

HANFORD ELEMENTARY SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2017

HANFORD ELEMENTARY SCHOOL DISTRICT

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FINANCIAL SECTION



VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

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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, 2017, 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 *2016-2017 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, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 14, budgetary comparison schedule on page 64, schedule of other postemployment benefits funding progress on page 65, schedule of the district's proportionate share of net pension liability on page 66, and the schedule of district contributions on page 67, 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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* and the other supplementary information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2017, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Hanford Elementary School District's 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.

Varinck, Trine, Day + Co. LLP

Fresno, California
December 8, 2017

Hanford Elementary School District

HANFORD ELEMENTARY SCHOOL DISTRICT KINGS COUNTY

MANAGEMENT DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2017



714 N. White Street
P.O. Box 1067
Hanford, CA 93232
(559) 585-3600

Superintendent
Joy C. Gabler

Governing Board
Robert "Bobby" Garcia Jeff
Garner
Lupe Hernandez
Timothy L. Revious
Greg Strickland

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, 2017. 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 2016-2017 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 5,954 students.

USING THE ANNUAL FINANCIAL REPORT

- This 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, 2017

FINANCIAL HIGHLIGHTS

- The Hanford Elementary School District's Government-wide Statement of Net Position illustrates total net position of \$0.8 million, the result of assets and deferred outflows of \$80.1 million minus liabilities and deferred inflows of \$79.3 million.
- General Revenues accounted for \$60.8 million or 84 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$11.4 million or 16 percent of total revenues of \$72.2 million.
- The District had \$69.8 million in expenses related to governmental activities.
- The General Fund reported a positive fund balance of \$11.9 million.

STUDENT ENROLLMENT & DEMOGRAPHIC TRENDS

- The School District has an enrollment of approximately 5,954 students for the current 2016-2017 school year, with enrollment projected to remain static for the coming 2017-2018 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 2017-2018 ADA for the District is 5,805 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.

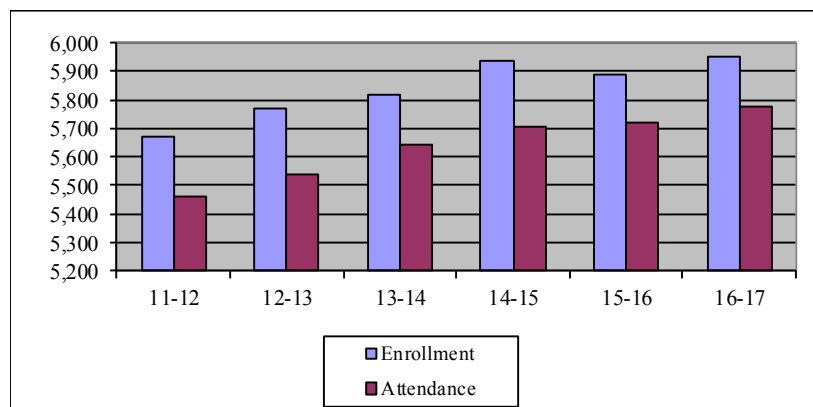


Figure 1. District Enrollment to Actual Attendance Data

HANFORD ELEMENTARY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

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", 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, 2017

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 2016-2017 and 2015-2016, respectively.

HANFORD ELEMENTARY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

Table 1. Net Position

(Amounts in millions)	Governmental Activities		Change
	2017	2016	
Assets			
Current and other assets	\$ 32.3	\$ 21.9	\$ 10.4
Capital assets	34.6	33.0	1.6
Total Assets	66.9	54.9	12.0
Deferred Outflows of Resources	13.2	11.2	2.0
Liabilities			
Current liabilities	3.4	4.5	(1.1)
Long-term obligations	17.3	8.5	8.8
Net pension liability	57.1	45.7	11.4
Total Liabilities	77.8	58.7	19.1
Deferred Inflows of Resources	1.5	9.0	(7.5)
Net Position			
Net investment in capital assets	29.7	27.9	1.8
Restricted	5.0	5.1	(0.1)
Unrestricted	(33.9)	(34.6)	0.7
Total Net Position	\$ 0.8	\$ (1.6)	\$ 2.4

Table 2 shows the changes in net position for fiscal years 2016-2017 and 2015-2016, respectively.

HANFORD ELEMENTARY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

Table 2. Changes in Net Position

(Amounts in millions)	Governmental Activities		Change
	2017	2016	
Revenues			
Program revenues:			
Charges for services	\$ 0.2	\$ 0.2	\$ -
Operating grants and contributions	11.2	10.2	1.0
General revenues:			
Federal and State aid not restricted	54.2	52.6	1.6
Property taxes	4.5	4.2	0.3
Other general revenues	2.1	2.3	(0.2)
Total Revenues	<u>72.2</u>	<u>69.5</u>	<u>2.7</u>
Expenses			
Instruction related	44.7	43.1	1.6
Student support services	9.6	8.6	1.0
Administration	4.0	4.1	(0.1)
Maintenance and operations	8.1	6.6	1.5
Other	3.4	2.6	0.8
Total Expenses	<u>69.8</u>	<u>65.0</u>	<u>4.8</u>
Change in Net Position	<u>\$ 2.4</u>	<u>\$ 4.5</u>	<u>\$ (2.1)</u>

HANFORD ELEMENTARY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

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.

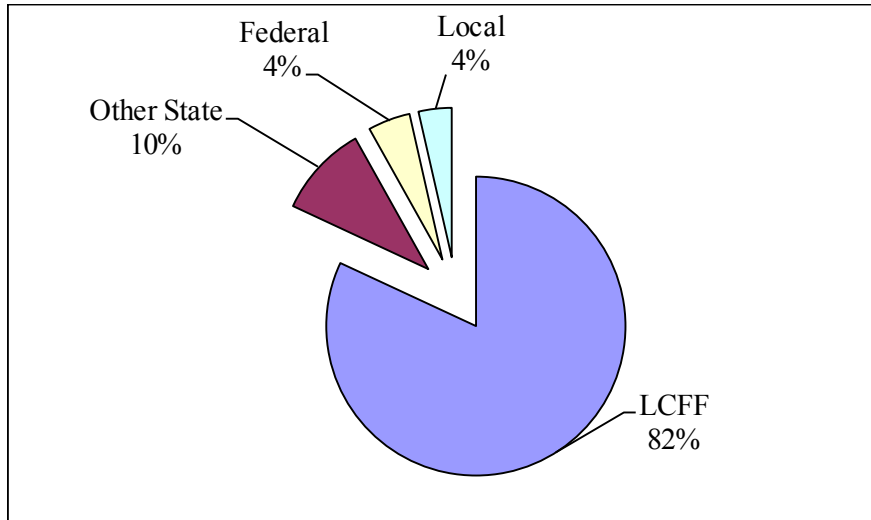


Figure 2. Revenues by Source

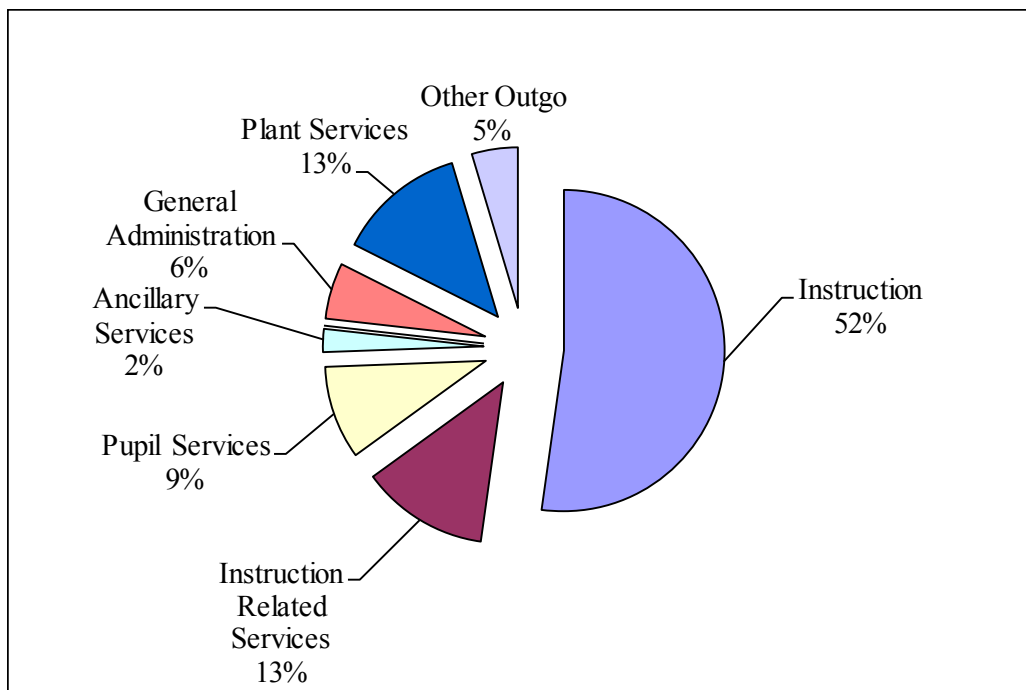


Figure 3. Expenditures by Function

HANFORD ELEMENTARY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

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 General Fund budget. As revenues from these two sources change, so do District revenues, since 96% 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 \$1.1 million and may be summarized as follows:

- \$1.6 million increase in total revenue mainly due to increases state revenue.

