

**HANFORD ELEMENTARY  
SCHOOL DISTRICT**

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ANNUAL FINANCIAL REPORT

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**JUNE 30, 2011**

# HANFORD ELEMENTARY SCHOOL DISTRICT

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JUNE 30, 2011

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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, the 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, 2011, 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 2010-11*, 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, the major fund, and the aggregate remaining fund information of the Hanford Elementary School District, as of June 30, 2011, 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. 54 for the year ended June 30, 2011. These changes required a restatement to the beginning fund balance of the General Fund and the Non-Major Governmental Funds, as discussed in Note 1.

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 7, 2011, 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 54 and 55, are not a required part of the basic financial statements, but are 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 on it.

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*, 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 7, 2011

# Hanford Elementary School District

## HANFORD ELEMENTARY SCHOOL DISTRICT KINGS COUNTY

### MANAGEMENT DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

(559) 585-3600

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**Superintendent**  
Dr. Paul J. Terry

**Governing Board**  
Jeff Garner  
Lupe Hernandez  
Dennis Hill  
James L. Jay, III  
Timothy L. Revious

#### INTRODUCTION

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

The Management Discussion and Analysis of Hanford Elementary School District's financial statements provide an overall review of the District's financial activities for the fiscal year ended June 30, 2011. 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 2010-11 school year, the District operated eight elementary schools, two junior high schools, and one community day school on the traditional August through June schedule, for the instruction of approximately 5,686 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, 2011

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### FINANCIAL HIGHLIGHTS

The Hanford Elementary School District's Government-wide Statement of Net Assets illustrates total net assets of \$34.5 million, the result of assets of \$51.2 million minus liabilities of \$16.7 million.

- General Revenues accounted for \$38.0 million or 76.5 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$11.7 million or 23.5 percent of total revenues of \$49.7 million.
- The District had \$47.9 million in expenses related to governmental activities.
- The General Fund reported a positive fund balance of \$7.9 million.

### STUDENT ENROLLMENT & DEMOGRAPHIC TRENDS

- The School District has an enrollment of approximately 5,686 students for the current 2010-11 school year, with enrollment projected to be slightly less at 5,677 for the coming 2011-12 school year.
- In addition to tracking enrollment, the District also watches actual Average Daily Attendance (ADA). The ADA is typically lower than a District's enrollment, although the two terms are often (though incorrectly) used interchangeably. The anticipated 2011-12 ADA for the District is 5,431. The ratio of actual attendance to enrollment summarizes the District's changes and efforts to increase attendance. Figure 1 summarizes a historical analysis of the District's enrollment to actual positive attendance ratios.

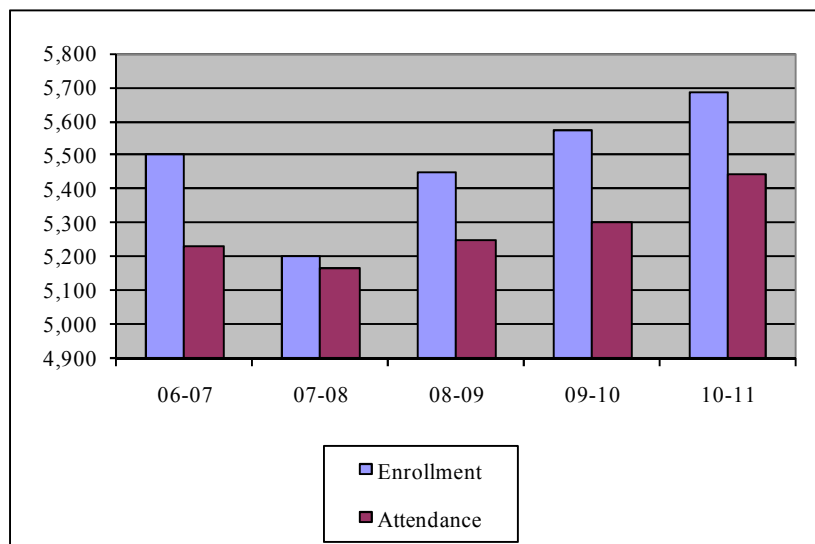


Figure 1. District Enrollment to Actual Attendance Data



# HANFORD ELEMENTARY SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**JUNE 30, 2011**

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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 2010-11 the School District revenue Limit amount is approximately \$5,001), 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 statute, while many other funds are established by the District to help manage money for particular purposes and compliance with various provisions. The District's three types of funds, governmental, proprietary, and fiduciary use different accounting approaches as further described in the notes to the financial statements.

- GOVERNMENTAL FUNDS

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting. Governmental fund statements provide a detailed short-term view of the District's general governmental operations and the basic services it provides. Governmental fund information helps you determine whether there are more or less financial resources available to spend in the near future to finance the District's program. The Relationship (or differences) between governmental activities (reported in the Statement of Net 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, 2011**

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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 2010-11 and 2009-10, respectively.

# HANFORD ELEMENTARY SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2011

Table 1. Net Assets

(Amounts in millions)	Governmental Activities		Difference over/(under)
	2011	2010	
Current and other assets	\$ 17.9	\$ 15.1	\$ 2.8
Capital assets	33.3	34.0	(0.7)
<b>Total Assets</b>	<b>51.2</b>	<b>49.1</b>	<b>2.1</b>
Current liabilities	6.1	5.6	0.5
Long-term obligations	10.6	10.8	(0.2)
<b>Total Liabilities</b>	<b>16.7</b>	<b>16.4</b>	<b>0.3</b>
Net assets			
Invested in capital assets, net of related debt	24.1	24.3	(0.2)
Restricted	5.2	5.5	(0.3)
Unrestricted	5.2	2.9	2.3
<b>Total Net Assets</b>	<b>\$ 34.5</b>	<b>\$ 32.7</b>	<b>\$ 1.8</b>

Table 2 shows the changes in net assets for fiscal years 2010-11 and 2009-10, respectively.

Table 2. Changes in Net Assets

(Amounts in millions)	Governmental Activities		Difference over/(under)
	2011	2010	
<b>Revenues</b>			
Program revenues:			
Charges for services	\$ 0.3	\$ 0.3	\$ -
Operating grants and contributions	11.4	10.5	0.9
General revenues:			
Federal and State aid not restricted	32.0	30.3	1.7
Property taxes	3.1	2.8	0.3
Other general revenues	2.9	3.0	(0.1)
<b>Total Revenues</b>	<b>49.7</b>	<b>46.9</b>	<b>2.8</b>
<b>Expenses</b>			
Instruction related	32.5	31.7	0.8
Student support services	4.8	5.1	(0.3)
Administration	3.0	3.4	(0.4)
Maintenance and operations	5.8	5.6	0.2
Other	1.8	1.9	(0.1)
<b>Total Expenses</b>	<b>47.9</b>	<b>47.7</b>	<b>0.2</b>
<b>Change in Net Assets</b>	<b>\$ 1.8</b>	<b>\$ (0.8)</b>	<b>\$ 2.6</b>

