

HANFORD ELEMENTARY SCHOOL DISTRICT

**AGENDA REQUEST FORM**

TO: Dr. Paul J. Terry

FROM: David Endo

DATE: 01/15/2016

FOR:  Board Meeting  
 Superintendent's Cabinet

FOR:  Information  
 Action

Date you wish to have your item considered: 01/27/2016

**ITEM:** Accept the audit report

**PURPOSE:** Education code 41020.3 requires the governing board of each local educational agency (LEA) to review, at a public meeting, the annual audit of the LEA for the prior year by January 31.

**FISCAL IMPACT:** None

**RECOMMENDATIONS:** Accept the audit report.

**HANFORD ELEMENTARY SCHOOL DISTRICT**

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ANNUAL FINANCIAL REPORT

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**JUNE 30, 2015**

# HANFORD ELEMENTARY SCHOOL DISTRICT

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JUNE 30, 2015

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***FINANCIAL SECTION***

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## INDEPENDENT AUDITOR'S REPORT

Governing Board  
Hanford Elementary School District  
Hanford, California

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Hanford Elementary School District (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2014-2015 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Hanford Elementary School District, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Emphasis of Matter - Change in Accounting Principles***

As discussed in Note 1 to the financial statements, in 2015, the District adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis on pages 5 through 13, and budgetary comparison, other postemployment benefit, net pension liability, and District contribution information on pages 63 through 67, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2015, on our consideration of the Hanford Elementary School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hanford Elementary School District's internal control over financial reporting and compliance.

Vannink, Trine, Day & Co, LLP

Fresno, California  
December 3, 2015

# Hanford Elementary School District

## HANFORD ELEMENTARY SCHOOL DISTRICT KINGS COUNTY

### MANAGEMENT DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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

(559) 585-3600

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#### **Superintendent**

Dr. Paul J. Terry

#### **Governing Board**

Robert "Bobby"

Garcia

Jeff Garner

Lupe Hernandez

Dennis Hill

Timothy L. Revious

#### **INTRODUCTION**

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

The Management Discussion and Analysis of Hanford Elementary School District's financial statements provide an overall review of the District's financial activities for the fiscal year ended June 30, 2015. 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 2014-2015 school year, the District operated eight elementary schools, one K-8 charter school, two junior high schools, and one community day school on the traditional August through June schedule, for the instruction of approximately 5,934 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, 2015

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### FINANCIAL HIGHLIGHTS

- The Hanford Elementary School District's Government-wide Statement of Net Position illustrates total net position of \$(6.1) million, the result of assets of \$53.1 million minus liabilities of \$59.1 million.
- General Revenues accounted for \$49.9 million or 83 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$9.9 million or 17 percent of total revenues of \$60.9 million.
- The District had \$57.1 million in expenses related to governmental activities.
- The General Fund reported a positive fund balance of \$8.0 million.

### STUDENT ENROLLMENT & DEMOGRAPHIC TRENDS

- The School District has an enrollment of approximately 5,934 students for the current 2014-2015 school year, with enrollment projected to be slightly less at 5,891 for the coming 2015-2016 school year.
- In addition to tracking enrollment, the District also watches actual Average Daily Attendance (ADA). The ADA is typically lower than a District's enrollment, although the two terms are often (though incorrectly) used interchangeably. The anticipated 2015-2016 ADA for the District is 5,378 excluding ADA from County run programs. The ratio of actual attendance to enrollment summarizes the District's changes and efforts to increase attendance. Figure 1 summarizes a historical analysis of the District's enrollment to actual positive attendance ratios.

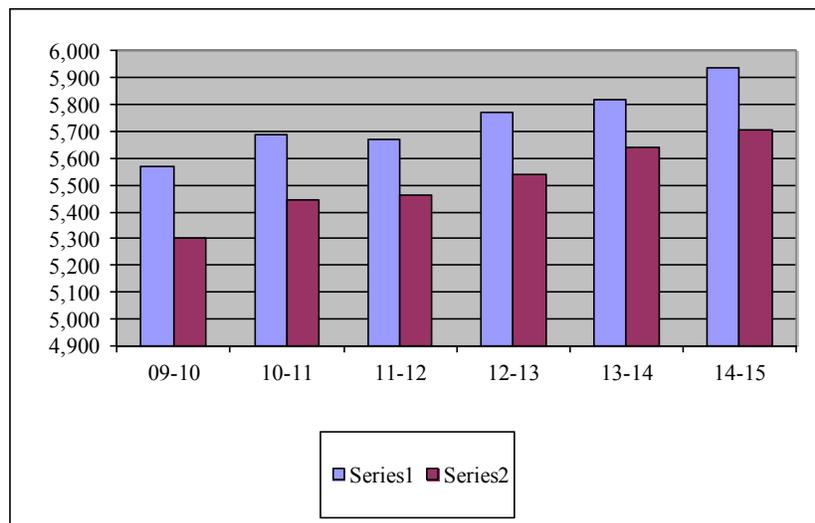


Figure 1. District Enrollment to Actual Attendance Data

# HANFORD ELEMENTARY SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2015

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School districts have traditionally placed great importance on the accurate projection of student enrollment for the ensuing budget year, due to the broad range of funding and programs impacted by this number. These impacts range from the very basic funding for California school districts which calculates the number of days attended by the enrolled students times a unique "revenue amount" (for 2014-2015 the School District Local Control Funding Formula amount is approximately \$7,644), to how much a particular special program will receive, to the amount of one-time monies a district may receive. Increased ADA is intended to generate additional dollars to help offset normal inflationary costs of operating the business of education, and related growth cost for the additional enrollment.

### REPORTING THE DISTRICT AS A WHOLE

- THE STATEMENT OF NET POSITION AND STATEMENT OF ACTIVITIES

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

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

- FUND FINANCIAL STATEMENTS

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

- GOVERNMENTAL FUNDS

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

# HANFORD ELEMENTARY SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**JUNE 30, 2015**

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

- PROPRIETARY FUNDS

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

- FIDUCIARY FUNDS

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

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

- NOTES TO THE FINANCIAL STATEMENTS

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

- THE DISTRICT AS A WHOLE

The "Statement of Net Position" provides the perspective of the District as a whole. Table 1 provides a summary of the District's net position for fiscal years 2014-2015 and 2013-2014, respectively.

**HANFORD ELEMENTARY SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2015**

Table 1. Net Position

(Amounts in millions)	Governmental Activities		Difference over/(under)
	2015	Restated 2014	
<b>Assets</b>			
Current and other assets	\$ 18.2	\$ 16.0	\$ 2.2
Capital assets	31.8	31.3	0.5
<b>Total Assets</b>	<u>50.0</u>	<u>47.3</u>	<u>2.7</u>
<b>Deferred Outflows of Resources</b>	<u>3.0</u>	<u>2.7</u>	<u>0.3</u>
<b>Liabilities</b>			
Current liabilities	3.7	3.3	0.4
Long-term obligations	45.6	55.5	(9.9)
<b>Total Liabilities</b>	<u>49.3</u>	<u>58.8</u>	<u>(9.5)</u>
<b>Deferred Inflows of Resources</b>	<u>9.8</u>	<u>-</u>	<u>9.8</u>
<b>Net Position</b>			
Net investment in capital assets	25.9	24.4	1.5
Restricted	5.6	5.1	0.5
Unrestricted	(37.6)	(38.3)	0.7
<b>Total Net Position</b>	<u>\$ (6.1)</u>	<u>\$ (8.8)</u>	<u>\$ 2.7</u>

Table 2 shows the changes in net position for fiscal years 2014-2015 and 2013-2014, respectively.

Table 2. Changes in Net Position

(Amounts in millions)	Governmental Activities		Difference over/(under)
	2015	2014	
<b>Revenues</b>			
Program revenues:			
Charges for services	\$ 0.3	\$ 0.3	\$ -
Operating grants and contributions	9.6	11.4	(1.8)
General revenues:			
Federal and State aid not restricted	44.6	37.4	7.2
Property taxes	3.3	3.4	(0.1)
Other general revenues	2.0	1.3	0.7
<b>Total Revenues</b>	<u>59.8</u>	<u>53.8</u>	<u>6.0</u>
<b>Expenses</b>			
Instruction related	37.8	36.2	1.6
Student support services	6.9	5.5	1.4
Administration	3.8	3.4	0.4
Maintenance and operations	6.1	6.2	(0.1)
Other	2.5	2.4	0.1
<b>Total Expenses</b>	<u>57.1</u>	<u>53.7</u>	<u>3.4</u>
<b>Change in Net Position</b>	<u>\$ 2.7</u>	<u>\$ 0.1</u>	<u>\$ 2.6</u>

