

**HANFORD ELEMENTARY SCHOOL DISTRICT**

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ANNUAL FINANCIAL REPORT

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**JUNE 30, 2014**

# HANFORD ELEMENTARY SCHOOL DISTRICT

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JUNE 30, 2014

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***FINANCIAL SECTION***

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## INDEPENDENT AUDITOR'S REPORT

Governing Board  
Hanford Elementary School District  
Hanford, California

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Hanford Elementary School District (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Standards and Procedures for Audits of California K-12 Local Education Agencies 2013-2014*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Hanford Elementary School District, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis on pages 5 through 13, budgetary comparison information and other postemployment benefit information on pages 53 through 55, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Hanford Elementary School District's basic financial statements. The accompanying supplementary information such as the combining and individual non-major fund financial statements and Schedule of Expenditures of Federal Awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2014, on our consideration of the Hanford Elementary School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hanford Elementary School District's internal control over financial reporting and compliance.

Vannink, Trine, Day & Co., LLP

Fresno, California  
December 8, 2014

# Hanford Elementary School District

## HANFORD ELEMENTARY SCHOOL DISTRICT KINGS COUNTY

### MANAGEMENT DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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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, 2014. 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 2013-14 school year, the District operated nine elementary schools, two junior high schools, and one community day school on the traditional August through June schedule, for the instruction of approximately 5,818 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, 2014

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### FINANCIAL HIGHLIGHTS

- The Hanford Elementary School District's Government-wide Statement of Net Position illustrates total net position of \$34.4 million, the result of assets of \$47.3 million minus liabilities of \$12.9 million.
- General Revenues accounted for \$42.1 million or 78 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 21 percent of total revenues of \$53.8 million.
- The District had \$53.7 million in expenses related to governmental activities.
- The General Fund reported a positive fund balance of \$7.1 million.

### STUDENT ENROLLMENT & DEMOGRAPHIC TRENDS

- The School District has an enrollment of approximately 5,818 students for the current 2013-14 school year, with enrollment projected to be slightly greater at 5,847 for the coming 2014-15 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 2014-15 ADA for the District is 5,668. 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.

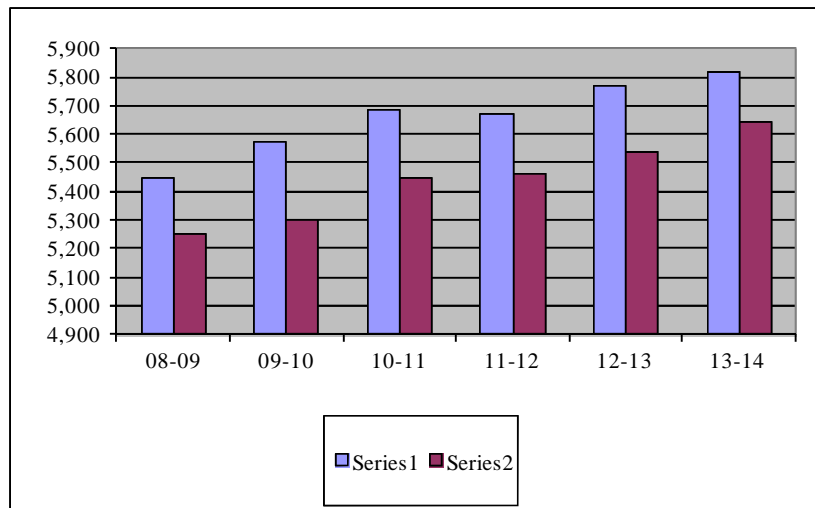


Figure 1. District Enrollment to Actual Attendance Data

# HANFORD ELEMENTARY SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**JUNE 30, 2014**

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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 "revenue amount" (for 2013-14 the School District Local Control Funding Formula amount is approximately \$6,247), to how much a particular special program will receive, to the amount of one-time monies a district may receive. Increased ADA is intended to generate additional dollars to help offset normal inflationary costs of operating the business of education, and related growth cost for the additional enrollment.

### **REPORTING THE DISTRICT AS A WHOLE**

- **THE STATEMENT OF NET POSITION AND STATEMENT OF ACTIVITIES**

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

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

- **FUND FINANCIAL STATEMENTS**

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

- **GOVERNMENTAL FUNDS**

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

# HANFORD ELEMENTARY SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**JUNE 30, 2014**

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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 Position. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

- NOTES TO THE FINANCIAL STATEMENTS

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

- THE DISTRICT AS A WHOLE

The "Statement of Net Position" provides the perspective of the District as a whole. Table 1 provides a summary of the District's net position for fiscal years 2013-2014 and 2012-2013, respectively.

**HANFORD ELEMENTARY SCHOOL DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2014**

Table 1. Net Position

(Amounts in millions)	Governmental Activities		Difference over/(under)
	2014	2013	
<b>Assets</b>			
Current and other assets	\$ 16.0	\$ 21.9	\$ (5.9)
Capital assets	31.3	31.9	(0.6)
<b>Total Assets</b>	<b>47.3</b>	<b>53.8</b>	<b>(6.5)</b>
<b>Liabilities</b>			
Current liabilities	3.3	9.5	(6.2)
Long-term obligations	9.6	10.0	(0.4)
<b>Total Liabilities</b>	<b>12.9</b>	<b>19.5</b>	<b>(6.6)</b>
<b>Net Position</b>			
Net investment in capital assets	24.4	24.2	0.2
Restricted	5.1	5.1	-
Unrestricted	4.9	5.0	(0.1)
<b>Total Net Position</b>	<b>\$ 34.4</b>	<b>\$ 34.3</b>	<b>\$ 0.1</b>

Table 2 shows the changes in net position for fiscal years 2013-2014 and 2012-2013, respectively.

Table 2. Changes in Net Position

(Amounts in millions)	Governmental Activities		Difference over/(under)
	2014	2013	
<b>Revenues</b>			
Program revenues:			
Charges for services	\$ 0.3	\$ 0.3	\$ -
Operating grants and contributions	11.4	9.5	1.9
General revenues:			
Federal and State aid not restricted	37.4	32.7	4.7
Property taxes	3.4	3.3	0.1
Other general revenues	1.3	2.7	(1.4)
<b>Total Revenues</b>	<b>53.8</b>	<b>48.5</b>	<b>5.3</b>
<b>Expenses</b>			
Instruction related	36.2	33.1	3.1
Student support services	5.5	5.0	0.5
Administration	3.4	3.0	0.4
Maintenance and operations	6.2	5.8	0.4
Other	2.4	1.9	0.5
<b>Total Expenses</b>	<b>53.7</b>	<b>48.8</b>	<b>4.9</b>
<b>Change in Net Position</b>	<b>\$ 0.1</b>	<b>\$ (0.3)</b>	<b>\$ 0.4</b>

# HANFORD ELEMENTARY SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

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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.