# HANFORD ELEMENTARY SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2011

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### GOVERNMENTAL FUNDS

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

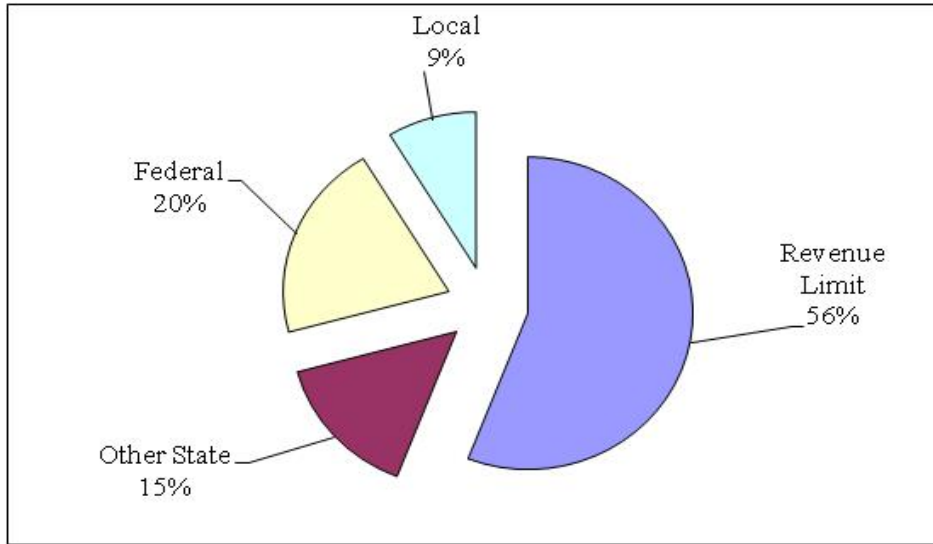


Figure 2. Revenues by Source

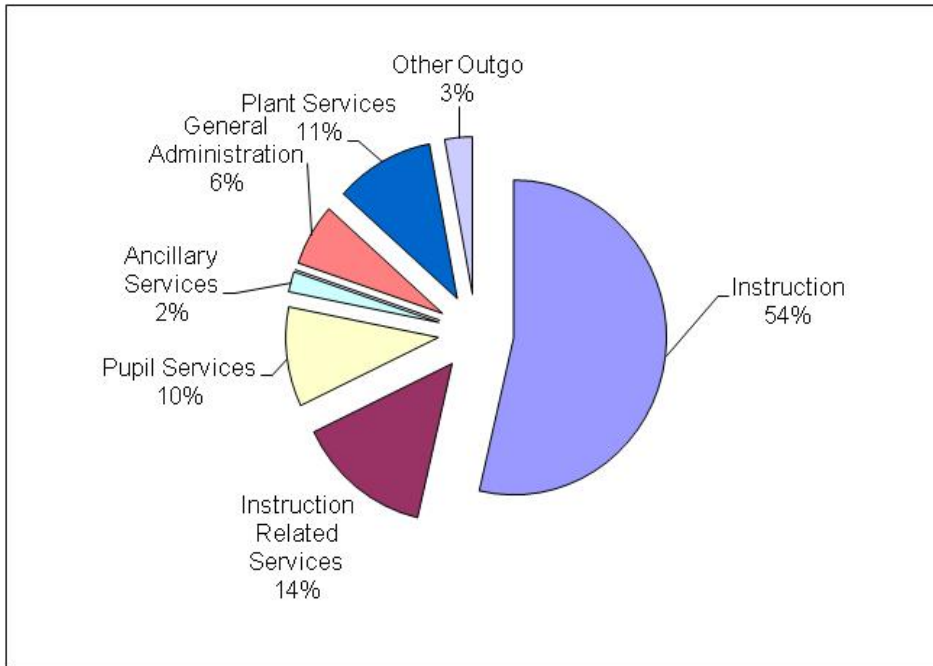


Figure 3. Expenditures by Function

# HANFORD ELEMENTARY SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2011

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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 adopted budget and the final budget was an increase of \$2.2 million and may be summarized as follows:

- \$5.7 million increase in total revenue
- \$3.5 million increase in total expenditures

# HANFORD ELEMENTARY SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2011

### CAPITAL ASSETS AND DEBT ADMINISTRATION

- CAPITAL ASSETS

At June 30, 2010, the District had \$34.0 million in a broad range of capital assets, including land, buildings, and furniture and equipment, net of accumulated depreciation. At June 30, 2011, the District's net capital assets were \$33.3 million. This amount represents a net decrease (including additions and deductions) of \$0.7 million, or 2.1 percent, from last year. Table 3 shows the balances for fiscal years 2010-11 and 2009-10.

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

(Amounts in millions)	Governmental Activities		Difference over/(under)
	2011	2010	
Land	\$ 2.1	\$ 2.1	\$ -
Buildings and improvements	30.0	30.9	(0.9)
Equipment	1.0	0.9	0.1
Construction in Progress	0.2	0.1	0.1
<b>Total</b>	<b>\$ 33.3</b>	<b>\$ 34.0</b>	<b>\$ (0.7)</b>

- DEBT

At the end of this year, the District had \$10.6 million in long-term liabilities outstanding versus \$10.8 million last year, a decrease of 2.0 percent. Table 4 summarizes these debts.

Table 4. Outstanding Debt

(Amounts in millions)	Governmental Activities		Difference over/(under)
	2011	2010	
General obligation bonds	\$ 9.0	\$ 9.4	\$ (0.4)
Compensated absences	0.3	0.3	-
Compensated absences	0.2	0.3	(0.1)
Other postemployment benefits	1.1	0.8	0.3
<b>Total</b>	<b>\$ 10.6</b>	<b>\$ 10.8</b>	<b>\$ (0.2)</b>

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

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

# **HANFORD ELEMENTARY SCHOOL DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2011**

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### **FOR THE FUTURE**

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

### **CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT**

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

# HANFORD ELEMENTARY SCHOOL DISTRICT

## STATEMENT OF NET ASSETS JUNE 30, 2011

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	<b>Governmental Activities</b>
<b>ASSETS</b>	
Deposits and investments	\$ 6,040,231
Receivables	11,414,606
Deferred charges	298,980
Stores inventories	166,559
Nondepreciable capital assets	2,225,902
Capital assets being depreciated	50,278,451
Accumulated depreciation	(19,169,602)
<b>Total Assets</b>	<u>51,255,127</u>
<b>LIABILITIES</b>	
Accounts payable	2,484,774
Deferred revenue	927,390
Current loans	2,710,000
Current portion of long-term obligations	954,413
Noncurrent portion of long-term obligations	9,624,693
<b>Total Liabilities</b>	<u>16,701,270</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	24,151,469
Restricted for:	
Debt service	1,100,078
Capital projects	341,542
Educational programs	1,728,408
Other activities	1,986,756
Unrestricted	5,245,604
<b>Total Net Assets</b>	<u>\$ 34,553,857</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, 2011**

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>	
		<b>Charges for Services and Sales</b>	<b>Operating Grants and Contributions</b>
<b>Governmental Activities:</b>			
Instruction	\$ 25,693,391	\$ -	\$ 4,084,145
Instruction-related activities:			
Supervision of instruction	2,066,117	-	1,563,940
Instructional library, media, and technology	332,661	-	55,800
School site administration	4,417,613	-	170,545
Pupil services:			
Home-to-school transportation	845,693	-	559,150
Food services	2,394,205	316,507	2,373,118
All other pupil services	1,573,878	-	267,477
Administration:			
Data processing	516,060	-	133,288
All other administration	2,509,812	13,870	998,619
Plant services	5,747,680	-	15,359
Ancillary services	999,652	-	885,605
Interest on long-term obligations	444,150	-	-
Other outgo	360,702	-	337,428
<b>Total Governmental Activities</b>	<b>\$ 47,901,614</b>	<b>\$ 330,377</b>	<b>\$ 11,444,474</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**

\$	(21,609,246)
	(502,177)
	(276,861)
	(4,247,068)
	(286,543)
	295,420
	(1,306,401)
	(382,772)
	(1,497,323)
	(5,732,321)
	(114,047)
	(444,150)
	(23,274)
	<u>(36,126,763)</u>
	1,754,628
	1,340,065
	15,281
	31,992,738
	171,800
	2,656,892
	<u>37,931,404</u>
	1,804,641
	32,749,216
\$	<u><u>34,553,857</u></u>

**HANFORD ELEMENTARY SCHOOL DISTRICT**

**GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2011**

	<b>General Fund</b>	<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>			
Deposits and investments	\$ 2,741,474	\$ 2,937,340	\$ 5,678,814
Receivables	10,888,039	526,491	11,414,530
Stores inventories	122,118	44,441	166,559
<b>Total Assets</b>	<u>\$ 13,751,631</u>	<u>\$ 3,508,272</u>	<u>\$ 17,259,903</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 2,253,983	\$ 79,896	\$ 2,333,879
Current loans	2,710,000	-	2,710,000
Deferred revenue	927,390	-	927,390
<b>Total Liabilities</b>	<u>5,891,373</u>	<u>79,896</u>	<u>5,971,269</u>
<b>Fund Balances:</b>			
Nonspendable	127,168	44,851	172,019
Restricted	1,728,408	3,076,984	4,805,392
Committed	-	298,065	298,065
Assigned	700,000	8,476	708,476
Unassigned	5,304,682	-	5,304,682
<b>Total Fund Balances</b>	<u>7,860,258</u>	<u>3,428,376</u>	<u>11,288,634</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 13,751,631</u>	<u>\$ 3,508,272</u>	<u>\$ 17,259,903</u>