# HANFORD ELEMENTARY SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2015

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### GOVERNMENTAL FUNDS

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

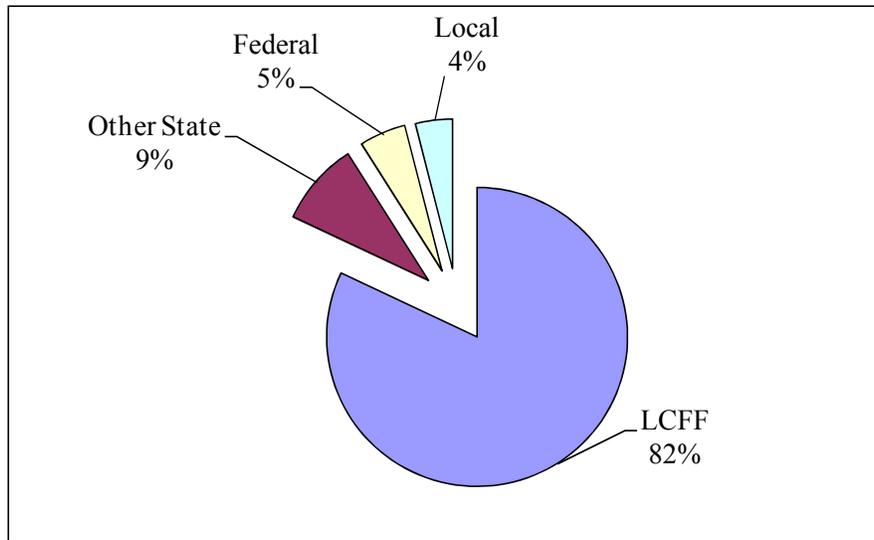


Figure 2. Revenues by Source

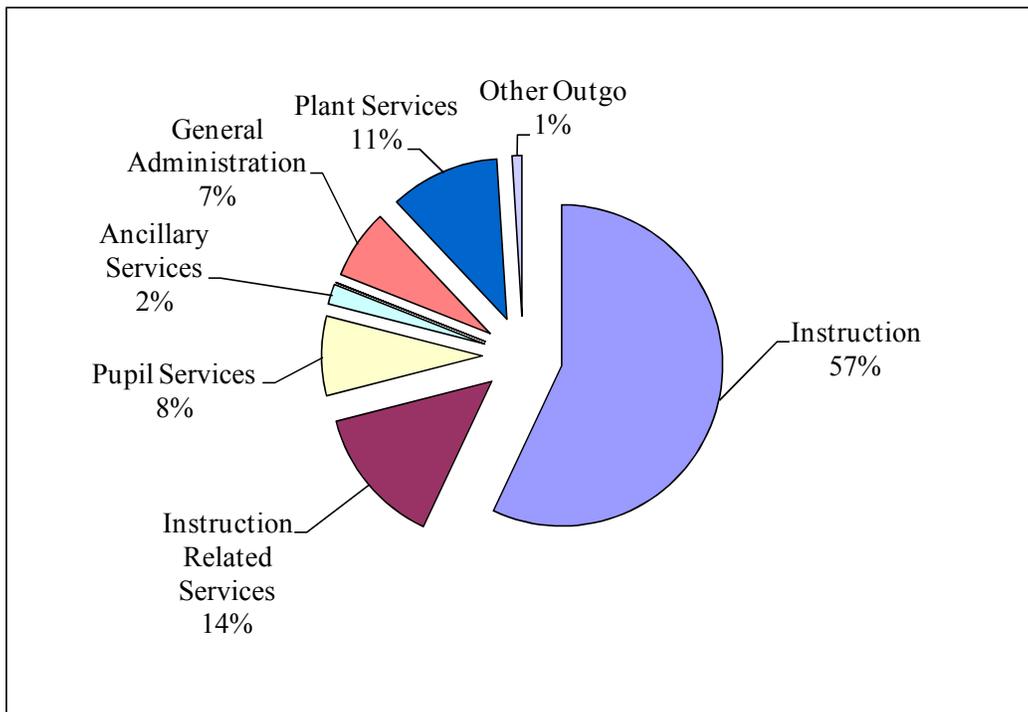


Figure 3. Expenditures by Function

# HANFORD ELEMENTARY SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2015

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### GENERAL FUND BUDGET INFORMATION

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

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

- GENERAL FUND BUDGET VARIATIONS

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

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

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

The State and Federal budget issues have an impact on the District's budget. As revenues from these two sources change, so do District revenues, since 92.4% of District revenues come from State and Federal revenue streams.

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

The net difference in fund balance between the adopted budget and the final budget was an increase of \$0.2 million and may be summarized as follows:

- \$0.2 million decrease in total revenue
- \$0.4 million decrease in total expenditures

**HANFORD ELEMENTARY SCHOOL DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2015**

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**CAPITAL ASSETS AND DEBT ADMINISTRATION**

- CAPITAL ASSETS

At June 30, 2014, the District had \$31.3 million in a broad range of capital assets, including land, buildings, and furniture and equipment, net of accumulated depreciation. At June 30, 2015, the District's net capital assets were \$31.8 million. This amount represents a net increase (including additions and deductions) of \$0.5 million, or 1.6 percent, from last year. Table 3 shows the balances for fiscal years 2014-2015 and 2013-2014.

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

(Amounts in millions)	Governmental Activities		Difference over/(under)
	2015	2014	
Land	\$ 2.1	\$ 2.1	\$ -
Buildings and improvements	27.4	27.8	(0.4)
Equipment	1.5	1.3	0.2
Construction in Progress	0.8	0.1	0.7
<b>Total</b>	<b>\$ 31.8</b>	<b>\$ 31.3</b>	<b>\$ 0.5</b>

- LONG-TERM OBLIGATIONS OTHER THAN PENSIONS

At the end of this year, the District had \$9.1 million in long-term obligations outstanding other than pensions versus \$9.6 million last year, a decrease of 5.2 percent. Table 4 summarizes these debts.

Table 4. Outstanding Obligations

(Amounts in millions)	Governmental Activities		Difference over/(under)
	2015	2014	
General obligation bonds	\$ 6.0	\$ 6.8	\$ (0.8)
Compensated absences	0.3	0.3	-
Other postemployment benefits	2.8	2.5	0.3
<b>Total</b>	<b>\$ 9.1</b>	<b>\$ 9.6</b>	<b>\$ (0.5)</b>

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

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

# HANFORD ELEMENTARY SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**JUNE 30, 2015**

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- Net Pension Liability (NPL)

The District implemented GASB Statement No. 68, Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27, which required the District to recognize its proportionate share of the unfunded pension obligation for CalSTRS and CalPERS. The implementation resulted in a reduction of beginning net position of \$43,193,012. As of June 30, 2015, the District reported Deferred Outflows from pension activities of \$3,074,352, Deferred Inflows from pension activities of \$9,819,918, and a Net Pension Liability of \$36,558,667. We present more detailed information regarding our net pension liability in the Notes to Financial Statements.

### **FOR THE FUTURE**

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

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

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

**HANFORD ELEMENTARY SCHOOL DISTRICT**

**STATEMENT OF NET POSITION  
JUNE 30, 2015**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Deposits and investments	\$ 16,214,598
Receivables	1,761,953
Stores inventories	171,482
Nondepreciable capital assets	2,863,012
Capital assets being depreciated	52,637,725
Accumulated depreciation	<u>(23,658,039)</u>
<b>Total Assets</b>	<u>49,990,731</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Current year pension contribution	<u>3,074,352</u>
<b>Total Deferred Outflows of Resources</b>	<u>3,074,352</u>
<b>LIABILITIES</b>	
Accounts payable	3,234,280
Unearned revenue	462,739
Current portion of long-term obligations other than pensions	874,270
Noncurrent portion of long-term obligations other than pensions	8,195,238
Aggregate net pension liability	<u>36,558,667</u>
<b>Total Liabilities</b>	<u>49,325,194</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Difference between projected and actual earnings on pension plan investments	<u>9,819,918</u>
<b>Total Deferred Inflows of Resources</b>	<u>9,819,918</u>
<b>NET POSITION</b>	
Net investment in capital assets	25,857,586
Restricted for:	
Debt service	978,932
Capital projects	417,722
Educational programs	1,794,095
Other activities	2,475,649
Unrestricted	<u>(37,604,013)</u>
<b>Total Net Position</b>	<u>\$ (6,080,029)</u>

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

**HANFORD ELEMENTARY SCHOOL DISTRICT**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2015**

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>	
		<b>Charges for Services and Sales</b>	<b>Operating Grants and Contributions</b>
<b>Governmental Activities:</b>			
Instruction	\$ 30,425,444	\$ -	\$ 3,582,411
Instruction-related activities:			
Supervision of instruction	2,565,805	-	1,405,659
Instructional library, media, and technology	478,488	-	-
School site administration	4,315,826	-	24,767
Pupil services:			
Home-to-school transportation	771,985	-	-
Food services	2,888,684	259,703	2,527,956
All other pupil services	3,286,627	-	478,726
Administration:			
Data processing	650,521	-	-
All other administration	3,147,372	14,462	471,964
Plant services	6,100,361	528	17,943
Ancillary services	1,183,470	-	980,755
Interest on long-term obligations	548,264	-	-
Other outgo	791,606	-	171,979
<b>Total Governmental Activities</b>	<b>\$ 57,154,453</b>	<b>\$ 274,693</b>	<b>\$ 9,662,160</b>

General revenues and subventions:

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

**Subtotal, General Revenues**

**Change in Net Position**

- Net Position - Beginning, as restated
- Net Position - Ending

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

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<b>Net (Expenses)</b>
<b>Revenues and</b>
<b>Changes in</b>
<b>Net Position</b>
<b>Governmental</b>
<b>Activities</b>
\$ (26,843,033)
(1,160,146)
(478,488)
(4,291,059)
(771,985)
(101,025)
(2,807,901)
(650,521)
(2,660,946)
(6,081,890)
(202,715)
(548,264)
(619,627)
<u>(47,217,600)</u>
1,914,634
1,402,573
26,535
44,568,533
70,734
1,973,197
<u>49,956,206</u>
2,738,606
(8,818,635)
<u>\$ (6,080,029)</u>

**HANFORD ELEMENTARY SCHOOL DISTRICT**

**GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2015**

	<u>General Fund</u>	<u>Cafeteria Fund</u>	<u>Special Reserve Capital Outlay Fund</u>
<b>ASSETS</b>			
Deposits and investments	\$ 9,284,763	\$ 2,205,130	\$ 2,759,506
Receivables	1,341,279	371,504	-
Stores inventories	138,296	33,186	-
<b>Total Assets</b>	<u>\$ 10,764,338</u>	<u>\$ 2,609,820</u>	<u>\$ 2,759,506</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 2,687,857	\$ 134,171	\$ 199,998
Unearned revenue	94,969	-	367,770
<b>Total Liabilities</b>	<u>2,782,826</u>	<u>134,171</u>	<u>567,768</u>
<b>Fund Balances:</b>			
Nonspendable	143,346	33,596	-
Restricted	1,794,095	2,442,053	-
Committed	-	-	-
Assigned	39,474	-	2,191,738
Unassigned	6,004,597	-	-
<b>Total Fund Balances</b>	<u>7,981,512</u>	<u>2,475,649</u>	<u>2,191,738</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 10,764,338</u>	<u>\$ 2,609,820</u>	<u>\$ 2,759,506</u>

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

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<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 1,469,592	\$ 15,718,991
49,152	1,761,935
-	171,482
<u>\$ 1,518,744</u>	<u>\$ 17,652,408</u>
\$ 54,957	\$ 3,076,983
-	462,739
<u>54,957</u>	<u>3,539,722</u>
-	176,942
1,396,654	5,632,802
29,311	29,311
37,822	2,269,034
-	6,004,597
<u>1,463,787</u>	<u>14,112,686</u>
<u>\$ 1,518,744</u>	<u>\$ 17,652,408</u>

