

**HANFORD ELEMENTARY
SCHOOL DISTRICT**

ANNUAL FINANCIAL REPORT

JUNE 30, 2008

HANFORD ELEMENTARY SCHOOL DISTRICT
OF KINGS COUNTY
HANFORD, CALIFORNIA
JUNE 30, 2008

GOVERNING BOARD

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Timothy Revious	President	2008
Lupe Hernandez	Vice President	2010
Jeff Garner	Clerk	2010
Robert A. Garcia	Member	2010
Dennis Hill	Member	2008

ADMINISTRATION

Paul J. Terry, Ed.D.	Superintendent
Nancy White	Assistant Superintendent Fiscal Services
Sharon Bowie	Assistant Superintendent Program Evaluation, Assessment and Accountability
Diane Williams	Assistant Superintendent Human Resources
Joy Gabler	Assistant Superintendent Instruction and Professional Development

HANFORD ELEMENTARY SCHOOL DISTRICT

TABLE OF CONTENTS

JUNE 30, 2008

FINANCIAL SECTION

Independent Auditors' Report	2
Management's Discussion and Analysis	4
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Assets	13
Statement of Activities	14
Fund Financial Statements	
Governmental Funds - Balance Sheet	15
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	16
Governmental Funds - Statement of Revenues, Expenditures, and Changes in Fund Balance	17
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the District-Wide Statement of Activities	18
Proprietary Funds - Statement of Net Assets	19
Proprietary Funds - Statement of Revenues, Expenses, and Changes in Fund Net Assets	20
Proprietary Funds - Statement of Cash Flows	21
Fiduciary Funds - Statement of Net Assets	22
Notes to Financial Statements	23

REQUIRED SUPPLEMENTARY INFORMATION

General Fund - Budgetary Comparison Schedule	51
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SUPPLEMENTARY INFORMATION

Schedule of Expenditures of Federal Awards	53
Local Education Agency Organization Structure	54
Schedule of Average Daily Attendance	55
Schedule of Instructional Time	56
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements	57
Schedule of Financial Trends and Analysis	58
Excess Sick Leave	59
Note to Supplementary Information	60

SUPPLEMENTARY INFORMATION - UNAUDITED

Combining Statements - Non-Major Governmental Funds	
Combining Balance Sheet - Unaudited	62
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance - Unaudited	63
Note to Supplementary Information - Unaudited	64

INDEPENDENT AUDITORS' REPORTS

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	66
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133	68
Report on State Compliance	70

HANFORD ELEMENTARY SCHOOL DISTRICT

TABLE OF CONTENTS

JUNE 30, 2008

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Summary of Auditors' Results	73
Financial Statement Findings	74
Federal Awards Findings and Questioned Costs	75
State Awards Findings and Questioned Costs	76
Summary Schedule of Prior Audit Findings	77

FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

Governing Board
Hanford Elementary School District
Hanford, California

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Hanford Elementary School District (the "District") as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2007-08* issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Hanford Elementary School District, as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2008, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The required supplementary information, such as management's discussion and analysis on pages 4 through 12 and budgetary comparison information on page 51, is not a required part of the basic financial statements, but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

The unaudited supplementary information listed in the table of contents, the Combining Statements - Non-Major Governmental Funds, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion.

Vauseinek, Irvine, Day & Co., LLP

Fresno, California
December 10, 2008

Hanford Elementary School District

HANFORD ELEMENTARY SCHOOL DISTRICT KINGS COUNTY

MANAGEMENT DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2008

INTRODUCTION

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

(559) 585-3600

Superintendent
Paul J. Terry

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

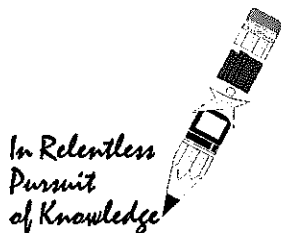
The Hanford Elementary School District's goal is to provide, in an atmosphere of care and concern, an opportunity for every student to recognize and fully develop his/her particular academic, technical, physical and social skills. Hanford Elementary School District students graduate prepared to continue 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, 2008. 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 2007-08 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 5,200 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, 2008

FINANCIAL HIGHLIGHTS

The Hanford Elementary School District's Government-wide Statement of Net Assets illustrates total net assets of \$31.4 million, the result of assets of \$47.4 million minus liabilities of \$16.0 million.

- General Revenues accounted for \$38.5 million or 75 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$12.7 million or 25 percent of total revenues of \$51.2 million.
- The District had \$49.3 million in expenses related to governmental activities.
- The General Fund reported a positive fund balance of \$5,131,846.

STUDENT ENROLLMENT & DEMOGRAPHIC TRENDS

- The School District has an enrollment of approximately 5,200 students for the current 2007-08 school year, with enrollment projected to remain the same or possibly decrease.
- 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 2008-09 ADA for the District is 5,168. The ratio of actual attendance to enrollment summarizes the District's changes and efforts to increase attendance. Figure 1 summarizes a historical analysis of the District's enrollment to actual positive attendance ratios.

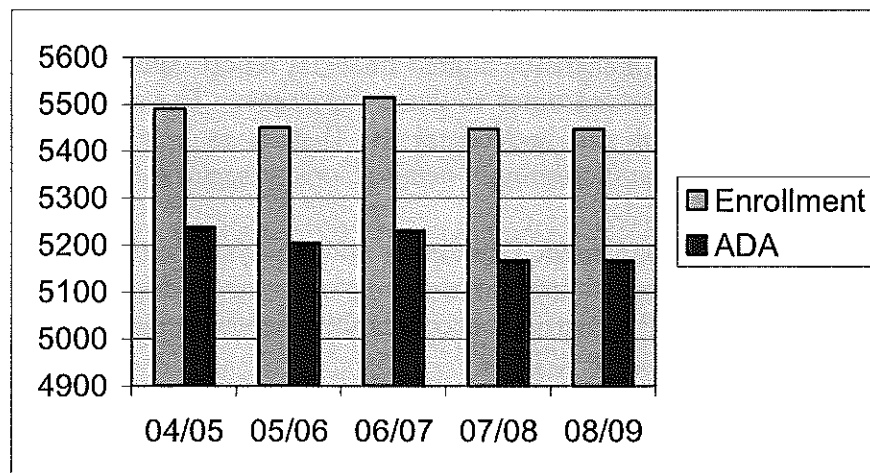


Figure 1. District Enrollment to Actual Attendance Ratios

HANFORD ELEMENTARY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2008

- School districts have traditionally placed great importance on the accurate projection of student enrollment for the ensuing budget year, due to the broad range of funding and programs impacted by this number. These impacts range from the very basic funding for California school districts which calculates the number of days attended by the enrolled students times a unique "base revenue limit amount" (for 2007-08 the School District revenue Limit amount is approximately \$5,556), to how much a particular special program will receive, to the amount of one-time monies a district may receive. Increased ADA is intended to generate additional dollars to help offset normal inflationary costs of operating the business of education, and related growth cost for the additional enrollment.

REPORTING THE DISTRICT AS A WHOLE

- THE STATEMENT OF NET ASSETS AND STATEMENT OF ACTIVITIES

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

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

- FUND FINANCIAL STATEMENTS

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

- GOVERNMENTAL FUNDS

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting. Governmental fund statements provide a detailed short-term view of the District's general

HANFORD ELEMENTARY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2008

governmental operations and the basic services it provides. Governmental fund information helps you determine whether there are more or less financial resources available to spend in the near future to finance the District's program. The Relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the notes to the financial statements.

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

- **PROPRIETARY FUNDS**

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

- **FIDUCIARY FUNDS**

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

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

- **NOTES TO THE FINANCIAL STATEMENTS**

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

- **THE DISTRICT AS A WHOLE**

The "Statement of Net Assets" provides the perspective of the District as a whole. Table 1 provides a summary of the District's net assets for fiscal years 2007-08 and 2006-07, respectively.

HANFORD ELEMENTARY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2008

Table 1. Net Assets

(Amounts in millions)	Governmental Activities		Difference over/(under)
	2008	2007	
Current and other assets	\$ 12.3	\$ 11.0	\$ 1.3
Capital assets	35.1	34.9	0.2
Total Assets	47.4	45.9	1.5
Current liabilities	4.4	4.1	0.3
Long-term obligations	11.6	12.3	(0.7)
Total Liabilities	16.0	16.4	(0.4)
Net assets			
Invested in capital assets, net of related debt	23.8	22.8	1.0
Restricted	4.1	3.6	0.5
Unrelated	3.5	3.1	0.4
Total Net Assets	\$ 31.4	\$ 29.5	\$ 1.9

Table 2 shows the changes in net assets for fiscal years 2007-08 and 2006-07, respectively.