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

**HANFORD ELEMENTARY SCHOOL DISTRICT**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2011**

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<b>Total Fund Balance - Governmental Funds</b>		<b>\$ 11,288,634</b>
<b>Amounts Reported for Governmental Activities in the Statement of Net Assets are Different Because:</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	\$ 52,504,353	
Accumulated depreciation is	<u>(19,169,602)</u>	
Net Capital Assets		33,334,751
Expenditures relating to issuance of debt were recognized on modified accrual basis, but are not recognized on the accrual basis.		298,980
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.		210,598
Long-term obligations, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Long-term obligations at year-end consist of:		
Bonds payable	8,990,970	
Compensated absences	266,063	
Capital leases payable	192,312	
Other postemployment benefits	<u>1,129,761</u>	
Total Long-Term Obligations		<u>(10,579,106)</u>
<b>Total Net Assets - Governmental Activities</b>		<b><u><u>\$ 34,553,857</u></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 BALANCES FOR THE YEAR ENDED JUNE 30, 2011

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>REVENUES</b>			
Revenue limit sources	\$ 27,774,717	\$ -	\$ 27,774,717
Federal sources	5,160,594	2,257,277	7,417,871
Other State sources	9,952,417	221,693	10,174,110
Other local sources	2,447,914	1,875,499	4,323,413
<b>Total Revenues</b>	<b>45,335,642</b>	<b>4,354,469</b>	<b>49,690,111</b>
<b>EXPENDITURES</b>			
Current			
Instruction	25,470,219	-	25,470,219
Instruction-related activities:			
Supervision of instruction	2,054,201	-	2,054,201
Instructional library, media and technology	331,240	-	331,240
School site administration	4,385,636	-	4,385,636
Pupil services:			
Home-to-school transportation	928,283	-	928,283
Food services	-	2,377,982	2,377,982
All other pupil services	1,556,635	-	1,556,635
Administration:			
Data processing	512,640	-	512,640
All other administration	2,420,027	104,210	2,524,237
Plant services	4,439,090	371,469	4,810,559
Facility acquisition and construction	21,832	144,491	166,323
Ancillary services	989,532	-	989,532
Other outgo	360,702	-	360,702
Debt service			
Principal	-	6,462,245	6,462,245
Interest and other	111,064	398,908	509,972
<b>Total Expenditures</b>	<b>43,581,101</b>	<b>9,859,305</b>	<b>53,440,406</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>1,754,541</b>	<b>(5,504,836)</b>	<b>(3,750,295)</b>
<b>Other Financing Sources (Uses)</b>			
Transfers in	-	191,218	191,218
Other sources	-	5,950,148	5,950,148
Transfers out	(191,218)	-	(191,218)
<b>Net Financing Sources (Uses)</b>	<b>(191,218)</b>	<b>6,141,366</b>	<b>5,950,148</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>1,563,323</b>	<b>636,530</b>	<b>2,199,853</b>
<b>Fund Balance - Beginning as Restated</b>	<b>6,296,935</b>	<b>2,791,846</b>	<b>9,088,781</b>
<b>Fund Balance - Ending</b>	<b>\$ 7,860,258</b>	<b>\$ 3,428,376</b>	<b>\$ 11,288,634</b>

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

**HANFORD ELEMENTARY SCHOOL DISTRICT**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2011**

---

**Total Net Change in Fund Balances - Governmental Funds** **\$ 2,199,853**  
**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	\$ 527,927	
Depreciation expense	<u>(1,237,573)</u>	(709,646)

Loss on disposal of capital assets is reported in the government-wide Statement of Net Assets, but is not recorded in the governmental funds. (2,410)

In the Statement of Activities, certain operating expenses - compensated absences (vacations) and special termination benefits (early retirement) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, there are no special termination benefits. Vacation used was more than the amounts earned by \$58,940. 58,940

Proceeds received from issuance of debt is a revenue in the governmental funds, but it increases long-term liabilities in the Statement of Net Assets and does not affect the Statement of Activities:  
 Refunding general obligation bonds (5,740,000)

Governmental funds report the effect of premiums, discounts, issuance costs, and the deferred amount on a refunding when the debt is first issued, whereas the amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these related items:  

Premium on issuance	(210,148)	
Cost of issuance	<u>143,677</u>	(66,471)
Combined adjustment		

Repayment of debt principal is an expenditure in the governmental funds, but it reduces long-term obligations in the statement of net assets and does not affect the statement of activities:  
 General obligation bonds 6,371,244  
 Capital lease obligations 91,001

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

**HANFORD ELEMENTARY SCHOOL DISTRICT**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES, Continued FOR THE YEAR ENDED JUNE 30, 2011**

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

Amortization of debt premium	\$ 16,144	
Amortization of cost of issuance	<u>(77,855)</u>	
Combined adjustment		\$ (61,711)

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:

(370,193)

An internal service fund is used by the District's management to charge the costs of the unemployment compensation insurance program to the individual funds. The net income of the internal service fund is reported with governmental activities.

34,034

**Change in Net Assets of Governmental Activities**

\$ 1,804,641

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, 2011

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	<b>Governmental Activities - Internal Service Fund</b>
<b>ASSETS</b>	
Current Assets	
Deposits and investments	\$ 361,417
Receivables	76
Total Assets	<u>361,493</u>
<b>LIABILITIES</b>	
Current Liabilities	
Accounts payable	150,895
Total Current Liabilities	<u>150,895</u>
<b>NET ASSETS</b>	
Unrestricted	210,598
Total Net Assets	<u>\$ 210,598</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, 2011

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	<b>Governmental Activities - Internal Service Fund</b>
	<u>                    </u>
<b>OPERATING REVENUES</b>	
Charges to other funds and miscellaneous revenues	\$ 547,625
Total Operating Revenues	<u>547,625</u>
<b>OPERATING EXPENSES</b>	
Professional and contract services	517,682
Total Operating Expenses	<u>517,682</u>
Operating Income	<u>29,943</u>
<b>NONOPERATING REVENUES</b>	
Interest income	4,091
Total Nonoperating Revenues	<u>4,091</u>
<b>Change in Net Assets</b>	34,034
<b>Total Net Assets - Beginning</b>	176,564
<b>Total Net Assets - Ending</b>	<u>\$ 210,598</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, 2011**

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	<b>Governmental Activities - Internal Service Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash receipts from premiums	\$ 550,928
Cash payments for insurance claims	(522,178)
Net Cash Provided by Operating Activities	<u>28,750</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest on investments	4,091
Net Cash Provided by Investing Activities	<u>4,091</u>
Net Increase in Cash and Cash Equivalents	32,841
Cash and Cash Equivalents - Beginning	328,576
Cash and Cash Equivalents - Ending	<u><u>\$ 361,417</u></u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>	
Operating income	\$ 29,943
Changes in assets and liabilities:	
Receivables	3,303
Accounts payable	(4,496)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u><u>\$ 28,750</u></u>

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

# HANFORD ELEMENTARY SCHOOL DISTRICT

## FIDUCIARY FUNDS STATEMENT OF NET ASSETS JUNE 30, 2011

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	<u>Agency Funds</u>
<b>ASSETS</b>	
Deposits and investments	\$ 13,433
<b>Total Assets</b>	<u>\$ 13,433</u>
 <b>LIABILITIES</b>	
Due to student groups	\$ 13,433
<b>Total Liabilities</b>	<u>\$ 13,433</u>

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

# HANFORD ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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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 eight elementary schools, two junior high schools, and one community day school.

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

#### Basis of Presentation - Fund Accounting

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

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

#### Major Governmental Funds

**General Fund** The General Fund is the chief operating fund for all districts. It is used to account for and report all financial resources not accounted for and reported in another fund.

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

As a result, the General Fund reflects an increase in assets, fund balance, and revenues of \$276,285, \$276,285, and \$2,909, respectively.

# HANFORD ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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### Non-Major Governmental Funds

**Special Revenue Funds** The Special Revenue funds are established to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for the specific purpose (other than debt service or capital projects) of the individual funds.

**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).

**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, except for State apportionments which, as a result of Senate Bill 4 of the 2009-10 Third Extraordinary Session (SBX3 4), may be used for any educational purpose.

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

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

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

**Debt Service Funds** The Debt Service funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditures for 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.

# HANFORD ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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**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).

### **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. The major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund statements.

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

# HANFORD ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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**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.

**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 60 days. However to achieve comparability of reporting among California LEAs and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to state-aid apportionments, the California Department of Education has defined available for LEAs as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

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

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

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

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

# HANFORD ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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### **Cash and Cash Equivalents**

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

### **Investments**

Investments held at June 30, 2011, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county pools are determined by the program sponsor.

### **Stores Inventories**

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

### **Capital Assets and Depreciation**

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

When purchased, such assets are recorded as expenditures in the governmental funds and capitalized in the government-wide statement of net 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.

