

**HANFORD ELEMENTARY  
SCHOOL DISTRICT**

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**ANNUAL FINANCIAL REPORT**

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**JUNE 30, 2004**

**HANFORD ELEMENTARY SCHOOL DISTRICT**

**OF KINGS COUNTY**

**HANFORD, CALIFORNIA**

**JUNE 30, 2004**

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**GOVERNING BOARD**

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Robert A. Garcia	President	2006
Ken Baird	Vice President	2004
Dennis Hill	Clerk	2004
Jack Krieger	Member	2006
Lupe Hernandez	Member	2006

**ADMINISTRATION**

Rebecca J. Presley	Superintendent
Nancy White	Assistant Superintendent Fiscal Services

# HANFORD ELEMENTARY SCHOOL DISTRICT

## TABLE OF CONTENTS

JUNE 30, 2004

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### **FINANCIAL SECTION**

Independent Auditors' Report	2
Management's Discussion and Analysis	4
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Assets	13
Statement of Activities	14
Fund Financial Statements	
Governmental Funds - Balance Sheet	15
Governmental Funds - Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	16
Governmental Funds - Statement of Revenues, Expenditures, and Changes in Fund Balance	17
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the District-Wide Statement of Activities	18
Proprietary Funds - Statement of Net Assets	20
Proprietary Funds - Statement of Revenues, Expenses, and Changes in Fund Net Assets	21
Proprietary Funds - Statement of Cash Flows	22
Fiduciary Funds - Statement of Net Assets	23
Notes to Financial Statements	24

### **REQUIRED SUPPLEMENTARY INFORMATION**

General Fund - Budgetary Comparison Schedule	49
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### **SUPPLEMENTARY INFORMATION**

Schedule of Expenditures of Federal Awards	51
Schedule of Average Daily Attendance	52
Schedule of Instructional Time	53
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements	54
Schedule of Financial Trends and Analysis	55
Combining Statements - Non-Major Governmental Funds	
Combining Balance Sheet	56
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance	57
Note to Supplementary Information	58

### **INDEPENDENT AUDITORS' REPORTS**

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	60
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133	62
Report on State Compliance	64

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

Summary of Auditors' Results	67
Financial Statement Findings	68
Federal Award Findings and Questioned Costs	71
State Award Findings and Questioned Costs	72
Summary Schedule of Prior Audit Findings	73

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***FINANCIAL SECTION***

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## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
Hanford Elementary School District  
Hanford, California

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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, 2004, and the respective changes in financial positions and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2004, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The required supplementary information, such as management's discussion and analysis on pages 4 through 12 and budgetary comparison information on page 49, are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board (GASB). We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

*Vavrinek, Irvine, Day & Co., LLP*

Fresno, California  
November 5, 2004

# Hanford Elementary School District

714 N. White Street  
P.O. Box 1067  
Hanford, CA 93232  
(559) 585-2265

**Superintendent**  
Rebecca J. Presley

**Governing Board**  
Ken Baird  
Robert A. Garcia  
Lupe Hernandez  
Dennis Hill  
Jack Krieger

## HANFORD ELEMENTARY SCHOOL DISTRICT KINGS COUNTY

### MANAGEMENT DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2004

#### 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, 2004. 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 2003-04 school year, the district operated eight elementary schools, two junior high schools, and one community day school on the traditional August through June schedule, for the instruction of approximately 5,400 students.

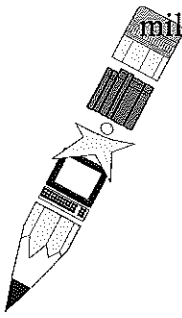
#### USING THE COMPREHENSIVE ANNUAL FINANCIAL REPORT

- This comprehensive annual financial report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the District as a whole, and then proceed to provide an increasingly detailed look at specific financial activities.
- The Management Discussion and Analysis Statement is provided to assist our citizens, taxpayers and investors in reviewing the District's finances and to show the District's accountability for the money it receives.

#### FINANCIAL HIGHLIGHTS

- The Hanford Elementary School District's Government-wide Statement of Net Assets illustrates total net assets of \$16 million the result of assets of \$38 million minus liabilities of \$22 million.

*In Relentless  
Pursuit  
of Knowledge*





## HANFORD ELEMENTARY SCHOOL DISTRICT

### MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2004

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- General Revenues accounted for \$30.4 million or 73 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$11 million or 27 percent of total revenues of \$41.4 million.
- The District had \$39.6 million in expenses related to governmental activities.
- The General Fund reported a positive fund balance of \$4,166,453.

### STUDENT ENROLLMENT & DEMOGRAPHIC TRENDS

- The School District has an enrollment of approximately 5,400 students for the current 2003-04 school year, with enrollment projected to increase slightly in the immediate future.
- 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 2004-2005 ADA for the District is 5,223. The ratio of actual attendance to enrollment summarizes the District's changes and efforts to increase attendance. Figure 1 summarizes a historical analysis of the District's enrollment to actual positive attendance ratios.

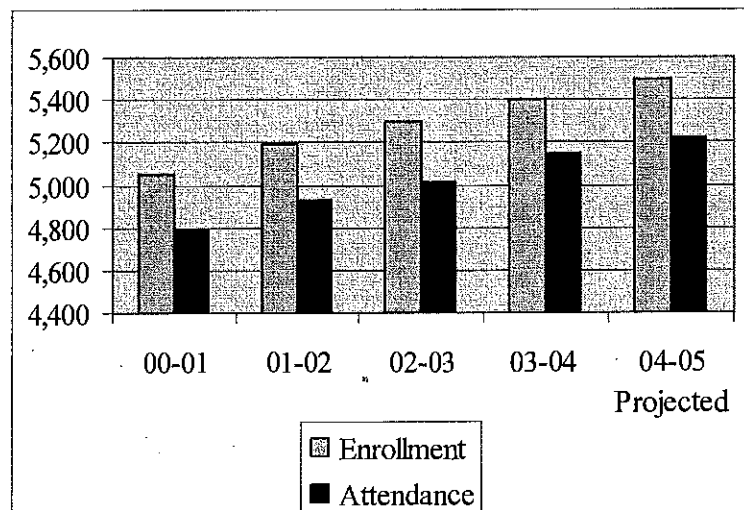


Figure 1. District Enrollment to Actual Attendance Ratios

# HANFORD ELEMENTARY SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2004

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- School districts have traditionally placed great importance on the accurate projection of student enrollment for the ensuing budget year, due to the broad range of funding and programs impacted by this number. These impacts range from the very basic funding for California school districts which calculates the number of days attended by the enrolled students times a unique "base revenue limit amount" (in most districts, this is between \$4,000 and \$6,000 per ADA; for 2003-2004 the School District revenue Limit amount is approximately \$4,544.95), to how much a particular special program will receive, to the amount of one-time monies a district may receive. Increased ADA is intended to generate additional dollars to help offset normal inflationary costs of operating the business of education, and related growth cost for the additional enrollment.

### REPORTING THE DISTRICT AS A WHOLE

- THE STATEMENT OF NET ASSETS AND STATEMENT OF ACTIVITIES

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

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

- FUND FINANCIAL FUNDS

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 two types of funds, governmental and proprietary, 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

# **HANFORD ELEMENTARY SCHOOL DISTRICT**

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

**JUNE 30, 2004**

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

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

- **PROPRIETARY FUNDS**

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

- **FIDUCIARY FUNDS**

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

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

- **NOTES TO THE FINANCIAL STATEMENTS**

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

- **THE DISTRICT AS A WHOLE**

The "Statement of Net Assets" provides the perspective of the District as a whole. Table 1 provides a summary of the District's net assets for fiscal year 2003-2004.

# **HANFORD ELEMENTARY SCHOOL DISTRICT**

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

**JUNE 30, 2004**

Table 1. Net Assets

(Amounts in millions)	Governmental Activities 2003-04
Current and other assets	\$ 14.8
Capital assets	23.2
<b>Total Assets</b>	<b>38.0</b>
Current liabilities	7.9
Long-term debt	14.1
<b>Total Liabilities</b>	<b>22.0</b>
Net assets	
Invested in capital assets, net of related debt	9.4
Restricted	2.8
Unrelated	3.8
<b>Total Net Assets</b>	<b>\$ 16.0</b>

Table 2 shows the changes in net assets for fiscal year 2003-2004.