Table 2. Changes in Net Assets

(Amounts in millions)	Governmental Activities		Difference over/(under)
	2007-08	2006-07	
Revenues			
Program revenues:			
Charges for services	\$ 0.4	\$ 0.3	\$ 0.1
Operating grants and contributions	12.4	11.5	0.9
General revenues:			
Federal and State aid not restricted	31.4	31.7	(0.3)
Property taxes	2.8	2.4	0.4
Other general revenues	4.2	3.9	0.3
Total Revenues	51.2	49.8	1.4
Expenses			
Instruction related	31.8	31.4	0.4
Student support services	5.8	6.3	(0.5)
Administration	3.3	3.7	(0.4)
Maintenance and operations	6.2	5.5	0.7
Other	2.2	2.2	-
Total Expenses	49.3	49.1	0.2
Change in Net Assets	\$ 1.9	\$ 0.7	\$ 1.2

HANFORD ELEMENTARY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2008

GOVERNMENTAL FUNDS

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

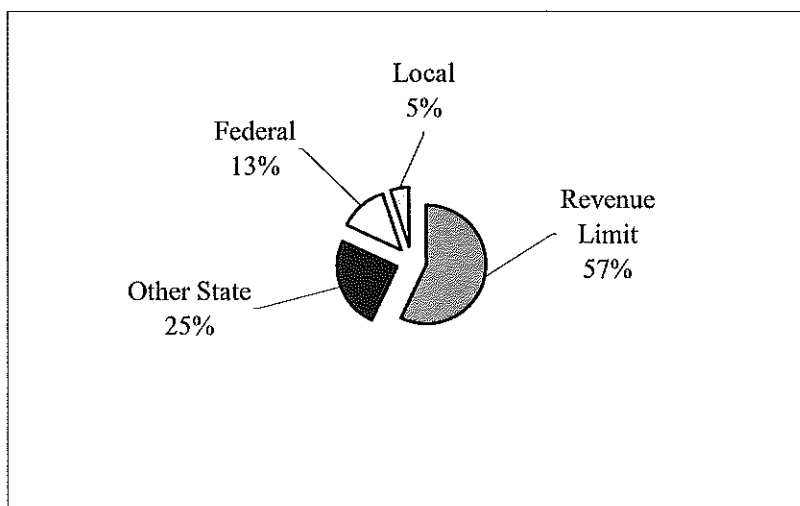


Figure 2. Revenues by Source

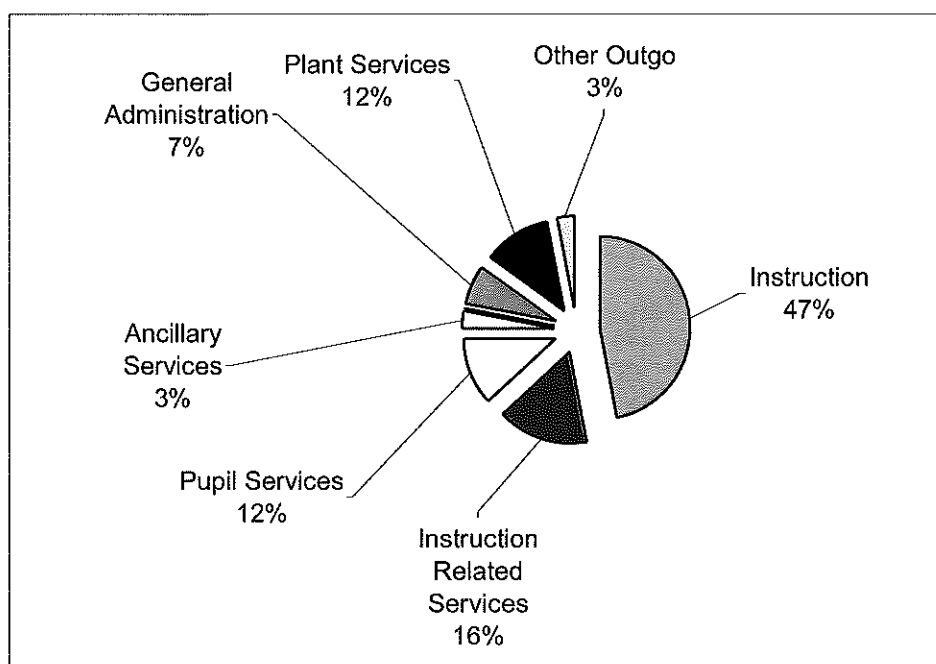


Figure 3. Expenditures by Function

HANFORD ELEMENTARY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2008

GENERAL FUND BUDGET INFORMATION

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

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

• GENERAL FUND BUDGET VARIATIONS

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

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

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

The State and Federal budget issues have an impact on the District's budget. As revenues from these two sources change, so do District revenues, since 99% of District revenues come from State and Federal revenue streams.

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

HANFORD ELEMENTARY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2008

The net difference in fund balance between the final budget and the adopted budget was an decrease of \$1,230,505 and may be summarized as follows:

\$2,302,925 increase in total revenue

\$3,533,430 increase in total expenditures

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

At June 30, 2007, the District had \$34.9 million in a broad range of capital assets, including land, buildings, and furniture and equipment. At June 30, 2008, the District had \$35.1 million in a broad range of capital assets, including land, buildings, and furniture and equipment. This amount represents a net increase (including additions and deductions) of \$0.2 million, or 0.6 percent, from last year. Table 3 shows the balances for fiscal years 2007-08 and 2006-07.

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

(Amounts in millions)	Governmental Activities		Difference over/(under)
	2007-08	2006-07	
Land	\$ 2.1	\$ 2.0	\$ 0.1
Buildings and improvements	31.6	31.4	0.2
Equipment	1.2	1.1	0.1
Construction in Progress	0.2	0.4	(0.2)
Totals	\$ 35.1	\$ 34.9	\$ 0.2

Construction in Progress at June 30, 2008 included:

HESDNet remodel	\$ 2,244
Richmond re-roof	128,451
Total	\$ 130,695

DEBT

At the end of this year, the District had \$11.6 million in liabilities outstanding versus \$12.3 million last year, a decrease of 5.7 percent. Table 4 summarizes these debts.

HANFORD ELEMENTARY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2008

Table 4. Outstanding Debt

(Amounts in millions)	Governmental Activities		Difference over/(under)
	2007-08	2006-07	
General obligation bonds	\$ 10.8	\$ 11.4	\$ (0.6)
Capitalized lease obligations	0.5	0.7	(0.2)
Other	0.3	0.2	0.1
Total	\$ 11.6	\$ 12.3	\$ (0.7)

FOR THE FUTURE

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

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

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

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HANFORD ELEMENTARY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

JUNE 30, 2008

	Governmental Activities
ASSETS	
Deposits and investments	\$ 6,614,033
Receivables	5,181,796
Prepaid expenses	300,409
Stores inventories	195,164
Nondepreciable capital assets	2,274,282
Depreciable capital assets	48,888,253
Accumulated depreciation	(16,054,038)
Total Assets	47,399,899
LIABILITIES	
Accounts payable	3,914,842
Deferred revenue	457,990
Current portion of long-term obligations	1,106,184
Noncurrent portion of long-term obligations	10,469,288
Total Liabilities	15,948,304
NET ASSETS	
Invested in capital assets, net of related debt	23,823,518
Restricted for:	
Debt service	564,756
Capital projects	342,993
Educational programs	1,737,222
Other activities	1,477,785
Unrestricted	3,505,321
Total Net Assets	\$ 31,451,595

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

HANFORD ELEMENTARY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2008

Functions/Programs	Expenses	Program Revenues	
		Charges for Services and Sales	Operating Grants and Contributions
Governmental Activities:			
Instruction	\$ 23,686,789	\$ -	\$ 4,684,649
Instruction-related activities:			
Supervision of instruction	3,283,424	-	1,854,509
Instructional library, media and technology	505,232	-	6,526
School site administration	4,332,640	-	392,067
Pupil services:			
Home-to-school transportation	804,338	-	314,488
Food services	2,161,470	341,575	1,955,478
All other pupil services	2,844,602	-	871,389
General administration:			
Data processing	444,025	-	-
All other general administration	2,904,366	14,922	571,508
Plant services	6,126,916	-	167,169
Ancillary services	1,405,181	-	1,350,115
Community services	21,224	-	44,548
Interest on long-term obligations	623,466	-	-
Other outgo	167,600	-	162,551
Total Governmental-Type Activities	\$ 49,311,273	\$ 356,497	\$ 12,374,997
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 Assets			
Net Assets - Beginning			
Net Assets - Ending			