### **Compensated Absences**

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



# HANFORD ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2011**

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

### **Accrued Liabilities and Long-Term Obligations**

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

### **Deferred Charges**

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.

### **Current Loans**

Current loans consist of amounts outstanding at June 30, 2011, for Tax Revenue and Anticipation Notes. The notes were issued as short-term obligations to provide cash flow needs. This liability is offset with cash deposits in the County Treasurer, which have been set aside to repay the notes.

### **Fund Balances - Governmental Funds**

As of June 30, 2011, fund balances of the governmental funds are classified as follows:

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

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

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

# HANFORD ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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

**Unassigned** - all other spendable amounts.

### Spending Order Policy

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

### Minimum Fund Balance Policy

In fiscal year 2010-11, the governing board adopted a minimum fund balance policy for the General Fund in order to protect the district against revenue shortfalls or unpredicted on-time expenditures. The policy requires a Reserve for Economic Uncertainties consisting of unassigned amounts equal to no less than three percent of General Fund expenditures and other financing uses.

### Net 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 \$5,156,784 of restricted net assets.

### Operating Revenues and Expenses

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

### Interfund Activity

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

# HANFORD ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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### Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

### Budgetary Data

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

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

### Property Tax

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

### Changes in Accounting Principles

In 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 initial distinction that is made in reporting fund balance information is identifying amounts that are considered *nonspendable*, such as fund balance associated with inventories. This Statement also provides for additional classification as restricted, committed, assigned, and unassigned based on the relative strength of the constraints that control how specific amounts can be spent.

# HANFORD ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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The *restricted* fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. The *committed* fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. Amounts in the *assigned* fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. *Unassigned* fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classification should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned. Governments are required to disclose information about the processes through which constraints are imposed on amounts in the committed and assigned classifications.

Governments also are required to classify and report amounts in the appropriate fund balance classifications by applying their accounting policies that determine whether restricted, committed, assigned, and unassigned amounts are considered to have been spent. Disclosure of the policies in the notes to the financial statements is required.

The definitions of the general fund, special revenue fund type, capital projects fund type, debt service fund type, and permanent fund type are clarified by the provisions in this Statement. Interpretations of certain terms within the definition of the special revenue fund type have been provided and, for some governments, those interpretations may affect the activities they choose to report in those funds. The capital projects fund type definition also was clarified for better alignment with the needs of preparers and users. Definitions of other governmental fund types also have been modified for clarity and consistency.

The District has implemented the provisions of this statement for the year ended June 30, 2011.

### **New Accounting Pronouncements**

In November 2010, the GASB issued GASB Statement No. 61, *The Financial Reporting Entity: Omnibus-an amendment of GASB Statements No. 14 and No. 34*. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. The requirements of GASB Statement No. 14, *The Financial Reporting Entity*, and the related financial reporting requirements of GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements.

This Statement modifies certain requirements for inclusion of component units in the financial reporting entity. For organizations that previously were required to be included as component units by meeting the fiscal dependency criterion, a financial benefit or burden relationship also would need to be present between the primary government and that organization for it to be included in the reporting entity as a component unit. Further, for organizations that do not meet the financial accountability criteria for inclusion as component units but that, nevertheless, should be included because the primary government's management determines that it would be misleading to exclude them, this Statement clarifies the manner in which that determination should be made and the types of relationships that generally should be considered in making the determination.

# HANFORD ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2011**

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This Statement also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. For component units that currently are blended based on the "substantively the same governing body" criterion, it additionally requires that (1) the primary government and the component unit have a financial benefit or burden relationship or (2) management (below the level of the elected officials) of the primary government have operational responsibility (as defined in paragraph 8a) for the activities of the component unit. New criteria also are added to require blending of component units whose total debt outstanding is expected to be repaid entirely or almost entirely with resources of the primary government. The blending provisions are amended to clarify that funds of a blended component unit have the same financial reporting requirements as a fund of the primary government. Lastly, additional reporting guidance is provided for blending a component unit if the primary government is a business-type activity that uses a single column presentation for financial reporting.

This Statement also clarifies the reporting of equity interests in legally separate organizations. It requires a primary government to report its equity interest in a component unit as an asset. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2012. Early implementation is encouraged.

### NOTE 2 - DEPOSITS AND INVESTMENTS

#### Summary of Deposits and Investments

Deposits and investments as of June 30, 2011, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 6,040,231
Fiduciary funds	13,433
Total Deposits and Investments	<u>\$ 6,053,664</u>

Deposits and investments as of June 30, 2011, consist of the following:

Cash on hand and in banks	\$ 13,433
Cash with fiscal agent	12,000
Cash in revolving	5,460
Investments	6,022,771
Total Deposits and Investments	<u>\$ 6,053,664</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.

# HANFORD ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2011**

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**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.

### General Authorizations

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

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

### Interest Rate Risk

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

# HANFORD ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2011**

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### 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	\$ 6,022,771	\$ 6,022,771	\$ -	\$ -	\$ -

### 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	\$ 6,022,771	N/A	\$ -	\$ -	\$ 6,022,771

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. There were no investments in any one issuer that represent five percent or more of the total investments.

### 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, 2011, none of the District's bank balance was exposed to custodial credit risk.

# HANFORD ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2011**

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### NOTE 3 - RECEIVABLES

Receivables at June 30, 2011, 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	\$ 785,162	\$ 302,367	\$ 1,087,529	\$ -	\$ 1,087,529
State Government					
Apportionment	8,035,442	-	8,035,442	-	8,035,442
Categorical aid	1,631,883	26,140	1,658,023	-	1,658,023
Lottery	368,139	-	368,139	-	368,139
Other state	33,656	-	33,656	-	33,656
Local Sources	33,757	197,984	231,741	76	231,817
Total	<u>\$ 10,888,039</u>	<u>\$ 526,491</u>	<u>\$ 11,414,530</u>	<u>\$ 76</u>	<u>\$ 11,414,606</u>



**HANFORD ELEMENTARY SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2011**

**NOTE 4 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	\$ 2,052,315	\$ -	\$ -	\$ 2,052,315
Construction in process	105,392	68,195	-	173,587
Total Capital Assets Not Being Depreciated	<u>2,157,707</u>	<u>68,195</u>	<u>-</u>	<u>2,225,902</u>
Capital Assets Being Depreciated				
Land improvements	5,328,069	38,980	-	5,367,049
Buildings and improvements	40,968,638	59,148	-	41,027,786
Furniture and equipment	3,635,777	361,604	113,765	3,883,616
Total Capital Assets Being Depreciated	<u>49,932,484</u>	<u>459,732</u>	<u>113,765</u>	<u>50,278,451</u>
Less Accumulated Depreciation				
Land improvements	3,844,364	173,400	-	4,017,764
Buildings and improvements	11,461,189	854,067	-	12,315,256
Furniture and equipment	2,737,831	210,106	111,355	2,836,582
Total Accumulated Depreciation	<u>18,043,384</u>	<u>1,237,573</u>	<u>111,355</u>	<u>19,169,602</u>
Governmental Activities Capital Assets, Net	<u>\$ 34,046,807</u>	<u>\$ (709,646)</u>	<u>\$ 2,410</u>	<u>\$ 33,334,751</u>

Depreciation expense was charged to the following functions as follows:

Governmental Activities	
Instruction	\$ 52,682
Supervision of instruction	2,661
School site administration	4,749
Home-to-school transportation	76,856
Food services	38,483
Ancillary services	6,801
All other general administration	31,358
Plant services	1,023,983
Total Depreciation Expenses Governmental Activities	<u>\$ 1,237,573</u>

**HANFORD ELEMENTARY SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2011**

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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. There were no interfund receivable and payable balances at June 30, 2011.

**Operating Transfers**

Interfund transfers for the year ended June 30, 2011, consisted of the following:

The General Fund transferred to the Deferred Maintenance Fund for future maintenance projects. \$ 191,218

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.