Table 2. Changes in Net Assets

(Amounts in millions)	Governmental Activities		Difference over/(under)
	2003-04	2002-03	
<b>Revenues</b>			
Program revenues			
Charges for services	\$ 0.3	\$ 0.4	\$ (0.1)
Operating grants and contributions	10.5	11.1	(0.6)
Capital grants and contributions	0.2	-	0.2
General revenues:			
State revenue limit sources	23.1	23.5	(0.4)
Property taxes	5.0	4.6	0.4
Other general revenues	2.5	1.1	1.4
<b>Total Revenues</b>	<b>41.6</b>	<b>40.7</b>	<b>0.9</b>
<b>Expenses</b>			
Instruction related	25.4	26.2	(0.8)
Student support services	4.9	4.0	0.9
Administration	2.6	2.9	(0.3)
Maintenance and operations	4.4	5.4	(1.0)
Other	2.4	0.9	1.5
<b>Total Expenses</b>	<b>39.7</b>	<b>39.4</b>	<b>0.3</b>
<b>Change in Net Assets</b>	<b>\$ 1.9</b>	<b>\$ 1.3</b>	<b>\$ 0.6</b>

# HANFORD ELEMENTARY SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2004

### GOVERNMENTAL FUNDS

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

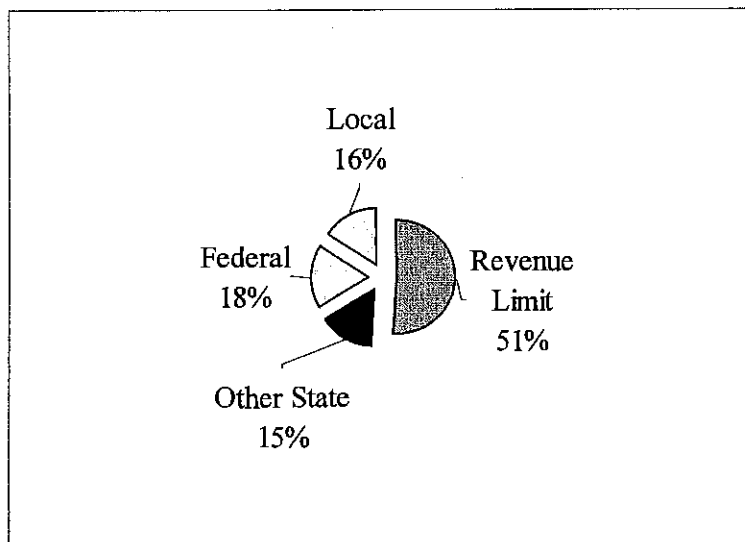


Figure 2. Revenues by Source

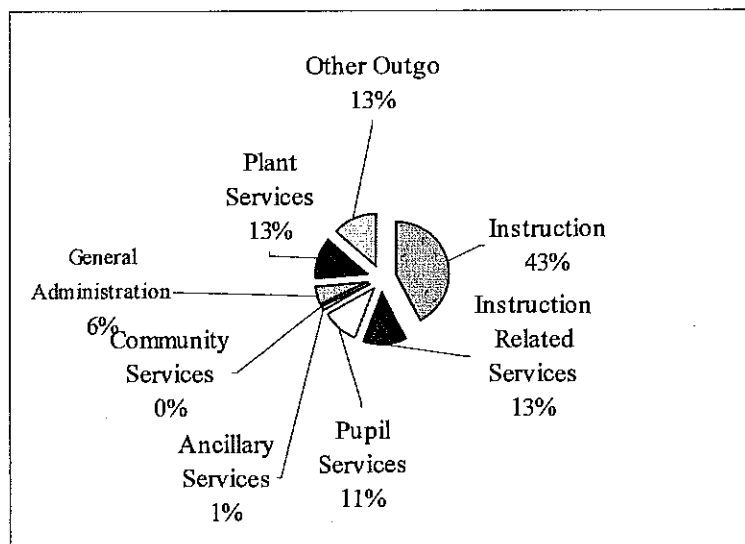


Figure 3. Expenditures by Function

# **HANFORD ELEMENTARY SCHOOL DISTRICT**

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

**JUNE 30, 2004**

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### **GENERAL FUND BUDGET INFORMATION**

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

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

- **GENERAL FUND BUDGET VARIATIONS**

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

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

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

The District is currently faced with the worsening fiscal condition of the State of California and the potential impact of this problem on public education.

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

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

# HANFORD ELEMENTARY SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**JUNE 30, 2004**

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The net difference in fund balance between the final budget and the actual budget was an decrease of \$690,824 and may be summarized as follows:

\$3,594,589 increase in total revenue  
\$4,285,413 increase in total expenditures  
\$ 690,824 decrease in fund balance

### CAPITAL ASSETS AND DEBT ADMINISTRATION

#### CAPITAL ASSETS

At the end of the fiscal year 2003-2004, the District had \$23.2 million invested in land, buildings, equipment, and construction in progress. Table 3 shows fiscal year 2003-2004 balances.

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

(Amounts in millions)	Governmental Activities
Land	\$ 2.0
Buildings and improvements	20.3
Equipment	0.6
Construction in Progress	0.3
<b>Totals</b>	<b>\$ 23.2</b>

*This year's major additions included:*

Modernization - Richmond School	\$ 253,399
HVAC Replacement - Lincoln School	240,426
Administration/Library - Richmond School	920,614
Land - Northeast School Site	566,400
<b>Total</b>	<b>\$1,980,839</b>

*Construction in Progress included:*

Wilson - Room 501 Modernization	\$ 184,530
Plans - New School	66,639
District Kitchen Modernization	13,759
<b>Total</b>	<b>\$ 264,928</b>

#### DEBT

At June 30, 2004, the District had \$14 million in debt outstanding. Table 4 summarizes these debts.

# HANFORD ELEMENTARY SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**JUNE 30, 2004**

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Table 4. Outstanding Debt at Year-end

(Amounts in millions)	Governmental Activities
General obligation bonds	\$ 13.0
Capitalized lease obligations	0.8
Other	0.2
<b>Total</b>	<b>\$ 14.0</b>

### FOR THE FUTURE

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

- CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

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



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# HANFORD ELEMENTARY SCHOOL DISTRICT

## STATEMENT OF NET ASSETS

JUNE 30, 2004

	<b>Governmental Activities</b>
<b>Assets</b>	
Deposits and investments	\$ 9,315,292
Receivables	4,729,802
Prepaid expenses	434,909
Stores inventories	227,016
Capital assets	
Land and construction in process	2,263,143
Other capital assets	33,226,788
Less: Accumulated depreciation	(12,242,072)
Total capital assets	23,247,859
<b>Total Assets</b>	<b>37,954,878</b>
<b>Liabilities</b>	
Accounts payable	7,402,446
Accrued interest	124,113
Deferred revenue	426,165
Long-term liabilities	
Current portion of long-term obligations	602,019
Noncurrent portion of long-term obligations	13,463,350
Total long-term liabilities	14,065,369
<b>Total Liabilities</b>	<b>22,018,093</b>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	9,378,771
Restricted for:	
Debt service	312,198
Capital projects	538,511
Educational programs	1,010,953
Other activities	924,797
Unrestricted	3,771,555
<b>Total Net Assets</b>	<b>\$ 15,936,785</b>

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

# HANFORD ELEMENTARY SCHOOL DISTRICT

## STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2004

Functions/Programs	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities:</b>				
Instruction	\$ 19,348,520	\$ -	\$ 2,730,884	\$ 221,795
Instruction-related activities:				
Supervision of instruction	1,973,123	(271)	1,473,321	-
Instructional library, media and technology	332,591	-	17,176	-
School site administration	3,670,939	-	438,664	-
Pupil services:				
Home-to-school transportation	482,784	-	362,544	-
Food services	1,749,955	342,080	1,615,472	-
All other pupil services	2,701,151	(11,707)	1,667,374	-
General administration:				
Data processing	257,425	-	3,973	-
All other general administration	2,375,533	18,247	1,381,823	-
Plant services	4,422,930	(970)	340,708	-
Ancillary services	610,726	-	493,591	-
Community services	15,238	-	15,238	-
Interest on long-term debt	733,089	-	-	-
Other outgo	119,735	-	6,900	-
Depreciation (unallocated)	864,755	-	-	-
<b>Total Governmental-Type Activities</b>	<b>\$ 39,658,494</b>	<b>\$ 347,379</b>	<b>\$ 10,547,668</b>	<b>\$ 221,795</b>
General revenues and subventions:				
Property taxes, levied for general purposes				
Property taxes, levied for debt service				
Federal and State aid not restricted to specific purposes				
Interest and investment earnings				
Miscellaneous				
<b>Subtotal, General Revenues</b>				
<b>Total General Revenues and Transfers</b>				
<b>Change in Net Assets</b>				
Net Assets - Beginning				
Net Assets - Ending				

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

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

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**Governmental  
Activities**

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\$ (16,395,841)

(500,073)

(315,415)

(3,232,275)

(120,240)

207,597

(1,045,484)

(253,452)

(975,463)

(4,083,192)

(117,135)

-

(733,089)

(112,835)

(864,755)

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(28,541,652)

---

4,215,555

817,315

23,135,410

177,230

---

2,068,643

---

30,414,153

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1,872,501

14,064,284

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\$ 15,936,785

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# HANFORD ELEMENTARY SCHOOL DISTRICT

## GOVERNMENTAL FUNDS BALANCE SHEET JUNE 30, 2004

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Deposits and investments	\$ 7,309,973	\$ 1,880,582	\$ 9,190,555
Receivables	4,007,182	714,951	4,722,133
Due from other funds	43,463	-	43,463
Stores inventories	200,068	26,948	227,016
<b>Total Assets</b>	<b>\$ 11,560,686</b>	<b>\$ 2,622,481</b>	<b>\$ 14,183,167</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	6,968,068	318,659	7,286,727
Due to other funds	-	43,463	43,463
Deferred revenue	426,165	-	426,165
<b>Total Liabilities</b>	<b>7,394,233</b>	<b>362,122</b>	<b>7,756,355</b>
<b>FUND BALANCES</b>			
Reserved	1,216,071	27,853	1,243,924
Unreserved:			
Designated	1,200,000	457,000	1,657,000
Undesignated, reported in:			
General Fund	1,750,382	-	1,750,382
Special revenue funds	-	924,797	924,797
Debt service funds	-	312,198	312,198
Capital projects funds	-	538,511	538,511
<b>Total Fund Balance</b>	<b>4,166,453</b>	<b>2,260,359</b>	<b>6,426,812</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 11,560,686</b>	<b>\$ 2,622,481</b>	<b>\$ 14,183,167</b>

