<b>LONG-TERM OBLIGATIONS</b>	<b>Not Available</b>	<b>\$ 11,201,156</b>	<b>\$ 11,575,472</b>	<b>\$ 12,292,470</b>
<b>AVERAGE DAILY ATTENDANCE AT P-2</b>	<b>5,303</b>	<b>5,250</b>	<b>5,168</b>	<b>5,231</b>

The General Fund balance has increased by \$3,707,200 over the past two years. The fiscal year 2009-10 budget projects an increase of \$3,838,450 (49.8 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 each of the past three years and anticipates incurring an operating surplus during the 2009-10 fiscal year. Total long-term obligations decreased by \$1,091,314 over the past two years.

Average daily attendance has increased by 19 ADA over the past two years. Growth of 53 ADA is anticipated during fiscal year 2009-10.

<sup>1</sup> Budget 2010 is included for analytical purposes only and has not been subjected to audit.

<sup>2</sup> Available reserves consist of all undesignated fund balances and all funds designated for economic uncertainty contained within the General Fund and Special Reserve for Other than Capital Outlay Fund. California Education Code Section 33128.1 allows the District to include the ABX4 3 categorical accruals in their Available Reserves calculation. For the fiscal year 2008-09, \$402,747 of un-appropriated revenues have been included in the Available Reserves totals that are not reflected in the Audited Financial Statements. See Note 18 - Subsequent Event regarding the ABX4 3 state categorical accruals.

<sup>3</sup> On behalf payments have been excluded from revenues and expenditures in this schedule.

See accompanying note to supplementary information.

**HANFORD ELEMENTARY SCHOOL DISTRICT**

**NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2009**

	<b>Cafeteria Fund</b>	<b>Deferred Maintenance Fund</b>	<b>Pupil Transportation Fund</b>
<b>ASSETS</b>			
Deposits and investments	\$ 921,501	\$ 71,484	\$ 64,757
Receivables	52,670	-	-
Due from other funds	-	170,000	-
Stores inventories	35,187	-	-
<b>Total Assets</b>	<b>\$ 1,009,358</b>	<b>\$ 241,484</b>	<b>\$ 64,757</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 34,919	\$ 3,091	\$ -
<b>Total Liabilities</b>	<b>34,919</b>	<b>3,091</b>	<b>-</b>
<b>Fund Balances:</b>			
Reserved for:			
Revolving cash	410	-	-
Stores inventories	35,187	-	-
Unreserved:			
Designated	157,000	-	-
Undesignated, reported in:			
Special revenue funds	781,842	238,393	64,757
Debt service funds	-	-	-
Capital projects funds	-	-	-
<b>Total Fund Balances</b>	<b>974,439</b>	<b>238,393</b>	<b>64,757</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 1,009,358</b>	<b>\$ 241,484</b>	<b>\$ 64,757</b>

See accompanying note to supplementary information.

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<b>Special Reserve Non-Capital Fund</b>	<b>Capital Facilities Fund</b>	<b>Bond Interest and Redemption Fund</b>	<b>Total Non-Major Governmental Funds</b>
\$ 9,537	\$ 226,725	\$ 551,317	\$ 1,845,321
-	30,186	-	82,856
-	-	-	170,000
-	-	-	35,187
<u>\$ 9,537</u>	<u>\$ 256,911</u>	<u>\$ 551,317</u>	<u>\$ 2,133,364</u>
\$ -	\$ 16	\$ -	\$ 38,026
-	16	-	38,026
-	-	-	410
-	-	-	35,187
-	-	-	157,000
9,537	-	-	1,094,529
-	-	551,317	551,317
-	256,895	-	256,895
<u>9,537</u>	<u>256,895</u>	<u>551,317</u>	<u>2,095,338</u>
<u>\$ 9,537</u>	<u>\$ 256,911</u>	<u>\$ 551,317</u>	<u>\$ 2,133,364</u>