**NOTE 6 - ACCOUNTS PAYABLE**

Accounts payable at June 30, 2011, consisted of the following:

	General Fund	Non-Major Governmental Funds	Governmental Activities Subtotal	Internal Service Fund	Total Governmental Activities
Vendor payables	\$ 861,799	\$ 64,310	\$ 926,109	\$ 150,035	\$ 1,076,144
Salaries and benefits	35,210	-	35,210	860	36,070
Deferred payroll	1,338,970	-	1,338,970	-	1,338,970
State apportionment	18,004	77	18,081	-	18,081
Other State payable	-	15,509	15,509	-	15,509
Total	<u>\$ 2,253,983</u>	<u>\$ 79,896</u>	<u>\$ 2,333,879</u>	<u>\$ 150,895</u>	<u>\$ 2,484,774</u>

**HANFORD ELEMENTARY SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2011**

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**NOTE 7 - DEFERRED REVENUE**

Deferred revenue at June 30, 2011, consists of the following:

	General Fund
Federal financial assistance	<u>\$ 927,390</u>

**NOTE 8 - TAX AND REVENUE ANTICIPATION NOTES (TRANS)**

At July 1, 2010, the District had outstanding Tax and Revenue Anticipation Notes in the amount of \$2,710,000, which matured on December 30, 2010. On July 1, 2010, the District issued \$2,290,000 Tax and Revenue Anticipation Notes bearing interest at 2.0 percent. The notes were issued to supplement cash flows. Interest and principal were due and payable on March 1, 2011. On April 14, 2011, the District issued \$2,710,000 Tax and Revenue Anticipation Notes bearing interest at 2.5 percent. The notes were issued to supplement cash flows. Interest and principal were due and payable on January 31, 2012. Repayment requirements are that 100 percent of principal and interest be set aside within the County Treasury and held in a restricted account by September 30, 2011. The District has recorded the cash available to make the principal and interest payments as Cash in County Treasury and with the corresponding liability as a current loan.

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

Issue Date	Rate	Maturity Date	Outstanding July 1, 2010	Additions	Payments	Outstanding June 30, 2011
April 27, 2010	2.50%	December 30, 2010	\$ 2,710,000	\$ -	\$ 2,710,000	\$ -
July 1, 2010	2.00%	March 1, 2011	2,290,000	-	2,290,000	-
April 14, 2011	2.50%	January 31, 2012	-	2,710,000	-	2,710,000
Total			<u>\$ 5,000,000</u>	<u>\$ 2,710,000</u>	<u>\$ 5,000,000</u>	<u>\$ 2,710,000</u>

# HANFORD ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2011**

### NOTE 9 - LONG-TERM OBLIGATIONS

#### Summary

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

	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011	Due in One Year
General obligation bonds-					
1993 Issuance	\$ 894,150	\$ -	\$ 111,244	\$ 782,906	\$ 113,873
1998 Issuance	5,945,000	-	5,945,000	-	-
2003 Issuance	2,580,000	-	315,000	2,265,000	305,000
2010 issuance	-	5,740,000	-	5,740,000	425,000
Unamortized bond premium-					
2003 Issuance	9,060	-	1,133	7,927	1,133
2010 Issuance	-	210,148	15,011	195,137	15,011
Compensated absences - net	325,003	-	58,940	266,063	-
Capital leases	283,313	-	91,001	192,312	94,396
Other postemployment benefits	759,568	815,448	445,255	1,129,761	-
Total	<u>\$ 10,796,094</u>	<u>\$ 6,765,596</u>	<u>\$ 6,982,584</u>	<u>\$ 10,579,106</u>	<u>\$ 954,413</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.

#### Bonded Debt

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate %	Original Issue	Bonds		Bonds	
				Outstanding July 1, 2010	Issued	Redeemed	Outstanding June 30, 2011
1993 <sup>1</sup>	2002-17	5.15-5.8	<u>\$ 1,750,000</u>	<u>\$ 894,150</u>	<u>\$ -</u>	<u>\$ 111,244</u>	<u>\$ 782,906</u>
1998	2001-24	4.4-5.0	<u>\$ 7,350,000</u>	<u>\$ 5,945,000</u>	<u>\$ -</u>	<u>\$ 5,945,000</u>	<u>\$ -</u>
2003	2005-18	2.0-3.5	<u>\$ 4,775,000</u>	<u>\$ 2,580,000</u>	<u>\$ -</u>	<u>\$ 315,000</u>	<u>\$ 2,265,000</u>
2010	2012-24	2.0-5.0	<u>\$ 5,740,000</u>	<u>\$ -</u>	<u>\$ 5,740,000</u>	<u>\$ -</u>	<u>\$ 5,740,000</u>

<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.

# HANFORD ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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### 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, 2011, are as follows:

<u>Fiscal Year</u>	<u>Accreted Value</u>	<u>Unaccreted Interest</u>	<u>Maturity Value</u>
2012	\$ 113,873	\$ 211,127	\$ 325,000
2013	124,150	250,850	375,000
2014	131,631	293,369	425,000
2015	131,629	318,371	450,000
2016	138,127	361,873	500,000
2017	143,496	406,504	550,000
Total	<u>\$ 782,906</u>	<u>\$ 1,842,094</u>	<u>\$ 2,625,000</u>

#### 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 were 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 1998 General Obligation Bonds were refunded on March 1, 2011, with proceeds from the District's 2010 General Obligation Refunding Bonds.

# HANFORD ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2011**

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### 2003 General Obligation Bonds

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

The bonds mature through 2018 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2012	\$ 305,000	\$ 67,948	\$ 372,948
2013	300,000	59,178	359,178
2014	315,000	49,874	364,874
2015	325,000	39,870	364,870
2016	340,000	29,060	369,060
2017-2018	680,000	23,271	703,271
Total	<u>\$ 2,265,000</u>	<u>\$ 269,201</u>	<u>\$ 2,534,201</u>

The bonds were sold at a premium of \$16,991 which is being amortized over the life of the bonds at \$1,133 per year. The unamortized premium as of June 30, 2011, amounted to \$7,927.

### 2010 General Obligation Bonds

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

The bonds mature through 2024 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2012	\$ 425,000	\$ 236,213	\$ 661,213
2013	350,000	224,963	574,963
2014	365,000	210,663	575,663
2015	380,000	195,763	575,763
2016	395,000	180,263	575,263
2017-2021	2,230,000	639,781	2,869,781
2022-2024	1,595,000	122,125	1,717,125
Total	<u>\$ 5,740,000</u>	<u>\$ 1,809,769</u>	<u>\$ 7,549,769</u>

The bonds were sold at a premium of \$210,148 which is being amortized over the life of the bonds at \$15,011 per year. The unamortized premium as of June 30, 2011, amounted to \$195,137.

# HANFORD ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2011**

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### Compensated Absences

The long-term portion of compensated absences for the District at June 30, 2011, amounted to \$266,063.

### Capital Leases

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

	Administration and Library
Balance, July 1, 2010	\$ 283,313
Payments	91,001
Balance, June 30, 2011	<u>\$ 192,312</u>

The capital leases have minimum lease payments as follows:

Year Ending June 30,	Lease Payment
2012	\$ 101,569
2013	101,569
Total	203,138
Less: Amount Representing Interest	10,826
Present Value of Minimum Lease Payments	<u>\$ 192,312</u>

### Other Postemployment Benefits (OPEB) Obligation

The District's annual required contribution for the year ended June 30, 2011, was \$826,881, and contributions made by the District during the year were \$445,255. Interest on the net OPEB obligation and adjustments to the annual required contribution were \$37,978 and \$(49,411), respectively, which resulted in an increase to the net OPEB obligation of \$370,193. As of June 30, 2011, the net OPEB obligation was \$1,129,761. See Note 12 for additional information regarding the OPEB obligation and the postemployment benefits plan.

**HANFORD ELEMENTARY SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011**

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**NOTE 10 - FUND BALANCES**

Fund balances are composed of the following elements:

	General Fund	Non-Major Governmental Funds	Total
Nonspendable			
Revolving cash	\$ 5,050	\$ 410	\$ 5,460
Stores inventories	122,118	44,441	166,559
Total Nonspendable	<u>127,168</u>	<u>44,851</u>	<u>172,019</u>
Restricted			
Legally restricted programs	1,728,408	-	1,728,408
Capital projects	-	333,066	333,066
Debt services	-	1,100,078	1,100,078
Food service	-	1,643,840	1,643,840
Total Restricted	<u>1,728,408</u>	<u>3,076,984</u>	<u>4,805,392</u>
Committed			
Deferred maintenance program	-	298,065	298,065
Total Committed	<u>-</u>	<u>298,065</u>	<u>298,065</u>
Assigned			
Facilities projects	700,000	8,476	708,476
Total Assigned	<u>700,000</u>	<u>8,476</u>	<u>708,476</u>
Unassigned			
Reserve for economic uncertainties	2,473,500	-	2,473,500
Remaining unassigned	2,831,182	-	2,831,182
Total Unassigned	<u>5,304,682</u>	<u>-</u>	<u>5,304,682</u>
Total	<u>\$ 7,860,258</u>	<u>\$ 3,428,376</u>	<u>\$ 11,288,634</u>

**NOTE 11 - EXPENDITURES (BUDGET VERSUS ACTUAL)**

At June 30, 2011, there were no District major funds that exceeded the budgeted amounts.