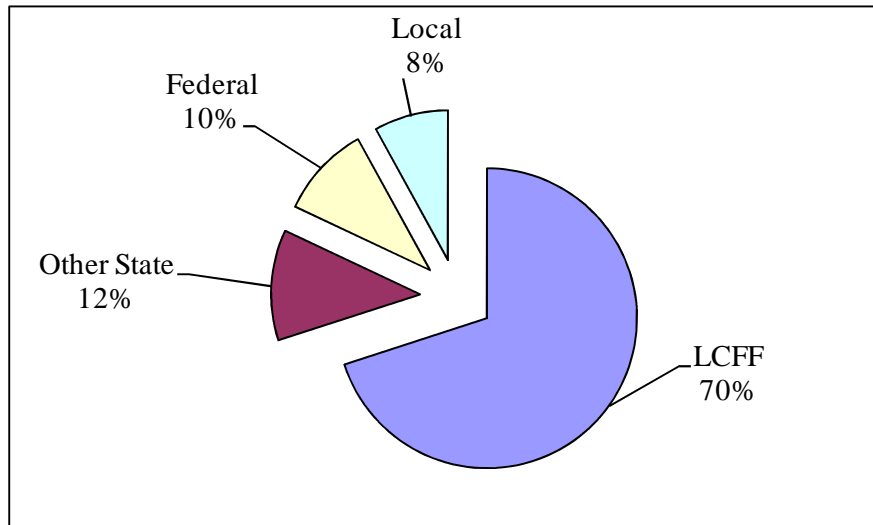


Figure 2. Revenues by Source

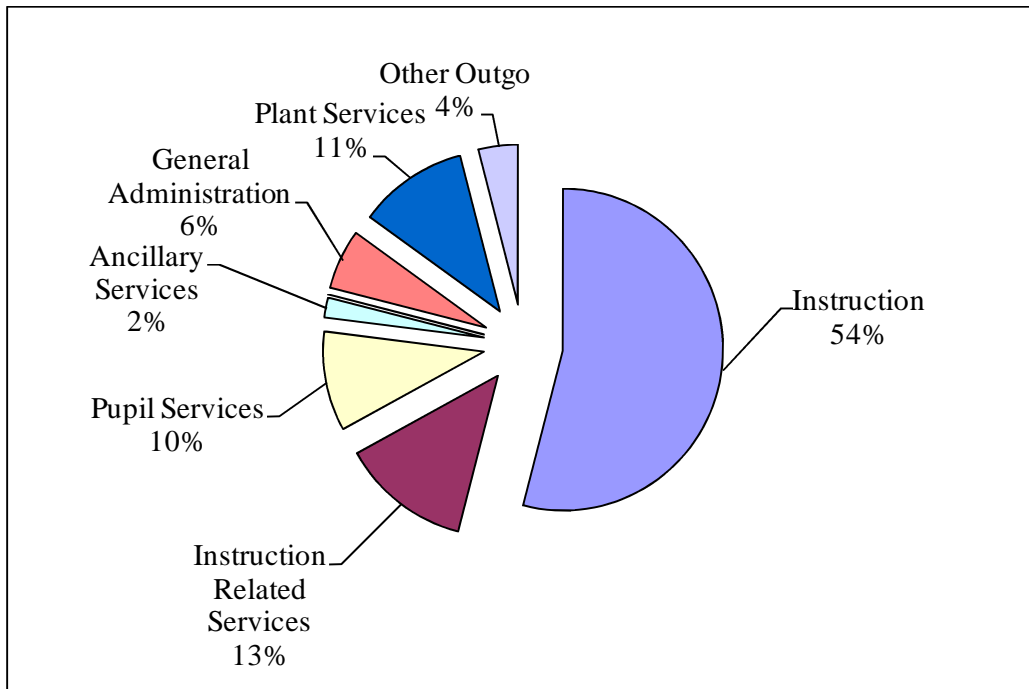


Figure 3. Expenditures by Function

# HANFORD ELEMENTARY SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2014

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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 94% of District revenues come from State and Federal revenue streams.

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

The net difference in fund balance between the adopted budget and the final budget was a decrease of \$0.5 million and may be summarized as follows:

- \$5.3 million increase in total revenue
- \$5.8 million increase in total expenditures

# HANFORD ELEMENTARY SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2014

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### CAPITAL ASSETS AND DEBT ADMINISTRATION

- CAPITAL ASSETS

At June 30, 2013, the District had \$31.9 million in a broad range of capital assets, including land, buildings, and furniture and equipment, net of accumulated depreciation. At June 30, 2014, the District's net capital assets were \$31.3 million. This amount represents a net decrease (including additions and deductions) of \$0.6 million, or 1.9 percent, from last year. Table 3 shows the balances for fiscal years 2013-14 and 2012-13.

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

(Amounts in millions)	Governmental Activities		Difference over/(under)
	2014	2013	
Land	\$ 2.1	\$ 2.1	\$ -
Buildings and improvements	27.8	28.5	(0.7)
Equipment	1.3	1.2	0.1
Construction in Progress	0.1	0.1	-
<b>Total</b>	<b>\$ 31.3</b>	<b>\$ 31.9</b>	<b>\$ (0.6)</b>

- LONG-TERM OBLIGATIONS

At the end of this year, the District had \$9.6 million in long-term obligations outstanding versus \$10.0 million last year, a decrease of four percent. Table 4 summarizes these debts.

Table 4. Outstanding Obligations

(Amounts in millions)	Governmental Activities		Difference over/(under)
	2014	2013	
General obligation bonds	\$ 6.8	\$ 7.6	\$ (0.8)
Compensated absences	0.3	0.3	-
Other postemployment benefits	2.5	2.1	0.4
<b>Total</b>	<b>\$ 9.6</b>	<b>\$ 10.0</b>	<b>\$ (0.4)</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, 2014**

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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, Chief Business Official, Hanford Elementary School District, P. O. Box 1067, Hanford, CA 93232.



# HANFORD ELEMENTARY SCHOOL DISTRICT

## STATEMENT OF NET POSITION JUNE 30, 2014

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	<b>Governmental Activities</b>
<b>ASSETS</b>	
Deposits and investments	\$ 6,783,927
Receivables	9,110,128
Stores inventories	140,373
Nondepreciable capital assets	2,174,650
Capital assets being depreciated	51,703,817
Accumulated depreciation	(22,623,778)
<b>Total Assets</b>	<u>47,289,117</u>
<b>LIABILITIES</b>	
Accounts payable	3,345,416
Unearned revenue	7,951
Current portion of long-term obligations	842,772
Noncurrent portion of long-term obligations	8,718,601
<b>Total Liabilities</b>	<u>12,914,740</u>
<b>NET POSITION</b>	
Net investment in capital assets	24,426,805
Restricted for:	
Debt service	964,208
Capital projects	110,504
Educational programs	1,541,723
Other activities	2,497,628
Unrestricted	4,833,509
<b>Total Net Position</b>	<u>\$ 34,374,377</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, 2014**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>
<b>Governmental Activities:</b>			
Instruction	\$ 29,170,803	\$ -	\$ 4,836,007
Instruction-related activities:			
Supervision of instruction	2,097,427	-	1,548,572
Instructional library, media, and technology	333,608	-	-
School site administration	4,717,204	-	56,028
Pupil services:			
Home-to-school transportation	764,444	-	-
Food services	2,788,270	293,227	2,676,967
All other pupil services	1,910,274	-	607,541
Administration:			
Data processing	569,450	-	-
All other administration	2,763,584	15,441	510,915
Plant services	6,225,535	592	17,107
Ancillary services	1,043,498	-	921,191
Interest on long-term obligations	798,755	-	-
Other outgo	555,894	-	148,538
<b>Total Governmental Activities</b>	<b>\$ 53,738,746</b>	<b>\$ 309,260</b>	<b>\$ 11,322,866</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

**Subtotal, General Revenues**

**Change in Net Position**

Net Position - Beginning

Net Position - Ending

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

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

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**Governmental  
Activities**

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\$ (24,334,796)

(548,855)

(333,608)

(4,661,176)

(764,444)

181,924

(1,302,733)

(569,450)

(2,237,228)

(6,207,836)

(122,307)

(798,755)

(407,356)

---

(42,106,620)

---

1,957,721

1,404,849

25,703

37,426,448

55,010

1,272,131

---

42,141,862

---

35,242

34,339,135

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\$ 34,374,377

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**HANFORD ELEMENTARY SCHOOL DISTRICT**

