

HANFORD ELEMENTARY SCHOOL DISTRICT

COUNTY OF KINGS  
HANFORD, CALIFORNIA

FINANCIAL STATEMENTS

JUNE 30, 2003

TOGETHER WITH AUDITOR'S REPORT

HANFORD ELEMENTARY SCHOOL DISTRICT

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## INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

To the Board of Trustees  
Hanford Elementary School District  
Hanford, California:

We have audited the accompanying financial statements of governmental activities, business-type activities, and each major fund of the HANFORD ELEMENTARY SCHOOL DISTRICT, as of and for the year ended June 30, 2003, which collectively comprise the District's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Hanford Elementary School District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in the following paragraphs, 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 of America. 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 the 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.

Lack of certain internal control procedures and supporting records limited our scope to expressing an opinion on the recorded transactions of the Student Body Funds (See Note 11).

The Hanford Elementary School District maintained a self-insured dental insurance program. Our examination was limited in that we did not examine the claims paid by the program administrator. Therefore, we do not express an opinion on the accompanying financial statements pertaining to the Self-Insurance Fund.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to audit the activity of the Student Body Fund and had we audited the claims paid by the Self-Insurance Fund, as explained in the preceding paragraphs, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Hanford Elementary School District as of June 30, 2003, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 3 through 11 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, consisting 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.

In accordance with Government Auditing Standards, we have also issued our report dated January 30, 2004 on our consideration of the Hanford Elementary School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

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

*Diane M. Augusto*  
January 30, 2004.

**HANFORD ELEMENTARY SCHOOL DISTRICT  
KINGS COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

**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, 2003. 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 2002-03 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 5293 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 \$14,255,313 the result of assets of \$36,064,228 minus liabilities of \$21,808,915.
- General Revenues accounted for \$29,178,475 in revenue or 72% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$11,522,591 or 28% of total revenues of \$40,701,066

- The District had \$39,381,357 in expenses related to governmental activities.
- The General Fund reported a positive fund balance of \$2,974,632.

### STUDENT ENROLLMENT & DEMOGRAPHIC TRENDS

- The School District has an enrollment of approximately 5293 students for the current 2002-03 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 2003-2004 ADA for the District is 5115. 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.

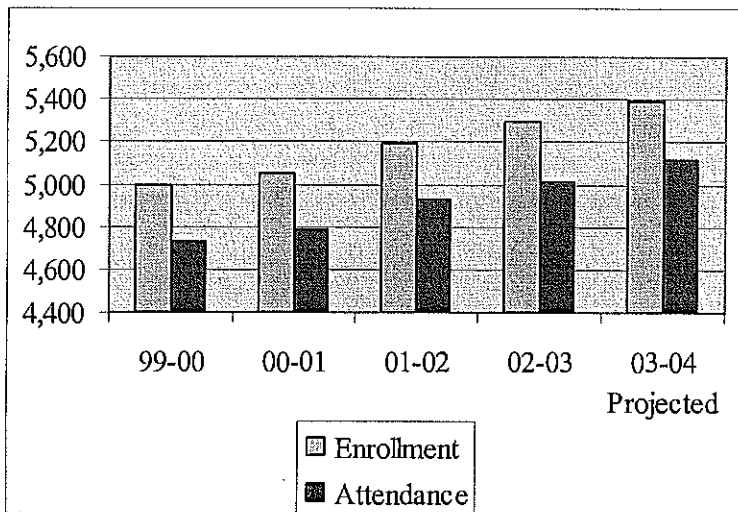


Figure 1. District Enrollment to Actual Attendance Ratios

- 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 2002-2003 the School District revenue Limit amount is approximately \$4,600.62), to how much a particular special program will receive, to the amount of one-time monies a district may receive. Increased ADA is intended to generate additional dollars to help offset normal inflationary costs of operating the business of education, and related growth cost for the additional enrollment.