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

# HANFORD ELEMENTARY SCHOOL DISTRICT

## GOVERNMENTAL FUNDS

### RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS

JUNE 30, 2004

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

<b>Total Fund Balance - Governmental Funds</b>		<b>\$ 6,426,812</b>
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is	\$ 35,489,931	
Accumulated depreciation is	<u>(12,242,072)</u>	
Total capital assets		23,247,859
Expenditures relating to issuance of debt were recognized in modified accrual basis, but should not be recognized in accrual basis.		434,909
In governmental funds, unmatured interest on long-term debt is recognized in the period when it is due. On the government-wide statements, unmatured interest on long-term debt is recognized when it is incurred.		(124,113)
An internal service fund is used by the District's management to charge the costs of the workers' compensation insurance program to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities. Internal service fund net assets are:		16,687
Long-term liabilities, including general obligation bonds, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Long-term liabilities at year end consist of:		
General obligation bonds	(13,048,837)	
Capital lease obligations	(820,251)	
Compensated absences	<u>(196,281)</u>	
Total long-term liabilities		(14,065,369)
<b>Total Net Assets - Governmental Activities</b>		<b><u>\$ 15,936,785</u></b>

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

# HANFORD ELEMENTARY SCHOOL DISTRICT

## GOVERNMENTAL FUNDS

### STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE FOR THE YEAR ENDED JUNE 30, 2004

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>REVENUES</b>			
Revenue limit sources	\$23,592,613	\$ -	\$ 23,592,613
Federal sources	5,346,446	1,611,947	6,958,393
Other state sources	7,682,677	798,033	8,480,710
Other local sources	584,154	1,915,125	2,499,279
<b>Total Revenues</b>	<b>37,205,890</b>	<b>4,325,105</b>	<b>41,530,995</b>
<b>EXPENDITURES</b>			
Current			
Instruction	19,186,285	191,537	19,377,822
Instruction-related activities:			
Supervision of instruction	1,969,818	5,707	1,975,525
Instructional library, media and technology	333,071	-	333,071
School site administration	3,656,614	16,720	3,673,334
Pupil Services:			
Home-to-school transportation	484,933	-	484,933
Food services	1,577	1,758,216	1,759,793
All other pupil services	2,702,585	-	2,702,585
General administration:			
Data processing	259,788	-	259,788
All other general administration	2,292,183	123,264	2,415,447
Plant services	3,932,390	231,685	4,164,075
Facility acquisition and construction	82,227	1,538,765	1,620,992
Ancillary services	610,832	-	610,832
Community services	15,238	-	15,238
Other outgo	119,735	-	119,735
Debt service			
Principal	25,716	5,100,025	5,125,741
Interest and other	83,276	777,218	860,494
<b>Total Expenditures</b>	<b>35,756,268</b>	<b>9,743,137</b>	<b>45,499,405</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>1,449,622</b>	<b>(5,418,032)</b>	<b>(3,968,410)</b>
<b>Other Financing Sources (Uses):</b>			
Transfers in	82,199	340,000	422,199
Other sources	-	4,791,991	4,791,991
Transfers out	(340,000)	(82,199)	(422,199)
<b>Net Financing Sources (Uses)</b>	<b>(257,801)</b>	<b>5,049,792</b>	<b>4,791,991</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>1,191,821</b>	<b>(368,240)</b>	<b>823,581</b>
<b>Fund Balance - Beginning</b>	<b>2,974,632</b>	<b>2,628,599</b>	<b>5,603,231</b>
<b>Fund Balance - Ending</b>	<b>\$ 4,166,453</b>	<b>\$ 2,260,359</b>	<b>\$ 6,426,812</b>

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

## HANFORD ELEMENTARY SCHOOL DISTRICT

### RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE DISTRICT-WIDE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2004

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<b>Total Net Change in Fund Balances - Governmental Funds</b>	<b>\$</b>	<b>823,581</b>
<b>Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:</b>		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures, however, for governmental activities, those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expenses in the statements of activities.		
This is the amount by which depreciation exceeds capital outlays in the period.		
Depreciation expense	\$ (864,755)	
Capital outlays	<u>1,382,589</u>	517,834
Loss on disposal of capital assets is reported in the government-wide statement of net assets, but is not recorded in the governmental funds.		(3,367)
In the statement of activities, certain operating expenses - compensated absences (vacations) and special termination benefits (early retirement) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, there are no special termination benefits. Vacation used was less than the amounts earned by \$58,097.		
		58,097
Proceeds received from issuance of debt is a revenue in the governmental funds, but it increases long-term liabilities in the statement of net assets and does not affect the statement of activities:		
Sale of general obligation bonds		(4,791,991)
Governmental funds report the effect of premiums, discounts, issuance costs, and the deferred amount on a refunding when the debt is first issued, whereas the amounts are deferred and amortized in the statement of activities. This amount is the net effect of these related items:		
Cost of issuance		211,991
Repayment of bond principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net assets and does not affect the statement of activities:		
General obligation bonds		5,029,603
Capital lease obligations		96,138

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 DISTRICT-WIDE STATEMENT OF ACTIVITIES (Continued) FOR THE YEAR ENDED JUNE 30, 2004

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

Amortization of debt premium	\$ 1,133	
Amortization of cost of issuance	<u>(19,492)</u>	
Combined adjustment		\$ (18,359)

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the statement of activities is the result of accrued interest on the general obligation bonds and capital lease obligations in by \$66,228.

\$ (66,228)

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

15,202

**Change in Net Assets of Governmental Activities**

\$ 1,872,501

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

# HANFORD ELEMENTARY SCHOOL DISTRICT

## PROPRIETARY FUNDS STATEMENT OF NET ASSETS FOR THE YEAR ENDED JUNE 30, 2004

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	<b>Governmental Activities - Internal Service Fund</b>
<b>ASSETS</b>	
Current Assets	
Deposits and investments	\$ 124,737
Receivables	<u>7,669</u>
Total Assets	<u>132,406</u>
<b>LIABILITIES</b>	
Current Liabilities	
Accounts payable	<u>115,719</u>
Total Current Liabilities	<u>115,719</u>
<b>NET ASSETS</b>	
Unrestricted	<u>16,687</u>
Total Net Assets	<u><u>\$ 16,687</u></u>

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

# HANFORD ELEMENTARY SCHOOL DISTRICT

## PROPRIETARY FUNDS

### STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS FOR THE YEAR ENDED JUNE 30, 2004

	<u>Governmental Activities - Internal Service Fund</u>
<b>OPERATING REVENUES</b>	
Charges to other funds and miscellaneous revenues	\$ 382,491
Total Operating Revenues	<u>382,491</u>
<b>OPERATING EXPENSES</b>	
Professional and contract services	<u>368,349</u>
Total Operating Expenses	<u>368,349</u>
Operating Income (Loss)	<u>14,142</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Interest income	<u>1,060</u>
Total Nonoperating Revenues (Expenses)	<u>1,060</u>
Income (Loss) Before Capital Contributions and Transfers	<u>15,202</u>
Change in Net Assets	15,202
Total Net Assets - Beginning	1,485
Total Net Assets - Ending	<u>\$ 16,687</u>

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

# HANFORD ELEMENTARY SCHOOL DISTRICT

## PROPRIETARY FUNDS STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2004

	<b>Governmental Activities - Internal Service Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from premiums	\$ 376,790
Cash payments for insurance claims	(353,424)
Net Cash Provided (Used) for Operating Activities	23,366
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest on investments	1,060
Net Cash Provided (Used) from Investing Activities	1,060
Net increase in cash and cash equivalents	24,426
Cash and cash equivalents - Beginning	100,311
Cash and cash equivalents - Ending	\$ 124,737
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>	
Operating income (loss)	14,142
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Changes in assets and liabilities:	
Receivables	(5,701)
Accrued liabilities	11,466
Claims liabilities	3,459
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ 23,366</b>

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

# HANFORD ELEMENTARY SCHOOL DISTRICT

## FIDUCIARY FUNDS

### STATEMENT OF NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2004

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	Agency Funds
<b>ASSETS</b>	
Deposits and investments	\$ 24,824
<b>Total Assets</b>	<u>\$ 24,824</u>
<b>LIABILITIES</b>	
Due to student groups	24,824
<b>Total Liabilities</b>	<u>\$ 24,824</u>

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

# HANFORD ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

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### *NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*

#### **A. Financial Reporting Entity**

The Hanford Elementary School District was organized under the laws of the State of California. The District operates under a locally-elected five-member Board form of government and provides educational services to grades K - 8 as mandated by the State and/or Federal agencies. The District operates ten schools.

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.

#### **B. State Deferred Appropriations**

As part of its plan to address the budget crisis facing the State of California, Senate Bill (SB) XI 18 (the "Bill") was signed into law during the year ended June 30, 2003. The provisions of the Bill significantly altered funding for California school districts. The Bill, among other things, shifted the appropriation for the payment of the June principal apportionment for the General Fund into the following fiscal year. The Bill allowed local educational agencies to recognize for budgetary and financial reporting purposes any amount of state appropriations deferred from the current fiscal year and appropriated from the subsequent fiscal year for payment of current-year costs as a receivable in the current year. In addition, Assembly Bill 2781 deferred the appropriations for the Home-to-School Transportation, School Safety, and Targeted Instructional Improvement programs into the following fiscal year. Exclusion of the apportionments would have resulted in a decrease in receivables, revenue, and available reserves of \$1,660,350.