**HANFORD ELEMENTARY SCHOOL DISTRICT**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2015**

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<b>Total Fund Balance - Governmental Funds</b>		<b>\$ 14,112,686</b>
<b>Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:</b>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is	\$ 55,500,737	
Accumulated depreciation is	<u>(23,658,039)</u>	
Net Capital Assets		31,842,698
Expenditures relating to contributions made to pension plans were recognized on the modified accrual basis, but are not recognized on the accrual basis.		3,074,352
An internal service fund is used by the District's management to charge the costs of the dental insurance program to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities.		338,328
The difference between projected and actual earnings on pension plan investments are not recognized on the modified accrual basis, but are recognized on the accrual basis as an adjustment to pension expense.		(9,819,918)
Long-term obligations, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Bonds payable	5,985,112	
Compensated absences	282,988	
Other postemployment benefits	2,801,408	
Net pension liability	<u>36,558,667</u>	
Total Long-Term Obligations		<u>(45,628,175)</u>
<b>Total Net Position - Governmental Activities</b>		<b><u>\$ (6,080,029)</u></b>

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

# HANFORD ELEMENTARY SCHOOL DISTRICT

## GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED JUNE 30, 2015

	<u>General Fund</u>	<u>Cafeteria Fund</u>	<u>Special Reserve Capital Outlay Fund</u>
<b>REVENUES</b>			
Local Control Funding Formula	\$ 40,889,390	\$ -	\$ -
Federal sources	2,689,662	2,516,794	-
Other State sources	5,482,577	207,287	473,055
Other local sources	2,039,195	302,241	10,642
<b>Total Revenues</b>	<u>51,100,824</u>	<u>3,026,322</u>	<u>483,697</u>
<b>EXPENDITURES</b>			
Current			
Instruction	28,119,348	-	-
Instruction-related activities:			
Supervision of instruction	2,430,401	-	-
Instructional library, media and technology	434,813	-	-
School site administration	3,897,979	-	-
Pupil services:			
Home-to-school transportation	640,208	-	-
Food services	24,798	2,809,562	-
All other pupil services	3,145,101	-	-
Administration:			
Data processing	650,521	-	-
All other administration	2,734,522	156,455	-
Plant services	5,053,723	5,709	33,602
Facility acquisition and construction	210,269	78,376	864,864
Ancillary services	1,129,493	-	-
Other outgo	791,606	-	-
Debt service			
Principal	-	-	-
Interest and other	-	-	-
<b>Total Expenditures</b>	<u>49,262,782</u>	<u>3,050,102</u>	<u>898,466</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>1,838,042</u>	<u>(23,780)</u>	<u>(414,769)</u>
<b>Other Financing Sources (Uses)</b>			
Transfers in	-	1,801	912,576
Transfers out	(914,377)	-	-
<b>Net Financing Sources (Uses)</b>	<u>(914,377)</u>	<u>1,801</u>	<u>912,576</u>
<b>NET CHANGE IN FUND BALANCES</b>	923,665	(21,979)	497,807
<b>Fund Balance - Beginning</b>	7,057,847	2,497,628	1,693,931
<b>Fund Balance - Ending</b>	<u>\$ 7,981,512</u>	<u>\$ 2,475,649</u>	<u>\$ 2,191,738</u>

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

<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 2,740,731	\$ 43,630,121
-	5,206,456
25,326	6,188,245
2,206,014	4,558,092
<u>4,972,071</u>	<u>59,582,914</u>
1,408,270	29,527,618
57,864	2,488,265
34,507	469,320
254,096	4,152,075
36,656	676,864
-	2,834,360
53,892	3,198,993
-	650,521
168,098	3,059,075
885,425	5,978,459
335,961	1,489,470
5,195	1,134,688
-	791,606
826,629	826,629
564,407	564,407
<u>4,631,000</u>	<u>57,842,350</u>
<u>341,071</u>	<u>1,740,564</u>
-	914,377
-	(914,377)
-	-
341,071	1,740,564
1,122,716	12,372,122
<u>\$ 1,463,787</u>	<u>\$ 14,112,686</u>

**HANFORD ELEMENTARY SCHOOL DISTRICT**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2015**

<b>Total Net Change in Fund Balances - Governmental Funds</b>	<b>\$ 1,740,564</b>
<b>Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:</b>	
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures, however, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities.	
This is the amount by which capital outlays exceeds depreciation in the period.	
Capital outlays	\$ 1,997,188
Depreciation expense	<u>(1,276,150)</u>
	721,038
Loss on disposal of capital assets is reported in the government-wide Statement of Activities, but is not recorded in the governmental funds.	(133,029)
In the Statement of Activities, compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures are measured by the amount of financial resources used (essentially, the amounts actually paid). Vacation used was less than the amounts earned by \$11,176.	(11,176)
In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the Statement of Activities, pension expense is the net effect of all changes in the deferred outflows, deferred inflows and net pension liability during the year.	(111,221)
Governmental funds report the effect of premiums when the debt is first issued, whereas the amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these related items:	
Amortization on debt premium	16,143
Repayment of debt principal is an expenditure in the governmental funds, but it reduces long-term obligations in the statement of Net Position and does not affect the statement of activities. Repayment of debt principal for the year consisted of:	
General obligation bonds	826,629
In governmental funds, postemployment benefits other than pensions (OPEB) costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. This year, the difference between OPEB costs and actual employer contributions was:	(339,731)
An internal service fund is used by the District's management to charge the costs of the unemployment compensation insurance program to the individual funds. The net income of the internal service fund is reported with governmental activities.	29,389
<b>Change in Net Position of Governmental Activities</b>	<b><u>\$ 2,738,606</u></b>

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

**HANFORD ELEMENTARY SCHOOL DISTRICT**

**PROPRIETARY FUND  
STATEMENT OF NET POSITION  
JUNE 30, 2015**

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	<b>Governmental Activities - Internal Service Fund</b>
<b>ASSETS</b>	
Current Assets	
Deposits and investments	\$ 495,607
Receivables	18
Total Current Assets	<u>495,625</u>
<b>LIABILITIES</b>	
Current Liabilities	
Accounts payable	157,297
Total Current Liabilities	<u>157,297</u>
<b>NET POSITION</b>	
Unrestricted	338,328
<b>Total Net Position</b>	<u><u>\$ 338,328</u></u>

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

**HANFORD ELEMENTARY SCHOOL DISTRICT**

**PROPRIETARY FUND  
STATEMENT OF REVENUES, EXPENSES AND CHANGES  
IN FUND NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2015**

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	<b>Governmental Activities - Internal Service Fund</b>
<b>OPERATING REVENUES</b>	
Charges to other funds and miscellaneous revenues	\$ 630,231
Total Operating Revenues	<u>630,231</u>
<b>OPERATING EXPENSES</b>	
Professional and contract services	603,155
Total Operating Expenses	<u>603,155</u>
Operating Income	<u>27,076</u>
<b>NONOPERATING REVENUES</b>	
Interest income	2,313
Total Nonoperating Revenues	<u>2,313</u>
<b>Change in Net Position</b>	29,389
<b>Total Net Position - Beginning</b>	308,939
<b>Total Net Position - Ending</b>	<u><u>\$ 338,328</u></u>

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

# HANFORD ELEMENTARY SCHOOL DISTRICT

## PROPRIETARY FUND STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2015

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	<b>Governmental Activities - Internal Service Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash receipts from premiums	\$ 630,213
Cash payments for insurance claims	(582,579)
Net Cash Provided by Operating Activities	<u>47,634</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest on investments	<u>2,313</u>
Net Cash Provided by Investing Activities	<u>2,313</u>
Net Increase in Cash and Cash Equivalents	49,947
Cash and Cash Equivalents - Beginning	445,660
Cash and Cash Equivalents - Ending	<u>\$ 495,607</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
Operating income	\$ 27,076
Changes in assets and liabilities:	
Receivables	(18)
Decrease in accounts payable	20,576
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>\$ 47,634</u>

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

**HANFORD ELEMENTARY SCHOOL DISTRICT**

**FIDUCIARY FUNDS  
STATEMENT OF NET POSITION  
JUNE 30, 2015**

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	<u>Agency Funds</u>
<b>ASSETS</b>	
Deposits and investments	\$ 29,476
<b>Total Assets</b>	<u>\$ 29,476</u>
<b>LIABILITIES</b>	
Due to student groups	\$ 29,476
<b>Total Liabilities</b>	<u>\$ 29,476</u>

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

# HANFORD ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Financial Reporting Entity

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

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

#### Basis of Presentation - Fund Accounting

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

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

#### Major Governmental Funds

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

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

As a result, the General Fund reflects an increase in assets, fund balance, and revenues of \$39,474, \$39,474, and \$2,153, respectively.

# HANFORD ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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

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

### Non-Major Governmental Funds

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

**Charter School Fund** The Charter School Fund may be used by authorizing districts to account separately for the activities of district-operated charter schools that would otherwise be reported in the authorizing District's General Fund.

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

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

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

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

# HANFORD ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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

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

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

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

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

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

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

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

# HANFORD ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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

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

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

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

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

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

# HANFORD ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2015**

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

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

### **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, 2015, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county pools are determined by the program sponsor.

### **Stores Inventories**

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

### **Capital Assets and Depreciation**

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

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

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

# HANFORD ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2015**

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### **Compensated Absences**

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

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

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

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

### **Premiums**

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

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

### **Deferred Outflows/Inflows of Resources**

In addition to assets, the Statement of Net Position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The District reports deferred outflows of resources for the unamortized loss on the refunding of general obligation bonds and current year pension contributions.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District reports deferred inflows of resources for the difference between projected and actual earnings on pension plan investments specific to the net pension liability.

# HANFORD ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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### Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the California State Teachers' Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) plan for schools (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalSTRS and CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Member contributions are recognized in the period in which they are earned. Investments are reported at fair value.

### Fund Balances - Governmental Funds

As of June 30, 2015, fund balances of the governmental funds are classified as follows:

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

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

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

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

**Unassigned** - all other spendable amounts.

### Spending Order Policy

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

### Minimum Fund Balance Policy

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

# HANFORD ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2015**

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### **Net Position**

Net position represents the difference between assets and liabilities. Net position net of investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report \$5,666,398 of restricted net position.