## REPORTING THE DISTRICT AS A WHOLE

- THE STATEMENT OF NET ASSETS AND STATEMENT OF ACTIVITIES

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

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

- FUND FINANCIAL STATEMENTS

The fund financial statements provide detailed information about the most significant funds, not the District as a whole. Some funds are required to be established by State 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 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 provide 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 2002-2003.

**Table 1. Net Assets**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>School District Activities</b>
Current and other Assets	\$ 13,361,030		\$ 13,361,030
Capital Assets	22,703,198		22,703,198
<b>Total Assets</b>	<b>\$ 36,064,228</b>	<b>\$ -</b>	<b>\$ 36,064,228</b>
Current Liabilities	\$ 8,047,535		\$ 8,047,535
Long-Term Debt	13,761,380		13,761,380
<b>Total Liabilities</b>	<b>\$ 21,808,915</b>	<b>\$ -</b>	<b>\$ 21,808,915</b>
<b>Net Assets</b>			
Invested in Capital Assets, Net of related debt	\$ 8,499,227		\$ 8,499,227
Restricted	1,356,555		1,356,555
Unrestricted	4,399,531		4,399,531
<b>Total Net Assets</b>	<b>\$ 14,255,313</b>	<b>\$ -</b>	<b>\$ 14,255,313</b>

Table 2 shows the changes in net assets for fiscal year 2002-2003. Since this is the first year the District has prepared financial statements following GASB Statement No. 34, revenue and expense comparisons to 2001-2002 are not available.

**Table 2.**  
**Changes in Net Assets**

	<b>Governmental Activities</b>	<b>Business- Type Activities</b>	<b>School District Activities</b>
<b>Revenues</b>			
<i>Program Revenues</i>			
Charges for Services	\$ 417,167	\$ -	\$ 417,167
Operating Grants & Contributions	11,105,424	-	11,105,424
Capital Grants & Contributions	-	-	-
<i>General Revenues</i>			
State Revenue Limit Sources	23,539,719	-	23,539,719
Property Taxes	4,608,274	-	4,608,274
Other General Revenues	1,030,482	-	1,030,482
<b>Total Revenues</b>	<b>\$ 40,701,066</b>	<b>\$ -</b>	<b>\$ 40,701,066</b>
<b>Expenses</b>			
Instruction Related	\$ 26,170,138	\$ -	\$ 26,170,138
Student Support Services	3,970,809	-	3,970,809
Administration	2,919,770	-	2,919,770
Maintenance & Operations	5,432,084	-	5,432,084
Other	888,556	-	888,556
<b>Total Expenses</b>	<b>\$ 39,381,357</b>	<b>\$ -</b>	<b>\$ 39,381,357</b>
<b>Change in Net Assets</b>	<b>\$ 1,319,709</b>	<b>\$ -</b>	<b>\$ 1,319,709</b>