# HANFORD ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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

#### Plan Description

The Postemployment Benefits Plan (the "Plan") is a single-employer defined benefit healthcare plan administered by the Hanford Elementary School District. The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Membership of the Plan consists of 56 retirees and beneficiaries currently receiving benefits and 445 active plan members.

#### Contribution Information

The contribution requirements of plan members and the District are established and may be amended by the District and the Hanford Elementary Teachers Association (HETA), the local California Service Employees Association (CSEA), and unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2010-11, the District contributed \$445,255 to the plan, all of which was used for current premiums (approximately 70 percent of total premiums). Plan members receiving benefits contributed \$190,197, or approximately 30 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	\$ 826,881
Interest on net OPEB obligation	37,978
Adjustment to annual required contribution	<u>(49,411)</u>
Annual OPEB cost (expense)	815,448
Contributions made	<u>(445,255)</u>
Increase in net OPEB obligation	370,193
Net OPEB obligation, beginning of year	<u>759,568</u>
Net OPEB obligation, end of year	<u><u>\$ 1,129,761</u></u>

# HANFORD ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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### Trend Information

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

<u>Year Ended June 30,</u>	<u>Annual OPEB Cost</u>	<u>Actual Contribution</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation</u>
2011	\$ 815,448	\$ 445,255	54.60%	\$ 1,129,761
2010	\$ 494,639	\$ 826,881	59.82%	\$ 759,568
2009	\$ 414,954	\$ 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 trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

### Actuarial Methods and Assumptions

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

In the July 1, 2009, actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a 5.0 percent investment rate of return (net of administrative expenses), based on the plan being funded in an irrevocable employee benefit trust invested in a combined equity and fixed income portfolio. Healthcare cost trend rates ranged from an initial 7.0 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, 2011, was 28 years.

# HANFORD ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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### NOTE 13 - RISK MANAGEMENT

#### **Property and Liability**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2011, the District contracted with Northern California Regional Excess Liability Fund for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

#### **Workers' Compensation**

For fiscal year 2011, the District participated in the Kings County Self-Insured Schools (KCSIC), an insurance purchasing pool. The intent of KCSIC is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in KCSIC. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in KCSIC. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage. A participant will then either receive money from or be required to contribute to the "equity-pooling fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of KCSIC. Participation in KCSIC is limited to districts that can meet KCSIC's selection criteria.

#### **Employee Medical and Vision Benefits**

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

# HANFORD ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2011**

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### Employee Dental Benefits Claims Liabilities

The District records an estimated liability for dental claims paid out of the Self-Insurance Fund of the District. Claims liabilities are based on estimates of the ultimate cost of reported claims (including future claim adjustment expenses) and an estimate for claims incurred, but not reported based on historical experience. The following represent the changes in approximate aggregate liabilities for the District from June 30, 2009 to June 30, 2011 (in thousands):

	<u>Dental Care</u>
Liability Balance, June 30, 2009	\$ 136,702
Claims and changes in estimates	13,055
Liability Balance, June 30, 2010	<u>149,757</u>
Claims and changes in estimates	1,138
Liability Balance, June 30, 2011	<u>\$ 150,895</u>
Assets available to pay claims at June 30, 2011	<u><u>\$ 361,493</u></u>

### NOTE 14 - EMPLOYEE RETIREMENT SYSTEMS

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

#### CalSTRS

##### Plan Description

The District contributes to the CalSTRS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 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 2010-11 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, 2011, 2010, and 2009, were \$1,656,601, \$1,670,086, and \$1,661,703, respectively, and equal 100 percent of the required contributions for each year.

# HANFORD ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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### 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 2010-11 was 10.707 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, 2011, 2010, and 2009, were \$799,687, \$777,789, and \$768,951, respectively, and equal 100 percent of the required contributions for each year.

#### Social Security

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

#### On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$856,813 (4.267 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 or actual amounts reported in the *General Fund - Budgetary Comparison Schedule*.

# HANFORD ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2011**

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### NOTE 15 - COMMITMENTS AND CONTINGENCIES

#### Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2011.

#### Litigation

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

#### Construction Commitments

As of June 30, 2011, the District had the following commitment with respect to unfinished capital projects:

<u>Capital Projects</u>	<u>Remaining Construction Commitment</u>	<u>Expected Date of Completion</u>
District Office Roofing Project	<u>\$ 5,558</u>	August 2011

### NOTE 16 - PARTICIPATION IN JOINT POWERS AUTHORITIES

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

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

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

During the year ended June 30, 2011, the District made payment of \$233,407 to NorCal ReLiEF for property and liability insurance.

# HANFORD ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2011**

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

During the year ended June 30, 2011, the District made payment of \$4,998,582 to SISC III for health insurance.

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

During the year ended June 30, 2011, the District made payment of \$387,918 to KCSIS for workers' compensation insurance.

### **NOTE 17 - SUBSEQUENT EVENTS**

The District issued \$2,175,000 of Tax and Revenue Anticipation Notes dated July 1, 2011. The notes mature on March 1, 2012, and have an interest rate of 2.0 percent. The notes were sold to supplement cash flow. Repayment requirements are that 100 percent of principal and interest be set aside within the County Treasury and held in a restricted account by February 29, 2012.

### **NOTE 18 - 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 16 of the 2009-10 Fourth Extraordinary Session (SBX4 16) (Chapter 23, Statutes of 2009), and Assembly Bill 1610 (AB 1610) (Chapter 724, Statutes of 2010), 28 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.

### **NOTE 19 - RESTATEMENT OF PRIOR YEAR FUND BALANCES**

The District's prior year fund balances for the General Fund and for the Non-Major Governmental Funds have been restated as of June 30, 2011, to conform to GASB Statement No. 54's definition of governmental funds. Accordingly, the beginning fund balances for Fund 15, Pupil Transportation Fund and Fund 17, Special Reserve Non-Capital Fund, as presented in the Non-Major Governmental Fund opinion unit, are reported as a restatement to the beginning fund balance of the General Fund. The restatement does not change the total fund balance amounts reported in the District's audited financial statements.

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. 54 for the year ended June 30, 2011. These changes required a restatement to the beginning fund balance of the General Fund and the Non-Major Governmental Funds, as discussed in Note 1.

# HANFORD ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2011**

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### **General Fund**

Fund Balance - Beginning	\$ 6,221,319
Change in accounting principles to conform to GASB Statement No. 54	<u>75,616</u>
Fund Balance - Beginning as Restated	<u><u>\$ 6,296,935</u></u>

### **Non-Major Governmental Funds**

Fund Balance - Beginning	\$ 2,867,462
Change in accounting principles to conform to GASB Statement No. 54	<u>(75,616)</u>
Fund Balance - Beginning as Restated	<u><u>\$ 2,791,846</u></u>



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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, 2011

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variances -</b>
	<b>Original</b>	<b>Final</b>		<b>Favorable</b>
				<b>(Unfavorable)</b>
				<b>Final to Actual</b>
<b>REVENUES</b>				
Revenue limit sources	\$ 25,795,037	\$ 27,727,010	\$ 27,774,717	\$ 47,707
Federal sources	3,900,653	6,639,134	5,160,594	(1,478,540)
Other State sources	8,735,865	9,090,620	9,095,604	4,984
Other local sources	1,793,103	2,512,752	2,447,914	(64,838)
<b>Total Revenues</b> <sup>1</sup>	<b>40,224,658</b>	<b>45,969,516</b>	<b>44,478,829</b>	<b>(1,490,687)</b>
<b>EXPENDITURES</b>				
Current				
Certificated salaries	20,121,320	20,653,486	20,269,367	384,119
Classified salaries	7,635,960	7,672,626	7,653,846	18,780
Employee benefits	8,961,426	9,071,792	8,942,656	129,136
Books and supplies	1,884,549	2,911,922	2,393,428	518,494
Services and operating expenditures	3,127,987	4,411,359	2,855,124	1,556,235
Other outgo	114,628	258,074	256,492	1,582
Capital outlay	224,448	438,509	353,375	85,134
<b>Total Expenditures</b> <sup>1</sup>	<b>42,070,318</b>	<b>45,417,768</b>	<b>42,724,288</b>	<b>2,693,480</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(1,845,660)</b>	<b>551,748</b>	<b>1,754,541</b>	<b>1,202,793</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	10,000	-	(10,000)
Transfers out	(190,767)	(398,978)	(191,218)	207,760
<b>Net Financing Sources (Uses)</b>	<b>(190,767)</b>	<b>(388,978)</b>	<b>(191,218)</b>	<b>197,760</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(2,036,427)</b>	<b>162,770</b>	<b>1,563,323</b>	<b>1,400,553</b>
<b>Fund Balance - Beginning as Restated</b>	<b>6,296,935</b>	<b>6,296,935</b>	<b>6,296,935</b>	<b>-</b>
<b>Fund Balance - Ending</b>	<b>\$ 4,260,508</b>	<b>\$ 6,459,705</b>	<b>\$ 7,860,258</b>	<b>\$ 1,400,553</b>