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

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

**Governmental
Activities**

\$	(19,002,140)
	(1,428,915)
	(498,706)
	(3,940,573)
	(489,850)
	135,583
	(1,973,213)
	(444,025)
	(2,317,936)
	(5,959,747)
	(55,066)
	23,324
	(623,466)
	(5,049)
	<u>(36,579,779)</u>
	1,745,720
	1,131,466
	4,086
	31,400,227
	327,105
	<u>3,873,611</u>
	<u>38,482,215</u>
	1,902,436
	<u>29,549,159</u>
\$	<u><u>31,451,595</u></u>

HANFORD ELEMENTARY SCHOOL DISTRICT

GOVERNMENTAL FUNDS BALANCE SHEET JUNE 30, 2008

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS			
Deposits and investments	\$ 4,256,570	\$ 2,105,954	\$ 6,362,524
Receivables	4,652,457	526,612	5,179,069
Stores inventories	159,758	35,406	195,164
Total Assets	\$ 9,068,785	\$ 2,667,972	\$ 11,736,757
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 3,677,787	\$ 83,600	\$ 3,761,387
Deferred revenue	259,152	198,838	457,990
Total Liabilities	3,936,939	282,438	4,219,377
FUND BALANCES			
Reserved for:			
Revolving cash	5,050	410	5,460
Stores inventories	159,758	35,406	195,164
Legally restricted balance	1,737,222	-	1,737,222
Unreserved:			
Designated	2,231,366	157,000	2,388,366
Undesignated, reported in:			
General Fund	998,450	-	998,450
Special revenue funds	-	1,284,969	1,284,969
Debt service funds	-	564,756	564,756
Capital projects funds	-	342,993	342,993
Total Fund Balance	5,131,846	2,385,534	7,517,380
Total Liabilities and Fund Balances	\$ 9,068,785	\$ 2,667,972	\$ 11,736,757

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

HANFORD ELEMENTARY SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS JUNE 30, 2008

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

Total Fund Balance - Governmental Funds		\$ 7,517,380
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is	\$ 51,162,535	
Accumulated depreciation is	<u>(16,054,038)</u>	
Total capital assets		35,108,497
Expenditures relating to issuance of debt were recognized in modified accrual basis, but should not be recognized in accrual basis.		300,409
An internal service fund is used by the District's management to charge the costs of the workers' compensation insurance program to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities. Internal service fund net assets are:		100,781
Long-term liabilities, including general obligation bonds, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Long-term liabilities at year end consist of:		
General obligation bonds	(10,743,484)	
Capital lease obligations	(530,169)	
Compensated absences	(290,493)	
Unamortized premium on bond issue	<u>(11,326)</u>	
Total long-term liabilities		<u>(11,575,472)</u>
Total Net Assets - Governmental Activities		<u>\$ 31,451,595</u>

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

HANFORD ELEMENTARY SCHOOL DISTRICT

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE FOR THE YEAR ENDED JUNE 30, 2008

	General Fund	Non-Major Governmental Funds
REVENUES		
Revenue limit sources	\$ 29,156,636	\$ -
Federal sources	4,905,570	1,811,976
Other state sources	11,801,532	935,601
Other local sources	632,634	1,969,760
Total Revenues	46,496,372	4,717,337
EXPENDITURES		
Current		
Instruction	23,694,237	-
Instruction-related activities:		
Supervision of instruction	3,286,602	-
Instructional library, media and technology	505,232	-
School site administration	4,328,121	-
Pupil Services:		
Home-to-school transportation	699,501	-
Food services	3,046	2,250,683
All other pupil services	2,844,602	-
General administration:		
Data processing	444,025	-
All other general administration	2,728,774	157,362
Plant services	4,668,054	510,213
Facility acquisition and construction	209,067	824,177
Ancillary services	1,468,133	-
Community services	21,224	-
Other outgo	167,600	-
Debt service		
Principal	71,286	709,608
Interest and other	29,406	561,568
Total Expenditures	45,168,910	5,013,611
Excess (Deficiency) of Revenues Over Expenditures	1,327,462	(296,274)
Other Financing Sources (Uses):		
Transfers in	38,000	230,000
Transfers out	(230,000)	(38,000)
Net Financing Sources (Uses)	(192,000)	192,000
NET CHANGE IN FUND BALANCES	1,135,462	(104,274)
Fund Balance - Beginning	3,996,384	2,489,808
Fund Balance - Ending	\$ 5,131,846	\$ 2,385,534

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

Total Governmental Funds	
<hr/>	
\$	29,156,636
	6,717,546
	12,737,133
	2,602,394
	<hr/>
	51,213,709
	<hr/>
	23,694,237
	3,286,602
	505,232
	4,328,121
	699,501
	2,253,729
	2,844,602
	444,025
	2,886,136
	5,178,267
	1,033,244
	1,468,133
	21,224
	167,600
	780,894
	590,974
	<hr/>
	50,182,521
	<hr/>
	1,031,188
	<hr/>
	268,000
	(268,000)
	<hr/>
	-
	<hr/>
	1,031,188
	6,486,192
	<hr/>
\$	7,517,380
	<hr/>

HANFORD ELEMENTARY SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE DISTRICT-WIDE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2008

Total Net Change in Fund Balances - Governmental Funds **\$ 1,031,188**
**Amounts Reported for Governmental Activities in the Statement of
Activities are Different Because:**

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

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

Capital outlays	\$ 1,401,960	
Depreciation expense	<u>(1,215,030)</u>	186,930

In the statement of activities, certain operating expenses - compensated absences (vacations) and special termination benefits (early retirement) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, there are no special termination benefits.

Vacation used was less than the amounts earned by \$65,029. (65,029)

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

General obligation bonds	628,075
Capital lease obligations	152,819

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

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

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

Change in Net Assets of Governmental Activities

945
<u><u>\$ 1,902,436</u></u>

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

HANFORD ELEMENTARY SCHOOL DISTRICT

PROPRIETARY FUNDS STATEMENT OF NET ASSETS FOR THE YEAR ENDED JUNE 30, 2008

	Governmental Activities - Internal Service Fund
ASSETS	
Current Assets	
Deposits and investments	\$ 251,509
Receivables	2,727
Total Assets	<u>254,236</u>
LIABILITIES	
Current Liabilities	
Accounts payable	153,455
Total Current Liabilities	<u>153,455</u>
NET ASSETS	
Unrestricted	100,781
Total Net Assets	<u>\$ 100,781</u>

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

HANFORD ELEMENTARY SCHOOL DISTRICT

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS FOR THE YEAR ENDED JUNE 30, 2008

	Governmental Activities - Internal Service Fund
OPERATING REVENUES	
Charges to other funds and miscellaneous revenues	\$ 538,521
Total Operating Revenues	<u>538,521</u>
OPERATING EXPENSES	
Professional and contract services	<u>549,172</u>
Total Operating Expenses	<u>549,172</u>
Operating Income (Loss)	<u>(10,651)</u>
NONOPERATING REVENUES (EXPENSES)	
Interest income	<u>9,706</u>
Total Nonoperating Revenues (Expenses)	<u>9,706</u>
Change in Net Assets	(945)
Total Net Assets - Beginning	<u>101,726</u>
Total Net Assets - Ending	<u>\$ 100,781</u>

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

HANFORD ELEMENTARY SCHOOL DISTRICT

PROPRIETARY FUNDS STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2008

	Governmental Activities - Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash receipts from premiums	\$ 538,622
Cash payments for insurance claims	(533,158)
Net Cash Provided by (Used for)	
Operating Activities	5,464
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	9,705
Net Cash Provided by (Used for)	
Investing Activities	9,705
Net Increase (Decrease) in Cash and Cash Equivalents	15,169
Cash and Cash Equivalents - Beginning	236,340
Cash and Cash Equivalents - Ending	\$ 251,509
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	
Operating income (loss)	\$ (10,651)
Changes in assets and liabilities:	
Receivables	101
Accrued liabilities	16,014
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 5,464

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

HANFORD ELEMENTARY SCHOOL DISTRICT

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2008

	<u>Agency Funds</u>
ASSETS	
Deposits and investments	\$ 17,922
Total Assets	<u>\$ 17,922</u>
LIABILITIES	
Due to student groups	\$ 17,922
Total Liabilities	<u>\$ 17,922</u>

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

HANFORD ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

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

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

Component Units

Component units are legally separate organizations for which the District is financially accountable. Component units may include organizations that are fiscally dependent on the District in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete. The District has no component units.