#### **C. Component Units**

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

**Joint Powers Agencies** The District is associated with three joint powers agencies. These organizations do not meet the criteria for inclusion as component units of the District. Summarized audited financial information is presented in Note 15 to the financial statements. These organizations are:

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

# HANFORD ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

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### **D. 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 is the District's major governmental fund:

#### **Major Governmental Funds**

**General Fund** The General Fund accounts for all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the District for any purpose provided it is expended or transferred according to the general laws of California.

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

**Special Revenue Funds** The Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The District maintains the following special revenue funds:

**Child Development Fund** The Child Development Fund is used to account for resources committed to child development programs maintained by the District.

**Cafeteria Fund** The Cafeteria Fund is used to account for the financial transactions related to the food service operations of the District.

**Deferred Maintenance Fund** The Deferred Maintenance Fund is used for the purpose of major repair or replacement of District property.

**Pupil Transportation Equipment Fund** The Pupil Transportation Equipment Fund is used to account for resources committed to the acquisition, rehabilitation, or replacement of equipment used to transport students.

**Debt Service Funds** The Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs. The District maintains the following debt service fund:

**Bond Interest and Redemption Fund** The Bond Interest and Redemption Fund is used to account for the accumulation of resources for, and the repayment of, district bonds, interest, and related costs.

# HANFORD ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

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**Capital Projects Funds** The Capital Projects Funds are used to account for the acquisition and/or construction of all major governmental general fixed assets. The District maintains the following capital projects funds:

**Building Fund** The Building Fund exists primarily to account separately for proceeds from sale of bonds and the acquisition of major governmental capital facilities and buildings.

**Capital Facilities Fund** The Capital Facilities Fund is used to account for resources received from developer impact fees assessed under provisions of the California Environmental Quality Act (CEQA).

**County School Facilities Fund** The County School Facilities Fund is used primarily to account separately for State apportionments provided for construction and reconstruction of school facilities (Education Code Sections 17010.10-17076.10).

**Special Reserve Fund** The Special Reserve Fund is used to account for funds set aside for Board designated construction projects.

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

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

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

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

### **E. 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.



# HANFORD ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

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The government-wide financial statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each governmental program. 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. 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.

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

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

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

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

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

# HANFORD ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

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**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. For the District, available means expected to be received within 60 days of fiscal year-end.

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.

Under the modified accrual basis, 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.

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

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

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

### **F. 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.

### **G. Investments**

Investments held at June 30, 2004, 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.

# **HANFORD ELEMENTARY SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2004**

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### **H. Restricted Assets**

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

### **I. 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.

### **J. Stores Inventory**

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

### **K. 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 as a whole. The District maintains a capitalization threshold of \$5,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized, but are expensed as incurred.

When purchased, such assets are recorded as expenditures in the governmental funds and capitalized. The valuation basis for general capital assets are 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.

### **L. Interfund Balances**

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

# **HANFORD ELEMENTARY SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2004**

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### **M. Compensated Absences**

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

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.

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

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities, and long-term obligations payable from the enterprise fund are reported on the enterprise fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds.

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

### **O. Net Assets**

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

# **HANFORD ELEMENTARY SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2004**

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### **P. Fund Balance Reserves and Designations**

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

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

### **Q. 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.

### **R. 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.

### **S. 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.

### **T. 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.

# **HANFORD ELEMENTARY SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2004**

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### **U. 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.

### **V. New Accounting Pronouncement**

For the fiscal year ended June 30, 2004, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 39, "Determining Whether Certain Organizations Are Component Units", an amendment of GASB Statement No. 14. This statement provides additional guidance to determine whether certain organizations for which the primary government is not financially accountable should be reported as component units based on the nature and significance of their relationship with the primary government.

### ***NOTE 2 - CHANGES IN ACCOUNTING PRINCIPLES***

For the fiscal year ended June 30, 2004, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments," GASB Statement No. 36, "Receipt Reporting for Certain Shared Nonexchange Revenues", GASB Statement No. 37, "Basic Financial Statements for State and Local Governments: Omnibus", GASB Statement No. 38, "Certain Financial Statement Note Disclosures", and GASB Statement No. 41, "Budgetary Comparison Schedules – Perspective Difference". As a result, the financial statements for the first time include 1) a Management Discussion and Analysis (MD&A) section providing an analysis of the District's overall financial position and results of operations, 2) financial statements prepared using full accrual accounting for all of the District's activities, and 3) a change in the fund financial statements to focus on the major funds. These and other changes are reflected in the accompanying financial statements, including notes to financial statements.

### ***NOTE 3 - DEPOSITS AND INVESTMENTS***

#### **A. Policies and Practices**

The District is considered to be an involuntary participant in an external investment pool since the District is required to deposit all receipts and collections of monies with their county treasurer (Education Code Section 41001). In addition, the District is authorized to maintain deposits with certain financial institutions that are federally insured up to \$100,000.

# HANFORD ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

The District is also authorized 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.

### B. Deposits

At year-end, the carrying amounts of the District's deposits were \$6,210 for governmental activities, \$7,000 for the internal service fund, and \$24,824 held in fiduciary funds. The bank balances totaled \$99,869. Of the bank balances, \$99,869 was covered by Federal deposit insurance.

### C. Investments

The District's investments are categorized to give an indication of the level of risk assumed by the District at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which the counterparty's trust department or agent in the District's name holds the securities. Category 3 includes uninsured and unregistered investments for which the securities are held by the financial institution's trust department or agent but not in the District's name. Deposits with the County Treasury are not categorized because they do not represent securities, which exist in physical or book entry form. The deposits with County Treasury are valued using the amortized cost method (which approximates fair value). The fair values were provided by the County for the pool.

The investments at June 30, 2004, are as follows:

	Category			Reported Amount	Fair Value
	1	2	3		
Categorized					
Guaranteed investment contract	\$ -	\$ -	\$ 3,686,415	\$ 3,686,415	\$ 3,686,415
Total categorized	\$ -	\$ -	\$ 3,686,415	3,686,415	3,686,415
Uncategorized					
Deposits with county treasurer				5,615,667	5,564,508
Total investments				\$ 9,302,082	\$ 9,250,923

# HANFORD ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2004**

### NOTE 4 - RECEIVABLES

Receivables at June 30, 2004, consisted of intergovernmental grants, entitlements, interest and other 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	\$ 1,335,900	\$ 387,526	\$ -	\$ 1,723,426
State Government				
Apportionment	1,627,220	-	-	1,627,220
Categorical aid	499,730	234,329	-	734,059
Lottery	345,277	-	-	345,277
Other Local Sources	199,055	93,096	7,669	299,820
Total	<u>\$ 4,007,182</u>	<u>\$ 714,951</u>	<u>\$ 7,669</u>	<u>\$ 4,729,802</u>

### NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2004, was as follows:

	Balance July 1, 2003	Additions	Deductions	Balance June 30, 2004
<b>Governmental Activities</b>				
Capital Assets Not Being Depreciated				
Land	\$ 1,431,815	\$ 566,400	\$ -	\$ 1,998,215
Construction in process	994,844	264,928	994,844	264,928
Total Capital Assets Not Being Depreciated	<u>2,426,659</u>	<u>831,328</u>	<u>994,844</u>	<u>2,263,143</u>
Capital Assets Being Depreciated				
Land improvements	4,507,867	50,765	-	4,558,632
Buildings and improvements	24,541,564	1,441,460	-	25,983,024
Furniture and equipment	2,636,301	53,879	5,048	2,685,132
Total Capital Assets Being Depreciated	<u>31,685,732</u>	<u>1,546,104</u>	<u>5,048</u>	<u>33,226,788</u>
Less Accumulated Depreciation				
Land improvements	2,707,290	156,086	-	2,863,376
Buildings and improvements	6,809,904	507,182	-	7,317,086
Furniture and equipment	1,861,805	201,487	1,682	2,061,610
Total Accumulated Depreciation	<u>11,378,999</u>	<u>864,755</u>	<u>1,682</u>	<u>12,242,072</u>
Governmental Activities Capital Assets, Net	<u>\$ 22,733,392</u>	<u>\$ 1,512,677</u>	<u>\$ 998,210</u>	<u>\$ 23,247,859</u>



# HANFORD ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

Depreciation expense was charged as follows:

### Governmental Activities

Unallocated	\$ 864,755
Total Depreciation Expenses Governmental Activities	<u>\$ 864,755</u>

### NOTE 6 - INTERFUND TRANSACTIONS

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

Interfund receivable and payable balances at June 30, 2004, are as follows:

	Interfund Receivables	Interfund Payables
General	\$ 43,463	\$ -
Child Development	-	43,463
Total	<u>\$ 43,463</u>	<u>\$ 43,463</u>

#### B. Operating Transfers

Interfund transfers for the year ended June 30, 2004, consisted of the following:

The General Fund transferred to the Deferred Maintenance Fund for the required State match.	\$ 240,000
The General Fund transferred to the Pupil Transportation Fund to fund future bus purchases/replacements.	50,000
The General Fund transferred to the Special Reserve Capital Outlay Fund for the instructional materials project.	50,000
The Special Reserve Capital Outlay Fund transferred to the General Fund to close the fund.	82,199
Total	<u>\$ 422,199</u>

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

# HANFORD ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2004

### NOTE 7 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2004, consisted of the following:

	General Fund	Non-Major Governmental Funds	Internal Service Fund	Total Governmental Activities
Vendor payables	\$ 1,320,358	\$ 318,659	\$ 16,064	\$ 1,655,081
State apportionment	234,196	-	-	234,196
Salaries and benefits	1,684,805	-	-	1,684,805
Claims liability	-	-	99,655	99,655
Tax revenue anticipation note	3,728,709	-	-	3,728,709
Total	<u>\$ 6,968,068</u>	<u>\$ 318,659</u>	<u>\$ 115,719</u>	<u>\$ 7,402,446</u>