### 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.

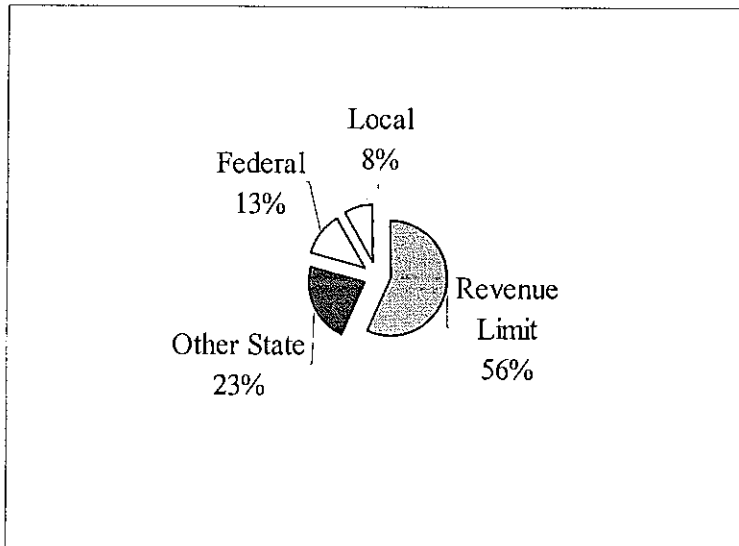


Figure 2. Revenues by Source

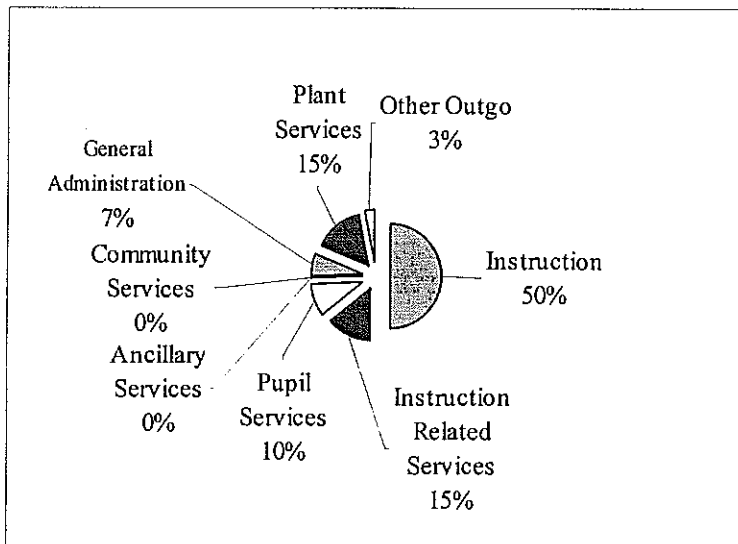


Figure 3. Expenditures by Function

### 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.

The net difference in fund balance between the final budget and the actual budget was an increase of \$263,828 and may be summarized as follows:

\$3,670,326	increase in total revenue
<u>3,406,498</u>	increase in total expenditures
\$ 263,828	increase in fund balance

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### CAPITAL ASSETS

At the end of the fiscal year 2002-2003, the District had \$22,703,198 invested in land, buildings, equipment, and construction in progress. Table 3 shows fiscal year 2002-2003 balances.

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

	Governmental Activities	Business-Type Activities	School District Activities
Land	\$ 1,431,815	\$ -	\$ 1,431,815
Buildings & Improvements	19,532,237	-	19,532,237
Equipment	744,302	-	744,302
Construction in Progress	994,844	-	994,844
<b>Totals</b>	<b>\$ 22,703,198</b>	<b>\$ -</b>	<b>\$ 22,703,198</b>

*This year's major additions included:*

Administration/Library - Roosevelt School	\$ 677,785
Total	<u>\$ 677,785</u>

*Work in Progress included:*

HVAC Replacement - Lincoln School	\$ 144,030
Administration/Library - Richmond School	565,616
Land - Northeast School Site	<u>69,272</u>
Total	<u>\$ 778,918</u>

### DEBT

At June 30, 2003, the District had \$14,458,350 in debt outstanding. Table 4 summarizes these debts.

**Table 4. Outstanding Debt at Year-end**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>School District Activities</b>
General Obligation Bonds	\$ 13,287,582	\$ -	\$ 13,287,582
Revenue Bonds	-	-	-
Certificates of Participation	-	-	-
Capitalized Lease Obligations	916,390	-	916,390
Other	254,378	\$ -	254,378
<b>Total</b>	<b>\$ 14,458,350</b>	<b>\$ -</b>	<b>\$ 14,458,350</b>

*This year's major changes included:*

Issued new Capital Lease \$ 835,000

*Next year's major changes include:*

Nothing planned right now \$ -

**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.

HANFORD ELEMENTARY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
AS OF JUNE 30, 2003