Other Related Entities

Joint Powers Agencies The District is associated with three joint powers agencies. These organizations do not meet the criteria for inclusion as component units of the District. Additional information is presented in Note 17 to the financial statements. These organizations are:

Self-Insured Schools of California (SISC II)
Self-Insured Schools of California (SISC III)
Kings County Self-Insured Schools

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:

HANFORD ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

Major Governmental Funds

General Fund The General Fund is the chief operating fund for all districts. It is used to account for the ordinary operations of a district. All transactions except those required or permitted by law to be in another fund are accounted for in this fund.

Non-Major Governmental Funds

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

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

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

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

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

Capital Project Funds The Capital Project funds are established to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

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

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

HANFORD ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

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

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

Proprietary Funds Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows. The District applies all GASB pronouncements, as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. Proprietary funds are classified as enterprise or internal service. The District has the following internal service fund:

Internal Service Fund Internal service funds may be used to account for any activity for which goods or services are provided to other funds of the District in return for a fee to cover the cost of operations. The District operates a Self-Insurance Fund for dental coverage that is accounted for in an internal service fund.

Fiduciary Funds Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is agency funds.

Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency fund accounts for student body activities (ASB).

Basis of Accounting - Measurement Focus

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

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

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

HANFORD ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

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 a flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide financial statements and the statements for the governmental funds on a modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

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

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

Revenues – Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. Generally, available is defined as collectible within 45 or 60 days. However to achieve comparability of reporting among California LEAs and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to state-aid apportionments, the California Department of Education has defined available for LEAs as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

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

HANFORD ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

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

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

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

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, 2008, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county pools are determined by the program sponsor.

Restricted Assets

Restricted assets arise when restrictions on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets in the General Fund represent investments required by State covenants to be set aside by the District for the purpose of satisfying certain requirements of the entitlement.

Prepaid Expenditures

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

HANFORD ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

Stores Inventory

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

Capital Assets and Depreciation

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

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

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

Interfund Balances

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

Compensated Absences

Accumulated unpaid vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide statement of net assets as long-term obligations. For governmental funds, the current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year end that have not yet been paid with expendable available financial resources. These amounts are reported in the fund from which the employees who have accumulated leave are paid.

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.

HANFORD ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

Accrued Liabilities and Long-Term Obligations

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

However, claims and judgments, compensated absences, special termination benefits, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the governmental fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases, and other long-term obligations are recognized as liabilities in the governmental fund financial statements when due.

Deferred Issuance Costs

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

Fund Balance Reserves and Designations

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

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

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. The government-wide financial statements reports \$4,122,756 of restricted net assets, of which \$4,113,433 is restricted by enabling legislation.

HANFORD ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

Operating Revenues and Expenses

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

Interfund Activity

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

Estimates

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

Budgetary Data

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

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for. For purposes of the budget, 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.

HANFORD ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

New Accounting Pronouncements

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

Current financial reporting practices for OPEB generally are based on pay-as-you-go financing approaches. They fail to measure or recognize the cost of OPEB during the periods when employees render the services or to provide relevant information about OPEB obligations and the extent to which progress is being made in funding those obligations.

This Statement generally provides for prospective implementation - that is, that employers set the beginning net OPEB obligation at zero as of the beginning of the initial year. The District will be required to implement the provisions of this Statement for the fiscal year ended June 30, 2009. The District is in the process of determining the impact the implementation of this Statement will have on the government-wide statement of net assets and activities.

In June 2005, GASB issued GASB Statement No. 47, *Accounting for Termination Benefits*. GASB Statement No. 47 addresses accounting for both voluntary and involuntary termination benefits. For termination benefits that affect an employer's obligations for defined benefit OPEB, the provisions of GASB Statement No. 47 should be applied simultaneously with the requirements of GASB Statement No. 45. For all other termination benefits, including those that affect an employer's obligations for defined benefit pension benefits, GASB Statement No. 47 is effective for financial statements for periods beginning after June 15, 2005.

In May 2007, GASB issued GASB Statement No. 50, *Pension Disclosures—an amendment of GASB Statements No. 25 and No. 27*. This Statement more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (OPEB) and, in doing so, enhances information disclosed in notes to financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits. The reporting changes required by this Statement amend applicable note disclosure and RSI requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 27, *Accounting for Pensions by State and Local Governmental Employers*, to conform with requirements of Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement is effective for periods beginning after June 15, 2007, except for requirements related to the use of the entry age actuarial cost method for the purpose of reporting a surrogate funded status and funding progress of plans that use the aggregate actuarial cost method, which are effective for periods for which the financial statements and RSI contain information resulting from actuarial valuations as of June 15, 2007, or later. Early implementation is encouraged.

HANFORD ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

In June 2007, GASB issued GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This Statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to these intangible assets, as applicable. This Statement also provides authoritative guidance that specifically addresses the nature of these intangible assets. Such guidance should be applied in addition to the existing authoritative guidance for capital assets. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2009. The provisions of this Statement generally are required to be applied retroactively. For governments that were classified as phase 1 or phase 2 governments for the purpose of implementing Statement No. 34, retroactive reporting is required for intangible assets acquired in fiscal years ending after June 30, 1980, except for those considered to have indefinite useful lives as of the effective date of this Statement and those that would be considered internally generated.

In November 2007, GASB issued GASB Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*. This Statement establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. It requires endowments to report their land and other real estate investments at fair value. Governments also are required to report the changes in fair value as investment income and to disclose the methods and significant assumptions employed to determine fair value, and other information that they currently present for other investments reported at fair value. The guidance in this Statement is effective for financial statements for reporting periods beginning after June 15, 2008, with earlier application encouraged.

In June 2008, GASB issued GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. This Statement is intended to improve how State and local governments report information about derivative instruments—financial arrangements used by governments to manage specific risks or make investments—in their financial statements. The Statement specifically requires governments to measure most derivative instruments at fair value in their financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting. The guidance in this Statement also addresses hedge accounting requirements and is effective for financial statements for reporting periods beginning after June 15, 2009, with earlier application encouraged.

HANFORD ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2008, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 6,614,033
Fiduciary funds	17,922
Total Deposits and Investments	<u>\$ 6,631,955</u>

Deposits and investments as of June 30, 2008, consist of the following:

Cash on hand and in banks	\$ 17,922
Cash with fiscal agent	7,000
Cash in revolving	5,460
Investments	6,601,573
Total Deposits and Investments	<u>\$ 6,631,955</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, 2008

General Authorizations

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

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

Authorized Under Debt Agreements

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Investment contract	One year	None	None

Interest Rate Risk

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

HANFORD ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

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	\$ 6,116,554	\$ 6,116,554	\$ -	\$ -	\$ -
Held by Trustee:					
Investment Contract	485,019	485,019	-	-	-
Total	<u>\$ 6,601,573</u>	<u>\$ 6,601,573</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Credit Risk

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

Investment Type	Fair Value	Minimum Legal Rating	Rating as of Year End		
			AAA	Aa	Unrated
County Pool	\$ 6,116,554	N/A	\$ -	\$ -	\$ 6,116,554
Held by Trustee:					
Investment Contract	485,019	N/A	-	-	485,019
Total	<u>\$ 6,601,573</u>		<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,601,573</u>

N/A - Not applicable

Concentration of Credit Risk

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

Issuer	Investment Type	Reported Amount
Piper Jaffray	Investment Contract	<u>\$ 485,019</u>

HANFORD ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2008, none of the District's bank balance of \$22,120 was exposed to custodial credit risk.

Custodial Credit Risk - Investments

This is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. Of the investment in an investment contract of \$485,019, the District has a custodial credit risk exposure of \$485,019 because the related securities are uninsured, unregistered and held by the brokerage firm which is also the counterparty for these securities.

NOTE 3 - RECEIVABLES

Receivables at June 30, 2008, consisted of intergovernmental grants, entitlements, interest and other local sources. All receivables are considered collectible in full.