- \$0.7 million decrease in total expenditures (not including transfers out) due primarily to decreased spending for books, supplies, and services.

HANFORD ELEMENTARY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

CAPITAL ASSETS AND DEBT ADMINISTRATION

- CAPITAL ASSETS

At June 30, 2016, the District had \$33.0 million in a broad range of capital assets, including land, buildings, and furniture and equipment, net of accumulated depreciation. At June 30, 2017, the District's net capital assets were \$34.6 million. This amount represents a net increase (including additions and deductions) of \$1.6 million, or 4.8 percent, from last year. Table 3 shows the balances for fiscal years 2016-2017 and 2015-2016.

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

(Amounts in millions)	Governmental Activities		Change
	2017	2016	
Land	\$ 2.2	\$ 2.1	\$ 0.1
Buildings and improvements	30.1	28.9	1.2
Equipment	1.9	1.6	0.3
Construction in Progress	0.4	0.4	-
Total	\$ 34.6	\$ 33.0	\$ 1.6

- LONG-TERM OBLIGATIONS

At the end of this year, the District had \$17.3 million in long-term obligations outstanding versus \$8.5 million last year, an increase of 104 percent. Table 4 summarizes these debts.

Table 4. Outstanding Obligations

(Amounts in millions)	Governmental Activities		Change
	2017	2016	
General obligation bonds	\$ 13.5	\$ 5.1	\$ 8.4
Compensated absences	0.3	0.3	-
Other postemployment benefits	3.5	3.1	0.4
Total	\$ 17.3	\$ 8.5	\$ 8.8

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

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, 2017

- NET PENSION LIABILITY (NPL)

In the fiscal year ending June 30, 2015, 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. As of June 30, 2017, the District reported Deferred Outflows from pension activities of \$13.2 million, Deferred Inflows from pension activities of \$1.5 million, and a Net Pension Liability of \$57.1 million. 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 David Endo, Chief Business Officer, Hanford Elementary School District, P. O. Box 1067, Hanford, CA 93232.

HANFORD ELEMENTARY SCHOOL DISTRICT

STATEMENT OF NET POSITION JUNE 30, 2017

	Governmental Activities
ASSETS	
Deposits and investments	\$ 29,788,700
Receivables	2,354,352
Prepaid expenses	1,693
Stores inventories	170,174
Nondepreciable capital assets	2,542,021
Capital assets being depreciated	58,498,358
Accumulated depreciation	(26,442,296)
Total Assets	66,913,002
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources related to pensions	13,211,265
LIABILITIES	
Accounts payable	3,418,680
Unearned revenue	56,948
Long-term obligations:	
Current portion of long-term obligations other than pensions	780,000
Noncurrent portion of long-term obligations other than pensions	16,476,182
Total Long-Term Obligations	17,256,182
Aggregate net pension liability	57,066,055
Total Liabilities	77,797,865
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions	1,481,109
NET POSITION	
Net investment in capital assets	29,697,771
Restricted for:	
Debt service	1,742,005
Capital projects	760,146
Educational programs	1,223,365
Other activities	1,346,225
Unrestricted	(33,924,219)
Total Net Position	\$ 845,293

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

HANFORD ELEMENTARY SCHOOL DISTRICT

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017**

Functions/Programs	Expenses	Program Revenues	
		Charges for Services and Sales	Operating Grants and Contributions
Governmental Activities:			
Instruction	\$ 35,926,369	\$ -	\$ 3,447,263
Instruction-related activities:			
Supervision of instruction	2,537,382	-	2,016,531
Instructional library, media, and technology	1,112,774	-	-
School site administration	5,184,488	-	148,527
Pupil services:			
Home-to-school transportation	1,188,147	-	125,207
Food services	3,252,011	218,999	2,634,269
All other pupil services	5,181,558	-	713,902
Administration:			
Data processing	877,719	-	-
All other administration	3,159,883	9,740	392,019
Plant services	8,120,522	479	522,042
Ancillary services	1,513,954	-	1,021,993
Interest on long-term obligations	848,973	-	-
Other outgo	928,261	-	151,813
Total Governmental Activities	\$ 69,832,041	\$ 229,218	\$ 11,173,566
General revenues and subventions:			
Property taxes, levied for general purposes			
Property taxes, levied for debt service			
Taxes levied for other specific purposes			
Federal and State aid not restricted to specific purposes			
Interest and investment earnings			
Miscellaneous			
Subtotal, General Revenues			
Change in Net Position			
Net Position - Beginning			
Net Position - Ending			

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

Net (Expenses) Revenues and Changes in Net Position	
Governmental Activities	
\$	(32,479,106)
	(520,851)
	(1,112,774)
	(5,035,961)
	(1,062,940)
	(398,743)
	(4,467,656)
	(877,719)
	(2,758,124)
	(7,598,001)
	(491,961)
	(848,973)
	(776,448)
	<u>(58,429,257)</u>
	2,831,551
	1,666,758
	63,383
	54,187,575
	151,159
	1,990,651
	<u>60,891,077</u>
	2,461,820
	<u>(1,616,527)</u>
\$	<u><u>845,293</u></u>

HANFORD ELEMENTARY SCHOOL DISTRICT

**GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2017**

	General Fund	Building Fund	Special Reserve Capital Outlay Fund
ASSETS			
Deposits and investments	\$ 12,927,146	\$ 8,557,142	\$ 3,738,574
Receivables	1,855,829	-	-
Due from other funds	97,219	-	-
Prepaid expenditures	1,693	-	-
Stores inventories	145,860	-	-
Total Assets	\$ 15,027,747	\$ 8,557,142	\$ 3,738,574
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 3,029,427	\$ 4,087	\$ 5,614
Due to other funds	-	-	-
Unearned revenue	56,948	-	-
Total Liabilities	3,086,375	4,087	5,614
Fund Balances:			
Nonspendable	152,653	-	-
Restricted	1,176,898	8,553,055	-
Committed	-	-	-
Assigned	1,923,385	-	3,732,960
Unassigned	8,688,436	-	-
Total Fund Balances	11,941,372	8,553,055	3,732,960
Total Liabilities and Fund Balances	\$ 15,027,747	\$ 8,557,142	\$ 3,738,574

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

Non-Major Governmental Funds	Total Governmental Funds
\$ 4,012,245	\$ 29,235,107
498,217	2,354,046
-	97,219
-	1,693
24,314	170,174
<u>\$ 4,534,776</u>	<u>\$ 31,858,239</u>

\$ 209,045	\$ 3,248,173
97,219	97,219
-	56,948
<u>306,264</u>	<u>3,402,340</u>

24,724	177,377
3,870,119	13,600,072
18,724	18,724
314,945	5,971,290
-	8,688,436
<u>4,228,512</u>	<u>28,455,899</u>
<u>\$ 4,534,776</u>	<u>\$ 31,858,239</u>

HANFORD ELEMENTARY SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2017**

Total Fund Balance - Governmental Funds	\$ 28,455,899
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:	
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	\$ 61,040,379
Accumulated depreciation is	<u>(26,442,296)</u>
Net Capital Assets	34,598,083
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.	383,392
Expenditures relating to contributions made to pension plans were recognized on the modified accrual basis, but are not recognized on the accrual basis.	4,755,035
The net change in proportionate share of net pension liability as of the measurement date is not recognized as an expenditure under the modified accrual basis, but is recognized on the accrual basis over the expected average remaining service life of members receiving pension benefits.	2,049,132
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.	5,729,263
The differences between expected and actual experience in the measurement of the total pension liability are not recognized on the modified accrual basis, but are recognized on the accrual basis over the expected average remaining service life of members receiving pension benefits.	(329,777)
The changes of assumptions is not recognized as an expenditure under the modified accrual basis, but is recognized on the accrual basis over the expected average remaining service life of members receiving pension benefits.	(473,497)
Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.	(57,066,055)

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

HANFORD ELEMENTARY SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION, Continued
JUNE 30, 2017**