### **Operating Revenues and Expenses**

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

### **Interfund Activity**

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

### **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.

# HANFORD ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2015**

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

### **Property Tax**

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

### **Change in Accounting Principles**

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

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

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

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

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

# HANFORD ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2015**

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

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

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

The District has implemented the Provisions of this Statement for the year ended June 30, 2015.

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

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

# HANFORD ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2015**

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

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

The District has implemented the Provisions of this Statement for the year ended June 30, 2015.

As the result of implementing GASB Statement No. 68, the District has restated the beginning net position in the government wide Statement of Net Position, effectively decreasing net position as of July 1, 2014, by \$43,193,012. The decrease results from recognizing the net pension liability, net of related deferred outflows of resources. The restatement does not include deferred inflows of resources, as this information was not available.

### **New Accounting Pronouncements**

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015. Early implementation is encouraged.

In June 2015, the GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement No. 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement No. 68 for pension plans and pensions that are within their respective scopes.

# HANFORD ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2015**

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The requirements of this Statement extend the approach to accounting and financial reporting established in Statement No. 68 to all pensions, with modifications as necessary to reflect that for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in Statement No. 68 should not be considered pension plan assets. It also requires that information similar to that required by Statement No. 68 be included in notes to financial statements and required supplementary information by all similarly situated employers and nonemployer contributing entities.

This Statement also clarifies the application of certain provisions of Statements No. 67 and No. 68 with regard to the following issues:

- Information that is required to be presented as notes to the ten-year schedules of required supplementary information about investment-related factors that significantly affect trends in the amounts reported
- Accounting and financial reporting for separately financed specific liabilities of individual employers and nonemployer contributing entities for defined benefit pensions
- Timing of employer recognition of revenue for the support of nonemployer contributing entities not in a special funding situation.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2016. Early implementation is encouraged.

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement No. 43, and Statement No. 50, *Pension Disclosures*.

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities.

# HANFORD ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2015**

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The scope of this Statement includes OPEB plans—defined benefit and defined contribution—administered through trusts that meet the following criteria:

- Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
- OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the OPEB plan administrator. If the plan is a defined benefit OPEB plan, plan assets also are legally protected from creditors of the plan members.

This Statement also includes requirements to address financial reporting for assets accumulated for purposes of providing defined benefit OPEB through OPEB plans that are not administered through trusts that meet the specified criteria.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2016. Early implementation is encouraged.

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans.

The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

# HANFORD ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2015**

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In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB. This Statement also addresses certain circumstances in which a nonemployer entity provides financial support for OPEB of employees of another entity.

In this Statement, distinctions are made regarding the particular requirements depending upon whether the OPEB plans through which the benefits are provided are administered through trusts that meet the following criteria:

- Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
- OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, the OPEB plan administrator, and the plan members.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2017. Early implementation is encouraged.

In June 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively. Earlier implementation is permitted.

# HANFORD ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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### NOTE 2 - DEPOSITS AND INVESTMENTS

#### Summary of Deposits and Investments

Deposits and investments as of June 30, 2015, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 16,214,598
Fiduciary funds	29,476
Total Deposits and Investments	<u>\$ 16,244,074</u>

Deposits and investments as of June 30, 2015, consist of the following:

Cash on hand and in banks	\$ 41,476
Cash in revolving	5,460
Investments	16,197,138
Total Deposits and Investments	<u>\$ 16,244,074</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, 2015**

### General Authorizations

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

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

### Interest Rate Risk

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

### Segmented Time Distribution

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

Investment Type	Fair Value	12 Months or Less	13 - 24 Months	25 - 60 Months	More Than 60 Months
County Pool	\$ 16,194,061	\$ -	\$ 16,194,061	\$ -	\$ -

**HANFORD ELEMENTARY SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2015**

**NOTE 3 - RECEIVABLES**

Receivables at June 30, 2015, consist of intergovernmental grants, entitlements, state apportionments, and local sources. All receivables are considered collectible in full.

	General Fund	Cafeteria Fund	Non-Major Governmental Funds	Internal Service Fund	Total Governmental Activities
Federal Government					
Categorical aid	\$ 544,280	\$ 331,573	\$ -	\$ -	\$ 875,853
State Government					
Categorical aid	505,012	27,121	-	-	532,133
Other state	164,504	-	-	-	164,504
Local Sources	127,483	12,810	49,152	18	189,463
Total	<u>\$ 1,341,279</u>	<u>\$ 371,504</u>	<u>\$ 49,152</u>	<u>\$ 18</u>	<u>\$ 1,761,953</u>

**NOTE 4 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2015, are as follows:

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	\$ 2,052,315	\$ -	\$ -	\$ 2,052,315
Construction in progress	122,335	803,043	114,681	810,697
Total Capital Assets Not Being Depreciated	<u>2,174,650</u>	<u>803,043</u>	<u>114,681</u>	<u>2,863,012</u>
Capital Assets Being Depreciated				
Land improvements	5,637,270	327,446	-	5,964,716
Buildings and improvements	41,573,931	368,272	-	41,942,203
Furniture and equipment	4,492,616	507,718	269,528	4,730,806
Total Capital Assets Being Depreciated	<u>51,703,817</u>	<u>1,203,436</u>	<u>269,528</u>	<u>52,637,725</u>
Less Accumulated Depreciation				
Land improvements	4,549,200	134,756	-	4,683,956
Buildings and improvements	14,864,124	860,579	-	15,724,703
Furniture and equipment	3,210,454	280,815	241,889	3,249,380
Total Accumulated Depreciation	<u>22,623,778</u>	<u>1,276,150</u>	<u>241,889</u>	<u>23,658,039</u>
Governmental Activities Capital Assets, Net	<u>\$ 31,254,689</u>	<u>\$ 730,329</u>	<u>\$ 142,320</u>	<u>\$ 31,842,698</u>

**HANFORD ELEMENTARY SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2015**

Depreciation expense was charged to the following functions as follows:

Governmental Activities	
Instruction	\$ 582,093
Supervision of instruction	48,677
School site administration	91,114
Home-to-school transportation	83,115
Food services	103,040
All other pupil services	35,290
Ancillary services	26,072
All other general administration	125,605
Plant services	181,144
Total Depreciation Expenses Governmental Activities	<u><u>\$ 1,276,150</u></u>

**NOTE 5 - INTERFUND TRANSACTIONS**

**Operating Transfers**

Interfund transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Interfund transfers for the year ended June 30, 2015, consist of the following:

The General Fund transferred to the Special Reserve Capital Outlay Fund for capital projects.	\$ 912,576
The General Fund transferred to the Cafeteria Fund for uncollected food service charges.	1,801
Total	<u><u>\$ 914,377</u></u>

**NOTE 6 - ACCOUNTS PAYABLE**

Accounts payable at June 30, 2015, consist of the following:

	General Fund	Cafeteria Fund	Special Reserve Capital Outlay Fund	Non-Major Governmental Funds	Internal Service Fund	Total Governmental Activities
Vendor payables	\$ 1,129,741	\$ 134,171	\$ 199,998	\$ 54,957	\$ 155,906	\$ 1,674,773
Salaries and benefits	1,608	-	-	-	1,391	2,999
Deferred payroll	1,556,508	-	-	-	-	1,556,508
Total	<u><u>\$ 2,687,857</u></u>	<u><u>\$ 134,171</u></u>	<u><u>\$ 199,998</u></u>	<u><u>\$ 54,957</u></u>	<u><u>\$ 157,297</u></u>	<u><u>\$ 3,234,280</u></u>

**HANFORD ELEMENTARY SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 7 - UNEARNED REVENUE**

Unearned revenue at June 30, 2015, consists of the following:

	General Fund	Special Reserve Capital Outlay Fund	Total Governmental Activities
Federal financial assistance	\$ 94,969	\$ -	\$ 94,969
State categorical aid	-	367,770	367,770
Total	<u>\$ 94,969</u>	<u>\$ 367,770</u>	<u>\$ 462,739</u>

**NOTE 8 - LONG-TERM OBLIGATIONS OTHER THAN PENSIONS**

**Summary**

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

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015	Due in One Year
General obligation bonds-					
1993 Issuance	\$ 413,252	\$ -	\$ 131,629	\$ 281,623	\$ 138,127
2003 Issuance	1,660,000	-	315,000	1,345,000	325,000
2010 issuance	4,600,000	-	380,000	4,220,000	395,000
Unamortized bond premium-					
2003 Issuance	4,528	-	1,132	3,396	1,132
2010 Issuance	150,104	-	15,011	135,093	15,011
Compensated absences - net	271,812	11,176	-	282,988	-
Other postemployment benefits	2,461,677	1,063,303	723,572	2,801,408	-
Total	<u>\$ 9,561,373</u>	<u>\$ 1,074,479</u>	<u>\$ 1,566,344</u>	<u>\$ 9,069,508</u>	<u>\$ 874,270</u>

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

**HANFORD ELEMENTARY SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2015**

**Bonded Debt**

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate %	Original Issue	Bonds Outstanding July 1, 2014	Redeemed	Bonds Outstanding June 30, 2015
1993 <sup>1</sup>	2002-17	5.15-5.8	\$ 1,750,000	\$ 413,252	\$ 131,629	\$ 281,623
2003	2005-19	2.0-3.5	\$ 4,775,000	\$ 1,660,000	\$ 315,000	\$ 1,345,000
2010	2012-24	2.0-5.0	\$ 5,740,000	\$ 4,600,000	\$ 380,000	\$ 4,220,000

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

**Debt Service Requirements to Maturity**

**1993 Capital Appreciation Bond Issuance**

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

The annual requirements to amortize the general obligation bonds payable outstanding as of June 30, 2015, are as follows:

Fiscal Year	Accreted Obligation	Interest portion	Maturity Value
2016	\$ 138,127	\$ 361,873	\$ 500,000
2017	143,496	406,504	550,000
Total	\$ 281,623	\$ 768,377	\$ 1,050,000

# HANFORD ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2015**

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### 2003 General Obligation Bonds

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

The bonds mature through 2019 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2016	\$ 325,000	\$ 39,870	\$ 364,870
2017	340,000	29,060	369,060
2018	350,000	17,500	367,500
2019	330,000	5,775	335,775
Total	<u>\$ 1,345,000</u>	<u>\$ 92,205</u>	<u>\$ 1,437,205</u>

The bonds were sold at a premium of \$16,991 which is being amortized over the life of the bonds at \$1,132 per year. The unamortized premium as of June 30, 2015, amounted to \$3,396.