	General Fund	Non-Major Governmental Funds	Subtotal	Internal Service Fund	Total Governmental Activities
Federal Government					
Categorical aid	\$ 1,245,756	\$ 266,111	\$ 1,511,867	\$ -	\$ 1,511,867
State Government					
Apportionment	2,133,841	210,000	2,343,841	-	2,343,841
Categorical aid	592,352	-	592,352	-	592,352
Lottery	359,784	-	359,784	-	359,784
Other state	-	37,583	37,583	-	37,583
Local Government					
Interest	25,616	-	25,616	-	25,616
Other Local Sources	295,108	12,918	308,026	2,727	310,753
Total	<u>\$ 4,652,457</u>	<u>\$ 526,612</u>	<u>\$ 5,179,069</u>	<u>\$ 2,727</u>	<u>\$ 5,181,796</u>

HANFORD ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	\$ 2,052,315	\$ -	\$ -	\$ 2,052,315
Construction in process	351,459	179,445	308,937	221,967
Total Capital Assets Not Being Depreciated	2,403,774	179,445	308,937	2,274,282
Capital Assets Being Depreciated				
Land improvements	4,908,873	26,590	-	4,935,463
Buildings and improvements	38,955,836	1,136,145	30,000	40,061,981
Furniture and equipment	3,590,187	368,717	68,095	3,890,809
Total Capital Assets Being Depreciated	47,454,896	1,531,452	98,095	48,888,253
Less Accumulated Depreciation				
Land improvements	3,345,607	172,508	-	3,518,115
Buildings and improvements	9,101,575	799,688	30,000	9,871,263
Furniture and equipment	2,489,921	242,834	68,095	2,664,660
Total Accumulated Depreciation	14,937,103	1,215,030	98,095	16,054,038
Governmental Activities Capital Assets, Net	<u>\$34,921,567</u>	<u>\$ 495,867</u>	<u>\$ 308,937</u>	<u>\$35,108,497</u>

Depreciation expense was charged to the following functions as follows:

Governmental Activities	
Instruction	\$ 25,048
Supervision of instruction	2,689
School site administration	4,519
Home-to-school transportation	104,837
Food services	28,086
All other general administration	35,347
Plant services	1,014,504
Total Depreciation Expenses Governmental Activities	<u>\$ 1,215,030</u>

HANFORD ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

NOTE 5 - INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due To/Due From)

There were no interfund receivable and payable balances at June 30, 2008.

Operating Transfers

Interfund transfers for the year ended June 30, 2008, consisted of the following:

The General Fund transferred to the Deferred Maintenance Fund for the District match.	\$ 230,000
The Special Reserve Other than Capital Outlay Fund transferred to the General Fund for instructional supplies.	38,000
Total	<u>\$ 268,000</u>

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

NOTE 6 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2008, consisted of the following:

	General Fund	Non-Major Governmental Funds	Governmental Activities Subtotal	Internal Service Fund	Total Governmental Activities
Vendor payables	\$ 1,822,512	\$ 68,768	\$ 1,891,280	\$ 152,879	\$ 2,044,159
State apportionment	-	-	-	-	-
Deferred payroll	1,349,949	14,832	1,364,781	576	1,365,357
Tax and revenue anticipation note	505,326	-	505,326	-	505,326
Total	<u>\$ 3,677,787</u>	<u>\$ 83,600</u>	<u>\$ 3,761,387</u>	<u>\$ 153,455</u>	<u>\$ 3,914,842</u>

HANFORD ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 7 - PREPAID EXPENDITURES

Prepaid expenditures at June 30, 2008, consisted of the following:

	Total
Prepaid debt issuance costs	\$ 300,409
Total prepaid expenses on government-wide statements	<u>\$ 300,409</u>

NOTE 8 - DEFERRED REVENUE

Deferred revenue at June 30, 2008, consists of the following:

	General Fund	Non-Major Governmental Funds	Total Governmental Activities
Federal financial assistance	\$ 252,245	\$ -	\$ 252,245
State categorical aid	6,907	198,838	205,745
Total	<u>\$ 259,152</u>	<u>\$ 198,838</u>	<u>\$ 457,990</u>

NOTE 9 - TAX AND REVENUE ANTICIPATION NOTES (TRANS)

At July 1, 2007, the District had outstanding Tax and Revenue Anticipation Notes in the amount of \$340,000, which matured on July 6, 2007. On July 1, 2007, the District issued \$485,000 of Tax and Revenue Anticipation Notes bearing interest at 3.62 percent. The notes were issued to supplement cash flows. Interest and principal were due and payable on July 1, 2008. By June 30, 2008, the District had placed 100 percent of principal and interest in an irrevocable trust for the sole purpose of satisfying the notes. The District was not required to make any additional payments on the notes.

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

Issue Date	Rate	Maturity Date	Outstanding July 1, 2007	Additions	Payments	Outstanding June 30, 2008
July 6, 2006	3.50%	July 6, 2007	\$ 340,000	\$ -	\$ 340,000	\$ -
July 6, 2007	3.62%	July 1, 2008	-	485,000	-	485,000
Total			<u>\$ 340,000</u>	<u>\$ 485,000</u>	<u>\$ 340,000</u>	<u>\$ 485,000</u>

HANFORD ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 10 - LONG-TERM OBLIGATIONS

Summary

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

	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008	Due in One Year
General obligation bonds-1993	\$ 1,191,559	\$ -	\$ 98,075	\$ 1,093,484	\$ 100,433
General obligation bonds-1998	6,615,000	-	195,000	6,420,000	225,000
General obligation bonds-2003	3,565,000	-	335,000	3,230,000	330,000
Unamortized Bond Premium-2003	12,459	-	1,133	11,326	1,133
Accumulated vacation - net	225,464	290,493	225,464	290,493	290,493
Capital leases	682,988	-	152,819	530,169	159,127
Total	<u>\$12,292,470</u>	<u>\$290,493</u>	<u>\$1,007,491</u>	<u>\$11,575,472</u>	<u>\$1,106,186</u>

Payments on the general obligation bonds are made by the Bond Interest and Redemption Fund with local revenues. Payments for the Capital leases are made by the General and Capital Facilities Funds. The accrued vacation will be paid by the fund for which the employee worked.

Bonded Debt

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2007	Redeemed	Bonds Outstanding June 30, 2008
1993 ¹	2002-2017	5.15-5.8%	<u>\$ 1,750,000</u>	<u>\$ 1,191,559</u>	<u>\$ 98,075</u>	<u>\$ 1,093,484</u>
1998	2001-2024	4.4-5.0%	<u>\$ 7,350,000</u>	<u>\$ 6,615,000</u>	<u>\$ 195,000</u>	<u>\$ 6,420,000</u>
2003	2005-2018	2.0-3.5%	<u>\$ 4,775,000</u>	<u>\$ 3,565,000</u>	<u>\$ 335,000</u>	<u>\$ 3,230,000</u>

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

Debt Service Requirements to Maturity

1993 Capital Appreciation Bond Issuance

On July 1, 1993, the District issued \$7,500,000 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.

HANFORD ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

The annual requirements to amortize the general obligation bonds payable outstanding as of June 30, 2008, are as follows:

<u>Fiscal Year</u>	<u>Accreted Value</u>	<u>Unaccreted Interest</u>	<u>Maturity Value</u>
2009	\$ 100,433	\$ 139,567	\$ 240,000
2010	98,901	151,099	250,000
2011	111,244	188,756	300,000
2012	113,873	211,127	325,000
2013	124,150	250,850	375,000
2014-2017	544,883	1,380,117	1,925,000
Total	<u>\$ 1,093,484</u>	<u>\$ 2,321,516</u>	<u>\$ 3,415,000</u>

1998 General Obligation Bonds

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

The annual requirements to amortize the general obligation bonds payable outstanding as of June 30, 2008, are as follows:

The bonds mature through 2024 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2009	\$ 225,000	\$ 304,441	\$ 529,441
2010	250,000	293,316	543,316
2011	275,000	281,697	556,697
2012	320,000	268,378	588,378
2013	335,000	253,557	588,557
2014-2018	1,955,000	1,008,166	2,963,166
2019-2023	2,485,000	466,411	2,951,411
2024	575,000	14,375	589,375
Total	<u>\$ 6,420,000</u>	<u>\$ 2,890,341</u>	<u>\$ 9,310,341</u>

HANFORD ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

2003 General Obligation Bonds

The bonds mature through 2018 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2009	\$ 330,000	\$ 93,005	\$ 423,005
2010	320,000	84,880	404,880
2011	315,000	76,549	391,549
2012	305,000	67,948	372,948
2013	300,000	59,178	359,178
2014-2018	1,660,000	142,075	1,802,075
Total	<u>\$ 3,230,000</u>	<u>\$ 523,635</u>	<u>\$ 3,753,635</u>

The bonds were sold at a premium of \$16,991 which will be amortized over the term of the bonds for 15 years at \$1,133 a year. The unamortized premium as of June 30, 2008, amounted to \$12,459. These bonds were originally a part of the 1993 bonds. This portion was refunded in 2003 to obtain a lower interest rate.

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

Accumulated Unpaid Employee Vacation

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2008, amounted to \$290,493.