**GOVERNMENTAL FUNDS**

**BALANCE SHEET**

**JUNE 30, 2014**

	<b>General Fund</b>	<b>Cafeteria Fund</b>	<b>Special Reserve Capital Outlay Fund</b>
<b>ASSETS</b>			
Deposits and investments	\$ 1,196,067	\$ 2,113,040	\$ 1,701,583
Receivables	8,673,806	398,929	-
Due from other funds	162,613	-	-
Stores inventories	113,914	26,459	-
<b>Total Assets</b>	<b>\$ 10,146,400</b>	<b>\$ 2,538,428</b>	<b>\$ 1,701,583</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 3,080,602	\$ 40,800	\$ 7,652
Due to other funds	-	-	-
Unearned revenue	7,951	-	-
<b>Total Liabilities</b>	<b>3,088,553</b>	<b>40,800</b>	<b>7,652</b>
<b>Fund Balances:</b>			
Nonspendable	118,964	26,869	-
Restricted	1,541,723	2,470,759	-
Committed	-	-	-
Assigned	-	-	1,693,931
Unassigned	5,397,160	-	-
<b>Total Fund Balances</b>	<b>7,057,847</b>	<b>2,497,628</b>	<b>1,693,931</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 10,146,400</b>	<b>\$ 2,538,428</b>	<b>\$ 1,701,583</b>

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

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<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 1,327,577	\$ 6,338,267
37,393	9,110,128
-	162,613
-	140,373
<u>\$ 1,364,970</u>	<u>\$ 15,751,381</u>
\$ 79,641	\$ 3,208,695
162,613	162,613
-	7,951
<u>242,254</u>	<u>3,379,259</u>
-	145,833
1,074,712	5,087,194
48,004	48,004
-	1,693,931
-	5,397,160
<u>1,122,716</u>	<u>12,372,122</u>
<u>\$ 1,364,970</u>	<u>\$ 15,751,381</u>

**HANFORD ELEMENTARY SCHOOL DISTRICT**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2014**

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<b>Total Fund Balance - Governmental Funds</b>		<b>\$ 12,372,122</b>
<b>Amounts Reported for Governmental Activities in the Statement of Net Position 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	\$ 53,878,467	
Accumulated depreciation is	<u>(22,623,778)</u>	
Net Capital Assets		31,254,689
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.		308,939
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.		
Bonds payable	6,827,884	
Compensated absences	271,812	
Other postemployment benefits	<u>2,461,677</u>	
Total Long-Term Obligations		<u>(9,561,373)</u>
<b>Total Net Position - Governmental Activities</b>		<b><u><u>\$ 34,374,377</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, 2014

	<u>General Fund</u>	<u>Cafeteria Fund</u>	<u>Special Reserve Capital Outlay Fund</u>
<b>REVENUES</b>			
Local Control Funding Formula	\$ 37,235,021	\$ -	\$ -
Federal sources	3,092,517	2,600,791	-
Other State sources	5,880,815	200,817	-
Other local sources	2,277,050	330,986	1,583
<b>Total Revenues</b>	<u>48,485,403</u>	<u>3,132,594</u>	<u>1,583</u>
<b>EXPENDITURES</b>			
Current			
Instruction	28,998,931	-	-
Instruction-related activities:			
Supervision of instruction	2,088,715	-	-
Instructional library, media and technology	332,030	-	-
School site administration	4,672,838	-	-
Pupil services:			
Home-to-school transportation	681,761	-	-
Food services	1,602	2,744,336	-
All other pupil services	1,893,987	-	-
Administration:			
Data processing	565,056	-	-
All other administration	2,624,531	144,515	-
Plant services	4,875,506	5,537	-
Facility acquisition and construction	55,917	-	7,652
Ancillary services	1,032,406	-	-
Other outgo	555,894	-	-
Debt service			
Principal	-	-	-
Interest and other	34,428	-	-
<b>Total Expenditures</b>	<u>48,413,602</u>	<u>2,894,388</u>	<u>7,652</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>71,801</u>	<u>238,206</u>	<u>(6,069)</u>
<b>Other Financing Sources (Uses)</b>			
Transfers in	-	1,545	1,700,000
Transfers out	(1,701,545)	-	-
<b>Net Financing Sources (Uses)</b>	<u>(1,701,545)</u>	<u>1,545</u>	<u>1,700,000</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>(1,629,744)</u>	<u>239,751</u>	<u>1,693,931</u>
<b>Fund Balance - Beginning</b>	<u>8,687,591</u>	<u>2,257,877</u>	<u>-</u>
<b>Fund Balance - Ending</b>	<u>\$ 7,057,847</u>	<u>\$ 2,497,628</u>	<u>\$ 1,693,931</u>

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

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<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 325,000	\$ 37,560,021
-	5,693,308
27,493	6,109,125
1,801,915	4,411,534
<u>2,154,408</u>	<u>53,773,988</u>
-	28,998,931
-	2,088,715
-	332,030
-	4,672,838
-	681,761
-	2,745,938
-	1,893,987
-	565,056
1,875	2,770,921
409,812	5,290,855
257,956	321,525
-	1,032,406
-	555,894
796,631	796,631
563,609	598,037
<u>2,029,883</u>	<u>53,345,525</u>
<u>124,525</u>	<u>428,463</u>
-	1,701,545
-	<u>(1,701,545)</u>
-	-
<u>124,525</u>	<u>428,463</u>
998,191	11,943,659
<u>\$ 1,122,716</u>	<u>\$ 12,372,122</u>



**HANFORD ELEMENTARY SCHOOL DISTRICT**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2014**

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**Total Net Change in Fund Balances - Governmental Funds** **\$ 428,463**  
**Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:**

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

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

Capital outlays	\$ 631,605	
Depreciation expense	<u>(1,251,422)</u>	(619,817)

Loss on disposal of capital assets is reported in the government-wide Statement of Activities, but is not recorded in the governmental funds. (2,316)

In the Statement of Activities, compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures are measured by the amount of financial resources used (essentially, the amounts actually paid). Vacation used was less than the amounts earned by \$16,703. (16,703)

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

General obligation bonds	796,631
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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>(216,862)</u>	
Combined adjustment		(200,718)

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: (415,513)

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, 2014

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

**Change in Net Position of Governmental Activities**

\$	65,215
<u>\$</u>	<u>35,242</u>

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

**HANFORD ELEMENTARY SCHOOL DISTRICT**

**PROPRIETARY FUND  
STATEMENT OF NET POSITION  
JUNE 30, 2014**

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	<b>Governmental Activities - Internal Service Fund</b>
<b>ASSETS</b>	
Current Assets	
Deposits and investments	\$ 445,660
Total Assets	<u>445,660</u>
<b>LIABILITIES</b>	
Current Liabilities	
Accounts payable	136,721
Total Current Liabilities	<u>136,721</u>
<b>NET POSITION</b>	
Unrestricted	308,939
<b>Total Net Position</b>	<u><u>\$ 308,939</u></u>

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

# HANFORD ELEMENTARY SCHOOL DISTRICT

## PROPRIETARY FUND STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION FOR THE YEAR ENDED JUNE 30, 2014

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	<b>Governmental Activities - Internal Service Fund</b>
<b>OPERATING REVENUES</b>	
Charges to other funds and miscellaneous revenues	\$ 562,337
Total Operating Revenues	<u>562,337</u>
<b>OPERATING EXPENSES</b>	
Professional and contract services	498,974
Total Operating Expenses	<u>498,974</u>
Operating Income	<u>63,363</u>
<b>NONOPERATING REVENUES</b>	
Interest income	1,852
Total Nonoperating Revenues	<u>1,852</u>
<b>Change in Net Position</b>	65,215
<b>Total Net Position - Beginning</b>	243,724
<b>Total Net Position - Ending</b>	<u><u>\$ 308,939</u></u>