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	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS-TYPE ACTIVITIES</u>	<u>TOTAL</u>
<b>ASSETS</b>			
Cash in County Treasury (Note 2 )	\$ 4,848,111	\$ -	\$ 4,848,111
Cash on Hand and in Banks (Note 2)	255	-	255
Cash in Revolving Fund (Note 2 )	5,955	-	5,955
Cash with Fiscal Agent (Note 2 )	3,922,006	-	3,922,006
Accounts Receivable (Note 4 )	4,177,159	-	4,177,159
Due from Other Funds (Note 5)	-	-	-
Stores Inventories	164,537	-	164,537
Prepaid Expenses	243,007	-	243,007
Land (Note 6 )	1,431,815	-	1,431,815
Buildings and Improvements (Note 6)	29,049,431	-	29,049,431
Equipment (Note 6)	2,606,107	-	2,606,107
Work in Progress (Note 6)	994,844	-	994,844
Less Accumulated Depreciation (Note 6)	<u>(11,378,999)</u>	<u>-</u>	<u>(11,378,999)</u>
<b>Total Assets</b>	<u>\$ 36,064,228</u>	<u>\$ -</u>	<u>\$ 36,064,228</u>
<b>LIABILITIES</b>			
Accounts Payable	\$ 2,921,132	\$ -	\$ 2,921,132
Due to Other Funds (Note 5)	-	-	-
Deferred Revenue (Note 1)	549,434	-	549,434
Tax Revenue Anticipation Notes (Note 7)	3,880,000	-	3,880,000
<b>Long-term Liabilities:</b>			
<b>Due within One Year:</b>			
Capital Leases	96,140	-	96,140
General Obligation Bonds Payable (Note 9)	379,603	-	379,603
Compensated Absences Payable (Note 10)	<u>221,226</u>	<u>-</u>	<u>221,226</u>
<b>Total Due within One year</b>	<u>696,969</u>	<u>-</u>	<u>696,969</u>
<b>Due after One Year:</b>			
Capital Leases	820,249	-	820,249
General Obligation Bonds Payable	12,907,979	-	12,907,979
Compensated Absences Payable	<u>33,152</u>	<u>-</u>	<u>33,152</u>
<b>Total Due after One Year</b>	<u>13,761,380</u>	<u>-</u>	<u>13,761,380</u>
<b>Total Liabilities</b>	<u>\$ 21,808,915</u>	<u>\$ -</u>	<u>\$ 21,808,915</u>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	\$ 8,499,227	\$ -	\$ 8,499,227
<b>Restricted for:</b>			
Capital Projects	916,390	-	916,390
Debt Service	440,165	-	440,165
Unrestricted	<u>4,399,531</u>	<u>-</u>	<u>4,399,531</u>
<b>Total Net Assets</b>	<u>\$ 14,255,313</u>	<u>\$ -</u>	<u>\$ 14,255,313</u>

The notes to the financial statements are an integral part of this statement.



HANFORD ELEMENTARY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
AS OF JUNE 30, 2003

	<u>EXPENSES</u>	<u>PROGRAM CHARGES FOR SERVICES</u>
<b>GOVERNMENTAL ACTIVITIES</b>		
Instruction	\$ 20,193,176	\$ 3,148
Instruction-Related Services:		
Supervision of Instruction	2,011,446	8,680
Instructional Library, Media and Technology	349,925	-
School Site Administration	3,615,591	45
Pupil Services:		
Home-to-School Transportation	535,252	-
Food Services	1,594,364	385,832
All Other Pupil Services	1,841,193	10
General Administration:		
Data Processing	251,691	-
All Other General Administration	2,668,079	19,452
Plant Services	5,432,084	-
Ancillary Services	125,040	-
Community Services	155	-
Enterprise Activities	-	-
Interest on Long-term Debt	672,358	-
Other Outgo	91,003	-
Depreciation (Unallocated)	-	-
	<u>                    </u>	<u>                    </u>
Total Governmental Activities	\$ 39,381,357	\$ 417,167
<b>BUSINESS-TYPE ACTIVITIES</b>		
Food Service	\$ -	\$ -
Enterprise Activities	-	-
General Administration	-	-
Plant Services	-	-
Other Outgo	-	-
	<u>                    </u>	<u>                    </u>
Total Business-type Activities	\$ -	\$ -
<b>GENERAL REVENUES:</b>		
Taxes and Subventions:		
Taxes Levied for General Purposes		
Taxes Levied for Debt Service		
Taxes Levied for Other Specific Purposes		
Federal and State Aid Not Restricted to Specific Purposes		
Interest and Investment Earnings		
Miscellaneous		
Total General Revenues		
Change in Net Assets		
Net Assets Beginning		
Net Assets Ending		