Capital Leases

The District leases an administration/library building and buses valued at \$1,481,083 under agreements which provide for title to pass upon expiration of the lease period. The District's liability on lease agreements are summarized below:

	<u>Administration and Library</u>	<u>Buses</u>	<u>Total</u>
Balance, July 1, 2007	\$ 537,150	\$ 145,838	\$ 682,988
Payments	81,533	71,286	152,819
Balance, June 30, 2008	<u>\$ 455,617</u>	<u>\$ 74,552</u>	<u>\$ 530,169</u>

HANFORD ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

The capital leases have minimum lease payments as follows:

Year Ending June 30,	Lease Payment
2009	\$ 179,535
2010	101,569
2011	101,569
2012	101,569
2013	101,569
Total	585,811
Less: Amount Representing Interest	55,642
Present Value of Minimum Lease Payments	<u>\$ 530,169</u>

NOTE 11 - FUND BALANCES

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

	General Fund	Non-Major Governmental Funds	Governmental Funds Total	Self Insurance Fund
Reserved				
Revolving cash	\$ 5,050	\$ 410	\$ 5,460	\$ -
Stores inventory	159,758	35,406	195,164	-
Restricted programs	1,737,222	-	1,737,222	-
Total Reserved	<u>1,902,030</u>	<u>35,816</u>	<u>1,937,846</u>	<u>-</u>
Unreserved				
Designated				
Economic uncertainties	1,531,366	-	1,531,366	-
Other designation	700,000	157,000	857,000	-
Total Designated	<u>2,231,366</u>	<u>157,000</u>	<u>2,388,366</u>	<u>-</u>
Undesignated	998,450	2,192,718	3,191,168	100,781
Total Unreserved	<u>3,229,816</u>	<u>2,349,718</u>	<u>5,579,534</u>	<u>100,781</u>
Total	<u>\$ 5,131,846</u>	<u>\$ 2,385,534</u>	<u>\$ 7,517,380</u>	<u>\$ 100,781</u>

NOTE 12 - EXPENDITURES (BUDGET VERSUS ACTUAL)

At June 30, 2008, there were no District major funds that exceeded the budgeted amounts.

HANFORD ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 13 - POSTEMPLOYMENT BENEFITS

The District provides postemployment health care benefits to the following: (1) certificated employees who retire from the District on or after attaining age 55, have served in the District during the last five years and have served a total of at least thirteen years in the District; (2) management/confidential employees who retire from the District on or after attaining age 55, have served in the District during the last five years prior to retirement and have served a total of ten years of full time service in the District. For classified employees who retire from the District on or after attaining age 55, have completed 15 consecutive years of service, and participating in the District group medical insurance program at the time immediately prior to retiring, or prior participation in the group medical insurance program but no longer eligible due to involuntary reduction in hours or 30 years of service. Currently, 40 retirees meet those eligibility requirements.

The District pays: (1) the total premium cost for group medical and dental insurances maintained by the District the same amount for any certificated retiree and their eligible dependents, as it contributes for active certificated employees, until such time as the retiree reaches the age of 65; (2) 100 percent of the maximum contribution for active classified employees toward the premium for the current District plan for medical and dental coverage only for classified retirees and their eligible dependents for a period of ten years or until reaching the age of 65; (3) an amount equal to that paid for active management/confidential employees toward the cost of the District's medical and dental insurance for management/confidential retirees and their eligible dependents, until such time as the retiree reaches the age of 65. Expenditures for postemployment health care premiums are recognized on a pay-as-you-go basis. During the year, expenditures of \$441,580 were recognized for retirees' health care benefits.

NOTE 14 - RISK MANAGEMENT

Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2008, the District contracted with Self-Insured Schools of California (SISC II) for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Workers' Compensation

For fiscal year 2008, the District participated in the Kings County Self-Insured Schools (KCSIC), an insurance purchasing pool. The intent of KCSIC is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in KCSIC. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in KCSIC. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage. A participant will then either receive money from or be required to contribute to the "equity-pooling fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of KCSIC. Participation in KCSIC is limited to districts that can meet KCSIC's selection criteria.

HANFORD ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

Employee Medical Benefits

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

Claims Liabilities

The District records an estimated liability for dental claims paid out of the Self-Insurance Fund of the District. Claims liabilities are based on estimates of the ultimate cost of reported claims (including future claim adjustment expenses) and an estimate for claims incurred, but not reported based on historical experience.

Unpaid Claims Liabilities

The fund establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represent the changes in approximate aggregate liabilities for the District from June 30, 2006 to June 30, 2008 (in thousands):

	Dental Care
Liability Balance, June 30, 2006	\$ 136,766
Claims and changes in estimates	(5,663)
Liability Balance, June 30, 2007	131,103
Claims and changes in estimates	(6,338)
Liability Balance, June 30, 2008	\$ 124,765
Assets available to pay claims at June 30, 2008	\$ 100,781

NOTE 15 - EMPLOYEE RETIREMENT SYSTEMS

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

HANFORD ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

CalSTRS

Plan Description

The District contributes to CalSTRS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7919 Folsom Blvd., Sacramento, California 95826.

Funding Policy

Active plan members are required to contribute 8.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2007-2008 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, 2008, 2007, and 2006, were \$1,739,375, \$1,597,008, and \$1,546,341, respectively, and equal 100 percent of the required contributions for each year.

CalPERS

Plan Description

The District contributes to the School Employer Pool under 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 death benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Laws. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95811.

Funding Policy

Active plan members are required to contribute 7.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2007-2008 was 9.306 percent of annual 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, 2008, 2007, and 2006, were \$782,860, \$759,272, and \$739,592, respectively, and equal 100 percent of the required contributions for each year.

HANFORD ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

Social Security

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

On Behalf Payments

The State of California makes contributions to CalSTRS and CalPERS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$907,115 (4.517 percent of salaries subject to CalSTRS). No contributions were made for CalPERS for the year ended June 30, 2008. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been excluded from the calculation of available reserves, and have not been included in the budget amounts reported in the *General Fund Budgetary Schedule*.

NOTE 16 - COMMITMENTS AND CONTINGENCIES

Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2008.

Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2008.

HANFORD ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

Construction Commitments

As of June 30, 2008, the District had the following commitments with respect to the unfinished capital projects:

Capital Projects	Remaining Construction Commitment	Expected Date of Completion
HESDNet remodel	\$ 2,244	08/07/08
Richmond re-roof	128,451	09/19/08
Total remaining construction commitments	<u>\$ 130,695</u>	

NOTE 17 - PARTICIPATION IN JOINT POWERS AUTHORITIES

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

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

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

During the year ended June 30, 2008, the District made payment of \$295,328 to SISC II for property and liability insurance.

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

During the year ended June 30, 2008, the District made payment of \$5,145,217 to SISC III for health insurance.

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

During the year ended June 30, 2008, the District made payment of \$520,221 to KCSIS for workers' compensation insurance.

HANFORD ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 18 - SUBSEQUENT EVENTS

The District issued \$550,000 of Tax and Revenue Anticipation Notes dated July 1, 2008. The notes mature on July 6, 2009, and yield 1.65 percent interest. The notes were sold to supplement cash flow. Repayment requirements are that a percentage of principal and interest be deposited with the Fiscal Agent each month beginning August 1 2008, until 100 percent of principal and interest due is on account in June 2009.

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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, 2008

	Budgeted Amounts			Variances -
	(GAAP Basis)		Actual ¹	(Unfavorable)
	Original	Final	(GAAP Basis)	Final to Actual
REVENUES				
Revenue limit sources	\$ 29,546,981	\$ 29,137,352	\$ 29,156,636	\$ 19,284
Federal sources	4,434,661	5,341,192	4,905,570	(435,622)
Other state sources	9,194,754	11,028,774	10,894,417	(134,357)
Other local sources	501,101	473,104	632,634	159,530
Total Revenues	43,677,497	45,980,422	45,589,257	(391,165)
EXPENDITURES				
Current				
Certificated Salaries	19,597,195	20,494,612	20,291,424	203,188
Classified salaries	8,400,288	8,588,403	8,466,933	121,470
Employee benefits	9,260,176	9,595,391	9,183,675	411,716
Books and supplies	2,251,999	2,948,845	2,390,961	557,884
Services and operating expenditures	3,794,791	4,728,403	3,324,120	1,404,283
Other outgo	41,102	153,420	69,278	84,142
Capital outlay	122,494	492,399	457,439	34,960
Debt service	77,965	77,967	77,965	2
Total Expenditures	43,546,010	47,079,440	44,261,795	2,817,645
Excess (Deficiency) of Revenues				
Over Expenditures	131,487	(1,099,018)	1,327,462	2,426,480
Other Financing Sources (Uses):				
Transfers in	38,000	38,000	38,000	-
Transfers out	(230,000)	(230,000)	(230,000)	-
Net Financing Sources (Uses)	(192,000)	(192,000)	(192,000)	-
NET CHANGE IN FUND BALANCES	(60,513)	(1,291,018)	1,135,462	2,426,480
Fund Balance - Beginning	3,996,384	3,996,384	3,996,384	-
Fund Balance - Ending	\$ 3,935,871	\$ 2,705,366	\$ 5,131,846	\$ 2,426,480

¹ On behalf payments are not included in revenues and expenditures in this statement.