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

# HANFORD ELEMENTARY SCHOOL DISTRICT

## PROPRIETARY FUND STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2014

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	<b>Governmental Activities - Internal Service Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash receipts from premiums	\$ 562,337
Cash payments for insurance claims	(506,699)
Net Cash Provided by Operating Activities	<u>55,638</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest on investments	<u>1,852</u>
Net Cash Provided by Investing Activities	<u>1,852</u>
Net Increase in Cash and Cash Equivalents	57,490
Cash and Cash Equivalents - Beginning	388,170
Cash and Cash Equivalents - Ending	<u><u>\$ 445,660</u></u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
Operating income	\$ 63,363
Changes in assets and liabilities:	
Decrease in accounts payable	(7,725)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u><u>\$ 55,638</u></u>

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

**HANFORD ELEMENTARY SCHOOL DISTRICT**

**FIDUCIARY FUNDS  
STATEMENT OF NET POSITION  
JUNE 30, 2014**

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	<u>Agency Funds</u>
<b>ASSETS</b>	
Deposits and investments	\$ 26,052
<b>Total Assets</b>	<u>\$ 26,052</u>
 <b>LIABILITIES</b>	
Due to student groups	\$ 26,052
<b>Total Liabilities</b>	<u>\$ 26,052</u>

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

# HANFORD ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Financial Reporting Entity

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

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

#### Basis of Presentation - Fund Accounting

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

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

#### Major Governmental Funds

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

One fund currently defined as a special revenue fund in the California State Accounting Manual (CSAM) does not meet the GASB Statement No. 54 special revenue fund definition. Specifically, Fund 17, Special Reserve Non-Capital Fund, is not substantially composed of restricted or committed revenue sources. While this fund is authorized by statute and will remain open for internal reporting purposes, this fund functions effectively as an extension of the General Fund, and accordingly has 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 \$449,897, \$449,897, and \$2,396, respectively.

# HANFORD ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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**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).

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

### Non-Major Governmental Funds

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

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

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

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

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

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

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

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



# HANFORD ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

---

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

### **Basis of Accounting - Measurement Focus**

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

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

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

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

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

# HANFORD ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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

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

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

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

**Unearned Revenue** Unearned 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 unearned revenue is removed from the balance sheet and revenue is recognized.

Certain grants received before the eligibility requirements are met are recorded as unearned revenue. On the governmental fund financial statements, receivables that will not be collected within the available period are also recorded as unearned 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, 2014

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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, 2014, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county pools are determined by the program sponsor.

### **Stores Inventories**

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

### **Capital Assets and Depreciation**

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

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

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

### **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 activities column of the statement of net position.

### **Compensated Absences**

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

# HANFORD ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2014**

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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.

### **Accounts Payable and Long-Term Obligations**

Accounts payable and long-term obligations are reported in the government-wide financial statements. In general, governmental fund accounts payable that are paid in a timely manner and in full from current financial resources are reported as obligations of the funds.

### **Premiums**

In the government-wide financial statements, long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Debt premiums are amortized over the life of the bonds using the straight-line method.

In governmental fund financial statements, bond premiums are recognized in the current period. The face amount of the debt is reported as other financing sources. Premiums received on debt issuance are also reported as other financing sources.

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

As of June 30, 2014, 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.

**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.

# HANFORD ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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**Unassigned** - all other spendable amounts.

### **Spending Order Policy**

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

### **Minimum Fund Balance Policy**

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

### **Net Position**

Net position represents the difference between assets and liabilities. Net position net of investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report \$5,114,063 of restricted net position.

### **Operating Revenues and Expenses**

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

### **Interfund Activity**

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

# HANFORD ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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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.

### Change in Accounting Principles

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

# HANFORD ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2014**

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

The District has implemented the provisions of this Statement for the year ended June 30, 2014, which did not have a material effect on the District's financial statements.

### **New Accounting Pronouncements**

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

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

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

- Contributions from employers and non-employer contributing entities to the pension plan and earnings on those contributions are irrevocable.
- Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.

# HANFORD ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2014**

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- Pension plan assets are legally protected from the creditors of employers, non-employer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

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

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

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

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

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

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date — An Amendment of GASB Statement No. 68*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.



# HANFORD ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2014**

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Statement No. 68 requires a state or local government employer (or nonemployer contributing entity in a special funding situation) to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. If a state or local government employer or nonemployer contributing entity makes a contribution to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's reporting period, Statement No. 68 requires that the government recognize its contribution as a deferred outflow of resources. In addition, Statement No. 68 requires recognition of deferred outflows of resources and deferred inflows of resources for changes in the net pension liability of a state or local government employer or nonemployer contributing entity that arise from other types of events. At transition to Statement No. 68, if it is not practical for an employer or nonemployer contributing entity to determine the amounts of *all* deferred outflows of resources and deferred inflows of resources related to pensions, paragraph 137 of Statement No. 68 required that beginning balances for deferred outflows of resources and deferred inflows of resources not be reported.

Consequently, if it is not practical to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, contributions made after the measurement date of the beginning net pension liability could not have been reported as deferred outflows of resources at transition. This could have resulted in a significant understatement of an employer or nonemployer contributing entity's beginning net position and expense in the initial period of implementation.

This Statement amends paragraph 137 of Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement No. 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts.

The provisions of this Statement are required to be applied simultaneously with the provisions of Statement No. 68.

# HANFORD ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

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### NOTE 2 - DEPOSITS AND INVESTMENTS

#### Summary of Deposits and Investments

Deposits and investments as of June 30, 2014, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 6,783,927
Fiduciary funds	26,052
Total Deposits and Investments	<u>\$ 6,809,979</u>

Deposits and investments as of June 30, 2014, consist of the following:

Cash on hand and in banks	\$ 38,052
Cash in revolving	5,460
Investments	6,766,467
Total Deposits and Investments	<u>\$ 6,809,979</u>

#### Policies and Practices

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

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

# HANFORD ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2014**

### General Authorizations

Limitations as they relate to interest rate risk are indicated in the schedules below:

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

### Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by investing in the County Pool which purchases a combination of shorter term and longer term investments and which also times cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

### Segmented Time Distribution

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

Investment Type	Fair Value	12 Months or Less	13 - 24 Months	25 - 60 Months	More Than 60 Months
County Pool	\$ 6,757,876	\$ 6,757,876	\$ -	\$ -	\$ -

# HANFORD ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2014**

### NOTE 3 - RECEIVABLES

Receivables at June 30, 2014, consist of intergovernmental grants, entitlements, state apportionments, and local sources. All receivables are considered collectible in full.

	General Fund	Cafeteria Fund	Non-Major Governmental Funds	Total Governmental Activities
Federal Government				
Categorical aid	\$ 729,840	\$ 374,795	\$ -	\$ 1,104,635
State Government				
State principal apportionment	6,854,367	-	-	6,854,367
Other state	854,099	22,290	-	876,389
Local Sources	235,500	1,844	37,393	274,737
Total	<u>\$ 8,673,806</u>	<u>\$ 398,929</u>	<u>\$ 37,393</u>	<u>\$ 9,110,128</u>

### NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2014, are as follows:

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	\$ 2,052,315	\$ -	\$ -	\$ 2,052,315
Construction in progress	113,265	16,943	7,873	122,335
Total Capital Assets Not Being Depreciated	<u>2,165,580</u>	<u>16,943</u>	<u>7,873</u>	<u>2,174,650</u>
Capital Assets Being Depreciated				
Land improvements	5,506,621	130,649	-	5,637,270
Buildings and improvements	41,392,125	181,806	-	41,573,931
Furniture and equipment	4,285,140	310,080	102,604	4,492,616
Total Capital Assets Being Depreciated	<u>51,183,886</u>	<u>622,535</u>	<u>102,604</u>	<u>51,703,817</u>
Less Accumulated Depreciation				
Land improvements	4,383,033	166,167	-	4,549,200
Buildings and improvements	14,014,770	849,354	-	14,864,124
Furniture and equipment	3,074,841	235,901	100,288	3,210,454
Total Accumulated Depreciation	<u>21,472,644</u>	<u>1,251,422</u>	<u>100,288</u>	<u>22,623,778</u>
Governmental Activities Capital Assets, Net	<u>\$ 31,876,822</u>	<u>\$ (611,944)</u>	<u>\$ 10,189</u>	<u>\$ 31,254,689</u>

# HANFORD ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2014**

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Depreciation expense was charged to the following functions as follows:

Governmental Activities	
Instruction	\$ 88,195
Supervision of instruction	2,806
School site administration	3,960
Home-to-school transportation	76,201
Food services	52,711
Ancillary services	6,801
All other general administration	56,647
Plant services	964,101
Total Depreciation Expenses Governmental Activities	<u><u>\$ 1,251,422</u></u>

### NOTE 5 - INTERFUND TRANSACTIONS

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

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund receivable and payable balances at June 30, 2014, between major and non-major governmental funds are as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Governmental Fund		
General	\$ 162,613	\$ -
Non-Major Governmental Fund		
Capital Facilities	-	162,613
Total All Governmental Funds	<u><u>\$ 162,613</u></u>	<u><u>\$ 162,613</u></u>

The Capital Facilities Fund owes the General Fund to repay a cash flow loan.