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

**HANFORD ELEMENTARY SCHOOL DISTRICT**

**SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB)  
 FUNDING PROGRESS  
 FOR THE YEAR ENDED JUNE 30, 2011**

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<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Liability (AAL) - Projected 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, 2009	\$ -	\$ 6,767,755	\$ 6,767,755	0%	\$ 26,464,473	25.57%
July 1, 2007	\$ -	\$ 6,232,463	\$ 6,232,463	0%	\$ 25,315,899	24.62%

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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, 2011**

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>			
Carol White Physical Education Grant	84.215F	[1]	\$ 82,151
Passed through California Department of Education (CDE):			
No Child Left Behind Act			
Title I, Part A Cluster			
Title I, Part A, Basic Grants	84.010	14329	1,739,623
Title I, Program Improvement QEIA Schools	84.010	15123	186,069
ARRA, Title I, Part A, Basic Grants	84.389	15005	350,833
ARRA, Title I, Corrective Action LEA	84.389	15004	109,996
Subtotal Title I, Part A Cluster			<u>2,386,521</u>
Title I, Migrant Education, Regular	84.011	14326	183,015
Title I, Migrant Education, Summer Program	84.011	10005	59,223
Title I, School Improvement Grant	84.377	15124	322,444
Title II, Part A, Teacher Quality	84.367	14341	342,608
Education Technology Cluster			
Title II - Part D, EETT - Formula Grants	84.318	14334	19,170
Title II - Part D, EETT - Competitive Grants	84.318	14368	45,896
ARRA, Title II - Part D, EETT - Formula Grants	84.386	15019	28,571
Subtotal Education Technology Cluster			<u>93,637</u>
Title III, Limited English Proficiency	84.365	14346	140,384
ARRA, State Fiscal Stabilization Fund	84.394	25008	1,526,033
Special Education Cluster			
Local Assistance	84.027	13379	208,137
ARRA, Part B, Section 611, Basic Local Assistance	84.391	15003	399,978
ARRA, Part B, Section 611, Private School	84.391	10123	13,144
Subtotal Special Education Cluster			<u>621,259</u>
Total U.S. Department of Education			<u>5,757,275</u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
Passed through California Department of Health Care Services:			
Medicaid Programs			
Medi-Cal Administrative Assistance	93.778	10060	376,380
Medi-Cal Billing Option	93.778	10013	19,130
Total U.S. Department of Health and Human Services			<u>395,510</u>

[1] Pass-Through Entity Identifying Number not available

See accompanying note to supplementary information.

**HANFORD ELEMENTARY SCHOOL DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, Continued  
FOR THE YEAR ENDED JUNE 30, 2011**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
Passed through CDE:			
Child Nutrition Cluster			
National School Lunch	10.555	13391	\$ 1,646,963
Especially Needy Breakfast	10.553	13526	513,720
Meals Supplements - Snack	10.555	13391	87,911
Summer Food Program	10.559	13004	8,683
Food Distribution	10.555	13391	180,741
Subtotal Child Nutrition Cluster			<u>2,438,018</u>
Total U.S. Department of Agriculture			<u>2,438,018</u>
Total Expenditures of Federal Awards			<u><u>\$ 8,590,803</u></u>

[1] Pass-Through Entity Identifying Number not available

See accompanying note to supplementary information.

# HANFORD ELEMENTARY SCHOOL DISTRICT

## LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2011

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

### GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
Jeff Garner	President	2014
Dennis Hill	Vice President	2012
Timothy Revious	Clerk	2012
Lupe Hernandez	Member	2014
James L. Jay III	Member	2014

### ADMINISTRATION

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

See accompanying note to supplementary information.

# HANFORD ELEMENTARY SCHOOL DISTRICT

## SCHEDULE OF AVERAGE DAILY ATTENDANCE FOR THE YEAR ENDED JUNE 30, 2011

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	<u>Second Period Report</u>	<u>Annual Report</u>
ELEMENTARY		
Kindergarten	734.22	730.87
First through third	1,825.73	1,823.04
Fourth through sixth	1,700.80	1,698.97
Seventh and eighth	1,068.97	1,065.86
Home and hospital	1.78	1.63
Special education	91.66	91.36
Community day school	21.41	19.86
Total	<u>5,444.57</u>	<u>5,431.59</u>

See accompanying note to supplementary information.



**HANFORD ELEMENTARY SCHOOL DISTRICT**

**SCHEDULE OF INSTRUCTIONAL TIME  
FOR THE YEAR ENDED JUNE 30, 2011**

Grade Level	1982-83	Reduced 1982-83	1986-87	Reduced 1986-87	2010-11	Number of Days		Status
	Actual Minutes	Actual Minutes	Minutes Requirement	Minutes Requirement	Actual Minutes	Traditional Calendar	Multitrack Calendar	
Kindergarten	31,680	30,800	36,000	35,000	52,513	180	N/A	Complied
Grades 1 - 3	42,240	41,067	50,400	49,000				
Grade 1					52,103	180	N/A	Complied
Grade 2					52,103	180	N/A	Complied
Grade 3					52,103	180	N/A	Complied
Grades 4 - 6	48,224	46,884	54,000	52,500				
Grade 4					55,293	180	N/A	Complied
Grade 5					55,293	180	N/A	Complied
Grade 6					55,293	180	N/A	Complied
Grades 7 - 8	48,224	46,884	54,000	52,500				
Grade 7					57,451	180	N/A	Complied
Grade 8					57,451	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, 2011**

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There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2011.

See accompanying note to supplementary information.

# HANFORD ELEMENTARY SCHOOL DISTRICT

## SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2011

	(Budget) 2012 <sup>1</sup>	2011 <sup>4</sup>	2010 <sup>4</sup>	2009 <sup>4</sup>
GENERAL FUND				
Revenues	\$ 42,850,345	\$ 44,475,921	\$ 40,966,950	\$ 45,985,330
Other sources and transfers in	18,547	10,000	-	-
Total Revenues and Other Sources <sup>3</sup>	<u>42,868,892</u>	<u>44,485,921</u>	<u>40,966,950</u>	<u>45,985,330</u>
Expenditures	43,044,858	42,724,288	42,428,448	43,063,859
Other uses and transfers out	191,218	398,978	20,767	349,733
Total Expenditures and Other Uses <sup>3</sup>	<u>43,236,076</u>	<u>43,123,266</u>	<u>42,449,215</u>	<u>43,413,592</u>
INCREASE (DECREASE) IN FUND BALANCE	\$ (367,184)	\$ 1,362,655	\$ (1,482,265)	\$ 2,571,738
ENDING FUND BALANCE	<u>\$ 7,216,790</u>	<u>\$ 7,583,974</u>	<u>\$ 6,221,319</u>	<u>\$ 7,703,584</u>
AVAILABLE RESERVES <sup>2</sup>	<u>\$ 4,810,727</u>	<u>\$ 5,304,682</u>	<u>\$ 2,741,604</u>	<u>\$ 3,147,144</u>
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO	<u>11.13%</u>	<u>12.30%</u>	<u>6.46%</u>	<u>7.25%</u>
LONG-TERM OBLIGATIONS	<u>Not Available</u>	<u>\$ 10,579,106</u>	<u>\$ 10,796,094</u>	<u>\$ 11,201,156</u>
AVERAGE DAILY ATTENDANCE AT P-2	<u>5,431</u>	<u>5,445</u>	<u>5,350</u>	<u>5,250</u>

The General Fund balance has decreased by \$119,610 over the past two years. The fiscal year 2011-12 budget projects a decrease of \$367,184 (4.84 percent). For a district this size, the State recommends available reserves of at least 3.0 percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in two of the past three years but anticipates incurring an operating deficit during the 2011-12 fiscal year. Total long-term obligations decreased by \$622,050 over the past two years.