**HANFORD ELEMENTARY SCHOOL DISTRICT**

**NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2009**

	<b>Cafeteria Fund</b>	<b>Deferred Maintenance Fund</b>	<b>Pupil Transportation Fund</b>
<b>REVENUES</b>			
Federal sources	\$ 1,953,105	\$ -	\$ -
Other state sources	156,580	(210,000)	-
Other local sources	387,776	2,637	1,606
<b>Total Revenues</b>	<u>2,497,461</u>	<u>(207,363)</u>	<u>1,606</u>
<b>EXPENDITURES</b>			
Current			
Pupil Services:			
Food services	2,182,107	-	-
General administration:			
All other general administration	106,614	-	-
Plant services	-	105,079	-
Facility acquisition and construction	-	438,533	-
Debt service			
Principal	-	-	-
Interest and other	-	-	-
<b>Total Expenditures</b>	<u>2,288,721</u>	<u>543,612</u>	<u>-</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>208,740</u>	<u>(750,975)</u>	<u>1,606</u>
<b>Other Financing Sources (Uses):</b>			
Transfers in	-	349,733	-
<b>Net Financing Sources (Uses)</b>	<u>-</u>	<u>349,733</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	208,740	(401,242)	1,606
<b>Fund Balance - Beginning</b>	765,699	639,635	63,151
<b>Fund Balance - Ending</b>	<u>\$ 974,439</u>	<u>\$ 238,393</u>	<u>\$ 64,757</u>

See accompanying note to supplementary information.

<b>Special Reserve Non-Capital Fund</b>	<b>Capital Facilities Fund</b>	<b>Bond Interest and Redemption Fund</b>	<b>Total Non-Major Governmental Funds</b>
\$ -	\$ -	\$ -	\$ 1,953,105
-	-	19,720	(33,700)
237	222,273	1,163,411	1,777,940
<u>237</u>	<u>222,273</u>	<u>1,183,131</u>	<u>3,697,345</u>
-	-	-	2,182,107
-	-	-	106,614
-	193,750	-	298,829
-	13,029	-	451,562
-	84,575	655,433	740,008
-	16,994	541,137	558,131
-	<u>308,348</u>	<u>1,196,570</u>	<u>4,337,251</u>
237	(86,075)	(13,439)	(639,906)
-	-	-	349,733
-	-	-	349,733
237	(86,075)	(13,439)	(290,173)
9,300	342,970	564,756	2,385,511
<u>\$ 9,537</u>	<u>\$ 256,895</u>	<u>\$ 551,317</u>	<u>\$ 2,095,338</u>

# HANFORD ELEMENTARY SCHOOL DISTRICT

## NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2009

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### 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 Balance and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts represent Federal funds that have been recorded as revenues that have not been expended by June 30, 2009. The unspent balances are reported as legally restricted ending balances within the General Fund.

	<u>CFDA Number</u>	<u>Amount</u>
Total Federal Revenues - Statement of Revenues, Expenditures and Changes in Fund Balance:		\$ 8,474,835
Reconciling items:		
Food Distribution	10.555	140,274
ARRA: State Fiscal Stabilization	84.394	<u>(1,747,254)</u>
Total Schedule of Expenditures of Federal Awards		<u>\$ 6,867,855</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 requirement, whichever is greater, as required by Education Code Section 46201.



# HANFORD ELEMENTARY SCHOOL DISTRICT

## NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2009

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### **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 Balance**

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

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***INDEPENDENT AUDITORS' REPORTS***

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**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 the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hanford Elementary School District as of and for the year ended June 30, 2009, which collectively comprise Hanford Elementary School District's basic financial statements and have issued our report thereon dated December 9, 2009. 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.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Hanford Elementary School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Hanford Elementary School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Hanford Elementary School District's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

## Compliance and Other Matters

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

We noted certain matters that we reported to management of Hanford Elementary School District in a separate letter dated December 9, 2009.

This report is intended solely for the information and use of the governing board, management, the California Department of Education, the State Controller's Office, and Federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Vannink, Trine, Day & Co, LLP*

Fresno, California  
December 9, 2009



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH  
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL  
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Governing Board  
Hanford Elementary School District  
Hanford, California

**Compliance**

We have audited the compliance of Hanford Elementary School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for the year ended June 30, 2009. 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of Hanford Elementary School District's management. Our responsibility is to express an opinion on Hanford Elementary School District's compliance based on our audit.

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. Our audit does not provide a legal determination of Hanford Elementary School District's compliance with those requirements.

In our opinion, Hanford Elementary School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended June 30, 2009.

**Internal Control Over Compliance**

The management of Hanford Elementary School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered Hanford Elementary School District's internal control over compliance with the requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Hanford Elementary School District's internal control over compliance.

A *control deficiency* in a district's internal control over compliance 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 noncompliance with a type of compliance requirement of a Federal program on a timely basis.