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	\$ 13,453,367	
Compensated absences	306,113	
Other postemployment benefits (OPEB)	<u>3,496,702</u>	
Total Long-Term Obligations		\$ (17,256,182)
Total Net Position - Governmental Activities		<u><u>\$ 845,293</u></u>

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

HANFORD ELEMENTARY SCHOOL DISTRICT

**GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>General Fund</u>	<u>Building Fund</u>	<u>Special Reserve Capital Outlay Fund</u>
REVENUES			
Local Control Funding Formula	\$ 50,973,004	\$ -	\$ -
Federal sources	2,833,331	-	-
Other State sources	6,196,874	-	-
Other local sources	2,223,831	4,102	28,958
Total Revenues	<u>62,227,040</u>	<u>4,102</u>	<u>28,958</u>
EXPENDITURES			
Current			
Instruction	31,740,468	-	-
Instruction-related activities:			
Supervision of instruction	2,333,959	-	-
Instructional library, media and technology	991,838	-	-
School site administration	4,452,296	-	-
Pupil services:			
Home-to-school transportation	1,131,720	-	-
Food services	13,688	-	-
All other pupil services	4,693,452	-	-
Administration:			
Data processing	905,900	-	-
All other administration	2,541,627	-	-
Plant services	6,932,819	-	-
Facility acquisition and construction	933,096	86,047	711,887
Ancillary services	1,421,969	-	-
Other outgo	928,261	-	-
Debt service			
Principal	-	-	-
Interest and other	-	248,847	-
Total Expenditures	<u>59,021,093</u>	<u>334,894</u>	<u>711,887</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>3,205,947</u>	<u>(330,792)</u>	<u>(682,929)</u>
Other Financing Sources (Uses)			
Transfers in	-	-	1,250,000
Other sources	-	8,883,847	-
Transfers out	(1,250,315)	-	-
Net Financing Sources (Uses)	<u>(1,250,315)</u>	<u>8,883,847</u>	<u>1,250,000</u>
NET CHANGE IN FUND BALANCES	1,955,632	8,553,055	567,071
Fund Balance - Beginning	9,985,740	-	3,165,889
Fund Balance - Ending	<u>\$ 11,941,372</u>	<u>\$ 8,553,055</u>	<u>\$ 3,732,960</u>

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

Non-Major Governmental Funds	Total Governmental Funds
\$ 3,715,379	\$ 54,688,383
2,924,107	5,757,438
678,250	6,875,124
2,400,357	4,657,248
<u>9,718,093</u>	<u>71,978,193</u>
2,095,477	33,835,945
41,515	2,375,474
74,233	1,066,071
379,765	4,832,061
57,223	1,188,943
3,125,489	3,139,177
221,697	4,915,149
-	905,900
371,773	2,913,400
1,006,045	7,938,864
847,723	2,578,753
675	1,422,644
-	928,261
893,496	893,496
600,126	848,973
<u>9,715,237</u>	<u>69,783,111</u>
<u>2,856</u>	<u>2,195,082</u>
315	1,250,315
368,317	9,252,164
-	(1,250,315)
<u>368,632</u>	<u>9,252,164</u>
371,488	11,447,246
3,857,024	17,008,653
<u>\$ 4,228,512</u>	<u>\$ 28,455,899</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, 2017

Total Net Change in Fund Balances - Governmental Funds **\$ 11,447,246**
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:

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

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

Capital outlays	\$ 3,120,719	
Depreciation expense	<u>(1,507,180)</u>	1,613,539

Loss on disposal of capital assets is reported in the government-wide Statement of Activities, but is not recorded in the governmental funds. (1,781)

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 more than the amounts earned by \$29,557. 29,557

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. (1,824,931)

Proceeds received from issuance of debt is a revenue in the governmental funds, but it increases long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities:

Sale of general obligation bonds	(8,800,000)
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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:

Premium on new bond issuance	(452,164)
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	893,496
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The accompanying notes are an integral part of these financial statements.

HANFORD ELEMENTARY SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES, Continued FOR THE YEAR ENDED JUNE 30, 2017

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:	\$ (443,590)
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.	(15,695)
Change in Net Position of Governmental Activities	<u>\$ 2,461,820</u>

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

HANFORD ELEMENTARY SCHOOL DISTRICT

**PROPRIETARY FUND
STATEMENT OF NET POSITION
JUNE 30, 2017**

	Governmental Activities - Internal Service Fund
ASSETS	
Current Assets	
Deposits and investments	\$ 553,593
Receivables	<u>306</u>
Total Current Assets	<u>553,899</u>
 LIABILITIES	
Current Liabilities	
Claim liabilities	<u>170,507</u>
 NET POSITION	
Unrestricted	<u><u>\$ 383,392</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, 2017**

	Governmental Activities - Internal Service Fund
OPERATING REVENUES	
Charges to other funds and miscellaneous revenues	\$ 684,023
OPERATING EXPENSES	
Professional and contract services	703,977
Operating Loss	<u>(19,954)</u>
NONOPERATING REVENUES	
Interest income	<u>4,259</u>
Change in Net Position	(15,695)
Total Net Position - Beginning	<u>399,087</u>
Total Net Position - Ending	<u><u>\$ 383,392</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, 2017**

	Governmental Activities - Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash receipts from premiums	\$ 683,801
Cash payments for insurance claims	(690,040)
Net Cash Used by Operating Activities	<u>(6,239)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	4,259
Net Cash Provided by Investing Activities	<u>4,259</u>
 Net Decrease in Cash and Cash Equivalents	(1,980)
Cash and Cash Equivalents - Beginning	555,573
Cash and Cash Equivalents - Ending	<u>\$ 553,593</u>
 RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating loss	\$ (19,954)
Changes in assets and liabilities:	
Receivables	(222)
Accounts payable	13,937
NET CASH USED BY OPERATING ACTIVITIES	<u>\$ (6,239)</u>

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

HANFORD ELEMENTARY SCHOOL DISTRICT

**FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2017**

	<u>Agency Funds</u>
ASSETS	
Deposits and investments	\$ 21,469
LIABILITIES	
Due to student groups	\$ 21,469

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

HANFORD ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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 school, 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 20, Special Reserve Fund for Postemployment Benefits, 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, revenues and expenditures of \$1,923,385, \$1,923,385, \$12,731, and \$117,745, respectively.

HANFORD ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Building Fund The Building Fund exists primarily to account separately for proceeds from the sale of bonds (*Education Code* Section 15146) and may not be used for any purposes other than those for which the bonds were issued.

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.

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

Deferred Maintenance Fund The Deferred Maintenance Fund is used to account separately for revenues that are restricted or committed for deferred maintenance purposes (*Education Code* Section 17582).

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, 2017

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, 2017

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, 2017

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, 2017, 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.

Prepaid Expenditures

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

Stores 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.

HANFORD ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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

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

Interfund Balances

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

Compensated Absences

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

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.

HANFORD ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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 pension related items.

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 pension related items.

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, 2017, 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.

HANFORD ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Spending Order Policy

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

Minimum Fund Balance Policy

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

Net Position

Net position represents the difference between assets and liabilities. Net position net of investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report \$5,071,741 of restricted net position.

Operating Revenues and Expenses

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

Interfund Activity

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

HANFORD ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Estimates

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

Budgetary Data

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

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

Property Tax

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

Change in Accounting Principles

In 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*.

The District has implemented the provisions of this Statement as of June 30, 2017.

HANFORD ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

In December 2015, the GASB issued Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions.

Prior to the issuance of this Statement, the requirements of Statement No. 68 applied to the financial statements of all state and local governmental employers whose employees are provided with pensions through pension plans that are administered through trusts that meet the criteria in paragraph 4 of that Statement.

This Statement amends the scope and applicability of Statement No. 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above.

The District has implemented the provisions of this Statement as of June 30, 2017.

In March 2016, the GASB issued Statement No. 82, *Pension Issues - An Amendment of GASB Statements No. 67, No. 68, and No. 73*. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and 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*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

The District has implemented the provisions of this Statement as of June 30, 2017, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

HANFORD ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

New Accounting Pronouncements

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

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Early implementation is encouraged.

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). Specifically, this Statement addresses the following topics:

- Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation;
- Reporting amounts previously reported as goodwill and "negative" goodwill;
- Classifying real estate held by insurance entities;
- Measuring certain money market investments and participating interest-earning investment contracts at amortized cost;
- Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus;

HANFORD ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

- Recognizing on-behalf payments for pensions or OPEB in employer financial statements;
- Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB;
- Classifying employer-paid member contributions for OPEB;
- Simplifying certain aspects of the alternative measurement method for OPEB;
- Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

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

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

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

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The requirements of this Statement are effective for the reporting periods beginning after December 15, 2019. Early implementation is encouraged.