The notes to the financial statements

<u>REVENUES</u>		<u>NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS</u>		
<u>OPERATING GRANTS AND CONTRIBUTIONS</u>	<u>CAPITAL GRANTS AND CONTRIBUTIONS</u>	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS-TYPE ACTIVITIES</u>	<u>TOTAL</u>
\$ 4,615,737	\$ -	\$ (15,574,291)	\$ -	\$ (15,574,291)
1,025,330	-	(977,436)	-	(977,436)
70,664	-	(279,261)	-	(279,261)
529,173	-	(3,086,373)	-	(3,086,373)
547,153	-	11,901	-	11,901
1,792,860	-	584,328	-	584,328
1,032,582	-	(808,601)	-	(808,601)
10,106	-	(241,585)	-	(241,585)
1,045,820	-	(1,602,807)	-	(1,602,807)
425,404	-	(5,006,680)	-	(5,006,680)
-	-	(125,040)	-	(125,040)
-	-	(155)	-	(155)
-	-	-	-	-
-	-	(672,358)	-	(672,358)
10,595	-	(80,408)	-	(80,408)
-	-	-	-	-
<u>\$ 11,105,424</u>	<u>\$ -</u>	<u>(27,858,766)</u>	<u>-</u>	<u>(27,858,766)</u>
\$ -	\$ -	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
		3,566,081	-	3,566,081
		1,042,193	-	1,042,193
		-	-	-
		23,539,719	-	23,539,719
		262,018	-	262,018
		<u>768,464</u>	<u>-</u>	<u>768,464</u>
		<u>\$ 29,178,475</u>	<u>\$ -</u>	<u>29,178,475</u>
				1,319,709
				<u>12,935,604</u>
				<u>\$ 14,255,313</u>

are an integral part of this statement.

HANFORD ELEMENTARY SCHOOL DISTRICT  
BALANCE SHEET-  
GOVERNMENTAL FUNDS  
JUNE 30, 2003

	<u>GENERAL</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<b><u>ASSETS</u></b>			
Cash in County Treasury (Note 2)	\$ 2,457,867	\$ 2,296,933	\$ 4,754,800
Cash on Hand and in Banks (Note 2)	-	255	255
Cash in Revolving Fund (Note 2)	5,050	905	5,955
Cash with Fiscal Agent (Note 2)	3,915,006	-	3,915,006
Accounts Receivable-			
Federal Government (Note 4)	573,544	250,619	824,163
State Government (Note 4)	2,732,066	33,855	2,765,921
Other (Note 4)	252,999	332,108	585,107
Due from Other Funds (Note 5)	81,197	-	81,197
Prepaid Expenditures	597	-	597
Stores Inventory	<u>136,830</u>	<u>27,707</u>	<u>164,537</u>
<b>Total Assets</b>	<b><u>\$ 10,155,156</u></b>	<b><u>\$ 2,942,382</u></b>	<b><u>\$ 13,097,538</u></b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>			
<b>LIABILITIES:</b>			
Accounts Payable and Accrued Payroll	\$ 2,410,354	\$ 235,696	\$ 2,646,050
Deferred Revenue	549,434	-	549,434
Tax Revenue Anticipation Notes (Note 7)	3,880,000	-	3,880,000
Interest Payable - TRANS	116,400	-	116,400
Due to Other Funds (Note 5)	3,110	78,087	81,197
Compensated Absences	<u>221,226</u>	<u>-</u>	<u>221,226</u>
<b>Total Liabilities</b>	<b><u>7,180,524</u></b>	<b><u>313,783</u></b>	<b><u>7,494,307</u></b>
<b>FUND BALANCES:</b>			
Reserved for Revolving Fund	5,050	905	5,955
Reserved for Prepaid Expenditures	597	-	597
Reserved for Stores Inventory	136,830	27,707	164,537
Reserved for Debt Service	-	440,165	440,165
Designated for Equipment Replacement	-	157,000	157,000
Designated for Economic Uncertainties	1,368,000	-	1,368,000
Unreserved - Undesignated, Reported In,			
General Fund	1,464,155	-	1,464,155
Special Revenue Funds	-	704,672	704,672
Capital Projects Funds	<u>-</u>	<u>1,298,150</u>	<u>1,298,150</u>
<b>Total Fund Balances</b>	<b><u>2,974,632</u></b>	<b><u>2,628,599</u></b>	<b><u>5,603,231</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 10,155,156</u></b>	<b><u>\$ 2,942,382</u></b>	<b><u>\$ 13,097,538</u></b>