### NOTE 8 - DEFERRED REVENUE

Deferred revenue at June 30, 2004, consists of the following:

	General Fund
Federal financial assistance	\$ 269,816
State categorical aid	156,349
Total	<u>\$ 426,165</u>

### NOTE 9 - LONG-TERM LIABILITIES

#### A. Long-Term Debt Summary

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

	Balance July 1, 2003	Additions	Deductions	Balance June 30, 2004	Due in One Year
General obligation bonds-1993	\$ 6,122,582	\$ -	\$4,659,603	\$ 1,462,979	\$ 85,731
General obligation bonds-1998	7,165,000	-	100,000	7,065,000	125,000
General obligation bonds-2003	-	4,775,000	270,000	4,505,000	290,000
Unamortized Bond Premium-2003	-	16,991	1,133	15,858	1,133
Accumulated vacation - net	254,378	-	58,097	196,281	-
Capital leases	916,389	-	96,138	820,251	100,155
Total	<u>\$14,458,349</u>	<u>\$4,791,991</u>	<u>\$5,184,971</u>	<u>\$ 14,065,369</u>	<u>\$ 602,019</u>

# HANFORD ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2004**

Payments on the general obligation bonds are made by the bond interest and redemption fund with local revenues. Payments for the Capital leases are made by the Capital Facilities Fund. The accrued vacation will be paid by the fund for which the employee worked.

### **B. Bonded Debt**

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2003	Redeemed	Bonds Outstanding June 30, 2004
1993(a)	2002-2018	5.15-5.8%	\$ 1,750,000	\$ 1,542,582	\$ 79,603	\$ 1,462,979
1993	1996-2019	5.2-5.5%	\$ 5,750,000	\$ 4,580,000	\$ 4,580,000	\$ -
1998	2001-2024	4.4-5.0%	\$ 7,350,000	\$ 7,165,000	\$ 100,000	\$ 7,065,000
2003	2005-2019	2.0-3.5%	\$ 4,775,000	\$ -	\$ 270,000	\$ 4,505,000

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

### **Debt Service Requirements to Maturity**

#### **1993 Capital Appreciation Bond Issuance**

On July 1, 1993, the District issued \$7,500,000 of general obligation bonds in the aggregate. The proceeds from the sale of these bonds were used to finance the acquisition and construction of a new junior high school and for the making of safety improvements to existing school facilities. The bond interest rates range from 5.15 percent to 5.80 percent.

The annual requirements to amortize the general obligation bonds payable outstanding as of June 30, 2003, are as follows:

Fiscal Year	Par	Accreted Interest	Total
2005	\$ 85,731	\$ 74,269	\$ 160,000
2006	90,800	89,200	180,000
2007	94,889	105,111	200,000
2008	98,075	121,925	220,000
2009	100,433	139,567	240,000
2010-2014	579,798	1,095,202	1,675,000
2015-2017	413,253	1,086,747	1,500,000
Total	\$ 1,462,979	\$ 2,712,021	\$ 4,175,000

# HANFORD ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

### 1998 General Obligation Bonds

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

The annual requirements to amortize the general obligation bonds payable outstanding as of June 30, 2003, are as follows:

The bonds mature through 2024 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2005	\$ 125,000	\$ 339,191	\$ 464,191
2006	150,000	332,316	482,316
2007	175,000	324,191	499,191
2008	195,000	314,941	509,941
2009	225,000	304,441	529,441
2010-2014	1,535,000	1,334,719	2,869,719
2015-2019	2,050,000	911,798	2,961,798
2020-2024	2,610,000	339,383	2,949,383
Total	<u>\$ 7,065,000</u>	<u>\$ 4,200,980</u>	<u>\$ 11,265,980</u>

### 2003 General Obligation Bonds

The bonds mature through 2019 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2005	\$ 290,000	\$ 120,568	\$ 410,568
2006	305,000	114,618	419,618
2007	345,000	108,118	453,118
2008	335,000	100,899	435,899
2009	330,000	93,005	423,005
2010-2014	1,555,000	338,429	1,893,429
2015-2019	1,345,000	92,201	1,437,201
Total	<u>\$ 4,505,000</u>	<u>\$ 967,838</u>	<u>\$ 5,472,838</u>

The bonds were sold at a premium of \$16,991 which will be amortized over the term of the bonds for 15 years at \$1,133 a year. The unamortized premium as of June 30, 2004 amounted to \$15,858.

# HANFORD ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

<b>Total Bonded</b>			
<b>Debt:</b>			
<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2005	\$ 500,731	\$ 534,028	\$ 1,034,759
2006	545,800	536,134	1,081,934
2007	614,889	537,420	1,152,309
2008	628,075	537,765	1,165,840
2009	655,433	537,013	1,192,446
2010-2014	3,669,798	2,768,350	6,438,148
2015-2019	3,808,253	2,090,746	5,898,999
2020-2024	2,610,000	339,383	2,949,383
Total	<u>\$ 13,032,979</u>	<u>\$ 7,880,839</u>	<u>\$ 20,913,818</u>

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

### C. Accumulated Unpaid Employee Vacation

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2004, amounted to \$196,281.

### D. Capital Leases

The District leases buses and a cafeteria building valued at \$1,123,937 under agreements which provide for title to pass upon expiration of the lease period. The District's liability on lease agreements are summarized below:

	<u>Administration &amp; Library</u>	<u>Buses</u>	<u>Total</u>
Balance, July 1, 2003	\$ 835,000	\$ 81,389	\$ 916,389
Additions	-	-	-
Payments	70,422	25,716	96,138
Balance, June 30, 2004	<u>\$ 764,578</u>	<u>\$ 55,673</u>	<u>\$ 820,251</u>

# HANFORD ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2004**

The capital leases have minimum lease payments as follows:

Year Ending June 30,	Lease Payment
2005	\$ 131,680
2006	131,680
2007	101,569
2008	101,569
2009	101,569
2010-2013	406,276
Total	974,343
Less: Amount Representing Interest	154,092
Present Value of Minimum Lease Payments	<u>\$ 820,251</u>

The District will receive no sublease rental revenues nor pay any contingent rentals for these buses and cafeteria building.

### NOTE 10 - FUND BALANCES

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

	General Fund	Non-Major Governmental Funds	Total
Reserved			
Revolving cash	\$ 5,050	\$ 905	\$ 5,955
Stores inventory	200,068	26,948	227,016
Restricted programs	1,010,953	-	1,010,953
Total Reserved	<u>1,216,071</u>	<u>27,853</u>	<u>1,243,924</u>
Unreserved			
Designated			
Economic uncertainties	1,200,000	-	1,200,000
Other designation	-	457,000	457,000
Total Designated	<u>1,200,000</u>	<u>457,000</u>	<u>1,657,000</u>
Undesignated	<u>1,750,382</u>	<u>1,775,506</u>	<u>3,525,888</u>
Total Unreserved	<u>2,950,382</u>	<u>2,232,506</u>	<u>5,182,888</u>
Total	<u>\$ 4,166,453</u>	<u>\$ 2,260,359</u>	<u>\$ 6,426,812</u>

# HANFORD ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

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### ***NOTE 11 - POSTEMPLOYMENT BENEFITS***

The District provides postemployment health care benefits to the following: (1) certificated employees who retire from the District on or after attaining age 55, have served in the District during the last five years and have served a total of at least thirteen years in the District; (2) management/confidential employees who retire from the District on or after attaining age 55, have served in the District during the last five years prior to retirement and have served a total of ten years of full time service in the District. For classified employees who retire from the District on or after attaining age 55, have completed 15 consecutive years of service, and participating in the District group medical insurance program at the time immediately prior to retiring, or prior participation in the group medical insurance program but no longer eligible due to involuntary reduction in hours or 30 years of service. Currently, 27 retirees meet those eligibility requirements.

The District pays: (1) the total premium for the health and dental benefits plans for certificated retirees and their dependents until such time as the retiree reaches age 65; (2) 50% of the maximum contribution for active classified employees towards the premium for the current District plan for major medical coverage only for the classified retiree and spouse for a period of three years or until reaching age 65, whichever comes first; and (3) an amount equal to that granted active management/confidential employees toward the cost of medical and dental benefits for management/confidential retirees and their eligible dependents, until such time as the retiree reaches age 65. Expenditures for postemployment health care benefits are recognized as retirees report claims. During the year, expenditures of \$202,674 were recognized for retirees' health care benefits.

The District also provided for one retiree a "split-dollar" life insurance policy whereby the District pays the annual premium of \$5,252, and the District is named as one beneficiary under the policy. Upon the retiree's death, the District shall recover the greater amount of either the cash value of the policy or the total premium paid. The retiree's other named beneficiary shall receive the balance of the proceeds of the policy (the face amount less the amount repaid to the District).

### ***NOTE 12 - RISK MANAGEMENT***

#### **A. 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, 2004, the District contracted with Self-Insured Schools of California (SISC II) for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

# HANFORD ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

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### **B. Workers' Compensation**

For fiscal year 2004, 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.

### **C. Employee Medical Benefits**

The District has contracted with the Self-Insured Schools of California (SISC II) to provide employee medical and surgical benefits. Self-Insured Schools of California (SISC II) 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.