HANFORD ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2017, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 29,788,700
Fiduciary funds	21,469
Total Deposits and Investments	<u>\$ 29,810,169</u>

Deposits and investments as of June 30, 2017, consist of the following:

Cash on hand and in banks	\$ 33,969
Cash in revolving	5,510
Investments	29,770,690
Total Deposits and Investments	<u>\$ 29,810,169</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, 2017

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	\$ 29,687,094	\$ -	\$ 29,687,094	\$ -	\$ -

HANFORD ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 3 - FAIR VALUE MEASUREMENTS

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value. The following provides a summary of the hierarchy used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.

Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that data if reasonably available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

Uncategorized - Investments in the Kings County Treasury Investment Pool are not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at \$1.00 net asset value per share.

NOTE 4 - RECEIVABLES

Receivables at June 30, 2017, consist of intergovernmental grants, entitlements, and local sources. All receivables are considered collectible in full.

	General Fund	Non-Major Governmental Funds	Internal Service Fund	Total Governmental Activities
Federal Government				
Categorical aid	\$ 202,229	\$ 398,548	\$ -	\$ 600,777
State Government				
Grants and entitlements	1,488,139	65,310	-	1,553,449
Local Sources	165,461	34,359	306	200,126
Total	<u>\$ 1,855,829</u>	<u>\$ 498,217</u>	<u>\$ 306</u>	<u>\$ 2,354,352</u>

HANFORD ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2017, are as follows:

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	\$ 2,052,315	\$ 98,227	\$ -	\$ 2,150,542
Construction in progress	369,668	341,375	319,564	391,479
Total Capital Assets Not Being Depreciated	<u>2,421,983</u>	<u>439,602</u>	<u>319,564</u>	<u>2,542,021</u>
Capital Assets Being Depreciated				
Land improvements	6,190,081	126,875	36,781	6,280,175
Buildings and improvements	44,116,040	2,331,837	-	46,447,877
Furniture and equipment	5,228,337	541,969	-	5,770,306
Total Capital Assets Being Depreciated	<u>55,534,458</u>	<u>3,000,681</u>	<u>36,781</u>	<u>58,498,358</u>
Less Accumulated Depreciation				
Land improvements	4,834,657	143,137	35,000	4,942,794
Buildings and improvements	16,643,089	998,396	-	17,641,485
Furniture and equipment	3,492,370	365,647	-	3,858,017
Total Accumulated Depreciation	<u>24,970,116</u>	<u>1,507,180</u>	<u>35,000</u>	<u>26,442,296</u>
Governmental Activities Capital Assets, Net	<u>\$ 32,986,325</u>	<u>\$ 1,933,103</u>	<u>\$ 321,345</u>	<u>\$ 34,598,083</u>

Depreciation expense was charged to the following functions as follows:

Governmental Activities	
Instruction	\$ 673,486
Supervision of instruction	56,404
School site administration	123,633
Home-to-school transportation	84,153
Food services	101,457
All other pupil services	42,618
Ancillary services	28,908
All other general administration	181,378
Plant services	215,143
Total Depreciation Expenses Governmental Activities	<u>\$ 1,507,180</u>

HANFORD ELEMENTARY SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 6 - INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund receivable and payable balances at June 30, 2017, between major governmental funds are as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Governmental Fund		
General	\$ 97,219	\$ -
Non-Major Governmental Fund		
Deferred Maintenance	-	97,219
Total All Governmental Funds	<u>\$ 97,219</u>	<u>\$ 97,219</u>

The General Fund owes the Deferred Maintenance Non-Major Governmental Fund for repair expenditures.

\$ 97,219

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, 2017, consist of the following:

The General Fund transferred to the Special Reserve Capital Outlay Fund for capital projects.	\$ 1,250,000
The General Fund transferred to the Cafeteria Non-Major Governmental Fund for uncollected food service charges.	315
Total	<u>\$ 1,250,315</u>

HANFORD ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 7 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2017, consist of the following:

	General Fund	Building Fund	Special Reserve Capital Outlay Fund	Non-Major Governmental Funds	Internal Service Fund	Total Governmental Activities
Vendor payables	\$ 901,620	\$ 4,087	\$ 5,614	\$ 184,821	\$ 170,507	\$ 1,266,649
Deferred payroll	1,764,193	-	-	-	-	1,764,193
LCFF funding	363,614	-	-	24,224	-	387,838
Total	<u>\$3,029,427</u>	<u>\$ 4,087</u>	<u>\$ 5,614</u>	<u>\$ 209,045</u>	<u>\$170,507</u>	<u>\$ 3,418,680</u>

NOTE 8 - UNEARNED REVENUE

Unearned revenue at June 30, 2017, consists of the following:

	General Fund
Federal financial assistance	<u>\$ 56,948</u>

NOTE 9 - LONG-TERM OBLIGATIONS

Summary

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

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017	Due in One Year
General obligation bonds-					
1993 Issuance	\$ 143,496	\$ -	\$ 143,496	\$ -	\$ -
2003 Issuance	1,020,000	-	340,000	680,000	350,000
2010 issuance	3,825,000	-	410,000	3,415,000	430,000
2016A issuance	-	8,800,000	-	8,800,000	-
Bond premiums	122,346	452,164	16,143	558,367	-
Compensated absences - net	335,670	-	29,557	306,113	-
Other postemployment benefits	3,053,112	1,262,716	819,126	3,496,702	-
Total	<u>\$ 8,499,624</u>	<u>\$ 10,514,880</u>	<u>\$ 1,758,322</u>	<u>\$ 17,256,182</u>	<u>\$ 780,000</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, 2017

Bonded Debt

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Dates	Interest Rate %	Original Issue	Bonds			Bonds Outstanding June 30, 2017
				Outstanding July 1, 2016	Issued	Redeemed	
1993	2002-17	5.15-5.8	\$ 1,750,000	\$ 143,496	\$ -	\$ 143,496	\$ -
2003	2005-19	2.0-3.5	4,775,000	1,020,000	-	340,000	680,000
2010	2012-24	2.0-5.0	5,740,000	3,825,000	-	410,000	3,415,000
2017	2019-47	2.0-5.0	8,800,000	-	8,800,000	-	8,800,000
Total				<u>\$ 4,988,496</u>	<u>\$ 8,800,000</u>	<u>\$ 893,496</u>	<u>\$ 12,895,000</u>

Debt Service Requirements to Maturity

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
2018	\$ 350,000	\$ 17,500	\$ 367,500
2019	330,000	5,775	335,775
Total	<u>\$ 680,000</u>	<u>\$ 23,275</u>	<u>\$ 703,275</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, 2017, amounted to \$1,132.

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.

HANFORD ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

The bonds mature through 2024 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2018	\$ 430,000	\$ 147,363	\$ 577,363
2019	445,000	129,306	574,306
2020	460,000	109,500	569,500
2021	485,000	89,450	574,450
2022	505,000	67,125	572,125
2023-2024	1,090,000	55,000	1,145,000
Total	<u>\$ 3,415,000</u>	<u>\$ 597,744</u>	<u>\$ 4,012,744</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, 2017, amounted to \$105,071.

2016A General Obligation Bonds

On May 24, 2017, the District issued \$8,800,000 Election of 2016, Series A General Obligation Bonds. The bonds were authorized at an election of the registered voters of the District held on November 8, 2016, which authorized the issuance of \$24,000,000 principal amount of general obligation bonds to finance the repair, upgrading, acquisition, construction and equipping of certain District property and facilities, and to pay the costs of issuing the bonds. The bonds were issued as current interest bonds. Interest on the bonds is payable semiannually on February 1 and August 1 of each year commencing February 1, 2018. The bonds were sold at a premium of \$452,164 which is being amortized over the life of the bonds.

Fiscal Year	Principal	Interest to Maturity	Total
2018	\$ -	\$ 217,292	\$ 217,292
2019	600,000	325,144	925,144
2020	115,000	322,625	437,625
2021	-	320,900	320,900
2022	-	320,900	320,900
2023-2027	265,000	1,589,475	1,854,475
2028-2032	845,000	1,454,025	2,299,025
2033-2037	1,435,000	1,251,486	2,686,486
2038-2042	2,230,000	942,747	3,172,747
2043-2047	3,310,000	422,400	3,732,400
Total	<u>\$ 8,800,000</u>	<u>\$ 7,166,994</u>	<u>\$ 15,966,994</u>

Compensated Absences

The long-term portion of compensated absences for the District at June 30, 2017, amounted to \$306,113.