The notes to the financial statements are an integral part of this statement.

HANFORD ELEMENTARY SCHOOL DISTRICT  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
 TO THE STATEMENT OF NET ASSETS  
 YEAR ENDED JUNE 30, 2003

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Total fund balances, governmental funds: \$ 5,603,231

Amounts reported for assets and liabilities for governmental activities in the statement of net assets are different from amounts reported in governmental funds because:

In governmental funds, only current assets are reported. In the statement of net assets, all assets are reported, including capital assets and accumulated depreciation. The historical acquisition cost of the assets is \$34,082,197 and the accumulated depreciation is \$11,378,999. Net: 22,703,198

In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the government-wide statements, debt issue costs are amortized over the life of the debt. Unamortized debt issue costs included in prepaid expense on the statement of net assets are: 242,410

In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmatured interest owing at June 30, 2003 was: (57,886)

In governmental funds, only current liabilities are reported. In the statement of net assets, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:

General obligation bonds payable	\$ 13,287,582	
Compensated absences payable	254,378	
Capital leases payable	<u>916,390</u>	
Total		(14,458,350)

Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost recovery basis. Because internal service funds are presumed to operate for the benefit of governmental activities, assets and liabilities of internal service funds are reported with governmental activities in the statement of net assets.

Net assets for internal service funds are: 1,484  
 Employee Benefits 221,226

Total net assets, governmental activities: \$ 14,255,313

HANFORD ELEMENTARY SCHOOL DISTRICT  
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2003

	GENERAL	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>REVENUE:</b>			
Revenue Limit Sources-			
State Apportionments	\$19,296,793	\$ -	\$ 19,296,793
Local Sources	4,126,489	-	4,126,489
Federal Revenue	3,788,531	1,480,260	5,268,791
Other State Revenue	8,379,830	383,948	8,763,778
State On-behalf Payments (Note 17 )	752,454	-	752,454
Other Local Revenue	<u>373,450</u>	<u>2,119,312</u>	<u>2,492,762</u>
Total Revenue	<u>36,717,547</u>	<u>3,983,520</u>	<u>40,701,067</u>
<b>EXPENDITURES:</b>			
Instruction	19,924,977	196,815	20,121,792
Supervision of Instruction	1,998,883	5,654	2,004,537
Instructional Library, Media and Technology	349,521	-	349,521
School Administration	3,604,212	18,847	3,623,059
Home to School Transportation	488,208	-	488,208
Food Services	3,235	1,596,474	1,599,709
All Other Pupil Services	1,838,929	-	1,838,929
Data Processing Services	250,169	-	250,169
All Other General Administration	2,491,906	99,225	2,591,131
Plant Services	3,933,000	396,308	4,329,308
Facility Acquisition and Construction	174,202	1,686,472	1,860,674
Ancillary Services	125,040	-	125,040
Community Services	155	-	155
Other Outgo	219,267	-	219,267
Debt Service -			
Principal Retirement	24,399	436,198	460,597
Interest	<u>11,725</u>	<u>654,591</u>	<u>666,316</u>
Total Expenditures	<u>35,437,828</u>	<u>5,090,584</u>	<u>40,528,412</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES</b>	<u>1,279,719</u>	<u>(1,107,064)</u>	<u>172,655</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Operating Transfers In (Note 5)	-	1,156,719	1,156,719
Proceeds from Capital Leases	835,000	-	835,000
Operating Transfers Out (Note 5)	<u>(1,045,694)</u>	<u>(111,025)</u>	<u>(1,156,719)</u>
Total Other Financing Sources (Uses)	<u>(210,694)</u>	<u>1,045,694</u>	<u>835,000</u>
<b>EXCESS (DEFICIENCY) OF REVENUE AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	1,069,025	(61,370)	1,007,655
FUND BALANCES - JULY 1, 2002	<u>1,905,607</u>	<u>2,689,969</u>	<u>4,595,576</u>
FUND BALANCES - JUNE 30, 2003	<u>\$ 2,974,632</u>	<u>\$ 2,628,599</u>	<u>\$ 5,603,231</u>