### 2010 General Obligation Bonds

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

The bonds mature through 2024 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2016	\$ 395,000	\$ 180,263	\$ 575,263
2017	410,000	164,163	574,163
2018	430,000	147,363	577,363
2019	445,000	129,306	574,306
2020	460,000	109,500	569,500
2021-2024	2,080,000	211,575	2,291,575
Total	<u>\$ 4,220,000</u>	<u>\$ 942,169</u>	<u>\$ 5,162,169</u>

The bonds were sold at a premium of \$210,148 which is being amortized over the life of the bonds at \$15,011 per year. The unamortized premium as of June 30, 2015, amounted to \$135,093.

# HANFORD ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2015**

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### **Compensated Absences**

The long-term portion of compensated absences for the District at June 30, 2015, amounted to \$282,988.

### **Other Postemployment Benefits (OPEB) Obligation**

The District's annual required contribution for the year ended June 30, 2015, was \$964,836, and contributions made by the District during the year were \$581,196, (includes implicit subsidy rate of 1.2713). Interest on the net OPEB obligation and adjustments to the annual required contribution were \$98,467 and \$(142,376), respectively, which resulted in an increase to the net OPEB obligation of \$339,731. As of June 30, 2015, the net OPEB obligation was \$2,801,408. See Note 11 for additional information regarding the OPEB obligation and the postemployment benefits plan.

**HANFORD ELEMENTARY SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2015**

**NOTE 9 - FUND BALANCES**

Fund balances are composed of the following elements:

	General Fund	Cafeteria Fund	Special Reserve Capital Outlay Fund	Non-Major Governmental Funds	Total
Nonspendable					
Revolving cash	\$ 5,050	\$ 410	\$ -	\$ -	\$ 5,460
Stores inventories	138,296	33,186	-	-	171,482
Total Nonspendable	<u>143,346</u>	<u>33,596</u>	<u>-</u>	<u>-</u>	<u>176,942</u>
Restricted					
Legally restricted programs	1,794,095	2,442,053	-	-	4,236,148
Capital projects	-	-	-	417,722	417,722
Debt service	-	-	-	978,932	978,932
Total Restricted	<u>1,794,095</u>	<u>2,442,053</u>	<u>-</u>	<u>1,396,654</u>	<u>5,632,802</u>
Committed					
Deferred maintenance program	-	-	-	29,311	29,311
Total Committed	<u>-</u>	<u>-</u>	<u>-</u>	<u>29,311</u>	<u>29,311</u>
Assigned					
Facilities projects	-	-	2,191,738	-	2,191,738
Other	39,474	-	-	37,822	77,296
Total Assigned	<u>39,474</u>	<u>-</u>	<u>2,191,738</u>	<u>37,822</u>	<u>2,269,034</u>
Unassigned					
Reserve for economic uncertainties	3,500,000	-	-	-	3,500,000
Remaining unassigned	2,504,597	-	-	-	2,504,597
Total Unassigned	<u>6,004,597</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,004,597</u>
Total	<u>\$ 7,981,512</u>	<u>\$ 2,475,649</u>	<u>\$ 2,191,738</u>	<u>\$ 1,463,787</u>	<u>\$ 14,112,686</u>

**NOTE 10 - EXPENDITURES (BUDGET VERSUS ACTUAL)**

At June 30, 2015, there were no District major funds that exceeded the budgeted amounts.

# HANFORD ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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### NOTE 11 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION

#### Plan Description

The Postemployment Benefits Plan (the "Plan") is a single-employer defined benefit healthcare plan administered by the Hanford Elementary School District. The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Membership of the Plan consists of approximately 39 retirees and beneficiaries currently receiving benefits and approximately 430 active plan members.

#### Contribution Information

The contribution requirements of plan members and the District are established and may be amended by the District and the Hanford Elementary Teachers Association (HETA), the local California Service Employees Association (CSEA), and unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2014-2015, the District contributed \$457,167 to the plan excluding the implicit rate subsidy factor of 1.2713 percent, all of which was used for current premiums (approximately 76 percent of total premiums). Plan members receiving benefits contributed \$144,639, or approximately 24 percent of the total premiums.

#### Annual OPEB Cost and Net OPEB Obligation

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

Annual required contribution	\$ 964,836
Interest on net OPEB obligation	98,467
Adjustment to annual required contribution	<u>(142,376)</u>
Annual OPEB cost	920,927
Contributions made	<u>(581,196)</u>
Increase in net OPEB obligation	339,731
Net OPEB obligation, beginning of year	<u>2,461,677</u>
Net OPEB obligation, end of year	<u>\$ 2,801,408</u>

# HANFORD ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2015**

### Trend Information

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

Year Ended June 30,	Annual OPEB Cost	Actual Contribution	Percentage Contributed	Net OPEB Obligation
2015	\$ 920,927	\$ 581,196	63.11%	\$ 2,801,408
2014	928,339	512,826	55.24%	2,461,677
2013	862,972	384,932	44.61%	2,046,164

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

### Funded Status and Funding Progress

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

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

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

### Actuarial Methods and Assumptions

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

# HANFORD ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2015**

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In the July 1, 2013, actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a 4.0 percent investment rate of return (net of administrative expenses), based on the plan being funded in an irrevocable employee benefit trust invested in a combined equity and fixed income portfolio. Healthcare cost trend rates ranged from an initial 8.0 percent to an ultimate rate of 5.0 percent. The cost trend rate used for the Dental and Vision programs was 4.0 percent. The UAAL is being amortized at a level dollar method. The remaining amortization period at July 1, 2014, was 24 years.

### **NOTE 12 - 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, 2015, the District contracted with Northern California Regional Excess Liability Fund for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

#### **Workers' Compensation**

For fiscal year 2015, the District participated in the Kings County Self-Insured Schools (KCSIC), an insurance purchasing pool. The intent of KCSIC is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in KCSIC. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in KCSIC. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage. A participant will then either receive money from or be required to contribute to the "equity-pooling fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of KCSIC. Participation in KCSIC is limited to districts that can meet KCSIC's selection criteria.

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

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

**HANFORD ELEMENTARY SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2015**

**Employee Dental Benefits Claims Liabilities**

The District records an estimated liability for dental claims paid out of the Self-Insurance Fund of the District. Claims liabilities are based on estimates of the ultimate cost of reported claims (including future claim adjustment expenses) and an estimate for claims incurred, but not reported based on historical experience. The following represent the changes in approximate aggregate liabilities for the District from June 30, 2013 to June 30, 2015 (in thousands):

	<u>Dental Care</u>
Liability Balance, June 30, 2013	\$ 144,446
Claims and changes in estimates	(7,725)
Liability Balance, June 30, 2014	<u>136,721</u>
Claims and changes in estimates	20,576
Liability Balance, June 30, 2015	<u>\$ 157,297</u>
Assets available to pay claims at June 30, 2015	<u><u>\$ 495,607</u></u>

**NOTE 13 - EMPLOYEE RETIREMENT SYSTEMS**

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

The District implemented GASB Statements No. 68 and No. 71 for the fiscal year ended June 30, 2015. As a result, the District reported its proportionate share of the net pension liabilities, pension expense and deferred inflow of resources for each of the above plans and a deferred outflow of resources for each of the above plans as follows:

<u>Pension Plan</u>	<u>Proportionate Share of Net Pension Liability</u>	<u>Deferred Outflow of Resources</u>	<u>Proportionate Share of Deferred Inflow of Resources</u>	<u>Proportionate Share of Pension Expense</u>
CalSTRS	\$ 28,163,133	\$ 2,070,894	\$ 6,935,118	\$ 2,431,388
CalPERS	8,395,534	1,003,458	2,884,800	746,192
Total	<u>\$ 36,558,667</u>	<u>\$ 3,074,352</u>	<u>\$ 9,819,918</u>	<u>\$ 3,177,580</u>

# HANFORD ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2015**

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The details of each plan are as follows:

### **California State Teachers' Retirement System (CalSTRS)**

#### **Plan Description**

The District contributes to the State Teachers Retirement Plan (STRP) administered by the California State Teachers' Retirement System (CalSTRS). STRP is a cost-sharing multiple-employer public employee retirement system defined benefit pension plan. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2013, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publically available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

#### **Benefits Provided**

The STRP provides retirement, disability and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service.

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the state is the sponsor of the STRP and obligor of the trust. In addition, the state is both an employer and nonemployer contributing entity to the STRP.

The District contributes exclusively to the STRP Defined Benefit Program, thus disclosures are not included for the other plans.

**HANFORD ELEMENTARY SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2015**

The STRP provisions and benefits in effect at June 30, 2015, are summarized as follows:

	<u>STRP Defined Benefit Program</u>	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	8.15%	8.15%
Required employer contribution rate	8.88%	8.88%
Required state contribution rate	5.95%	5.95%

**Contributions**

Required member, District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven year period. The contribution rates for each plan for the year ended June 30, 2015, are presented above and the District's total contributions were \$2,070,894.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2015, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the District were as follows:

Total net pension liability, including State share:

District's proportionate share of net pension liability	\$ 28,163,133
State's proportionate share of the net pension liability associated with the District	<u>17,006,116</u>
Total	<u><u>\$ 45,169,249</u></u>

The net pension liability was measured as of June 30, 2014. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. At June 30, 2015, the District's proportion was 0.0482 percent.

# HANFORD ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2015**

For the year ended June 30, 2015, the District recognized pension expense of \$2,431,388. In addition, the District recognized revenue and pension expense of \$1,468,176 for support provided by the State. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 2,070,894	\$ -
Difference between projected and actual earnings on pension plan investments	-	6,935,118
Total	<u>\$ 2,070,894</u>	<u>\$ 6,935,118</u>

The deferred outflow of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. The deferred inflow of resources will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Amortization
2016	\$ 1,733,779
2017	1,733,779
2018	1,733,779
2019	1,733,781
Total	<u>\$ 6,935,118</u>

### Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2013, and rolling forward the total pension liability to June 30, 2014. The financial reporting actuarial valuation as of June 30, 2013, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2013
Measurement date	June 30, 2014
Experience study	July 1, 2006 through June 30, 2010
Actuarial cost method	Entry age normal
Discount rate	7.60%
Investment rate of return	7.60%
Consumer price inflation	3.00%
Wage growth	3.75%

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience.