HANFORD ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Other Postemployment Benefits (OPEB) Obligation

The District's annual required contribution for the year ended June 30, 2017, was \$1,140,592, and contributions made by the District during the year were \$642,544, (includes implicit subsidy rate of 1.2544). Interest on the net OPEB obligation and adjustments to the annual required contribution were \$122,124 and \$(176,583), respectively, which resulted in an increase to the net OPEB obligation of \$443,590. As of June 30, 2017, the net OPEB obligation was \$3,496,702. See Note 11 for additional information regarding the OPEB obligation and the postemployment benefits plan.

NOTE 10 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Building Fund	Special Reserve Capital Outlay Fund	Non-Major Governmental Funds	Total
Nonspendable					
Revolving cash	\$ 5,100	\$ -	\$ -	\$ 410	\$ 5,510
Stores inventories	145,860	-	-	24,314	170,174
Prepaid expenditures	1,693	-	-	-	1,693
Total Nonspendable	<u>152,653</u>	<u>-</u>	<u>-</u>	<u>24,724</u>	<u>177,377</u>
Restricted					
Legally restricted programs	1,176,898	-	-	1,367,968	2,544,866
Capital projects	-	8,553,055	-	760,146	9,313,201
Debt service	-	-	-	1,742,005	1,742,005
Total Restricted	<u>1,176,898</u>	<u>8,553,055</u>	<u>-</u>	<u>3,870,119</u>	<u>13,600,072</u>
Committed					
Deferred maintenance program	-	-	-	18,724	18,724
Total Committed	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,724</u>	<u>18,724</u>
Assigned					
Transportation Equipment	48,308	-	-	-	48,308
Charter school activities	-	-	-	314,945	314,945
Postemployment benefits	1,875,077	-	-	-	1,875,077
Future capital projects	-	-	3,732,960	-	3,732,960
Total Assigned	<u>1,923,385</u>	<u>-</u>	<u>3,732,960</u>	<u>314,945</u>	<u>5,971,290</u>
Unassigned					
Reserve for economic uncertainties	3,500,000	-	-	-	3,500,000
Remaining unassigned	5,188,436	-	-	-	5,188,436
Total Unassigned	<u>8,688,436</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,688,436</u>
Total	<u>\$ 11,941,372</u>	<u>\$ 8,553,055</u>	<u>\$ 3,732,960</u>	<u>\$ 4,228,512</u>	<u>\$ 28,455,899</u>

HANFORD ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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 45 retirees and beneficiaries currently receiving benefits and approximately 470 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 2016-2017, the District contributed \$512,232 to the plan excluding the implicit rate subsidy factor of 1.2544 percent, all of which was used for current 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	\$ 1,140,592
Interest on net OPEB obligation	122,124
Adjustment to annual required contribution	<u>(176,582)</u>
Annual OPEB cost	1,086,134
Contributions made	<u>(642,544)</u>
Increase in net OPEB obligation	443,590
Net OPEB obligation, beginning of year	<u>3,053,112</u>
Net OPEB obligation, end of year	<u><u>\$ 3,496,702</u></u>

HANFORD ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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
2017	\$ 1,086,134	\$ 642,544	59.16%	\$ 3,496,702
2016	914,868	663,164	72.49%	3,053,112
2015	920,927	581,196	63.11%	2,801,408

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, 2015	\$ -	\$ 9,362,395	\$ 9,362,395	0%	\$ 35,225,292	26.58%

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

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In the July 1, 2015, 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, 2016, was 30 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, 2017, 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 2017, 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, 2017

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, 2015 to June 30, 2017 (in thousands):

	<u>Dental Care</u>
Liability Balance, June 30, 2015	\$ 157,297
Claims and changes in estimates	(727)
Liability Balance, June 30, 2016	<u>156,570</u>
Claims and changes in estimates	13,937
Liability Balance, June 30, 2017	<u>\$ 170,507</u>
Assets available to pay claims at June 30, 2017	<u><u>\$ 553,899</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).

For the fiscal year ended June 30, 2017, the District reported net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

<u>Pension Plan</u>	<u>Collective Net Pension Liability</u>	<u>Collective Deferred Outflows of Resources</u>	<u>Collective Deferred Inflows of Resources</u>	<u>Collective Pension Expense</u>
CalSTRS	\$ 41,305,968	\$ 8,149,554	\$ 1,007,612	\$ 4,321,060
CalPERS	15,760,087	5,061,711	473,497	2,258,906
Total	<u>\$ 57,066,055</u>	<u>\$ 13,211,265</u>	<u>\$ 1,481,109</u>	<u>\$ 6,579,966</u>

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.

HANFORD ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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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, 2015, 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.

The STRP provisions and benefits in effect at June 30, 2017, are summarized as follows:

	STRP Defined Benefit Program	
	On or before December 31, 2012	On or after January 1, 2013
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	10.25%	9.205%
Required employer contribution rate	12.58%	12.58%
Required state contribution rate	8.828%	8.828%

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, 2017, are presented above and the District's total contributions were \$3,357,027.

HANFORD ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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

At June 30, 2017, 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	\$ 41,305,968
State's proportionate share of the net pension liability associated with the District	23,514,751
Total	<u><u>\$ 64,820,719</u></u>

The net pension liability was measured as of June 30, 2016. 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. The District's proportionate share for the measurement period June 30, 2016 and June 30, 2015, respectively was 0.0511 percent and 0.0510 percent, resulting in a net increase in the proportionate share of 0.0001 percent.

For the year ended June 30, 2017, the District recognized pension expense of \$4,321,060. In addition, the District recognized pension expense and revenue of \$2,272,948 for support provided by the State. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 3,357,027	\$ -
Net change in proportionate share of net pension liability	1,508,723	-
Difference between projected and actual earnings on pension plan investments	3,283,804	-
Differences between expected and actual experience in the measurement of the total pension liability	-	1,007,612
Total	<u><u>\$ 8,149,554</u></u>	<u><u>\$ 1,007,612</u></u>

HANFORD ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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The deferred outflows 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 subsequent fiscal year. The deferred outflows of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows of Resources
2018	\$ 71,642
2019	71,642
2020	1,908,886
2021	1,231,634
Total	<u>\$ 3,283,804</u>

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is seven years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2018	\$ 115,501
2019	115,501
2020	115,501
2021	115,501
2022	115,500
Thereafter	(76,393)
Total	<u>\$ 501,111</u>

HANFORD ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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, 2015, and rolling forward the total pension liability to June 30, 2016. The financial reporting actuarial valuation as of June 30, 2015, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2015
Measurement date	June 30, 2016
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.

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's 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 independent from year to year to develop expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation is based on Teachers' Retirement Board of the California State Teachers' Retirement System (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%	6.30%
Fixed income	12%	0.30%
Real estate	13%	5.20%
Private equity	13%	9.30%
Absolute Return/Risk Mitigating Strategies	9%	2.90%
Inflation sensitive	4%	3.80%
Cash/liquidity	2%	-1.00%

HANFORD ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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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:

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (6.60%)	\$ 59,448,604
Current discount rate (7.60%)	\$ 41,305,968
1% increase (8.60%)	\$ 26,237,750

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, 2015 annual actuarial valuation report, Schools Pool Actuarial Valuation. 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>.

HANFORD ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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, 2017, are summarized as follows:

	<u>School Employer Pool (CalPERS)</u>	
	On or before December 31, 2012	On or after January 1, 2013
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	7.00%	6.00%
Required employer contribution rate	13.888%	13.888%

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, 2017, are presented above and the total District contributions were \$1,398,008.

HANFORD ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

As of June 30, 2017, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$15,760,087. The net pension liability was measured as of June 30, 2016. 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. The District's proportionate share for the measurement period June 30, 2016 and June 30, 2015, respectively was 0.0798 percent and 0.0771 percent, resulting in a net increase in the proportionate share of 0.0027 percent.

For the year ended June 30, 2017, the District recognized pension expense of \$2,258,906. At June 30, 2017, 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	\$ 1,398,008	\$ -
Net change in proportionate share of net pension liability	540,409	-
Difference between projected and actual earnings on pension plan investments	2,445,459	-
Differences between expected and actual experience in the measurement of the total pension liability	677,835	-
Changes of assumptions	-	473,497
Total	<u>\$ 5,061,711</u>	<u>\$ 473,497</u>

The deferred outflows 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 subsequent fiscal year. The deferred outflows of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows of Resources
2018	\$ 343,007
2019	343,008
2020	1,121,200
2021	638,244
Total	<u>\$ 2,445,459</u>

HANFORD ELEMENTARY SCHOOL DISTRICT

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The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 3.9 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2018	\$ 293,404
2019	282,790
2020	168,553
Total	<u>\$ 744,747</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, 2015, and rolling forward the total pension liability to June 30, 2016. The financial reporting actuarial valuation as of June 30, 2015, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2015
Measurement date	June 30, 2016
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.65%
Investment rate of return	7.65%
Consumer price inflation	2.75%
Wage growth	Varies by entry age and service

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, 2017

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:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	51%	5.71%
Global debt securities	20%	2.43%
Inflation assets	6%	3.36%
Private equity	10%	6.95%
Real estate	10%	5.13%
Infrastructure and Forestland	2%	5.09%
Liquidity	1%	-1.05%

Discount Rate

The discount rate used to measure the total pension liability was 7.65 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:

<u>Discount rate</u>	<u>Net Pension Liability</u>
1% decrease (6.65%)	\$ 23,514,137
Current discount rate (7.65%)	\$ 15,760,087
1% increase (8.65%)	\$ 9,303,314

HANFORD ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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 \$1,973,423 (8.578 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.