\$ 162,613

# HANFORD ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2014**

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### Operating Transfers

Interfund transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Interfund transfers for the year ended June 30, 2014, consist of the following:

The General Fund transferred to the Special Reserve Capital Outlay Fund to re-authorize the use of the fund for future capital needs.	\$ 1,700,000
The General Fund transferred to the Cafeteria Fund for uncollected food service charges.	1,545
Total	<u><u>\$ 1,701,545</u></u>

### NOTE 6 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2014, consist of the following:

	General Fund	Cafeteria Fund	Special Reserve Capital Outlay Fund	Non-Major Governmental Funds	Governmental Activities Subtotal	Internal Service Fund	Total Governmental Activities
Vendor payables	\$ 1,564,808	\$ 40,800	\$ 7,652	\$ 79,641	\$ 1,692,901	\$ 136,721	\$ 1,829,622
Salaries and benefits	79,653	-	-	-	79,653	-	79,653
Deferred payroll	1,417,668	-	-	-	1,417,668	-	1,417,668
State principal apportionment	18,473	-	-	-	18,473	-	18,473
Total	<u><u>\$ 3,080,602</u></u>	<u><u>\$ 40,800</u></u>	<u><u>\$ 7,652</u></u>	<u><u>\$ 79,641</u></u>	<u><u>\$ 3,208,695</u></u>	<u><u>\$ 136,721</u></u>	<u><u>\$ 3,345,416</u></u>

### NOTE 7 - UNEARNED REVENUE

Unearned revenue at June 30, 2014, consists of the following:

Federal financial assistance	<u><u>General Fund \$ 7,951</u></u>
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# HANFORD ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

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

At July 1, 2013, the District had outstanding Tax and Revenue Anticipation Notes in the amount of \$6,810,000, which matured on October 1, 2013.

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

<u>Issue Date</u>	<u>Rate</u>	<u>Maturity Date</u>	<u>Outstanding July 1, 2013</u>	<u>Payments</u>	<u>Outstanding June 30, 2014</u>
February 27, 2013	2.00%	October 1, 2013	<u>\$ 6,810,000</u>	<u>\$ 6,810,000</u>	<u>\$ -</u>

### NOTE 9 - LONG-TERM OBLIGATIONS

#### Summary

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

	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2014</u>	<u>Due in One Year</u>
General obligation bonds-					
1993 Issuance	\$ 544,883	\$ -	\$ 131,631	\$ 413,252	\$ 131,629
2003 Issuance	1,960,000	-	300,000	1,660,000	315,000
2010 issuance	4,965,000	-	365,000	4,600,000	380,000
Unamortized bond premium-					
2003 Issuance	5,661	-	1,133	4,528	1,132
2010 Issuance	165,115	-	15,011	150,104	15,011
Compensated absences - net	255,109	16,703	-	271,812	-
Other postemployment benefits	2,046,164	1,046,683	631,170	2,461,677	-
Total	<u>\$ 9,941,932</u>	<u>\$ 1,063,386</u>	<u>\$ 1,443,945</u>	<u>\$ 9,561,373</u>	<u>\$ 842,772</u>

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

# HANFORD ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2014**

### Bonded Debt

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate %	Original Issue	Bonds			Bonds Outstanding June 30, 2014
				Outstanding July 1, 2013	Issued	Redeemed	
1993 <sup>1</sup>	2002-17	5.15-5.8	\$ 1,750,000	\$ 544,883	\$ -	\$ 131,631	\$ 413,252
2003	2005-19	2.0-3.5	\$ 4,775,000	\$ 1,960,000	\$ -	\$ 300,000	\$ 1,660,000
2010	2012-24	2.0-5.0	\$ 5,740,000	\$ 4,965,000	\$ -	\$ 365,000	\$ 4,600,000

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

### Debt Service Requirements to Maturity

#### 1993 Capital Appreciation Bond Issuance

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

The annual requirements to amortize the general obligation bonds payable outstanding as of June 30, 2014, are as follows:

Fiscal Year	Initial Principal	Accreted Interest	Maturity Value
2015	\$ 131,629	\$ 318,371	\$ 450,000
2016	138,127	361,873	500,000
2017	143,496	406,504	550,000
Total	\$ 413,252	\$ 1,086,748	\$ 1,500,000



# HANFORD ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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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 2019 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2015	\$ 315,000	\$ 49,874	\$ 364,874
2016	325,000	39,870	364,870
2017	340,000	29,060	369,060
2018	350,000	17,500	367,500
2019	330,000	5,775	335,775
Total	<u>\$ 1,660,000</u>	<u>\$ 142,079</u>	<u>\$ 1,802,079</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, 2014, amounted to \$4,528.

### 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:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2015	\$ 380,000	\$ 195,763	\$ 575,763
2016	395,000	180,263	575,263
2017	410,000	164,163	574,163
2018	430,000	147,363	577,363
2019	445,000	129,306	574,306
2020-2024	2,540,000	321,075	2,861,075
Total	<u>\$ 4,600,000</u>	<u>\$ 1,137,932</u>	<u>\$ 5,737,932</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, 2014, amounted to \$150,104.

# HANFORD ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2014**

### Compensated Absences

The long-term portion of compensated absences for the District at June 30, 2014, amounted to \$271,812.

### Other Postemployment Benefits (OPEB) Obligation

The District's annual required contribution for the year ended June 30, 2014, was \$964,836, and contributions made by the District during the year were \$512,826, (includes implicit subsidy rate of 1.2713). Interest on the net OPEB obligation and adjustments to the annual required contribution were \$81,847 and \$(118,344), respectively, which resulted in an increase to the net OPEB obligation of \$415,513. As of June 30, 2014, the net OPEB obligation was \$2,461,677. See Note 12 for additional information regarding the OPEB obligation and the postemployment benefits plan.

### NOTE 10 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Cafeteria Fund	Special Reserve Capital Outlay Fund	Non-Major Governmental Funds	Total
<b>Nonspendable</b>					
Revolving cash	\$ 5,050	\$ 410	\$ -	\$ -	\$ 5,460
Stores inventories	113,914	26,459	-	-	140,373
Total Nonspendable	118,964	26,869	-	-	145,833
<b>Restricted</b>					
Legally restricted programs	1,541,723	2,470,759	-	-	4,012,482
Capital projects	-	-	-	110,504	110,504
Debt services	-	-	-	964,208	964,208
Total Restricted	1,541,723	2,470,759	-	1,074,712	5,087,194
<b>Committed</b>					
Deferred maintenance program	-	-	-	48,004	48,004
Total Committed	-	-	-	48,004	48,004
<b>Assigned</b>					
Facilities projects	-	-	1,693,931	-	1,693,931
Total Assigned	-	-	1,693,931	-	1,693,931
<b>Unassigned</b>					
Reserve for economic uncertainties	3,000,000	-	-	-	3,000,000
Remaining unassigned	2,397,160	-	-	-	2,397,160
Total Unassigned	5,397,160	-	-	-	5,397,160
<b>Total</b>	<b>\$ 7,057,847</b>	<b>\$ 2,497,628</b>	<b>\$ 1,693,931</b>	<b>\$ 1,122,716</b>	<b>\$ 12,372,122</b>

# HANFORD ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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

At June 30, 2014, there were no District major funds that exceeded the budgeted amounts.