A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a Federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a Federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a Federal program will not be prevented or detected by the District's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the governing board, management, the California Department of Education, the State Controller's Office, and Federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Vannink, Trini, Day & Co, LLP

Fresno, California  
December 9, 2009



**INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE**

Governing Board  
 Hanford Elementary School District  
 Hanford, California

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hanford Elementary School District as of and for the year ended June 30, 2009, and have issued our report thereon dated December 9, 2009. 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 2008-09*, 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Compliance with the requirements of laws, regulations, contracts, and grants listed below is the responsibility of Hanford Elementary School District's management. 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	8	Yes
Independent study	23	No (see below)
Continuation education	10	Not Applicable
Adult education	9	Not Applicable
Regional occupational centers and programs	6	Not Applicable
Instructional Time:		
School districts	6	Yes
County offices of education	3	Not Applicable
Community day schools	3	No (see below)
Morgan-Hart Class Size Reduction	7	Not Applicable
Instructional Materials:		
General requirements	8	Yes <sup>2</sup>
K-8 only	1	Not Applicable <sup>1</sup>
9-12 only	1	Not Applicable

	<u>Procedures in Audit Guide</u>	<u>Procedures Performed</u>
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
Mathematics and Reading Professional Development	4	Not Applicable <sup>1</sup>
Class Size Reduction Program (including in Charter Schools):		
General requirements	7	Yes
Option one classes	3	Yes
Option two classes	4	Not Applicable
District 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	4	Yes
Before school	5	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	3	Not Applicable

<sup>1</sup> This program is not required to be audited per flexibility provisions in SBX3 4.

<sup>2</sup> The number of procedures to be performed was reduced per flexibility provisions in SBX3 4. Section 19828.3 procedures (b), (c), and (e) were not performed.

We did not perform testing for Independent Study and Community Day Schools because the ADA reported in each program was below the State recommended testing level.

Based on our audit, we found that for the items tested, the Hanford Elementary School District complied with the State laws and regulations referred to above. Further, based on our audit, for items not tested, nothing came to our attention to indicate that the Hanford Elementary School District had not complied with the laws and regulations. Our audit does not provide a legal determination on Hanford Elementary School District's compliance with the State laws and regulations referred to above.

This report is intended solely for the information and use of the governing board, management, the California Department of Education, the State Controller's Office, the California Department of Finance, and Federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Vannink, Trine, Day & Co, LLP*

Fresno, California  
December 9, 2009



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***SCHEDULE OF FINDINGS AND QUESTIONED COSTS***

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**HANFORD ELEMENTARY SCHOOL DISTRICT**

**SUMMARY OF AUDITORS' RESULTS  
FOR THE YEAR ENDED JUNE 30, 2009**

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**FINANCIAL STATEMENTS**

Type of auditors' report issued:	<u>Unqualified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

**FEDERAL AWARDS**

Internal control over major programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>None reported</u>
Type of auditors' report issued on compliance for major programs:	<u>Unqualified</u>
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	<u>No</u>
Identification of major programs:	

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>10.553, 10.555</u>	<u>Child Nutrition Cluster</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**

Internal control over State programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>None reported</u>
Type of auditors' report issued on compliance for State programs:	<u>Unqualified</u>

**HANFORD ELEMENTARY SCHOOL DISTRICT**

**FINANCIAL STATEMENT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2009**

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None reported.

**HANFORD ELEMENTARY SCHOOL DISTRICT**

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2009**

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None reported.

**HANFORD ELEMENTARY SCHOOL DISTRICT**

**STATE AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2009**

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None reported.

**HANFORD ELEMENTARY SCHOOL DISTRICT**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2009**

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



December 9, 2009

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, 2009, 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 a matter that is an opportunity for strengthening internal controls and operating efficiency. The following item represents a condition noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated December 9, 2009, on the financial statements of Hanford Elementary School District.

***WILSON JR. HIGH SCHOOL***

***Segregation of Duties***

**Finding**

We noted that the ASB bookkeeper is performing the bank reconciliation, check writing, cash receipting, and bank depositing functions of the ASB checking account and is also a signer on the ASB checking account. This represents a significant internal control weakness through a lack of segregation of duties over cash.

**Recommendation**

The site should have a different district employee as a third signer on the ASB checking account to replace the ASB bookkeeper as long as the ASB bookkeeper is performing all other aspects of managing the ASB checking account. The ASB bookkeepers should be limited to informational access only on the account.

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

*Vavrinek, Trine, Day & Co., LLP*

Fresno, California  
December 9, 2009