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, 2017.

Litigation

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

Construction Commitments

As of June 30, 2017, 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>
Monroe new administration building	\$ 2,135,822	2/2018
MLK classroom wing	191,240	8/2018
Total remaining construction commitments	<u>\$ 2,327,062</u>	

HANFORD ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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), the Kings County Self-Insured Schools (KCSIS), and the Kings Schools Transportation Authority (KSTA) 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, 2017, the District made payment of \$292,879 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, 2017, the District made payment of \$5,658,683 to SISC III for health insurance.

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

During the year ended June 30, 2017, the District made payment of \$807,254 to KCSIS for workers' compensation insurance.

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

During the year ended June 30, 2017, the District made payment of \$285,167 to KSTA for student transportation services.

REQUIRED SUPPLEMENTARY INFORMATION

HANFORD ELEMENTARY SCHOOL DISTRICT

**GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts			Variances -
	Original	Final	Actual	Favorable
				(Unfavorable)
				Final
				to Actual
REVENUES				
Local Control Funding Formula	\$ 49,771,703	\$ 50,973,004	\$ 50,973,004	\$ -
Federal sources	3,124,303	2,833,331	2,833,331	-
Other State sources	5,796,609	6,196,874	6,196,874	-
Other local sources	1,924,103	2,223,831	2,223,831	-
Total Revenues ¹	60,616,718	62,227,040	62,227,040	-
EXPENDITURES				
Current				
Certificated salaries	25,056,746	25,487,286	25,487,286	-
Classified salaries	9,935,702	10,309,249	10,309,249	-
Employee benefits	14,200,370	14,484,765	14,484,765	-
Books and supplies	3,413,738	2,517,978	2,517,978	-
Services and operating expenditures	4,338,974	4,199,739	4,199,739	-
Other outgo	1,467,656	574,261	574,261	-
Capital outlay	1,234,518	1,330,070	1,330,070	-
Total Expenditures ¹	59,647,704	58,903,348	58,903,348	-
Excess (Deficiency) of Revenues				
Over Expenditures	969,014	3,323,692	3,323,692	-
Other Financing Uses				
Transfers out	-	(1,250,315)	(1,250,315)	-
Total Financing Uses	-	(1,250,315)	(1,250,315)	-
NET CHANGE IN FUND BALANCES	969,014	2,073,377	2,073,377	-
Fund Balance - Beginning	9,985,740	9,985,740	9,985,740	-
Fund Balance - Ending	\$ 10,954,754	\$ 12,059,117	\$ 12,059,117	\$ -

¹ Due to the consolidation of Fund 15, Pupil Transportation Fund and Fund 20, Special Reserve Fund for Postemployment Benefits 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.

See accompanying note to required supplementary information.

HANFORD ELEMENTARY SCHOOL DISTRICT

**SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB)
 FUNDING PROGRESS
 FOR THE YEAR ENDED JUNE 30, 2017**

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, 2015	\$ -	\$ 9,362,395	\$ 9,362,395	0%	\$ 35,225,292	26.58%
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%

See accompanying note to required supplementary information.

HANFORD ELEMENTARY SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY FOR THE YEAR ENDED JUNE 30, 2017

	<u>2017</u>	<u>2016</u>
CalSTRS		
District's proportion of the net pension liability (asset)	<u>5.1100%</u>	<u>0.0510%</u>
District's proportionate share of the net pension liability (asset)	\$ 41,305,968	\$ 34,307,537
State's proportionate share of the net pension liability (asset) associated with the District	<u>23,514,751</u>	<u>18,144,905</u>
Total	<u>\$ 64,820,719</u>	<u>\$ 52,452,442</u>
District's covered - employee payroll	<u>\$ 25,643,541</u>	<u>\$ 23,320,878</u>
District's proportionate share of the net pension liability (asset) as a percentage of its covered - employee payroll	<u>161.08%</u>	<u>147.11%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>70%</u>	<u>74%</u>
CalPERS		
District's proportion of the net pension liability (asset)	<u>0.0798%</u>	<u>0.0771%</u>
District's proportionate share of the net pension liability (asset)	<u>\$ 15,760,087</u>	<u>\$ 11,366,384</u>
District's covered - employee payroll	<u>\$ 9,581,751</u>	<u>\$ 8,524,832</u>
District's proportionate share of the net pension liability (asset) as a percentage of its covered - employee payroll	<u>164.48%</u>	<u>133.33%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>74%</u>	<u>79%</u>

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

See accompanying note to required supplementary information.

2015

0.0482%

\$ 28,163,133

17,006,116

\$ 45,169,249

\$ 21,702,145

129.77%

77%

0.0740%

\$ 8,395,535

\$ 7,842,555

107.05%

83%

HANFORD ELEMENTARY SCHOOL DISTRICT

**SCHEDULE OF DISTRICT CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>2017</u>	<u>2016</u>
CalSTRS		
Contractually required contribution	\$ 3,357,027	\$ 2,751,552
Contributions in relation to the contractually required contribution	<u>3,357,027</u>	<u>2,751,552</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered - employee payroll	<u>\$ 26,685,429</u>	<u>\$ 25,643,541</u>
Contributions as a percentage of covered - employee payroll	<u>12.58%</u>	<u>10.73%</u>
 CalPERS		
Contractually required contribution	\$ 1,398,008	\$ 1,135,150
Contributions in relation to the contractually required contribution	<u>1,398,008</u>	<u>1,135,150</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered - employee payroll	<u>\$ 10,066,302</u>	<u>\$ 9,581,751</u>
Contributions as a percentage of covered - employee payroll	<u>13.888%</u>	<u>11.847%</u>

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

See accompanying note to required supplementary information.

2015

\$ 2,070,894
2,070,894
\$ -

\$ 23,320,878

8.88%

\$ 1,003,458
1,003,458
\$ -

\$ 8,524,832

11.771%

HANFORD ELEMENTARY SCHOOL DISTRICT

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2017

NOTE 1 - PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

This schedule presents information for the original and final budgets and actual results of operations, as well as the variances from the final budget to actual results of operations.

Schedule of Other Postemployment Benefits (OPEB) Funding Progress

This schedule is intended to show trends about the funding progress of the District's actuarially determined liability for postemployment benefits other than pensions.

Schedule of the District's Proportionate Share of the Net Pension Liability

This schedule presents information on the District's proportionate share of the net pension liability (NPL), the plans' fiduciary net position and, when applicable, the State's proportionate share of the NPL associated with the District. In the future, as data becomes available, ten years of information will be presented.

Changes in Benefit Terms – There were no changes in benefit terms since the previous valuations for both CalSTRS and CalPERS.

Changes in Assumptions – There were no changes in economic assumptions for either the CalSTRS or CalPERS plans from the previous valuations.

Schedule of District Contributions

This schedule presents information on the District's required contribution, the amounts actually contributed, and any excess or deficiency related to the required contribution. In the future, as data becomes available, ten years of information will be presented.

SUPPLEMENTARY INFORMATION

HANFORD ELEMENTARY SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed Through California Department of Education (CDE):			
Title I - Part A, Basic Grants	84.010	14329	\$ 2,127,731
Title II - Part A, Supporting Effective Instruction	84.367	14341	188,004
Title III - English Language Acquisition - LEP	84.365	14346	117,657
Special Education, Basic Local Assistance	84.027	13379	203,150
Special Education, Basic Local Assistance Private School	84.027	10115	1,431
Special Education, Mental Health Services	84.027A	15197	84,877
Total U.S. Department of Education			<u>2,722,850</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed Through California Department of Health Care Services:			
Medi-Cal Administrative Assistance	93.778	10060	64,571
Medi-Cal Billing Option	93.778	10013	45,910
Total U.S. Department of Health and Human Services			<u>110,481</u>
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through CDE:			
Child Nutrition Cluster			
National School Lunch	10.555	13391	1,977,690
Especially Needy Breakfast	10.553	13526	584,923
Meals Supplements - Snack	10.555	13391	93,822
Summer Food Program	10.559	13004	18,183
Food Distribution - Commodities	10.555	13391	249,489
Subtotal Child Nutrition Cluster			<u>2,924,107</u>
Total U.S. Department of Agriculture			<u>2,924,107</u>
Total Expenditures of Federal Awards			<u>\$ 5,757,438</u>

See accompanying note to supplementary information.