### **D. 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.

### **E. Unpaid Claims Liabilities**

The fund establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represent the changes in approximate aggregate liabilities for the District from June 30, 2002 to June 30, 2004 (in thousands):

	Dental Care
Liability Balance, June 30, 2002	\$ 89,386
Claims and changes in estimates	6,810
Liability Balance, June 30, 2003	96,196
Claims and changes in estimates	3,459
Liability Balance, June 30, 2004	\$ 99,655
Assets available to pay claims at June 30, 2004	\$ 132,406



# HANFORD ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

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### **NOTE 13 - EMPLOYEE RETIREMENT SYSTEMS**

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

#### **A. STRS**

##### **Plan Description**

The District contributes to the California State Teachers' Retirement System (STRS); a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by STRS. The plan provides retirement and disability benefits and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the STRS annual financial report may be obtained from STRS, 7667 Folsom Blvd., Sacramento, CA 95826.

##### **Funding Policy**

Active plan members are required to contribute 8.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2003-2004 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to STRS for the fiscal years ending June 30, 2004, 2003, and 2002, were \$1,393,671, \$1,376,291, and \$1,335,390, respectively, and equal 100 percent of the required contributions for each year.

#### **B. PERS**

##### **Plan Description**

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS); a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Laws. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

# **HANFORD ELEMENTARY SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2004**

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### **Funding Policy**

Active plan members are required to contribute 7.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2003-2004 was 10.42 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the fiscal years ending June 30, 2004, 2003, and 2002, were \$702,973, \$182,644, and \$0, respectively, and equal 100 percent of the required contributions for each year.

### **C. Social Security**

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

### **D. On Behalf Payments**

The State of California makes contributions to STRS and PERS on behalf of the District. These payments consist of State General Fund contributions to STRS in the amount of \$385,160 (2.28 percent of salaries subject to STRS). No contributions were made for PERS for the year ended June 30, 2004. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures, however, guidance received from the California Department of Education advises local educational agencies not to record these amounts in the Annual Financial and Budget Report. These amounts also have not been recorded in these financial statements.

## ***NOTE 14 - COMMITMENTS AND CONTINGENCIES***

### **A. 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, 2004.

### **B. Litigation**

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2004.

# HANFORD ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

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### C. Construction Commitments

As of June 30, 2004, the District had the following commitments with respect to the unfinished capital projects:

CAPITAL PROJECT	Remaining Construction Commitment	Expected Date of Completion
Wilson Junior High Remodel	\$ 248,014	08/23/04
Total remaining construction commitments	<u>\$ 248,014</u>	

### NOTE 15 - PARTICIPATION IN JOINT POWERS AUTHORITIES

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

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

A. <u>Entity</u>	Self-Insured Schools of California (SISC II)	Self-Insured Schools of California (SISC III)	Kings County Self-Insured Schools (KCSIS)
B. <u>Purpose</u>	Arranges for and provides property and liability insurance	Arranges for and provides health insurance	Arranges for and provides workers' compensation insurance
C. <u>Participants</u>	Various school districts and county offices	Various school districts and county offices	Various school districts and county offices
D. <u>Governing Board</u>	Consisting of a representative from each member district	Consisting of a representative from each member district	Consisting of a representative from each member district

# HANFORD ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

### E. Condensed Audited Financial Information Follows

	(SISC II)	(SISC III)	(KCSIS)
	June 30, 2003*	June 30, 2003*	June 30, 2003*
Assets	\$ 22,796,192	\$ 58,227,156	\$ 3,782,539
Liabilities	13,651,860	55,936,120	3,624,915
Fund Equity	\$ 9,144,332	\$ 2,291,036	\$ 157,624
Revenues	13,041,744	459,179,220	1,442,481
Expenses	13,891,341	434,134,122	2,076,199
Net Increase/(Decrease) in Fund Equity	\$ (849,597)	\$ 25,045,098	\$ (633,718)

\*Most recent information available.

None of the JPA's had long-term debts outstanding at June 30, 2003. The District's share of year-end assets, liabilities, or fund equity has not been calculated.

### NOTE 16 - EXPENDITURES (BUDGET VERSUS ACTUAL)

At June 30, 2004, there were no District funds that exceeded the budgeted amount.

### NOTE 17 - TAX AND REVENUE ANTICIPATION NOTES

At July 1, 2003, the District had outstanding Tax and Revenue Anticipation Notes in the amount of \$3,655,000, which matured on July 4, 2004. The notes were issued to supplement cash flows. Interest and principal were due and payable on July 4, 2004. By June 30, 2004, the District had placed 100 percent of principal and interest in an irrevocable trust for the sole purpose of satisfying the notes. The District was not required to make any additional payments on the notes. The District has recorded the cash available to make the principal and interest payments as Cash and with the corresponding liability as an accounts payable.

	Outstanding July 1, 2003	Additions	Deletions	Outstanding June 30, 2004
2003 2.825% TRANS	\$ 3,880,000	\$ -	\$ 3,880,000	\$ -
2004 1.15% TRANS	-	3,728,709	-	3,728,709
Total	\$ 3,880,000	\$ 3,728,709	\$ 3,880,000	\$ 3,728,709

# **HANFORD ELEMENTARY SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2004**

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### ***NOTE 18 - SUBSEQUENT EVENTS***

The District issued \$3,520,000 of Tax and Revenue Anticipation Notes dated July 6, 2004. The notes mature on July 6, 2005, and yield 1.6 percent interest. The notes were sold to supplement cash flow. Repayment requirements are that the balance of principal and interest be deposited with the Fiscal Agent by July 6, 2005.

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***REQUIRED SUPPLEMENTARY INFORMATION***

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# HANFORD ELEMENTARY SCHOOL DISTRICT

## GENERAL FUND BUDGETARY COMPARISON SCHEDULE FOR THE YEAR ENDED JUNE 30, 2004

	Budgeted Amounts (GAAP Basis)		Actual (GAAP Basis)	Variances - Favorable (Unfavorable) Final to Actual
	Original	Final		
<b>REVENUES</b>				
Revenue limit sources	\$23,018,697	\$23,579,718	\$ 23,592,613	\$ 12,895
Federal sources	4,901,434	6,884,615	5,346,446	(1,538,169)
Other state sources	7,242,473	7,699,714	7,682,677	(17,037)
Other local sources	104,500	615,398	584,154	(31,244)
<b>Total Revenues</b>	<b>35,267,104</b>	<b>38,779,445</b>	<b>37,205,890</b>	<b>(1,573,555)</b>
<b>EXPENDITURES</b>				
Current				
Certificated Salaries	16,500,907	16,985,163	16,729,400	255,763
Classified salaries	6,648,707	6,990,790	6,910,052	80,738
Employee benefits	6,792,997	6,878,570	6,732,768	145,802
Books and supplies	1,793,345	3,147,279	2,293,614	853,665
Services and operating expenditures	3,047,802	4,843,564	2,926,229	1,917,335
Other outgo	(37)	38,570	4,571	33,999
Capital outlay	179,543	269,436	129,524	139,912
Debt service	36,124	31,429	30,111	1,318
<b>Total Expenditures</b>	<b>34,999,388</b>	<b>39,184,801</b>	<b>35,756,269</b>	<b>3,428,532</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>267,716</b>	<b>(405,356)</b>	<b>1,449,621</b>	<b>1,854,977</b>
<b>Other Financing Sources (Uses):</b>				
Transfers in	-	82,248	82,199	(49)
Transfers out	(240,000)	(340,000)	(340,000)	-
<b>Net Financing Sources (Uses)</b>	<b>(240,000)</b>	<b>(257,752)</b>	<b>(257,801)</b>	<b>(49)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>27,716</b>	<b>(663,108)</b>	<b>1,191,820</b>	<b>1,854,928</b>
<b>Fund Balance - Beginning</b>	<b>2,974,632</b>	<b>2,974,632</b>	<b>2,974,632</b>	<b>-</b>
<b>Fund Balance - Ending</b>	<b>\$ 3,002,348</b>	<b>\$ 2,311,524</b>	<b>\$ 4,166,452</b>	<b>\$ 1,854,928</b>

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



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***SUPPLEMENTARY INFORMATION***

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# HANFORD ELEMENTARY SCHOOL DISTRICT

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2004

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
Impact Aid	84.041	10015	\$ 6,318
Passed through California Office of Public School Construction (OPSC):			
Federal School Renovation Program	84.352A	04313	14,393
Federal School Renovation Classroom Technology	84.352A	04318	30,009
Passed through California Department of Education (CDE):			
No Child Left Behind Act			
Title I, Basic [1]	84.010	03797	1,807,963
Title I, Part C, Migrant Education	84.011	03174	212,861
Title II, Part A, Teacher Quality	84.367	04341	414,634
Title II, Part A, Enhancing Education	84.318	04335	40,195
Title III, Limited English Proficiency	84.365	00084	71,320
Title IV, Part A, Safe and Drug Free Schools	84.186	13453	935,934
Title IV, Part B, 21st Century [1]	84.287	04349	997,579
Title V, Part A, Innovative Education	84.298A	04354	59,704
ESEA, Arts in Education	84.351C	[2]	194,709
Bilingual Education	84.290	00008	1
Total U.S. Department of Education			<u>4,785,620</u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
Passed through CDE:			
Medi-Cal Administrative Assistance [1]	93.778	10013	<u>560,826</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
Passed through CDE:			
Basic School Breakfast Program [1]	10.553	03525	3,290
Especially Needy Breakfast [1]	10.553	03526	315,576
National School Lunch [1]	10.555	03755	1,227,138
Meals Supplements - Snack [1]	10.555	[2]	65,943
Total U.S. Department of Agriculture			<u>1,611,947</u>
Total Expenditures of Federal Awards			<u>\$ 6,958,393</u>

[1] Major program under OMB Circular A-133 guidelines.