The notes to the financial statements are an integral part of this statement.

HANFORD ELEMENTARY SCHOOL DISTRICT  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,  
 EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
 YEAR ENDED JUNE 30, 2003

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Total change in fund balances, governmental funds:	\$ 1,007,655
<p>Amounts reported for governmental activities in the statement of activities are different from amounts reported in governmental funds because:</p>	
<p>In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures of \$1,405,677 and depreciation expense of \$843,209 for the period is:</p>	562,468
<p>In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were:</p>	460,596
<p>In governmental funds, proceeds from debt are recognized as Other Financing Sources. In the government-wide statements, proceeds from debt are reported as increases to liabilities. Amounts recognized in governmental funds as proceeds from capital leases were:</p>	(835,000)
<p>In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the government-wide statements, issue costs are amortized over the life of the debt. The difference between debt issue costs recognized in the current period and issue costs amortized for the period is:</p>	128,264
<p>In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period that it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period, was:</p>	625
<p>In governmental funds, compensated absences are measured by the amount paid during the period. In the statement of activities, compensated absences are measured by the amounts earned. The difference between compensated absences paid and compensated absences earned was:</p>	38,425
<p>In governmental funds, if debt is issued at a premium or at a discount, the premium or discount is recognized as an Other Financing Source or an Other Financing Use in the period it is incurred. In the government-wide statements, the premium or discount is amortized as interest over the life of the debt. Amortization of premium or discount for the period is:</p>	(6,667)
<p>Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to operate for the benefit of governmental activities, net revenues of internal service funds resulting from transactions with external parties are reported with governmental activities in the statement of activities. Net revenues of internal service funds from transactions with external parties were:</p>	<u>(36,657)</u>
Change in net assets of governmental activities	<u>\$ 1,319,709</u>

HANFORD ELEMENTARY SCHOOL DISTRICT  
 STATEMENT OF FUND NET ASSETS  
 PROPRIETARY FUND  
 JUNE 30, 2003

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		GOVERNMENTAL ACTIVITIES:
<u>ASSETS</u>		<u>INTERNAL SERVICE FUND</u>
		<u>SELF INSURANCE</u>
		<u>EMPLOYEE BENEFITS FUND</u>
Cash in County Treasury	\$	93,311
Cash with Fiscal Agent		7,000
Accounts Receivable - Other		<u>1,968</u>
Total Assets		<u>102,279</u>
 <u>LIABILITIES</u> 		
Accounts Payable		4,598
Medical and Dental Claims		<u>96,196</u>
Total Liabilities		<u>100,794</u>
 <u>NET ASSETS</u> 		
Net Assets - Unrestricted	\$	<u><u>1,485</u></u>

The notes to the financial statements are an integral part of this statement.