Average daily attendance has increased by 195 ADA over the past two years. An increase of 14 ADA is anticipated during fiscal year 2011-12.

<sup>1</sup> Budget 2012 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.

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

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

See accompanying note to supplementary information.

**HANFORD ELEMENTARY SCHOOL DISTRICT**

**NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2011**

	<b>Cafeteria Fund</b>	<b>Deferred Maintenance Fund</b>	<b>Capital Facilities Fund</b>
<b>ASSETS</b>			
Deposits and investments	\$ 1,350,685	\$ 139,616	\$ 338,485
Receivables	330,636	191,218	4,637
Stores inventories	44,441	-	-
<b>Total Assets</b>	<b>\$ 1,725,762</b>	<b>\$ 330,834</b>	<b>\$ 343,122</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 37,071	\$ 32,769	\$ 10,056
<b>Total Liabilities</b>	<b>37,071</b>	<b>32,769</b>	<b>10,056</b>
<b>Fund Balances:</b>			
Nonspendable	44,851	-	-
Restricted	1,643,840	-	333,066
Committed	-	298,065	-
Assigned	-	-	-
<b>Total Fund Balances</b>	<b>1,688,691</b>	<b>298,065</b>	<b>333,066</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 1,725,762</b>	<b>\$ 330,834</b>	<b>\$ 343,122</b>

See accompanying note to supplementary information.

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<b>Special Reserve Capital Outlay Fund</b>	<b>Bond Interest and Redemption Fund</b>	<b>Total Non-Major Governmental Funds</b>
\$ 8,476	\$ 1,100,078	\$ 2,937,340
-	-	526,491
-	-	44,441
<u>\$ 8,476</u>	<u>\$ 1,100,078</u>	<u>\$ 3,508,272</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 79,896</u>
<u>-</u>	<u>-</u>	<u>79,896</u>
-	-	44,851
-	1,100,078	3,076,984
-	-	298,065
8,476	-	8,476
<u>8,476</u>	<u>1,100,078</u>	<u>3,428,376</u>
<u>\$ 8,476</u>	<u>\$ 1,100,078</u>	<u>\$ 3,508,272</u>

**HANFORD ELEMENTARY SCHOOL DISTRICT**

**NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2011**

	<b>Cafeteria Fund</b>	<b>Deferred Maintenance Fund</b>	<b>Capital Facilities Fund</b>
<b>REVENUES</b>			
Federal sources	\$ 2,257,277	\$ -	\$ -
Other State sources	193,568	451	-
Other local sources	357,278	-	197,829
<b>Total Revenues</b>	<b>2,808,123</b>	<b>451</b>	<b>197,829</b>
<b>EXPENDITURES</b>			
Current			
Pupil services:			
Food services	2,377,982	-	-
Administration:			
All other administration	104,210	-	-
Plant services	556	92,749	278,164
Facility acquisition and construction	-	144,491	-
Debt service			
Principal	-	-	91,001
Interest and other	-	-	10,568
<b>Total Expenditures</b>	<b>2,482,748</b>	<b>237,240</b>	<b>379,733</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>325,375</b>	<b>(236,789)</b>	<b>(181,904)</b>
<b>Other Financing Sources (Uses)</b>			
Transfers in	-	191,218	-
Other sources	-	-	-
<b>Net Financing Sources (Uses)</b>	<b>-</b>	<b>191,218</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>325,375</b>	<b>(45,571)</b>	<b>(181,904)</b>
<b>Fund Balance - Beginning as Restated</b>	<b>1,363,316</b>	<b>343,636</b>	<b>514,970</b>
<b>Fund Balance - Ending</b>	<b>\$ 1,688,691</b>	<b>\$ 298,065</b>	<b>\$ 333,066</b>

See accompanying note to supplementary information.

<b>Special Reserve Capital Outlay Fund</b>	<b>Bond Interest and Redemption Fund</b>	<b>Total Non-Major Governmental Funds</b>
\$ -	\$ -	\$ 2,257,277
-	27,674	221,693
124	1,320,268	1,875,499
<u>124</u>	<u>1,347,942</u>	<u>4,354,469</u>
-	-	2,377,982
-	-	104,210
-	-	371,469
-	-	144,491
-	6,371,244	6,462,245
-	388,340	398,908
<u>-</u>	<u>6,759,584</u>	<u>9,859,305</u>
<u>124</u>	<u>(5,411,642)</u>	<u>(5,504,836)</u>
-	-	191,218
-	5,950,148	5,950,148
<u>-</u>	<u>5,950,148</u>	<u>6,141,366</u>
124	538,506	636,530
8,352	561,572	2,791,846
<u>\$ 8,476</u>	<u>\$ 1,100,078</u>	<u>\$ 3,428,376</u>

# HANFORD ELEMENTARY SCHOOL DISTRICT

## NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2011

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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 Balances, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts consist primarily of ARRA State Fiscal Stabilization funds that in the previous period were recorded as revenues but were unspent. These unspent balances have been expended in the current period.

	CFDA Number	Amount
Total Federal Revenues From the Statement of Revenues, Expenditures, and Changes in Fund Balances:		\$ 7,417,871
Reconciling items:		
Food Distribution	10.555	180,741
ARRA: State Fiscal Stabilization	84.394	992,191
Total Schedule of Expenditures of Federal Awards		<u>\$ 8,590,803</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, 2011

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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 Balances**

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

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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, the major fund, and the aggregate remaining fund information of Hanford Elementary School District as of and for the year ended June 30, 2011, which collectively comprise Hanford Elementary School District's basic financial statements and have issued our report thereon dated December 7, 2011. 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**

The management of Hanford Elementary School District is responsible for establishing and maintaining effective 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 deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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*.

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.

*Vanninck, Trine, Day + Co. LLP*

Fresno, California  
December 7, 2011



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH  
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL  
EFFECT ON 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 Hanford Elementary School District's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Hanford Elementary School District's major Federal programs for the year ended June 30, 2011. 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 compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2011.

## 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 to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Hanford Elementary School District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, 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, audit committee, 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.

*Varrinck, Trine, Day + Co. LLP*

Fresno, California  
December 7, 2011



**INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE**

Governing Board  
 Hanford Elementary School District  
 Hanford, California

We have audited Hanford Elementary School District's compliance with the requirements as identified in the *Standards and Procedures for Audit of California K-12 Local Educational Agencies 2010-11* applicable to Hanford Elementary School District's government programs as noted below for the year ended June 30, 2011. Compliance with the requirements referred to above 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 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 2010-11* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about Hanford Elementary School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions. Our audit does not provide a legal determination of Hanford Elementary School District's compliance with those requirements.

In our opinion, Hanford Elementary School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2011.

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:

	Procedures in Audit Guide	Procedures Performed
Attendance Accounting:		
Attendance reporting	8	Yes
Kindergarten continuance	3	Yes
Independent study	23	Not Applicable
Continuation education	10	Not Applicable
Instructional Time:		
School districts	6	Yes
County offices of education	3	Not Applicable

	<u>Procedures in Audit Guide</u>	<u>Procedures Performed</u>
Instructional Materials:		
General requirements	8	Yes
Ratios of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early retirement incentive	4	Not Applicable
Gann limit calculation	1	Yes
School Accountability Report Card	3	Yes
Public hearing requirement - receipt of funds	1	Yes
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

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.

*Vavrinak, Trine, Day + Co. LLP*

Fresno, California  
December 7, 2011



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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, 2011**

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**FINANCIAL STATEMENTS**

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

**FEDERAL AWARDS**

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

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>84.010, 84.389 (ARRA)</u>	<u>Title I, Part A Cluster (includes ARRA)</u>
<u>84.377</u>	<u>Title I, School Improvement Grant</u>
<u>84.367</u>	<u>Title II, Part A, Teacher Quality</u>
<u>84.394</u>	<u>ARRA, State Fiscal Stabilization Fund</u>
<u>84.027, 84.391 (ARRA)</u>	<u>Special Education Cluster (includes ARRA)</u>

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

**STATE AWARDS**

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

**FINANCIAL STATEMENT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2011**

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None reported.

**HANFORD ELEMENTARY SCHOOL DISTRICT**

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2011**

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None reported.

**HANFORD ELEMENTARY SCHOOL DISTRICT**

**STATE AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2011**

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None reported.

**HANFORD ELEMENTARY SCHOOL DISTRICT**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2011**

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