[2] Pass-Through Entity Identifying Number not available.

See accompanying note to supplementary information.

# HANFORD ELEMENTARY SCHOOL DISTRICT

## SCHEDULE OF AVERAGE DAILY ATTENDANCE FOR THE YEAR ENDED JUNE 30, 2004

	Second Period Report	Annual Report
ELEMENTARY		
Kindergarten	558	559
First through third	1,691	1,687
Fourth through sixth	1,713	1,713
Seventh and eighth	1,045	1,041
Opportunity schools	31	30
Home and hospital	6	8
Special education	76	77
Community day school	22	25
Total	5,142	5,140
		Hours of Attendance
SUMMER SCHOOL		
Elementary		8,236

See accompanying note to supplementary information.

## HANFORD ELEMENTARY SCHOOL DISTRICT

### SCHEDULE OF INSTRUCTIONAL TIME FOR THE YEAR ENDED JUNE 30, 2004

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Grade Level	1982-83	1986-87	2003-04	Number of Days		Status
	Actual Minutes	Minutes Requirement	Actual Minutes	Traditional Calendar	Multitrack Calendar	
Kindergarten	31,680	36,000	50,722	180	N/A	Complied
Grades 1 - 3	42,240	50,400	54,182	180	N/A	Complied
Grades 4 - 6	48,224	54,000	57,642	180	N/A	Complied
Grades 7 - 8	48,224	54,000	59,259	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, 2004

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Summarized below are the fund balance reconciliations between the Unaudited Actual Financial Report and the audited financial statements.

	<u>General Long- Term Debt</u>
LIABILITIES	
Balance, June 30, 2004, Unaudited Actuals	\$ 13,982,607
General Obligation Bonds Understated	140,859
Compensated Absences Understated	<u>(58,097)</u>
Balance, June 30, 2004, Audited Financial Statement	<u>\$ 14,065,369</u>

See accompanying note to supplementary information.

# HANFORD ELEMENTARY SCHOOL DISTRICT

## SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2004

	(Budget) 2005 <sup>1</sup>	2004	2003	2002
GENERAL FUND				
Revenues	\$ 38,141,852	\$ 37,205,890	\$ 37,552,547	\$ 35,775,977
Other sources and transfers in	-	82,199	-	-
Total Revenues and Other Sources	38,141,852	37,288,089	37,552,547	35,775,977
Expenditures	37,757,457	35,756,268	35,437,828	35,546,679
Other uses and transfers out	270,000	340,000	1,045,694	170,000
Total Expenditures and Other Uses	38,027,457	36,096,268	36,483,522	35,716,679
INCREASE (DECREASE) IN FUND BALANCE	\$ 114,395	\$ 1,191,821	\$ 1,069,025	\$ 59,298
ENDING FUND BALANCE	\$ 4,280,848	\$ 4,166,453	\$ 2,974,632	\$ 1,905,607
AVAILABLE RESERVES <sup>2</sup>	\$ 2,911,785	\$ 2,950,382	\$ 2,832,155	\$ 1,824,222
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO	7.66%	8.17%	7.76%	5.11%
LONG-TERM DEBT	Not Available	\$ 14,065,369	\$ 14,458,349	\$ 14,297,503
AVERAGE DAILY ATTENDANCE AT P-2	5,220	5,142	5,016	4,927

The General Fund balance has increased by \$2,260,846 over the past two years. The fiscal year 2004-05 budget projects a further increase of \$114,395 (2.7 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 all of the past three years and anticipates incurring an operating surplus during the 2004-05 fiscal year. Total long-term debt has decreased by \$232,134 over the past two years.

Average daily attendance has increased by 215 over the past two years. Additional growth of 78 ADA is anticipated during fiscal year 2004-05.

1 Budget 2005 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.



# HANFORD ELEMENTARY SCHOOL DISTRICT

## NON-MAJOR GOVERNMENTAL FUNDS

### COMBINING BALANCE SHEET

JUNE 30, 2004

	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Pupil Transportation Fund
<b>ASSETS</b>				
Deposits and investments	\$ 345	\$ 676,161	\$ 115,760	\$ 56,222
Receivables	44,065	423,356	165,333	-
Stores inventories	-	26,948	-	-
<b>Total Assets</b>	<b>\$ 44,410</b>	<b>\$ 1,126,465</b>	<b>\$ 281,093</b>	<b>\$ 56,222</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	947	54,130	-	-
Due to other funds	43,463	-	-	-
<b>Total Liabilities</b>	<b>44,410</b>	<b>54,130</b>	<b>-</b>	<b>-</b>
<b>Fund Balances:</b>				
Reserved for:				
Revolving cash	-	905	-	-
Stores inventories	-	26,948	-	-
Unreserved:				
Designated	-	457,000	-	-
Undesignated, reported in:				
Special revenue funds	-	587,482	281,093	56,222
Debt service funds	-	-	-	-
Capital projects funds	-	-	-	-
<b>Total Fund Balances</b>	<b>-</b>	<b>1,072,335</b>	<b>281,093</b>	<b>56,222</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 44,410</b>	<b>\$ 1,126,465</b>	<b>\$ 281,093</b>	<b>\$ 56,222</b>

See accompanying note to supplementary information.

<b>Building Fund</b>	<b>Capital Facilities Fund</b>	<b>County School Facilities Fund</b>	<b>Special Reserve Capital Fund</b>	<b>Bond Interest and Redemption Fund</b>	<b>Total Non-Major Governmental Funds</b>
\$ -	\$ 499,638	\$ 215,627	\$ 4,631	\$ 312,198	\$ 1,880,582
-	82,197	-	-	-	714,951
-	-	-	-	-	26,948
<u>\$ -</u>	<u>\$ 581,835</u>	<u>\$ 215,627</u>	<u>\$ 4,631</u>	<u>\$ 312,198</u>	<u>\$ 2,622,481</u>
-	175,866	83,085	4,631	-	318,659
-	-	-	-	-	43,463
<u>-</u>	<u>175,866</u>	<u>83,085</u>	<u>4,631</u>	<u>-</u>	<u>362,122</u>
-	-	-	-	-	905
-	-	-	-	-	26,948
-	-	-	-	-	457,000
-	-	-	-	-	924,797
-	-	-	-	312,198	312,198
-	405,969	132,542	-	-	538,511
<u>-</u>	<u>405,969</u>	<u>132,542</u>	<u>-</u>	<u>312,198</u>	<u>2,260,359</u>
<u>\$ -</u>	<u>\$ 581,835</u>	<u>\$ 215,627</u>	<u>\$ 4,631</u>	<u>\$ 312,198</u>	<u>\$ 2,622,481</u>

# HANFORD ELEMENTARY SCHOOL DISTRICT

## NON-MAJOR GOVERNMENTAL FUNDS COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE FOR THE YEAR ENDED JUNE 30, 2004

	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund
<b>REVENUES</b>			
Federal sources	\$ -	\$ 1,611,947	\$ -
Other state sources	229,578	98,220	224,143
Other local sources	532	376,736	4,776
<b>Total Revenues</b>	<b>230,110</b>	<b>2,086,903</b>	<b>228,919</b>
<b>EXPENDITURES</b>			
Current			
Instruction	191,537	-	-
Instruction-related activities:			
Supervision of instruction	5,707	-	-
School site administration	16,720	-	-
Pupil Services:			
Food services	-	1,758,216	-
General administration:			
All other general administration	16,146	99,019	-
Plant services	-	4,009	217,676
Facility acquisition and construction	-	13,758	-
Debt service			
Principal	-	-	-
Interest and other	-	-	-
<b>Total Expenditures</b>	<b>230,110</b>	<b>1,875,002</b>	<b>217,676</b>
<b>Excess (Deficiency) of</b>			
<b>Revenues Over Expenditures</b>	<b>-</b>	<b>211,901</b>	<b>11,243</b>
<b>Other Financing Sources (Uses):</b>			
Transfers in	-	-	240,000
Other sources	-	-	-
Transfers out	-	-	-
<b>Net Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>240,000</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>-</b>	<b>211,901</b>	<b>251,243</b>
<b>Fund Balance - Beginning</b>	<b>-</b>	<b>860,434</b>	<b>29,850</b>
<b>Fund Balance - Ending</b>	<b>\$ -</b>	<b>\$ 1,072,335</b>	<b>\$ 281,093</b>

See accompanying note to supplementary information.