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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, 2008

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Impact Aid	84.041	N/A	\$ 1,265
Carol White Physical Education Grant	84.215F	N/A	647,805
Elementary and Secondary School Counseling			
Demonstration Program	84.215E	N/A	375,443
Partnerships in Character Education	84.215S	N/A	433,907
ESEA, Arts in Education	84.215C	N/A	31,587
Passed through California Department of Education (CDE):			
No Child Left Behind Act			
Title I, Part A, Program Improvement	84.010	14329	1,739,310
Title I, Migrant Education, Regular Program	84.011	14326	124,289
Title I, Migrant Education, Summer Program	84.011	10005	37,680
Title II, Part A, Teacher Quality	84.367	14341	371,175
Title II, Part D, Enhancing Education	84.318	14335	17,670
Title III, Limited English Proficiency	84.365	10084	132,506
Title III, Immigration Education Program	84.365	14346	13,859
Title V, Part A, Innovative Education	84.298A	14354	13,557
Special Education - State Grants			
Local Assistance	84.027	13379	198,073
Total U.S. Department of Education			<u>4,138,126</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through the California Department of Health Care Services:			
Medicaid Cluster			
Medi-Cal Administrative Assistance	93.778	10060	748,925
Medi-Cal	93.778	10013	18,519
Total Medicaid Cluster			<u>767,444</u>
Total U.S. Department of Health and Human Services			<u>767,444</u>
U.S. DEPARTMENT OF AGRICULTURE			
Passed through CDE:			
Child Nutrition Cluster			
Basic School Breakfast Program	10.553	13525	33,565
Especially Needy Breakfast	10.553	13526	376,547
National School Lunch	10.555	13391	1,314,443
Meals Supplements - Snack	10.555	13391	87,421
Total Child Nutrition Cluster			<u>1,811,976</u>
Total U.S. Department of Agriculture			<u>1,811,976</u>
Total Expenditures of Federal Awards			<u>\$ 6,717,546</u>

See accompanying note to supplementary information.

HANFORD ELEMENTARY SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2008

ORGANIZATION

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

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
Timothy Revious	President	2008
Lupe Hernandez	Vice President	2010
Jeff Garner	Clerk	2010
Robert A. Garcia	Member	2010
Dennis Hill	Member	2008

ADMINISTRATION

Paul J. Terry, Ed.D.	Superintendent
Nancy White	Assistant Superintendent Fiscal Services
Sharon Bowie	Assistant Superintendent Program Evaluation, Assessment and Accountability
Diane Williams	Assistant Superintendent Human Resources
Joy Gabler	Assistant Superintendent Instruction and Professional Development

See accompanying note to supplementary information.

HANFORD ELEMENTARY SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE FOR THE YEAR ENDED JUNE 30, 2008

	Second Period Report	Annual Report
ELEMENTARY		
Kindergarten	596.67	598.81
First through third	1,699.78	1,700.06
Fourth through sixth	1,702.71	1,701.64
Seventh and eighth	1,060.65	1,054.85
Home and hospital	0.93	1.54
Special education	87.35	87.36
Community day school	20.32	22.06
Total	5,168.41	5,166.32
		Hours of Attendance
Supplemental Hours		
K-12 Core Instruction		1,498
7-12 Remedial Instruction		5,735
		7,233

See accompanying note to supplementary information.

HANFORD ELEMENTARY SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME FOR THE YEAR ENDED JUNE 30, 2008

Grade Level	1982-83	1986-87	2007-08	Number of Days		Status
	Actual Minutes	Minutes Requirement	Actual Minutes	Traditional Calendar	Multitrack Calendar	
Kindergarten	31,680	36,000	48,913	180	N/A	Complied
Grades 1 - 3	42,240	50,400				
Grade 1			52,103	180	N/A	Complied
Grade 2			52,103	180	N/A	Complied
Grade 3			52,103	180	N/A	Complied
Grades 4 - 6	48,224	54,000				
Grade 4			55,293	180	N/A	Complied
Grade 5			55,293	180	N/A	Complied
Grade 6			55,293	180	N/A	Complied
Grades 7 - 8	48,224	54,000				
Grade 7			57,239	180	N/A	Complied
Grade 8			57,239	180	N/A	Complied

See accompanying note to supplementary information.

HANFORD ELEMENTARY SCHOOL DISTRICT

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

There were no adjustments to the Unaudited Actual Financial Report which required reconciliation to the audited financial statements at June 30, 2008.

See accompanying note to supplementary information.

HANFORD ELEMENTARY SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2008

	(Budget) 2009 ¹	2008 ³	2007 ³	2006 ³
GENERAL FUND				
Revenues	\$ 44,465,763	\$ 45,589,256	\$ 44,929,637	\$ 41,069,505
Other sources and transfers in	-	38,000	250,000	27,965
Total Revenues and Other Sources	44,465,763	45,627,256	45,179,637	41,097,470
Expenditures	43,527,064	44,261,794	44,205,200	41,603,324
Other uses and transfers out	230,000	230,000	225,000	220,000
Total Expenditures and Other Uses	43,757,064	44,491,794	44,430,200	41,823,324
INCREASE (DECREASE) IN FUND BALANCE	\$ 708,699	\$ 1,135,462	\$ 749,437	\$ (725,854)
ENDING FUND BALANCE	\$ 5,840,545	\$ 5,131,846	\$ 3,996,384	\$ 3,246,947
AVAILABLE RESERVES ²	\$ 2,811,052	\$ 2,539,116	\$ 2,703,613	\$ 2,565,019
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO	6.42%	5.71%	6.09%	6.13%
LONG-TERM OBLIGATIONS	Not Available	\$ 11,575,472	\$ 12,292,470	\$ 13,039,146
AVERAGE DAILY ATTENDANCE AT P-2	5,168	5,168	5,231	5,205

The General Fund balance has increased by \$1,884,899 over the past two years. The fiscal year 2008-09 budget projects a increase of \$708,699 (13.8 percent). For a district this size, the State recommends available reserves of at least 3.0 percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in two of the past three years and anticipates incurring an operating surplus during the 2008-09 fiscal year. Total long-term obligations decreased by \$1,463,674 over the past two years.

Average daily attendance has decreased by 37 ADA over the past two years. No change in ADA is anticipated during fiscal year 2008-09.

¹ Budget 2009 is included for analytical purposes only and has not been subjected to audit.

² Available reserves consist of all undesignated fund balances and all funds designated for economic uncertainty contained within the General Fund and Special Reserve for Other than Capital Outlay Fund.

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

HANFORD ELEMENTARY SCHOOL DISTRICT

EXCESS SICK LEAVE

JUNE 30, 2008

Section 19833.5 (a)(3) or (a)(3)(b) Disclosure

Hanford Elementary School District does not provide more than 12 sick leave days in a school year to any CalSTRS member.

See accompanying note to supplementary information.

HANFORD ELEMENTARY SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2008

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.

Local Education Agency Organization Structure

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

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

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

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

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.

Excess Sick Leave

This schedule provides information required by the Audit Guide for California K-12 Local Educational Agencies for excess sick leave authorized or accrued for members of the California State Teachers Retirement System (CalSTRS).

SUPPLEMENTARY INFORMATION - UNAUDITED

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HANFORD ELEMENTARY SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS COMBINING BALANCE SHEET - UNAUDITED JUNE 30, 2008

	Cafeteria Fund	Deferred Maintenance Fund	Pupil Transportation Fund
ASSETS			
Deposits and investments	\$ 479,904	\$ 431,717	\$ 63,151
Receivables	303,694	210,000	-
Stores inventories	35,406	-	-
Total Assets	<u>\$ 819,004</u>	<u>\$ 641,717</u>	<u>\$ 63,151</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 53,305	\$ 2,082	\$ -
Deferred revenue	-	-	-
Total Liabilities	<u>53,305</u>	<u>2,082</u>	<u>-</u>
Fund Balances:			
Reserved for:			
Revolving cash	410	-	-
Stores inventories	35,406	-	-
Unreserved:			
Designated	157,000	-	-
Undesignated, reported in:			
Special revenue funds	572,883	639,635	63,151
Debt service funds	-	-	-
Capital projects funds	-	-	-
Total Fund Balances	<u>765,699</u>	<u>639,635</u>	<u>63,151</u>
Total Liabilities and Fund Balances	<u>\$ 819,004</u>	<u>\$ 641,717</u>	<u>\$ 63,151</u>

See accompanying note to supplementary information - unaudited.