# HANFORD ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2015**

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant. Based on the model for CalSTRS consulting actuary' investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that the annual returns are lognormally distributed and independently from year to year to develop expected percentile for the long-term distribution of annualized returns. The assumed asset allocation is based on board policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of ten-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	4.50%
Private equity	12%	6.20%
Real estate	15%	4.35%
Inflation sensitive	5%	3.20%
Fixed income	20%	0.20%
Cash/liquidity	1%	0.00%

### Discount Rate

The discount rate used to measure the total pension liability was 7.60 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.60 percent) and assuming that contributions, benefit payments and administrative expense occurred midyear. Based on these assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount Rate	Net Pension Liability
1% decrease (6.60%)	\$ 43,898,959
Current discount rate (7.60%)	\$ 28,163,133
1% increase (8.60%)	\$ 15,042,314

# HANFORD ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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### California Public Employees Retirement System (CalPERS)

#### Plan Description

Qualified employees are eligible to participate in the School Employer Pool (SEP) under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2013 annual actuarial valuation report, Schools Pool Actuarial Valuation, 2013. This report and CalPERS audited financial information are publically available reports that can be found on the CalPERS website under Forms and Publications at: <https://www.calpers.ca.gov/page/forms-publications>.

#### Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or 52 for members hired on or after January 1, 2013), and has at least five years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The CalPERS provisions and benefits in effect at June 30, 2015, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.000%	6.000%
Required employer contribution rate	11.771%	11.771%

# HANFORD ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2015**

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### Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2015, are presented above and the total District contributions were \$1,003,458.

### Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

As of June 30, 2015, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$8,395,534. The net pension liability was measured as of June 30, 2014. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2015, the District's proportion was 0.074 percent.

For the year ended June 30, 2015, the District recognized pension expense of \$746,192. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 1,003,458	\$ -
Difference between projected and actual earnings on pension plan investments	-	2,884,800
Total	<u>\$ 1,003,458</u>	<u>\$ 2,884,800</u>

# HANFORD ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2015**

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The deferred outflow of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. The deferred inflow of resources will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Amortization
2016	\$ 721,200
2017	721,200
2018	721,200
2019	721,200
Total	<u>\$ 2,884,800</u>

### Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2013, and rolling forward the total pension liability to June 30, 2014. The financial reporting actuarial valuation as of June 30, 2013, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2013
Measurement date	June 30, 2014
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.50%
Investment rate of return	7.50%
Consumer price inflation	2.75%
Wage growth	3.00%

Mortality assumptions are based on mortality rates resulting from the most recent CalPERS experience study adopted by the CalPERS Board. For purposes of the post-retirement mortality rates, those revised rates include five years of projected ongoing mortality improvement using Scale AA published by the Society of Actuaries.

# HANFORD ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2015**

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first ten years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	5.25%
Global fixed income	19%	0.99%
Private equity	12%	6.83%
Real estate	11%	4.50%
Inflation sensitive	6%	0.45%
Infrastructure and Forestland	3%	4.50%
Liquidity	2%	-0.55%

### Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount rate	Net Pension Liability
1% decrease (6.50%)	\$ 14,727,684
Current discount rate (7.50%)	\$ 8,395,534
1% increase (8.50%)	\$ 3,104,385

# HANFORD ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2015**

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### **Social Security**

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by Social Security or an alternative plan. The District has elected to use Social Security. Contributions made by the District and an employee vest immediately. The District contributes 6.2 percent of an employee's gross earnings. An employee is required to contribute 6.2 percent of his or her gross earnings Social Security.

### **On Behalf Payments**

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$1,158,031 (5.679 percent of annual payroll). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been excluded from the calculation of available reserves, and have not been included in the budgeted and actual amounts reported in the General Fund - Budgetary Comparison Schedule.

## **NOTE 14 - 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, 2015.

### **Litigation**

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

# HANFORD ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2015**

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### Construction Commitments

As of June 30, 2015, the District had the following commitments with respect to the unfinished capital projects:

<u>Capital Projects</u>	<u>Remaining Construction Commitment</u>	<u>Expected Date of Completion</u>
Wilson kitchen remodel	\$ 750,000	September 2015
Wilson band room	67,400	September 2015
Richmond playground	15,700	September 2015
Monroe new administration building	400,000	Unknown
King roof replacement	367,700	September 2015
Total remaining construction commitments	<u>\$ 1,600,800</u>	

### NOTE 15 - PARTICIPATION IN JOINT POWERS AUTHORITIES

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

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

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

During the year ended June 30, 2015, the District made payment of \$264,360 to NorCal ReLiEF for property and liability insurance.

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

During the year ended June 30, 2015, the District made payment of \$5,245,197 to SISC III for health insurance.

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

During the year ended June 30, 2015, the District made payment of \$572,354 to KCSIS for workers' compensation insurance.

# HANFORD ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2015**

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### NOTE 16 - RESTATEMENT OF PRIOR YEAR NET POSITION

The District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, in the current year. As a result, the effect on the current fiscal year is as follows:

#### Statement of Net Position

Net Position - Beginning	\$ 34,374,377
Restatement - GASB Statement No. 68, Net Pension Liability	<u>(43,193,012)</u>
Net Position - Beginning as Restated	<u><u>\$ (8,818,635)</u></u>

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***REQUIRED SUPPLEMENTARY INFORMATION***

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# HANFORD ELEMENTARY SCHOOL DISTRICT

## GENERAL FUND BUDGETARY COMPARISON SCHEDULE FOR THE YEAR ENDED JUNE 30, 2015

	<b>Budgeted Amounts</b>			<b>Variances -</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	<b>Favorable</b>
				<b>(Unfavorable)</b>
				<b>Final</b>
				<b>to Actual</b>
<b>REVENUES</b>				
Local Control Funding Formula	\$ 42,472,974	\$ 40,901,136	\$ 40,889,390	\$ (11,746)
Federal sources	2,771,420	3,351,533	2,689,662	(661,871)
Other State sources	3,601,563	4,342,613	4,324,545	(18,068)
Other local sources	1,989,691	2,068,704	2,039,195	(29,509)
<b>Total Revenues</b> <sup>1</sup>	<b>50,835,648</b>	<b>50,663,986</b>	<b>49,942,792</b>	<b>(721,194)</b>
<b>EXPENDITURES</b>				
Current				
Certificated salaries	24,124,000	22,834,580	22,502,047	332,533
Classified salaries	8,354,048	8,768,303	8,728,226	40,077
Employee benefits	10,314,431	10,532,895	10,309,230	223,665
Books and supplies	3,726,476	3,004,549	2,606,009	398,540
Services and operating expenditures	3,639,679	3,533,281	2,833,665	699,616
Other outgo	402,254	978,157	472,099	506,058
Capital outlay	175,439	710,338	653,474	56,864
<b>Total Expenditures</b> <sup>1</sup>	<b>50,736,327</b>	<b>50,362,103</b>	<b>48,104,750</b>	<b>2,257,353</b>
<b>Excess (Deficiency) of Revenues</b>				
<b>Over Expenditures</b>	99,321	301,883	1,838,042	1,536,159
<b>Other Financing Uses</b>				
Transfers out	-	-	(914,377)	(914,377)
<b>Total Financing Uses</b>	-	-	(914,377)	(914,377)
<b>NET CHANGE IN FUND BALANCES</b>	99,321	301,883	923,665	621,782
<b>Fund Balance - Beginning</b>	7,057,847	7,057,847	7,057,847	-
<b>Fund Balance - Ending</b>	<b>\$ 7,157,168</b>	<b>\$ 7,359,730</b>	<b>\$ 7,981,512</b>	<b>\$ 621,782</b>

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

**HANFORD ELEMENTARY SCHOOL DISTRICT**

**CAFETERIA FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2015**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variances -</b>
	<b>Original</b>	<b>Final</b>		<b>Favorable</b>
				<b>(Unfavorable)</b>
				<b>Final to Actual</b>
<b>REVENUES</b>				
Federal sources	\$ 2,454,027	\$ 2,494,000	\$ 2,516,794	\$ 22,794
Other State sources	200,046	198,050	207,287	9,237
Other local sources	317,611	299,481	302,241	2,760
<b>Total Revenues</b>	<u>2,971,684</u>	<u>2,991,531</u>	<u>3,026,322</u>	<u>34,791</u>
<b>EXPENDITURES</b>				
Current				
Classified salaries	863,233	924,697	914,737	9,960
Employee benefits	257,961	316,144	305,230	10,914
Books and supplies	1,921,084	1,828,302	1,516,586	311,716
Services and operating expenditures	89,678	52,125	14,205	37,920
Other outgo	178,208	156,455	156,455	-
Capital outlay	665,000	318,528	142,889	175,639
<b>Total Expenditures</b>	<u>3,975,164</u>	<u>3,596,251</u>	<u>3,050,102</u>	<u>546,149</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>(1,003,480)</u>	<u>(604,720)</u>	<u>(23,780)</u>	<u>(511,358)</u>
<b>Other Financing Sources</b>				
Transfers in	-	-	1,801	1,801
<b>Total Financing Sources</b>	<u>-</u>	<u>-</u>	<u>1,801</u>	<u>1,801</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>(1,003,480)</u>	<u>(604,720)</u>	<u>(21,979)</u>	<u>582,741</u>
<b>Fund Balance - Beginning</b>	<u>2,497,628</u>	<u>2,497,628</u>	<u>2,497,628</u>	<u>-</u>
<b>Fund Balance - Ending</b>	<u>\$ 1,494,148</u>	<u>\$ 1,892,908</u>	<u>\$ 2,475,649</u>	<u>\$ 582,741</u>

**HANFORD ELEMENTARY SCHOOL DISTRICT**

**SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB)  
 FUNDING PROGRESS  
 FOR THE YEAR ENDED JUNE 30, 2015**

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<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Liability (AAL) - Projected Unit Credit (b)</b>	<b>Unfunded AAL (UAAL) (b - a)</b>	<b>Funded Ratio (a / b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ( b - a  / c)</b>
July 1, 2013	\$ -	\$ 8,053,583	\$ 8,053,583	0%	\$ 29,114,134	27.66%
July 1, 2011	\$ -	\$ 6,907,714	\$ 6,907,714	0%	\$ 27,944,015	24.72%
July 1, 2009	\$ -	\$ 6,767,755	\$ 6,767,755	0%	\$ 26,464,473	25.57%

**HANFORD ELEMENTARY SCHOOL DISTRICT**

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET  
PENSION LIABILITY  
FOR THE YEAR ENDED JUNE 30, 2015**

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	<u>2015</u>
<b>CalSTRS</b>	
District's proportion of the net pension liability (asset)	<u>0.0482%</u>
District's proportionate share of the net pension liability (asset)	\$ 28,163,133
State's proportionate share of the net pension liability (asset) associated with the District	<u>17,006,116</u>
Total	<u><u>\$ 45,169,249</u></u>
District's covered - employee payroll	<u>\$ 21,702,145</u>
District's proportionate share of the net pension liability (asset) as a percentage of its covered - employee payroll	<u>129.77%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>77%</u>
 <b>CalPERS</b>	
District's proportion of the net pension liability (asset)	<u>0.0740%</u>
District's proportionate share of the net pension liability (asset)	<u>\$ 8,395,535</u>
District's covered - employee payroll	<u>\$ 7,842,555</u>
District's proportionate share of the net pension liability (asset) as a percentage of its covered - employee payroll	<u>107.05%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>83%</u>

*Note:* In the future, as data become available, ten years of information will be presented.