HANFORD ELEMENTARY SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE

JUNE 30, 2017

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. There were no boundary changes during the year.

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
Robert "Bobby" Garcia	President	2018
Jeff Garner	Vice President	2018
Lupe Hernandez	Clerk	2018
Timothy Revious	Trustee	2020
Greg Strickland	Trustee	2020

ADMINISTRATION

Joy C. Gabler	Superintendent
David Endo	Chief Business Official
Jaime Martinez	Assistant Superintendent Human Resources
Jill Rubalcava	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, 2017**

	Second Period Report	Annual Report
HANFORD ELEMENTARY SCHOOL DISTRICT		
Regular ADA		
Transitional kindergarten through third	2,448.52	2,449.38
Fourth through sixth	1,792.88	1,794.44
Seventh and eighth	1,086.43	1,084.93
Total Regular ADA	<u>5,327.83</u>	<u>5,328.75</u>
Extended Year Special Education		
Transitional kindergarten through third	0.60	1.55
Total Extended Year Special Education	<u>0.60</u>	<u>1.55</u>
Community Day School		
Transitional kindergarten through third	4.76	5.21
Fourth through sixth	6.19	5.28
Seventh and eighth	12.32	12.92
Total Community Day School	<u>23.27</u>	<u>23.41</u>
Total ADA	<u><u>5,351.70</u></u>	<u><u>5,353.71</u></u>
JEFFERSON CHARTER ACADEMY		
Regular ADA - All classroom based		
Transitional kindergarten through third	188.24	187.92
Fourth through sixth	178.52	178.24
Seventh and eighth	59.34	59.23
Total Regular ADA	<u>426.10</u>	<u>425.39</u>

See accompanying note to supplementary information.

HANFORD ELEMENTARY SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME FOR THE YEAR ENDED JUNE 30, 2017

HANFORD ELEMENTARY SCHOOL DISTRICT

Grade Level	1986-1987 Minutes Requirement	2016-2017 Actual Minutes	Number of Days		Status
			Traditional Calendar	Multitrack Calendar	
Kindergarten	36,000	48,913	180	N/A	Complied
Grades 1 - 3	50,400				
Grade 1		52,103	180	N/A	Complied
Grade 2		52,103	180	N/A	Complied
Grade 3		52,103	180	N/A	Complied
Grades 4 - 6	54,000				
Grade 4		55,293	180	N/A	Complied
Grade 5		55,293	180	N/A	Complied
Grade 6		55,293	180	N/A	Complied
Grades 7 - 8	54,000				
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	2016-2017 Actual Minutes	Number of Days		Status
			Traditional Calendar	Multitrack Calendar	
Kindergarten	36,000	48,913	180	N/A	Complied
Grades 1 - 3	50,400				
Grade 1		52,103	180	N/A	Complied
Grade 2		52,103	180	N/A	Complied
Grade 3		52,103	180	N/A	Complied
Grades 4 - 6	54,000				
Grade 4		55,293	180	N/A	Complied
Grade 5		55,293	180	N/A	Complied
Grade 6		55,293	180	N/A	Complied
Grades 7 - 8	54,000				
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, 2017**

There were no adjustments to the Unaudited Actual Financial Report which required reconciliation to the audited financial statements at June 30, 2017.

See accompanying note to supplementary information.

HANFORD ELEMENTARY SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2017

	(Budget) 2018 ¹	2017	2016	2015
GENERAL FUND				
Revenues ⁴	\$ 62,048,786	\$ 62,214,309	\$ 60,016,389	\$ 49,940,640
Expenditures	61,363,320	58,903,348	56,714,134	48,104,751
Other uses and transfers out	-	1,889,795	2,647,472	501,801
Total Expenditures and Other Uses ⁴	61,363,320	60,793,143	59,361,606	48,606,552
INCREASE (DECREASE) IN FUND BALANCE	\$ 685,466	\$ 1,421,166	\$ 654,783	\$ 1,334,088
ENDING FUND BALANCE	\$ 10,703,453	\$ 10,017,987	\$ 8,596,821	\$ 7,942,038
AVAILABLE RESERVES ²	\$ 7,771,650	\$ 8,688,436	\$ 6,823,394	\$ 6,004,597
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO	12.66%	14.29%	11.49%	12.35%
LONG-TERM OBLIGATIONS	Not Available	\$ 17,256,182	\$ 8,499,624	\$ 9,069,508
AVERAGE DAILY ATTENDANCE AT P-2 ³	5,423	5,352	5,325	5,372

The General Fund balance has increased by \$2,075,949 over the past two years. The fiscal year 2017-2018 budget projects a further increase of \$685,466 (6.84 percent). For a district this size, the State recommends available reserves of at least 3.0 percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in each of the past three years and anticipates incurring an operating surplus during the 2017-2018 fiscal year. Total long-term obligations have increased by \$8,186,674 over the past two years, due primarily to the insurance of general obligation bonds.

Average daily attendance has decreased by 20 over the past two years; however, growth of 71 ADA is anticipated during fiscal year 2017-2018.

¹ Budget 2018 is included for analytical purposes only and has not been subjected to audit.

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

³ Excludes Charter School average daily attendance.

⁴ General Fund amounts do not include activity related to the consolidation of the Pupil Transportation Fund and the Special Reserve Fund for Postemployment Benefits as required by GASB Statement No. 54.

See accompanying note to supplementary information.

HANFORD ELEMENTARY SCHOOL DISTRICT

**SCHEDULE OF CHARTER SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2017**

<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, 2017**

	Charter School Fund	Cafeteria Fund	Deferred Maintenance Fund
ASSETS			
Deposits and investments	\$ 395,469	\$ 927,692	\$ 213,918
Receivables	37,775	431,967	-
Stores inventories	-	24,314	-
Total Assets	\$ 433,244	\$ 1,383,973	\$ 213,918
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 71,832	\$ 37,748	\$ 97,975
Due to other funds	-	-	97,219
Total Liabilities	71,832	37,748	195,194
Fund Balances:			
Nonspendable	-	24,724	-
Restricted	46,467	1,321,501	-
Committed	-	-	18,724
Assigned	314,945	-	-
Total Fund Balances	361,412	1,346,225	18,724
Total Liabilities and Fund Balances	\$ 433,244	\$ 1,383,973	\$ 213,918

See accompanying note to supplementary information.

Capital Facilities Fund	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
\$ 733,161	\$ 1,742,005	\$ 4,012,245
28,475	-	498,217
-	-	24,314
<u>\$ 761,636</u>	<u>\$ 1,742,005</u>	<u>\$ 4,534,776</u>
\$ 1,490	\$ -	\$ 209,045
-	-	97,219
<u>1,490</u>	<u>-</u>	<u>306,264</u>
-	-	24,724
760,146	1,742,005	3,870,119
-	-	18,724
-	-	314,945
<u>760,146</u>	<u>1,742,005</u>	<u>4,228,512</u>
<u>\$ 761,636</u>	<u>\$ 1,742,005</u>	<u>\$ 4,534,776</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, 2017**

	Charter School Fund	Cafeteria Fund
REVENUES		
Local Control Funding Formula	\$ 3,415,379	\$ -
Federal sources	-	2,924,107
Other State sources	452,070	201,864
Other local sources	17,354	274,847
Total Revenues	3,884,803	3,400,818
EXPENDITURES		
Current		
Instruction	2,095,477	-
Instruction-related activities:		
Supervision of instruction	41,515	-
Instructional library, media, and technology	74,233	-
School site administration	379,765	-
Pupil services:		
Home-to-school transportation	57,223	-
Food services	-	3,125,489
All other pupil services	221,697	-
Administration:		
All other administration	227,851	139,000
Plant services	502,525	6,842
Facility acquisition and construction	211,180	453,949
Ancillary services	675	-
Debt service		
Principal	-	-
Interest and other	-	-
Total Expenditures	3,812,141	3,725,280
Excess (Deficiency) of Revenues Over Expenditures	72,662	(324,462)
Other Financing Sources (Uses)		
Transfers in	-	315
Other sources	-	-
Net Financing Sources (Uses)	-	315
NET CHANGE IN FUND BALANCES	72,662	(324,147)
Fund Balance - Beginning	288,750	1,670,372
Fund Balance - Ending	\$ 361,412	\$ 1,346,225

See accompanying note to supplementary information.