Special Reserve Non-Capital Fund	Capital Facilities Fund	Special Reserve Capital Fund	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
\$ 9,300	\$ 356,996	\$ 200,130	\$ 564,756	\$ 2,105,954
-	12,918	-	-	526,612
-	-	-	-	35,406
<u>\$ 9,300</u>	<u>\$ 369,914</u>	<u>\$ 200,130</u>	<u>\$ 564,756</u>	<u>\$ 2,667,972</u>
\$ -	\$ 26,944	\$ 1,269	\$ -	\$ 83,600
-	-	198,838	-	198,838
<u>-</u>	<u>26,944</u>	<u>200,107</u>	<u>-</u>	<u>282,438</u>
-	-	-	-	410
-	-	-	-	35,406
-	-	-	-	157,000
9,300	-	-	-	1,284,969
-	-	-	564,756	564,756
-	342,970	23	-	342,993
<u>9,300</u>	<u>342,970</u>	<u>23</u>	<u>564,756</u>	<u>2,385,534</u>
<u>\$ 9,300</u>	<u>\$ 369,914</u>	<u>\$ 200,130</u>	<u>\$ 564,756</u>	<u>\$ 2,667,972</u>

HANFORD ELEMENTARY SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - UNAUDITED FOR THE YEAR ENDED JUNE 30, 2008

	Cafeteria Fund	Deferred Maintenance Fund	Pupil Transportation Fund
REVENUES			
Federal sources	\$ 1,811,976	\$ -	\$ -
Other state sources	173,037	199,268	-
Other local sources	409,648	10,960	2,852
Total Revenues	2,394,661	210,228	2,852
EXPENDITURES			
Current			
Pupil Services:			
Food services	2,250,683	-	-
General administration:			
All other general administration	98,322	-	-
Plant services	431	182,524	-
Facility acquisition and construction	-	136,821	-
Debt service			
Principal	-	-	-
Interest and other	-	-	-
Total Expenditures	2,349,436	319,345	-
Excess (Deficiency) of			
Revenues Over Expenditures	45,225	(109,117)	2,852
Other Financing Sources (Uses):			
Transfers in	-	230,000	-
Transfers out	-	-	-
Net Financing Sources (Uses)	-	230,000	-
NET CHANGE IN FUND BALANCES	45,225	120,883	2,852
Fund Balance - Beginning	720,474	518,752	60,299
Fund Balance - Ending	\$ 765,699	\$ 639,635	\$ 63,151

See accompanying note to supplementary information - unaudited.

Special Reserve Non-Capital Fund	Capital Facilities Fund	Special Reserve Capital Fund	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 1,811,976
-	-	538,662	24,634	935,601
2,132	396,339	23	1,147,806	1,969,760
2,132	396,339	538,685	1,172,440	4,717,337
-	-	-	-	2,250,683
-	59,040	-	-	157,362
-	327,258	-	-	510,213
-	148,694	538,662	-	824,177
-	81,533	-	628,075	709,608
-	20,036	-	541,532	561,568
-	636,561	538,662	1,169,607	5,013,611
2,132	(240,222)	23	2,833	(296,274)
-	-	-	-	230,000
(38,000)	-	-	-	(38,000)
(38,000)	-	-	-	192,000
(35,868)	(240,222)	23	2,833	(104,274)
45,168	583,192	-	561,923	2,489,808
\$ 9,300	\$ 342,970	\$ 23	\$ 564,756	\$ 2,385,534

HANFORD ELEMENTARY SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION - UNAUDITED JUNE 30, 2008

NOTE 1 - PURPOSE OF SCHEDULES

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

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

INDEPENDENT AUDITORS' REPORTS

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

Governing Board
Hanford Elementary School District
Hanford, California

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hanford Elementary School District as of and for the year ended June 30, 2008, which collectively comprise Hanford Elementary School District's basic financial statements and have issued our report thereon dated December 10, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

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

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of Hanford Elementary School District in a separate letter dated December 10, 2008.

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

Vauxenok, Ukraine, Day & Co., LLP

Fresno, California
December 10, 2008



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

Governing Board
Hanford Elementary School District
Hanford, California

Compliance

We have audited the compliance of Hanford Elementary School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for the year ended June 30, 2008. Hanford Elementary School District's major Federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of Hanford Elementary School District's management. Our responsibility is to express an opinion on Hanford Elementary School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about Hanford Elementary School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Hanford Elementary School District's compliance with those requirements.

In our opinion, Hanford Elementary School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

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

A *control deficiency* in a district's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a Federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a Federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a Federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

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

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

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

Varvink, Orine, Day & Co., LLP

Fresno, California
December 10, 2008



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Governing Board
Hanford Elementary School District
Hanford, California

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hanford Elementary School District as of and for the year ended June 30, 2008, and have issued our report thereon dated December 10, 2008. 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 2007-08*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Compliance with the requirements of laws, regulations, contracts, and grants listed below is the responsibility of Hanford Elementary School District's management. In connection with the audit referred to above, we selected and tested transactions and records to determine the Hanford Elementary School District's compliance with the State laws and regulations applicable to the following items:

	Procedures in Audit Guide	Procedures Performed
Attendance Accounting:		
Attendance reporting	8	Yes
Kindergarten continuance	3	Yes
Independent study	23	No (see below)
Continuation education	10	Not Applicable
Adult education	9	Not Applicable
Regional occupational centers and programs	6	Not Applicable
Instructional Time:		
School districts	6	Yes
County offices of education	3	Not Applicable
Community day schools	9	No (see below)
Morgan-Hart Class Size Reduction	7	Not Applicable
Instructional Materials:		
General requirements	12	Yes
K-8 only	1	Yes
9-12 only	1	Not Applicable
Ratios of Administrative Employees to Teachers	1	Yes

	Procedures in Audit Guide	Procedures Performed
Classroom Teacher Salaries	1	Yes
Early retirement incentive	4	Not Applicable
Gann limit calculation	1	Yes
School Construction Funds:		
School district bonds	3	Not Applicable
State school facilities funds	1	Not Applicable
Excess sick leave	2	Yes
Notice of right to elect California State Teachers Retirement System (CalSTRS) membership	1	Yes
Proposition 20 Lottery Funds (Cardenas Textbook Act of 2000)	2	Yes
State Lottery Funds (California State Lottery Act of 1984)	2	Yes
California School Age Families Education (Cal-SAFE) Program	3	Not Applicable
School Accountability Report Card	3	Yes
Mathematics and Reading Professional Development	4	Not Applicable
Class Size Reduction Program (including in Charter Schools):		
General requirements	7	Yes
Option one classes	3	Yes
Option two classes	4	Not Applicable
District or charter schools with only one school serving K-3	4	Not Applicable
After School Education and Safety Program		
General requirements	4	Yes
After school	4	Yes
Before school	5	Not Applicable
Charter Schools:		
Contemporaneous records of attendance	1	Not Applicable
Mode of instruction	1	Not Applicable
Non classroom-based instruction/independent study	15	Not Applicable
Determination of funding for non classroom-based instruction	3	Not Applicable
Annual instruction minutes classroom based	3	Not Applicable

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

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

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

Vavrinek, Utine, Day & Co., LLP

Fresno, California
December 10, 2008

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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HANFORD ELEMENTARY SCHOOL DISTRICT

SUMMARY OF AUDITORS' RESULTS FOR THE YEAR ENDED JUNE 30, 2008

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

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

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>84.010</u>	<u>Title I, Part A, Program Improvement</u>
<u>84.367</u>	<u>Title II, Part A, Teacher Quality</u>
<u>84.215F</u>	<u>Carol White Physical Education Grant</u>
	<u>Elementary and Secondary School Counseling</u>
<u>84.215E</u>	<u>Demonstration Program</u>
<u>84.215S</u>	<u>Partnerships in Character Education</u>

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

STATE AWARDS

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

HANFORD ELEMENTARY SCHOOL DISTRICT

**FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2008**

None reported.

HANFORD ELEMENTARY SCHOOL DISTRICT

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008**

None reported.

HANFORD ELEMENTARY SCHOOL DISTRICT

**STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008**

None reported.

HANFORD ELEMENTARY SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2008

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