**HANFORD ELEMENTARY SCHOOL DISTRICT**

**SCHEDULE OF DISTRICT CONTRIBUTIONS  
FOR THE YEAR ENDED JUNE 30, 2015**

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	<u>2015</u>
<b>CalSTRS</b>	
Contractually required contribution	\$ 2,070,894
Contributions in relation to the contractually required contribution	<u>2,070,894</u>
Contribution deficiency (excess)	<u><u>\$ -</u></u>
District's covered - employee payroll	<u>\$ 23,320,878</u>
Contributions as a percentage of covered - employee payroll	<u>8.88%</u>
 <b>CalPERS</b>	
Contractually required contribution	\$ 1,003,458
Contributions in relation to the contractually required contribution	<u>1,003,458</u>
Contribution deficiency (excess)	<u><u>\$ -</u></u>
District's covered - employee payroll	<u>\$ 8,524,832</u>
Contributions as a percentage of covered - employee payroll	<u>11.771%</u>

*Note:* In the future, as data become available, ten years of information will be presented.

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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, 2015**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
Passed Through California Department of Education (CDE):			
No Child Left Behind Act			
Title I, Part A, Basic Grants	84.010	14329	\$ 1,994,170
Title II, Part A, Teacher Quality	84.367	14341	276,112
Title III, Limited English Proficiency	84.365	14346	93,618
Special Education Programs			
Local Assistance	84.027	13379	196,061
Local Assistance, Part B, Section 611, Private School	84.027	10115	1,128
IDEA, Mental Health Allocation Plan, Part B, Section 611	84.027	14468	78,300
Subtotal Special Education Programs			<u>275,489</u>
Total U.S. Department of Education			<u>2,639,389</u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
Passed Through California Department of Health Care Services:			
Medicaid Programs			
Medi-Cal Administrative Assistance	93.778	10060	18,965
Medi-Cal Billing Option	93.778	10013	31,308
Total U.S. Department of Health and Human Services			<u>50,273</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
Passed Through CDE:			
Child Nutrition Cluster			
National School Lunch	10.555	13391	1,863,938
Especially Needy Breakfast	10.553	13526	541,687
Meals Supplements - Snack	10.555	13391	101,996
Summer Food Program	10.559	13004	9,173
Food Distribution - Commodities	10.555	13391	191,360
Subtotal Child Nutrition Cluster			<u>2,708,154</u>
Total U.S. Department of Agriculture			<u>2,708,154</u>
Total Expenditures of Federal Awards			<u>\$ 5,397,816</u>

See accompanying note to supplementary information.

# HANFORD ELEMENTARY SCHOOL DISTRICT

## LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2015

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### ORGANIZATION

The Hanford Elementary School District was established in August 1891 and consists of an area comprising approximately 12.92 square miles. The District operates eight elementary schools, one K-8 charter school, two junior high schools, and one community day school. As of July 1, 2006, the Hanford Elementary School District transferred to Pioneer School District an area consisting of approximately 237.31 square acres to be included in the Pioneer School District boundaries. On that same date, Pioneer School District transferred to Hanford Elementary School District 427 acres to be included in the Hanford Elementary School District.

### GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
Jeff Garner	President	2018
Timothy Revious	Vice President	2016
Lupe Hernandez	Clerk	2018
Robert "Bobby" Garcia	Trustee	2018
Dennis Hill	Trustee	2016

### ADMINISTRATION

Paul J. Terry, Ed.D.	Superintendent
Nancy White	Chief Business Official
Jaime Martinez	Assistant Superintendent Human Resources
Joy Gabler	Assistant Superintendent Curriculum, Instruction and Professional Development
Karen McConnell	Assistant Superintendent, Special Services

See accompanying note to supplementary information.

**HANFORD ELEMENTARY SCHOOL DISTRICT**

**SCHEDULE OF AVERAGE DAILY ATTENDANCE  
FOR THE YEAR ENDED JUNE 30, 2015**

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	<u>Second Period Report</u>	<u>Annual Report</u>
<b>HANFORD ELEMENTARY SCHOOL DISTRICT</b>		
Regular ADA		
Transitional kindergarten through third	2,500.19	2,490.27
Fourth through sixth	1,743.87	1,739.68
Seventh and eighth	1,112.41	1,109.99
Total Regular ADA	<u>5,356.47</u>	<u>5,339.94</u>
Community Day School		
Transitional kindergarten through third	5.45	5.33
Fourth through sixth	4.21	4.84
Seventh and eighth	5.93	6.81
Total Community Day School	<u>15.59</u>	<u>16.98</u>
Total ADA	<u><u>5,372.06</u></u>	<u><u>5,356.92</u></u>
<b>JEFFERSON CHARTER ACADEMY</b>		
Regular ADA - All classroom based		
Transitional kindergarten through third	186.57	186.29
Fourth through sixth	119.33	119.93
Seventh and eighth	28.70	28.59
Total Regular ADA	<u><u>334.60</u></u>	<u><u>334.81</u></u>

See accompanying note to supplementary information.

**HANFORD ELEMENTARY SCHOOL DISTRICT**

**SCHEDULE OF INSTRUCTIONAL TIME  
FOR THE YEAR ENDED JUNE 30, 2015**

**HANFORD ELEMENTARY SCHOOL DISTRICT**

Grade Level	1986-1987 Minutes Requirement	Reduced 1986-1987 Minutes Requirement	2014-2015 Actual Minutes	Number of Days		Status
				Traditional Calendar	Multitrack Calendar	
Kindergarten	36,000	35,000	48,913	180	N/A	Complied
Grades 1 - 3	50,400	49,000				
Grade 1			52,103	180	N/A	Complied
Grade 2			52,103	180	N/A	Complied
Grade 3			52,103	180	N/A	Complied
Grades 4 - 6	54,000	52,500				
Grade 4			55,293	180	N/A	Complied
Grade 5			55,293	180	N/A	Complied
Grade 6			55,293	180	N/A	Complied
Grades 7 - 8	54,000	52,500				
Grade 7			57,138	180	N/A	Complied
Grade 8			57,138	180	N/A	Complied

**JEFFERSON CHARTER ACADEMY**

Grade Level	1986-1987 Minutes Requirement	Reduced 1986-1987 Minutes Requirement	2014-2015 Actual Minutes	Number of Days		Status
				Traditional Calendar	Multitrack Calendar	
Kindergarten	36,000	34,971	52,513	180	N/A	Complied
Grades 1 - 3	50,400	48,960				
Grade 1			52,103	180	N/A	Complied
Grade 2			52,103	180	N/A	Complied
Grade 3			52,103	180	N/A	Complied
Grades 4 - 6	54,000	52,457				
Grade 4			55,293	180	N/A	Complied
Grade 5			55,293	180	N/A	Complied
Grade 6			55,293	180	N/A	Complied
Grades 7 - 8	54,000	52,457				
Grade 7			57,138	180	N/A	Complied
Grade 8			57,138	180	N/A	Complied

See accompanying note to supplementary information.

**HANFORD ELEMENTARY SCHOOL DISTRICT**

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH  
AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

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There were no adjustments to the Unaudited Actual Financial Report which required reconciliation to the audited financial statements at June 30, 2015.

See accompanying note to supplementary information.

# HANFORD ELEMENTARY SCHOOL DISTRICT

## SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2015

	(Budget) 2016 <sup>1</sup>	2015 <sup>4</sup>	2014 <sup>4,5</sup>	2013 <sup>4</sup>
GENERAL FUND				
Revenues	\$ 52,561,589	\$ 49,940,640	\$ 47,346,669	\$ 42,919,362
Other sources and transfers in	-	-	-	8,619
Total Revenues and Other Sources <sup>4</sup>	52,561,589	49,940,640	47,346,669	42,927,981
Expenditures	55,298,711	48,104,751	47,277,264	42,860,668
Other uses and transfers out	1,500	501,801	1,701,545	269,222
Total Expenditures and Other Uses <sup>4</sup>	55,300,211	48,606,552	48,978,809	43,129,890
INCREASE (DECREASE) IN FUND BALANCE	\$ (2,738,622)	\$ 1,334,088	\$ (1,632,140)	\$ (201,909)
ENDING FUND BALANCE	\$ 5,203,416	\$ 7,942,038	\$ 6,607,950	\$ 8,240,090
AVAILABLE RESERVES <sup>2</sup>	\$ 4,135,038	\$ 6,004,597	\$ 5,397,160	\$ 6,026,762
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO	7.48%	12.35%	11.02%	13.97%
LONG-TERM OBLIGATIONS	Not Available	\$ 45,628,175	\$ 55,413,584	\$ 9,941,932
AVERAGE DAILY ATTENDANCE AT P-2 <sup>3</sup>	5,378	5,372	5,640	5,537

The General Fund balance has decreased by \$298,052 over the past two years. The fiscal year 2015-2016 budget projects a decrease of \$2,738,622 (34.48 percent). For a district this size, the State recommends available reserves of at least 3.0 percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating deficits in two of the past three years and anticipates incurring a deficit during the 2015-2016 fiscal year. Total long-term obligations have increased by \$35,686,243 over the past two years due primarily to the recognition of a net pension liability totaling \$36,558,667 as required by the implementation of GASB Statement No. 68.