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

#### Plan Description

The Postemployment Benefits Plan (the "Plan") is a single-employer defined benefit healthcare plan administered by the Hanford Elementary School District. The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Membership of the Plan consists of approximately 40 retirees and beneficiaries currently receiving benefits and approximately 430 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 2013-2014, the District contributed \$403,387 to the plan excluding the implicit rate subsidy factor of 1.2713 percent, all of which was used for current premiums (approximately 72 percent of total premiums). Plan members receiving benefits contributed \$158,850, or approximately 28 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	\$ 964,836
Interest on net OPEB obligation	81,847
Adjustment to annual required contribution	(118,344)
Annual OPEB cost	<u>928,339</u>
Contributions made	(512,826)
Increase in net OPEB obligation	<u>415,513</u>
Net OPEB obligation, beginning of year	<u>2,046,164</u>
Net OPEB obligation, end of year	<u><u>\$ 2,461,677</u></u>

# HANFORD ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

### Trend Information

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

Year Ended June 30,	Annual OPEB Cost	Actual Contribution	Percentage Contributed	Net OPEB Obligation
2014	\$ 928,339	\$ 512,826	55.24%	\$ 2,461,677
2013	862,972	384,932	44.61%	2,046,164 <sup>1</sup>
2012	841,054	402,691	47.88%	1,568,124 <sup>1</sup>

<sup>1</sup> Amount did not include factor of 1.2713 to adjust for implicit rate subsidy.

### Funded Status and Funding Progress

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([(b - a) / c]
July 1, 2013	\$ -	\$ 8,053,583	\$ 8,053,583	0%	\$ 29,114,134	27.66%

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

### Actuarial Methods and Assumptions

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

# HANFORD ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2014**

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In the July 1, 2013, actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a 4.0 percent investment rate of return (net of administrative expenses), based on the plan being funded in an irrevocable employee benefit trust invested in a combined equity and fixed income portfolio. Healthcare cost trend rates ranged from an initial 8.0 percent to an ultimate rate of 5.0 percent. The cost trend rate used for the Dental and Vision programs was 4.0 percent. The UAAL is being amortized at a level dollar method. The remaining amortization period at July 1, 2014, was 25 years.

### **NOTE 13 - RISK MANAGEMENT**

#### **Property and Liability**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2014, 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 2014, 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, 2014**

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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, 2012 to June 30, 2014 (in thousands):

	<u>Dental Care</u>
Liability Balance, June 30, 2012	\$ 150,730
Claims and changes in estimates	(6,284)
Liability Balance, June 30, 2013	<u>144,446</u>
Claims and changes in estimates	(7,725)
Liability Balance, June 30, 2014	<u>\$ 136,721</u>
Assets available to pay claims at June 30, 2014	<u><u>\$ 445,660</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. As a result of the Public Employee Pension Reform Act of 2013 (PEPRA), changes have been made to the defined benefit pension plan effective January 1, 2013. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 100 Waterfront Place, West Sacramento, CA 95605.

# HANFORD ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2014**

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### **Funding Policy**

Due to the implementation of the Public Employee Pension Reform Act of 2013 (PEPRA), new members must pay at least 50 percent of the normal costs of the plan, which can fluctuate from year to year. For 2013-2014, the required contribution rate for new members is 8.0 percent. "Classic" plan members are also required to contribute 8.0 percent of their salary. 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 2013-2014 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, 2014, 2013, and 2012, were \$1,790,427, \$1,682,296, and \$1,691,897, respectively, and equal 100 percent of the required contributions for each year.

### **CalPERS**

#### **Plan Description**

The District contributes to the School Employer Pool under the CalPERS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and survivor benefits to plan members and beneficiaries. As a result of the Public Employee Pension Reform Act of 2013 (PEPRA), changes have been made to the defined benefit pension plan effective January 1, 2013. 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**

As a result of the implementation of the Public Employee Pension Reform Act of 2013 (PEPRA), new members must pay at least 50 percent of the normal costs of the plan, which can fluctuate from year to year. For 2013-2014, the normal cost is 11.85 percent, which rounds to a 6.0 percent contribution rate. "Classic" plan members continue to contribute 7.0 percent. 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 2013-2014 was 11.442 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, 2014, 2013, and 2012, were \$897,502, \$844,694, and \$811,957, 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 6.2 percent of an employee's gross earnings. An employee is required to contribute 6.2 percent of his or her gross earnings Social Security.

# HANFORD ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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### On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$1,136,338 (5.541 percent of annual payroll). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been excluded from the calculation of available reserves, and have not been included in the budgeted and actual amounts reported in the General Fund - Budgetary Comparison Schedule.

### 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, 2014.

#### Litigation

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

#### Construction Commitments

As of June 30, 2014, the District had the following commitments with respect to the unfinished capital projects:

Capital Projects	Remaining Construction Commitment	Expected Date of Completion
Wilson Kitchen Remodel	\$ 1,000,000	September 2015
Wilson Gym Roof	126,000	September 2014
Wilson Library Remodel	31,000	December 2014
District Office Gate/Fencing	26,990	September 2014
Total remaining construction commitments	\$ 1,183,990	



# HANFORD ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2014**

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### **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, 2014, the District made payment of \$254,526 to NorCal ReLiEF for property and liability insurance.

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

During the year ended June 30, 2014, the District made payment of \$5,315,937 to SISC III for health insurance.

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

During the year ended June 30, 2014, the District made payment of \$470,445 to KCSIS for workers' compensation insurance.

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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, 2014**

	<b>Budgeted Amounts</b>			<b>Variances -</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	<b>Favorable</b>
				<b>(Unfavorable)</b>
				<b>Final</b>
				<b>to Actual</b>
<b>REVENUES</b>				
Local Control Funding Formula	\$ 28,356,043	\$ 37,188,196	\$ 37,235,021	\$ 46,825
Federal sources	3,465,715	4,052,772	3,092,517	(960,255)
Other State sources	9,324,482	4,708,940	4,188,918	(520,022)
Other local sources	1,886,359	2,368,631	2,277,050	(91,581)
<b>Total Revenues</b> <sup>1</sup>	<b>43,032,599</b>	<b>48,318,539</b>	<b>46,793,506</b>	<b>(1,525,033)</b>
<b>EXPENDITURES</b>				
Current				
Certificated salaries	21,751,388	22,283,185	21,877,441	405,744
Classified salaries	7,671,747	8,019,546	7,974,138	45,408
Employee benefits	9,156,944	9,584,938	9,381,307	203,631
Books and supplies	2,434,339	4,224,704	3,793,470	431,234
Services and operating expenditures	3,381,575	3,893,370	3,493,450	399,920
Other outgo	93,946	416,118	411,379	4,739
Capital outlay	105,990	427,526	346,079	81,447
<b>Total Expenditures</b> <sup>1</sup>	<b>44,595,929</b>	<b>48,849,387</b>	<b>47,277,264</b>	<b>1,572,123</b>
<b>Excess (Deficiency) of Revenues</b>				
<b>Over Expenditures</b>	<b>(1,563,330)</b>	<b>(530,848)</b>	<b>(483,758)</b>	<b>47,090</b>
<b>Other Financing Uses</b>				
Transfers out	(125,000)	(1,701,545)	(1,701,545)	-
<b>Total Financing Uses</b>	<b>(125,000)</b>	<b>(1,701,545)</b>	<b>(1,701,545)</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(1,688,330)</b>	<b>(2,232,393)</b>	<b>(2,185,303)</b>	<b>47,090</b>
<b>Fund Balance - Beginning</b>	<b>8,687,591</b>	<b>8,687,591</b>	<b>8,687,591</b>	<b>-</b>
<b>Fund Balance - Ending</b>	<b>\$ 6,999,261</b>	<b>\$ 6,455,198</b>	<b>\$ 6,502,288</b>	<b>\$ 47,090</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**