Deferred Maintenance Fund	Capital Facilities Fund	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
\$ 300,000	\$ -	\$ -	\$ 3,715,379
-	-	-	2,924,107
-	-	24,316	678,250
2,092	456,233	1,649,831	2,400,357
<u>302,092</u>	<u>456,233</u>	<u>1,674,147</u>	<u>9,718,093</u>
-	-	-	2,095,477
-	-	-	41,515
-	-	-	74,233
-	-	-	379,765
-	-	-	57,223
-	-	-	3,125,489
-	-	-	221,697
-	4,922	-	371,773
280,309	216,369	-	1,006,045
182,594	-	-	847,723
-	-	-	675
-	-	893,496	893,496
-	-	600,126	600,126
<u>462,903</u>	<u>221,291</u>	<u>1,493,622</u>	<u>9,715,237</u>
<u>(160,811)</u>	<u>234,942</u>	<u>180,525</u>	<u>2,856</u>
-	-	-	315
-	-	368,317	368,317
-	-	368,317	368,632
<u>(160,811)</u>	<u>234,942</u>	<u>548,842</u>	<u>371,488</u>
<u>179,535</u>	<u>525,204</u>	<u>1,193,163</u>	<u>3,857,024</u>
<u>\$ 18,724</u>	<u>\$ 760,146</u>	<u>\$ 1,742,005</u>	<u>\$ 4,228,512</u>

HANFORD ELEMENTARY SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2017

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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The District has not elected to use the ten percent de minimis cost rate as covered in Section 200.414 Indirect (F&A) costs of the Uniform Guidance.

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.

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.

HANFORD ELEMENTARY SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2017

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.

INDEPENDENT AUDITOR'S REPORTS



VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

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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, 2017, and the related notes to the financial statements, which collectively comprise Hanford Elementary School District's basic financial statements, and have issued our report thereon dated December 8, 2017.

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 8, 2017.

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.

Varinuk, Trine, Day + Co. LLP

Fresno, California
December 8, 2017



VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

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 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, 2017. 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 federal statutes, regulations, and the terms and conditions of its Federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, 2017.

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 the Uniform Guidance, 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 a 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Varinick, Trine, Day + Co. LLP

Fresno, California
December 8, 2017



VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

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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 *2016-2017 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, 2017.

Management's Responsibility

Management is responsible for compliance with the requirements of State laws, regulations, and the terms and conditions of its State awards applicable to its State 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 *2016-2017 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 opinions. Our audit does not provide a legal determination of Hanford Elementary School District's compliance with those requirements.

Basis for Qualified Opinion on Unduplicated Local Control Funding Formula Pupil Count

As described in the accompanying Schedule of Findings and Questioned Costs as item 2017-001, Hanford Elementary School District did not comply with requirements regarding Unduplicated Local Control Funding Formula Pupil Count. Compliance with such requirements is necessary, in our opinion, for Hanford Elementary School District to comply with the requirements applicable to that program.

Qualified Opinion on Unduplicated Local Control Funding Formula Pupil Count

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Hanford Elementary School District complied, in all material respects, with the types of compliance requirements referred to above for the year ended June 30, 2017.

Unmodified Opinion on Each of the Other Programs

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, 2017, except as described in the Schedule of State Awards Findings and Questioned Costs section of the accompanying Schedule of Findings and Questioned Costs.

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>
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS	
Attendance	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
Mental Health Expenditures	Yes
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
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
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control Accountability Plan	Yes
Independent Study - Course Based	No (see below)
Immunizations	Yes

	Procedures Performed
CHARTER SCHOOLS	
Attendance	Yes
Mode of Instruction	Yes
Non Classroom-Based Instruction/Independent Study for Charter Schools	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 procedures for Independent Study because the independent study ADA was under the level that requires testing.

We did not perform Continuation Education procedures because the program is not offered by the District.

The District did not have any employees retire under the CalSTRS Early Retirement Incentive program; therefore, testing was not required.

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

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

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

The District does not offer Independent Study - Course Based program; therefore, we did not perform any procedures related to Independent Study - Course Based Program.

We did not perform procedures for the Non Classroom-Based Instruction/Independent Study for Charter Schools because the District's charter school is entirely classroom based.

We did not perform procedures for Determination of Funding for Non Classroom-Based Instruction because the Charter School is classroom-based.

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

Vavrinek, Trine, Day + Co. LLP

Fresno, California
December 8, 2017

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

HANFORD ELEMENTARY SCHOOL DISTRICT

**SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2017**

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 200.516(a) of the Uniform Guidance?	<u>No</u>
Identification of major Federal programs:	

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

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 750,000</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>
Unmodified for all programs except for the following program which was qualified:	

<u>Name of Program</u>
Unduplicated Local Control Funding Formula
<u>Pupil Count</u>

HANFORD ELEMENTARY SCHOOL DISTRICT

**FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017**

None reported.

HANFORD ELEMENTARY SCHOOL DISTRICT

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

None reported.

HANFORD ELEMENTARY SCHOOL DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2017

The following findings represent instances of noncompliance and questioned costs relating to State program laws and regulations. The findings have been coded as follows:

<u>Five Digit Code</u>	<u>AB 3627 Finding Type</u>
40000	State Compliance

HANFORD ELEMENTARY SCHOOL DISTRICT

2017-001 40000

Unduplicated Local Control Funding Formula Pupil Count

Criteria

As required by *Education Code* Section 42238.02(b)(2), commencing with the 2013-2014 fiscal year, a school district or charter school shall annually submit its enrolled free and reduced-price meal eligibility, foster youth, and English learner pupil-level records for enrolled pupils to the Superintendent using the California Longitudinal Pupil Achievement Data System. As prescribed by *Education Code* Section 42238.02(b)(3)(B), the Controller has included instructions in the Standards and Procedures for Audits of California K-12 Local Education Agencies that include requirements for the independent auditor to determine if the English learner, foster youth, and free or reduced-price meal eligible pupil counts are consistent with the school district's or charter school's English learner, foster youth, and free or reduced-price meal eligible pupil records. Pupils classified in any of these three categories are referred to in Section 42238.02(b)(1) of the *Education Code* as an "unduplicated pupil".

Condition

During the audit of the unduplicated local control funding formula pupil count, several students were incorrectly reported as free/reduced on the CalPADS report with no current application available for review or the application stated the student was on paid status.

Forty students were initially selected as a sample and six were missing an application on file and one was denied based on income information provided. The district provided a list of students identified as Paid status, per their Horizon software, and that list was compared to students on the Calpads 1.18 report that were not direct certified, not foster/homeless, were participants in the free/reduced program, not migrant, and not designated as EL's. The lists were compared to identify students that were marked paid on the Horizon database but reported as free/reduced on the Calpads database. As a result, one hundred thirty-two (132) students were identified as being incorrectly designated as free/reduced on the Calpads database.

HANFORD ELEMENTARY SCHOOL DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2017

The table below summarizes the effect of students who were incorrectly reported.

Hanford Elementary School District (excluding County programs)	
Certified total enrollment	5,518
Certified total unduplicated pupil count	4,668
Unduplicated pupil count adjustment based on eligibility for FRPM	(113)
Adjusted total enrollment	5,518
Adjusted total unduplicated pupil count	4,555
Jefferson Charter Academy (excluding County programs)	
Certified total enrollment	436
Certified total unduplicated pupil count	220
Unduplicated pupil count adjustment based on eligibility for FRPM	(19)
Adjusted total enrollment	436
Adjusted total unduplicated pupil count	201

Effect

The effect is that the District's supplemental and concentration grant funding is overstated.

Cause

The District prepares a conversion file from the Child Nutrition System that has a temporary status field for students who were free/reduced classification based on prior year. That conversion file is then uploaded to the District's student information system which then uploads to CalPADS. During the school year 2016-2017 updating process, that status field was not overwritten for pupils who had not turned in an application and resulted in students being reported incorrectly to the student information system.

Questioned Cost

The effect of the misstatement is an estimated questioned cost of \$107,289 for Hanford Elementary School District and \$5,769 for Jefferson Charter Academy. The estimated questioned cost was calculated using the California Department of Education provided "Audit Finding Calculator for Fiscal Year 2016-2017 and Each Year Thereafter."

Recommendation

The District must have procedures in place to verify the status of the students reported on the CalPADS database when the students are designated as an English Learner or participants of the Free/Reduced meal program. The District must also report changes to CalPads data identified in this finding to the California Department of Education.

HANFORD ELEMENTARY SCHOOL DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2017

Corrective Action Plan

The District has corrected the error in the conversion file to remove the temporary status field for students. The District has created procedures to verify the paid student status of students attending the District prior to uploading the information to the CalPADS system each year.

HANFORD ELEMENTARY SCHOOL DISTRICT

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017**

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