Average daily attendance has decreased by 165 ADA over the past two years. Growth of six ADA is anticipated during fiscal year 2015-2016.

<sup>1</sup> Budget 2016 is included for analytical purposes only and has not been subjected to audit.

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

<sup>3</sup> Excludes Charter.

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

<sup>5</sup> The long-term obligations were restated for 2014 due to the implementation of GASB Statement No. 68.

See accompanying note to supplementary information.

**HANFORD ELEMENTARY SCHOOL DISTRICT**

**SCHEDULE OF CHARTER SCHOOLS  
FOR THE YEAR ENDED JUNE 30, 2015**

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<u>Name of Charter School</u>	<u>Included in Audit Report</u>
Jefferson Charter Academy (Charter School Number 1637)	Yes

See accompanying note to supplementary information.

**HANFORD ELEMENTARY SCHOOL DISTRICT**

**NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2015**

	<b>Charter School Fund</b>	<b>Deferred Maintenance Fund</b>	<b>Capital Facilities Fund</b>
<b>ASSETS</b>			
Deposits and investments	\$ 78,595	\$ 29,311	\$ 382,754
Receivables	-	-	49,152
<b>Total Assets</b>	<b>\$ 78,595</b>	<b>\$ 29,311</b>	<b>\$ 431,906</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	40,773	\$ -	\$ 14,184
<b>Total Liabilities</b>	<b>40,773</b>	<b>-</b>	<b>14,184</b>
<b>Fund Balances:</b>			
Restricted	-	-	417,722
Committed	-	29,311	-
Assigned	37,822	-	-
<b>Total Fund Balances</b>	<b>37,822</b>	<b>29,311</b>	<b>417,722</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 78,595</b>	<b>\$ 29,311</b>	<b>\$ 431,906</b>

See accompanying note to supplementary information.

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<b>Bond Interest and Redemption Fund</b>	<b>Total Non-Major Governmental Funds</b>
\$ 978,932	\$ 1,469,592
-	49,152
<u>\$ 978,932</u>	<u>\$ 1,518,744</u>

\$ -	\$ 54,957
<u>-</u>	<u>54,957</u>
978,932	1,396,654
-	29,311
-	37,822
<u>978,932</u>	<u>1,463,787</u>
<u>\$ 978,932</u>	<u>\$ 1,518,744</u>

**HANFORD ELEMENTARY SCHOOL DISTRICT**

**NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2015**

	<b>Charter School Fund</b>	<b>Deferred Maintenance Fund</b>	<b>Capital Facilities Fund</b>
<b>REVENUES</b>			
Local Control Funding Formula	\$ 2,365,731	\$ 375,000	\$ -
Other State sources	-	-	-
Other local sources	5,505	582	819,493
<b>Total Revenues</b>	<b>2,371,236</b>	<b>375,582</b>	<b>819,493</b>
<b>EXPENDITURES</b>			
Current			
Instruction	1,408,270	-	-
Instruction-related activities:			
Supervision of instruction	57,864	-	-
Instructional library, media, and technology	34,507	-	-
School site administration	254,096	-	-
Pupil services:			
Home-to-school transportation	36,656	-	-
All other pupil services	53,892	-	-
Administration:			
All other administration	165,325	-	2,773
Plant services	317,609	64,805	503,011
Facility acquisition and construction	-	329,470	6,491
Ancillary services	5,195	-	-
Debt service			
Principal	-	-	-
Interest and other	-	-	-
<b>Total Expenditures</b>	<b>2,333,414</b>	<b>394,275</b>	<b>512,275</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>37,822</b>	<b>(18,693)</b>	<b>307,218</b>
<b>Fund Balance - Beginning</b>	<b>-</b>	<b>48,004</b>	<b>110,504</b>
<b>Fund Balance - Ending</b>	<b>\$ 37,822</b>	<b>\$ 29,311</b>	<b>\$ 417,722</b>

See accompanying note to supplementary information.

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<b>Bond Interest and Redemption Fund</b>	<b>Total Non-Major Governmental Funds</b>
\$ -	\$ 2,740,731
25,326	25,326
1,380,434	2,206,014
<u>1,405,760</u>	<u>4,972,071</u>
-	1,408,270
-	57,864
-	34,507
-	254,096
-	36,656
-	53,892
-	168,098
-	885,425
-	335,961
-	5,195
826,629	826,629
564,407	564,407
<u>1,391,036</u>	<u>4,631,000</u>
14,724	341,071
964,208	1,122,716
<u>\$ 978,932</u>	<u>\$ 1,463,787</u>

# HANFORD ELEMENTARY SCHOOL DISTRICT

## NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2015

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### NOTE 1 - PURPOSE OF SCHEDULES

#### Schedule of Expenditures of Federal Awards

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

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

	CFDA Number	Amount
Total Federal Revenues From the Statement of Revenues, Expenditures, and Changes in Fund Balances:		\$ 5,206,456
Reconciling items:		
Food Distribution - Commodities	10.555	191,360
Total Schedule of Expenditures of Federal Awards		<u>\$ 5,397,816</u>

#### Local Education Agency Organization Structure

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

#### Schedule of Average Daily Attendance (ADA)

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

#### Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The District neither met nor exceeded its target funding. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *Education Code* Sections 46200 through 46206.

Districts must maintain their instructional minutes at the 1986-1987 requirements as required by *Education Code* Section 46201.

# HANFORD ELEMENTARY SCHOOL DISTRICT

## NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2015

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### **Reconciliation of Annual Financial and Budget Report With Audited Financial Statements**

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

### **Schedule of Financial Trends and Analysis**

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

### **Schedule of Charter Schools**

This schedule lists all charter schools chartered by the District, and displays information for each charter school on whether or not the charter school is included in the District audit.

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

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

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***INDEPENDENT AUDITOR'S REPORTS***

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

Governing Board  
Hanford Elementary School District  
Hanford, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hanford Elementary School District (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Hanford Elementary School District's basic financial statements, and have issued our report thereon dated December 3, 2015.

**Emphasis of Matter - Change in Accounting Principles**

As discussed in Note 1 to the financial statements, in 2015, the District adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter.

**Internal Control Over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

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

We noted certain matters that we reported to management of Hanford Elementary School District in a separate letter dated December 3, 2015.

### **Purpose of This Report**

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

*Vannink, Trine, Day & Co, LLP*

Fresno, California  
December 3, 2015



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

Governing Board  
Hanford Elementary School District  
Hanford, California

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

We have audited Hanford Elementary School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Hanford Elementary School District's (the District) major Federal programs for the year ended June 30, 2015. Hanford Elementary School District's major Federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

### ***Opinion on Each Major Federal Program***

In our opinion, Hanford Elementary School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2015.

### **Report on Internal Control Over Compliance**

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

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

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

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

*Varrink, Trine, Day & Co, LLP*

Fresno, California  
December 3, 2015



## INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board  
Hanford Elementary School District  
Hanford, California

### Report on State Compliance

We have audited Hanford Elementary School District's compliance with the types of compliance requirements as identified in the *2014-2015 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of the Hanford Elementary School District's State government programs as noted below for the year ended June 30, 2015.

### Management's Responsibility

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

### Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the Hanford Elementary School District's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2014-2015 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about Hanford Elementary School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Hanford Elementary School District's compliance with those requirements.

### Unmodified Opinion

In our opinion, Hanford Elementary School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2015.

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

	<u>Procedures Performed</u>
Attendance Accounting:	
Attendance Reporting	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No (see below)
Continuation Education	No (see below)
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No (see below)
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	No (see below)
Middle or Early College High Schools	No (see below)
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Regional Occupational Centers or Programs Maintenance of Effort	No (see below)
Adult Education Maintenance of Effort	No (see below)
California Clean Energy Jobs Act	No (see below)
After School Education and Safety Program:	
General Requirements	Yes
After School	Yes
Before School	No (see below)
Proper Expenditure of Education Protection Account Funds	Yes
Common Core Implementation Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control Accountability Plan	Yes
Charter Schools:	
Attendance	Yes
Mode of Instruction	Yes
Non Classroom-Based Instruction/Independent Study	No (see below)
Determination of Funding for Non Classroom-Based Instruction	No (see below)
Annual Instruction Minutes Classroom-Based	Yes
Charter School Facility Grant Program	No (see below)

We did not perform testing for independent study because the independent study ADA was under the level that requires testing.

We did not perform continuation education compliance procedures because the program is not offered by the District.

The District does not offer an Early Retirement Incentive Program; therefore, we did not perform procedures related to the Early Retirement Incentive Program.

The District does not have any Juvenile Court Schools; therefore, we did not perform any procedures related to Juvenile Court Schools.

The District does not have any Middle or Early College High Schools; therefore, we did not perform any procedures related to Middle or Early College High Schools.

The District did not have any Regional Occupational Centers or Programs Maintenance in 2012-2013; therefore, we did not perform any procedures related to Regional Occupational Centers or Programs Maintenance of Effort.

The District did not have any Adult Education Maintenance of Effort in 2012-2013; therefore, we did not perform any procedures related to Adult Education Maintenance of Effort.

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

The District does not offer a Before School Education and Safety Program; therefore, we did not perform any procedures related to the Before School Education and Safety Program.

We did not perform the recommended procedures for Non Classroom-Based Instruction/Independent Study or Determination of Funding for Non Classroom-Based Instruction because the Charter School is fully classroom based.

Additionally, we did not perform the recommended procedures for the Charter School Facility Grant Program because the District did not receive funding for this program.

*Vannink, Trine, Day & Co, LLP*

Fresno, California  
December 3, 2015

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

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**HANFORD ELEMENTARY SCHOOL DISTRICT**

**SUMMARY OF AUDITOR'S RESULTS  
FOR THE YEAR ENDED JUNE 30, 2015**

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**FINANCIAL STATEMENTS**

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

**FEDERAL AWARDS**

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

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>10.555, 10.553, 10.559</u>	<u>Child Nutrition Cluster</u>

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

**STATE AWARDS**

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

**FINANCIAL STATEMENT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2015**

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None reported.

**HANFORD ELEMENTARY SCHOOL DISTRICT**

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015**

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None reported.

**HANFORD ELEMENTARY SCHOOL DISTRICT**

**STATE AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015**

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None reported.

**HANFORD ELEMENTARY SCHOOL DISTRICT**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2015**

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