**CAFETERIA FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2014**

	<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>				
Federal sources	\$ 2,298,468	\$ 2,298,468	\$ 2,600,791	\$ 302,323
Other State sources	191,080	191,080	200,817	9,737
Other local sources	273,478	273,478	330,986	57,508
<b>Total Revenues</b>	<b>2,763,026</b>	<b>2,763,026</b>	<b>3,132,594</b>	<b>369,568</b>
<b>EXPENDITURES</b>				
Current				
Classified salaries	826,968	854,430	841,333	13,097
Employee benefits	247,944	258,560	252,665	5,895
Books and supplies	1,951,479	1,963,476	1,601,362	362,114
Services and operating expenditures	86,146	74,149	34,596	39,553
Other outgo	146,717	144,515	144,515	-
Capital outlay	107,000	282,400	19,917	262,483
<b>Total Expenditures</b>	<b>3,366,254</b>	<b>3,577,530</b>	<b>2,894,388</b>	<b>683,142</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>				
	(603,228)	(814,504)	238,206	(313,574)
<b>Other Financing Sources</b>				
Transfers in	-	-	1,545	1,545
<b>Total Financing Sources</b>	<b>-</b>	<b>-</b>	<b>1,545</b>	<b>1,545</b>
<b>NET CHANGE IN FUND BALANCES</b>				
	(603,228)	(814,504)	239,751	1,054,255
<b>Fund Balance - Beginning</b>	<b>2,257,877</b>	<b>2,257,877</b>	<b>2,257,877</b>	<b>-</b>
<b>Fund Balance - Ending</b>	<b>\$ 1,654,649</b>	<b>\$ 1,443,373</b>	<b>\$ 2,497,628</b>	<b>\$ 1,054,255</b>

**HANFORD ELEMENTARY SCHOOL DISTRICT**

**SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

**FUNDING PROGRESS**

**FOR THE YEAR ENDED JUNE 30, 2014**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued 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, 2013	\$ -	\$ 8,053,583	\$ 8,053,583	0%	\$ 29,114,134	27.66%
July 1, 2011	\$ -	\$ 6,907,714	\$ 6,907,714	0%	\$ 27,944,015	24.72%
July 1, 2009	\$ -	\$ 6,767,755	\$ 6,767,755	0%	\$ 26,464,473	25.57%

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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, 2014**

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>			
Passed Through California Department of Education (CDE):			
No Child Left Behind Act			
Title I, Part A, Basic Grants	84.010	14329	\$ 2,249,895
Migrant Education Programs			
Title I, Migrant Education, Regular	84.011	14326	269,151
Title I, Migrant Education, Summer Program	84.011	10005	119,648
Title I, Part C, Even Start Migrant Education (MEES)	84.011	14768	11,929
Subtotal Migrant Education Programs			<u>400,728</u>
Title II, Part A, Teacher Quality	84.367	14341	294,111
Title III, Limited English Proficiency	84.365	14346	147,658
Special Education Programs			
Local Assistance	84.027	13379	194,701
Local Assistance, Part B, Section 611, Private School	84.027	10115	2,488
IDEA, Mental Health Allocation Plan, Part B, Section 611	84.027	14468	43,753
Subtotal Special Education Programs			<u>240,942</u>
Total U.S. Department of Education			<u>3,333,334</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
Passed Through CDE:			
Child Nutrition Cluster			
National School Lunch	10.555	13391	1,922,838
Especially Needy Breakfast	10.553	13526	559,093
Meals Supplements - Snack	10.555	13391	103,012
Summer Food Program	10.559	13004	15,848
Food Distribution - Commodities	10.555	13391	163,260
Subtotal Child Nutrition Cluster			<u>2,764,051</u>
Total U.S. Department of Agriculture			<u>2,764,051</u>
Total Expenditures of Federal Awards			<u>\$ 6,097,385</u>

See accompanying note to supplementary information.

# HANFORD ELEMENTARY SCHOOL DISTRICT

## LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2014

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

### ADMINISTRATION

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

See accompanying note to supplementary information.



# HANFORD ELEMENTARY SCHOOL DISTRICT

## SCHEDULE OF AVERAGE DAILY ATTENDANCE FOR THE YEAR ENDED JUNE 30, 2014

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	Second Period Report	Annual Report
Regular ADA		
Transitional kindergarten through third	2,736.70	2,735.88
Fourth through sixth	1,786.47	1,784.69
Seventh and eighth	1,092.69	1,090.94
Total Regular ADA	5,615.86	5,611.51
Community Day School		
Transitional kindergarten through third	6.97	6.99
Fourth through sixth	2.90	2.98
Seventh and eighth	14.33	13.26
Total Community Day School	24.20	23.23
Total ADA	5,640.06	5,634.74

See accompanying note to supplementary information.

# HANFORD ELEMENTARY SCHOOL DISTRICT

## SCHEDULE OF INSTRUCTIONAL TIME FOR THE YEAR ENDED JUNE 30, 2014

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Grade Level	1986-1987	Reduced	2013-2014 Actual Minutes	Number of Days		Status
	Minutes Requirement	1986-1987 Minutes Requirement		Traditional Calendar	Multitrack Calendar	
Kindergarten	36,000	35,000	48,913	180	N/A	Complied
Grades 1 - 3	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	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	54,000	52,500				
Grade 7			57,138	180	N/A	Complied
Grade 8			57,138	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, 2014**

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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, 2014.

See accompanying note to supplementary information.

# HANFORD ELEMENTARY SCHOOL DISTRICT

## SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2014

	(Budget) 2015 <sup>1</sup>	2014 <sup>4</sup>	2013 <sup>4</sup>	2012 <sup>4</sup>
<b>GENERAL FUND</b>				
Revenues	\$ 50,835,648	\$ 47,346,669	\$ 42,919,362	\$ 43,135,093
Other sources and transfers in	-	-	8,619	28,546
Total Revenues and Other Sources <sup>3</sup>	50,835,648	47,346,669	42,927,981	43,163,639
Expenditures	50,736,327	47,277,264	42,860,668	42,305,614
Other uses and transfers out	-	1,701,545	269,222	-
Total Expenditures and Other Uses <sup>3</sup>	50,736,327	48,978,809	43,129,890	42,305,614
INCREASE (DECREASE) IN FUND BALANCE	\$ 99,321	\$ (1,632,140)	\$ (201,909)	\$ 858,025
ENDING FUND BALANCE	\$ 6,707,271	\$ 6,607,950	\$ 8,240,090	\$ 8,441,999
AVAILABLE RESERVES <sup>2</sup>	\$ 5,249,542	\$ 5,397,160	\$ 6,026,762	\$ 5,838,290
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO	10.35%	11.02%	13.97%	13.80%
LONG-TERM OBLIGATIONS	Not Available	\$ 9,561,373	\$ 9,941,932	\$ 10,372,223
AVERAGE DAILY ATTENDANCE AT P-2	5,668	5,640	5,537	5,462

The General Fund balance has decreased by \$1,834,049 over the past two years. The fiscal year 2014-2015 budget projects an increase of \$99,321 (1.5 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 deficits in two of the past three years but anticipates incurring an operating surplus during the 2014-2015 fiscal year. Total long-term obligations decreased by \$810,850 over the past two years.