<b>Pupil Transpiration Fund</b>	<b>Building Fund</b>	<b>Capital Facilities Fund</b>	<b>County School Facilities Fund</b>	<b>Special Reserve Capital Fund</b>	<b>Bond Interest and Redemption Fund</b>	<b>Total Non-Major Governmental Funds</b>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,611,947
-	-	-	217,401	-	28,691	798,033
329	424	681,164	4,394	19,745	827,025	1,915,125
329	424	681,164	221,795	19,745	855,716	4,325,105
-	-	-	-	-	-	191,537
-	-	-	-	-	-	5,707
-	-	-	-	-	-	16,720
-	-	-	-	-	-	1,758,216
-	-	8,099	-	-	-	123,264
-	-	-	10,000	-	-	231,685
-	424	834,757	361,157	328,669	-	1,538,765
-	-	70,422	-	-	5,029,603	5,100,025
-	-	31,147	-	-	746,071	777,218
-	424	944,425	371,157	328,669	5,775,674	9,743,137
329	-	(263,261)	(149,362)	(308,924)	(4,919,958)	(5,418,032)
50,000	-	-	-	50,000	-	340,000
-	-	-	-	-	4,791,991	4,791,991
-	-	-	-	(82,199)	-	(82,199)
50,000	-	-	-	(32,199)	4,791,991	5,049,792
50,329	-	(263,261)	(149,362)	(341,123)	(127,967)	(368,240)
5,893	-	669,230	281,904	341,123	440,165	2,628,599
\$ 56,222	\$ -	\$ 405,969	\$ 132,542	\$ -	\$ 312,198	\$ 2,260,359

# HANFORD ELEMENTARY SCHOOL DISTRICT

## NOTE TO SUPPLEMENTARY INFORMATION

JUNE 30, 2004

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### **NOTE 1 - PURPOSE OF SCHEDULES**

#### **A. Schedule of Expenditures of Federal Awards**

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

#### **B. 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 apportionment's 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.

#### **C. Schedule of Instructional Time**

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

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

#### **D. 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.

#### **E. 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.

#### **F. Combining Statements**

These statements provide information on the District's non-major funds.

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***INDEPENDENT AUDITORS' REPORTS***

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

Board of Trustees  
Hanford Elementary School District  
Hanford, California

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of and for the year ended June 30, 2004, and have issued our report thereon dated November 5, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Hanford Elementary School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Hanford Elementary School District's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Financial Statement Findings as items 2004-1 through 2004-4.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.



### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hanford Elementary School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying Schedule of Federal Award Findings as item 2004-5.

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

Vavrinek, Irine, Day & Co., LLP

Fresno, California  
November 5, 2004



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

Board of Trustees  
Hanford Elementary School District  
Hanford, California

Compliance

We have audited the compliance of Hanford Elementary School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for the year ended June 30, 2004. Hanford Elementary School District's major Federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of Hanford Elementary School District's management. Our responsibility is to express an opinion on Hanford Elementary School District's compliance based on our audit.

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

In our opinion, Hanford Elementary School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended June 30, 2004.

Internal Control Over Compliance

The management of Hanford Elementary School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered Hanford Elementary School District's internal control over compliance with requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major Federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

*Vavrinek, Urine, Day & Co., LLP*

Fresno, California  
November 5, 2004



## INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Trustees  
Hanford Elementary School District  
Hanford, California

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of and for the year ended June 30, 2004, and have issued our report thereon dated November 5, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial and compliance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State Controller's *Standards and Procedures for Audits of California K-12 Local Educational Agencies*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

	Procedures in Controller's Audit Guide	Procedures Performed
Attendance accounting		
Attendance reporting	6	Yes
Kindergarten continuance	3	Yes
Independent study	22	No (see below)
Continuation education	10	Not Applicable
Adult education	9	Not Applicable
Regional occupational centers and programs	6	Not Applicable
Instructional time and staff development reform program	7	Yes
Instructional Time:		
School districts	4	Yes
County Offices of Education	3	Not Applicable
Community day schools	9	Not Applicable

	Procedures in Controller's Audit Guide	Procedures Performed
Class size reduction program:		
General requirements	7	Yes
Option one classes	3	Yes
Option two classes	4	Not Applicable
District or charter schools with only one school servicing K-3	4	Not Applicable
Instructional Materials:		
General requirements	9	Yes
K-8 only	1	Yes
9-12 only	1	Not Applicable
Ratios of Administrative Employees to Teachers	1	Yes
Early retirement incentive	4	Not Applicable
GANN limit calculation	1	Yes
Office of Criminal Justice Planning	-	Not Applicable

We did not perform testing for Independent Study because the ADA earned was below the minimum required State testing level.

Based on our audit, we found that for the items tested, the Hanford Elementary School District complied with the State laws and regulations referred to above. Further, based on our audit, for items not tested, nothing came to our attention to indicate that the Hanford Elementary School District had not complied with the laws and regulations.

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

*Vavrinek, Urine, Day & Co., LLP*

Fresno, California  
November 5, 2004

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

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# HANFORD ELEMENTARY SCHOOL DISTRICT

## SUMMARY OF AUDITORS' RESULTS FOR THE YEAR ENDED JUNE 30, 2004

### FINANCIAL STATEMENTS

Type of auditors' report issued:	<u>Unqualified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>No</u>
Reporting conditions identified not considered to be material weaknesses?	<u>Yes</u>
Noncompliance material to financial statements noted?	<u>No</u>

### FEDERAL AWARDS

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

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>84.010</u>	<u>Title I</u>
<u>84.287</u>	<u>Title IV, 21st Century</u>
<u>93.778</u>	<u>Medi-Cal Administrative Assistance</u>
<u>10.553, 10.555</u>	<u>Department of Agriculture Cluster</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 300,000</u>
Auditee qualified as low-risk auditee?	<u>No</u>

### STATE AWARDS

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



# HANFORD ELEMENTARY SCHOOL DISTRICT

## FINANCIAL STATEMENT FINDINGS FOR THE YEAR ENDED JUNE 30, 2004

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The following findings represent reportable conditions related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*. The findings have been coded as follows:

<u>Five Digit Code</u>	<u>AB 3627 Finding Type</u>
20000	Inventory of Equipment
30000	Internal Control

2004-1      20000

### ***Property, Plant and Equipment***

#### Finding

Although the District has established a fixed assets inventory listing, the listing has not been properly updated for retirements for assets valued between \$500 and \$5,000 due to the implementation of a new software program and lack of staff to perform physical inventories to update the system. We understand that the District will be performing physical inventories to validate the asset inventory system..

#### Recommendation

We recommend that the District perform physical inventories to properly update the computer inventory.

#### District Response

Additional staff has been added. The District will start physical inventories during 2004-05.

2004-2      30000

### ***Site Cash Collections***

#### Finding

The District is not aware of how much money they should be receiving from each site as no prenumbered form or receipt is issued by the site and forwarded as backup to the District office.

# HANFORD ELEMENTARY SCHOOL DISTRICT

## FINANCIAL STATEMENT FINDINGS FOR THE YEAR ENDED JUNE 30, 2004

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### Recommendation

It is important that each site keeps track of the money being sent to the District office and that the District office is always aware of the money they should be receiving (i.e. use of pre-numbered receipts). The site should use prenumbered receipts that would be issued by site personnel immediately upon receiving payment from a parent. The site should use the prenumbered receipts issued since the previous deposit to balance the cash on hand at the time of the current deposit to ensure no funds were misplaced, lost, or stolen. A carbon of the receipts issued should be forwarded to the District office along with the cash to prove all monies received at the site were forwarded to the District office.

### District Response

Sites will start issuing pre-numbered receipts.

**2004-3     30000**

### *Cash Collections – District Office*

#### Finding

The District does not immediately log or receipt all funds when received.

#### Recommendation

It is important that the District restrictively endorses all checks received and log or receipt all cash in their office, until it is ready to be deposited. Although most times when cash is actually received, the person in charge will in turn issue a receipt, it is sporadically practiced at the District. By keeping a log of all cash and checks received, the District will be able to identify any missing cash and/or checks when making their weekly deposit.

#### District Response

The District has implemented this procedure.

**2004-4     30000**

### *Associated Student Body*

#### *John F. Kennedy Junior High*

#### Finding

Prenumbered subreceipts are not used to account for cash collections and therefore, there is no reconciliation between issued receipts and bank deposits.

# **HANFORD ELEMENTARY SCHOOL DISTRICT**

## **FINANCIAL STATEMENT FINDINGS FOR THE YEAR ENDED JUNE 30, 2004**

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### Recommendation

Prenumbered subreceipts should be issued for all cash collections by teacher, advisors and the site bookkeeper, which would include a specific description of the source of the funds. A carbon of the receipts issued by the teachers and advisors should be forwarded with the cash to the bookkeeper as documentation that all monies collected have been turned in. The receipts issued to teachers and advisors from the bookkeeper should be totaled and reconciled to the current bank deposit.

Obviously, a system to mark the last receipt, which corresponds to a deposit, must be started in order to know which receipts are related to the current bank deposit. The basic premise of a cash receipts system is that the receipts are written at the time the cash is collected and not at the time the deposit is being made. If the receipts are written at this time, the bookkeeper would have no way of knowing if money is misplaced or has been stolen.

### District Response

The District will implement this procedure.

## **HANFORD ELEMENTARY SCHOOL DISTRICT**

### **FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2004**

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There were no findings representing reportable conditions, material weaknesses, nor instances of noncompliance including questioned costs that were required to be reported by OMB Circular A-133.

## **HANFORD ELEMENTARY SCHOOL DISTRICT**

### **STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2004**

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There were no findings representing instances of noncompliance nor questioned costs relating to State program laws and regulations.

# **HANFORD ELEMENTARY SCHOOL DISTRICT**

## **SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2004**

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Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's schedule of financial statement findings.

### **Financial Statement Findings**

**2003-1    20000**

#### ***Property, Plant and Equipment***

##### **Finding**

Although the District has established a fixed assets inventory listing, the listing has not been properly updated for current asset additions and retirements for assets valued between \$500 and understand that the District will be placing their fixed assets inventory listing on a new computer system for assets valued between \$500 and \$5,000.

##### **Recommendation**

We recommend that the District manually update their computerized fixed asset inventory listings for additions and deletions until such time that they place the fixed asset listings for assets valued between \$500 and \$5,000 on the new computer system.

##### **Current Status**

Partially implemented. See current year findings and recommendations.