Average daily attendance has increased by 178 ADA over the past two years. Additional growth of 28 ADA is anticipated during fiscal year 2014-2015.

<sup>1</sup> Budget 2015 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, 2014

	<b>Deferred Maintenance Fund</b>	<b>Capital Facilities Fund</b>	<b>Bond Interest and Redemption Fund</b>
<b>ASSETS</b>			
Deposits and investments	\$ 57,955	\$ 305,414	\$ 964,208
Receivables	-	37,393	-
<b>Total Assets</b>	<b>\$ 57,955</b>	<b>\$ 342,807</b>	<b>\$ 964,208</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 9,951	\$ 69,690	\$ -
Due to other funds	-	162,613	-
<b>Total Liabilities</b>	<b>9,951</b>	<b>232,303</b>	<b>-</b>
<b>Fund Balances:</b>			
Restricted	-	110,504	964,208
Committed	48,004	-	-
<b>Total Fund Balances</b>	<b>48,004</b>	<b>110,504</b>	<b>964,208</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 57,955</b>	<b>\$ 342,807</b>	<b>\$ 964,208</b>

See accompanying note to supplementary information.

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**Total  
Non-Major  
Governmental  
Funds**

\$	1,327,577
	37,393
\$	<u>1,364,970</u>

\$	79,641
	162,613
	<u>242,254</u>

	1,074,712
	48,004
	<u>1,122,716</u>

\$	<u>1,364,970</u>
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# HANFORD ELEMENTARY SCHOOL DISTRICT

## NON-MAJOR GOVERNMENTAL FUNDS COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED JUNE 30, 2014

	<b>Deferred Maintenance Fund</b>	<b>Capital Facilities Fund</b>	<b>Bond Interest and Redemption Fund</b>
<b>REVENUES</b>			
Local Control Funding Formula	\$ 325,000	\$ -	\$ -
Other State sources	-	-	27,493
Other local sources	245	421,607	1,380,063
<b>Total Revenues</b>	<u>325,245</u>	<u>421,607</u>	<u>1,407,556</u>
<b>EXPENDITURES</b>			
Current			
Administration:			
All other administration	-	1,875	-
Plant services	83,357	326,455	-
Facility acquisition and construction	236,310	21,646	-
Debt service			
Principal	-	-	796,631
Interest and other	-	-	563,609
<b>Total Expenditures</b>	<u>319,667</u>	<u>349,976</u>	<u>1,360,240</u>
<b>NET CHANGE IN FUND BALANCES</b>	5,578	71,631	47,316
<b>Fund Balance - Beginning</b>	42,426	38,873	916,892
<b>Fund Balance - Ending</b>	<u>\$ 48,004</u>	<u>\$ 110,504</u>	<u>\$ 964,208</u>

See accompanying note to supplementary information.

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**Total  
Non-Major  
Governmental  
Funds**

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\$	325,000
	27,493
	1,801,915
	<u>2,154,408</u>

	1,875
	409,812
	257,956
	796,631
	<u>563,609</u>
	<u>2,029,883</u>
	124,525
	998,191
\$	<u><u>1,122,716</u></u>



# HANFORD ELEMENTARY SCHOOL DISTRICT

## NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2014

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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 amount consists of the fair market of federal food commodities received but not recorded by the District and a receivable for MAA the District wrote off.

	CFDA Number	Amount
Total Federal Revenues From the Statement of Revenues, Expenditures, and Changes in Fund Balances:		\$ 5,693,308
Reconciling items:		
Food Distribution - Commodities	10.555	163,260
Medi-Cal Administrative Activities (MAA)	93.778	240,817
Total Schedule of Expenditures of Federal Awards		<u>\$ 6,097,385</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. The District neither met nor exceeded its target funding. 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 the 1986-1987 requirements as required by *Education Code* Section 46201.

# HANFORD ELEMENTARY SCHOOL DISTRICT

## NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2014

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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 AUDITOR'S REPORTS***

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

Governing Board  
Hanford Elementary School District  
Hanford, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hanford Elementary School District (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Hanford Elementary School District's basic financial statements, and have issued our report thereon dated December 8, 2014.

**Internal Control Over Financial Reporting**

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

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

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

## **Compliance and Other Matters**

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

## **Purpose of This Report**

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

*Vannink, Trine, Day & Co, LLP*

Fresno, California  
December 8, 2014



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

Governing Board  
Hanford Elementary School District  
Hanford, California

**Report on Compliance for Each Major Federal Program**

We have audited Hanford Elementary School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Hanford Elementary School District's (the District) major Federal programs for the year ended June 30, 2014. Hanford Elementary School District's major Federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

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

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

## Opinion on Each Major Federal Program

In our opinion, Hanford Elementary School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2014.

## Report on Internal Control Over Compliance

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

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

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

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

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

Fresno, California  
December 8, 2014



## INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board  
Hanford Elementary School District  
Hanford, California

### Report on State Compliance

We have audited Hanford Elementary School District's compliance with the types of compliance requirements as identified in the *Standards and Procedures for Audit of California K-12 Local Educational Agencies 2013-2014* that could have a direct and material effect on each of the Hanford Elementary School District's State government programs as noted below for the year ended June 30, 2014.

### Management's Responsibility

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

### Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the Hanford Elementary School District's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2013-2014*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about Hanford Elementary School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions. Our audit does not provide a legal determination of Hanford Elementary School District's compliance with those requirements.

### Unmodified Opinion

In our opinion, Hanford Elementary School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2014.



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	6	Yes
Teacher Certification and Misassignments	3	Yes
Kindergarten Continuance	3	Yes
Independent Study	23	Not Applicable
Continuation Education	10	Not Applicable
Instructional Time:		
School Districts	10	Yes
Instructional Materials:		
General Requirements	8	Yes
Ratios of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive	4	Not Applicable
Gann Limit Calculation	1	Yes
School Accountability Report Card	3	Yes
Juvenile Court Schools	8	Not Applicable
Local Control Funding Formula Certification	1	Yes
California Clean Energy Jobs Act	3	No (see below)
After School Education and Safety Program:		
General Requirements	4	Yes
After School	5	Yes
Before School	6	Not Applicable
Education Protection Account Funds	1	Yes
Common Core Implementation Funds	3	Yes
Unduplicated Local Control Funding Formula Pupil Counts	3	Yes
Charter Schools:		
Contemporaneous Records of Attendance	8	Not Applicable
Mode of Instruction	1	Not Applicable
Non Classroom-Based Instruction/Independent Study	15	Not Applicable
Determination of Funding for Non Classroom-Based Instruction	3	Not Applicable
Annual Instruction Minutes Classroom-Based	4	Not Applicable
Charter School Facility Grant Program	1	Not Applicable

We did not perform the recommended procedures for the California Clean Energy Jobs Act because the District did not expend any of the California Clean Energy Jobs Act funding received.

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

Fresno, California  
December 8, 2014

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

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**HANFORD ELEMENTARY SCHOOL DISTRICT**

**SUMMARY OF AUDITOR'S RESULTS  
FOR THE YEAR ENDED JUNE 30, 2014**

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**FINANCIAL STATEMENTS**

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

**FEDERAL AWARDS**

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

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>84.010</u>	<u>Title I, Part A, Basic Grants</u>
<u>84.011</u>	<u>Title I, Migrant Education Programs</u>
<u>84.367</u>	<u>Title II, Part A, Teacher Quality</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 auditor's report issued on compliance for programs:	<u>Unmodified</u>
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**HANFORD ELEMENTARY SCHOOL DISTRICT**

**FINANCIAL STATEMENT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2014**

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None reported.

**HANFORD ELEMENTARY SCHOOL DISTRICT**

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2014**

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None reported.

**HANFORD ELEMENTARY SCHOOL DISTRICT**

**STATE AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2014**

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None reported.

**HANFORD ELEMENTARY SCHOOL DISTRICT**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2014**

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