HANFORD ELEMENTARY SCHOOL DISTRICT  
 STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND NET ASSETS  
 PROPRIETARY FUND  
 YEAR ENDED JUNE 30, 2003

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	GOVERNMENTAL ACTIVITIES: <u>INTERNAL SERVICE FUND</u>
	<u>SELF INSURANCE EMPLOYEE BENEFITS FUND</u>
OPERATING REVENUE:	
Self Insurance Premiums	\$ 313,437
Other	<u>15,000</u>
Total Operating Revenue	<u>328,437</u>
OPERATING EXPENSES:	
Payment for Dental Insurance Claims	345,484
Administration Fees	<u>21,438</u>
Total Operating Expenses	<u>366,922</u>
OPERATING LOSS	(38,485)
NON-OPERATING INCOME:	
Interest Income	<u>1,829</u>
CHANGE IN NET ASSETS	(36,656)
TOTAL NET ASSETS - JULY 1, 2002	<u>38,141</u>
TOTAL NET ASSETS - JUNE 30, 2003	<u>\$ 1,485</u>

The notes to the financial statements are an integral part of this statement.



HANFORD ELEMENTARY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
JUNE 30, 2003

		<u>GOVERNMENTAL ACTIVITIES:</u> <u>INTERNAL SERVICE FUND</u> SELF-INSURANCE <u>EMPLOYEE BENEFITS FUND</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received From Premiums and Other	\$	327,872
Cash Paid for Claims and Other Operating Expenses		<u>(359,841)</u>
NET CASH USED BY OPERATING ACTIVITIES		(31,969)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest Income		<u>1,829</u>
DECREASE IN CASH		(30,140)
CASH - JULY 1, 2002		<u>130,451</u>
CASH - JUNE 30, 2003	\$	<u><u>100,311</u></u>
<u>RECONCILIATION OF OPERATING LOSS TO</u> <u>NET CASH USED BY OPERATING ACTIVITIES</u>		
OPERATING LOSS	\$	(38,485)
ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:		
Increase in Accounts Receivable		(564)
Increase in Accounts Payable		<u>7,080</u>
NET CASH USED BY OPERATING ACTIVITIES	\$	<u><u>(31,969)</u></u>

The note to the financial statements are an integral part of this statement.

HANFORD ELEMENTARY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2003

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<u>ASSETS</u>	<u>WOODROW WILSON STUDENT BODY FUND</u>	<u>JOHN F. KENNEDY STUDENT BODY FUND</u>	<u>TOTAL</u>
Cash in Banks	\$ <u>9,555</u>	\$ <u>2,271</u>	\$ <u>11,826</u>
 <u>LIABILITIES</u>			
Due to Student Groups	\$ <u>9,555</u>	\$ <u>2,271</u>	\$ <u>11,826</u>

The note to the financial statements are an integral part of this statement.

HANFORD ELEMENTARY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-

- a. Accounting Policies - The District accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's California School Accounting Manual. The accounting policies of the District conform to generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants.
- b. Reporting Entity - The District is the level of government primarily accountable for activities related to public education. The governing authority consists of five elected officials who together, constitute the Board of Trustees.

The Hanford Elementary School District (the District) does not have any financial or operational relationship with other related activities, organizations or functions of government which should be included in the financial reporting of the District as required by GASB Statement No. 14, The Financial Reporting Entity.

- c. Implementation of New accounting Pronouncements - For the year ended June 30, 2003, the District was required to adopt GASB Statement No. 34 (GASB 34), *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, GASB Statement No. 37 (GASB 37), *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus*, GASB Statement No. 38 (GASB 38), *Certain Financial Statement Note Disclosures*, and GASB Statement No. 39 (GASB 39), *Determining Whether Certain Organizations are Component Units*. GASB 34 significantly changes the way state and local governments report their financial information to the public. As a result of GASB 34, state and local governments are required to report financial information using both fund-based and government-wide financial statement presentations. Fund-based statements continue to use the modified accrual basis of accounting, but the government-wide statement uses full accrual basis of accounting. In addition to the change in the financial statement presentation, GASB 34 requires the reporting of capital assets and long-term obligations on the government-wide financial statements. The preparation of a Management Discussion and Analysis to clarify the district's financial activities is also required by GASB 34. Furthermore, the district's notes to the financial statements incorporate modifications as required under GASB 38. The effect of implementing GASB 34 resulted in a conversion of fund balance to net assets for an increase of \$8,301,887, for net asset balance of \$12,935,604 at June 30, 2003 on the government-wide financial statements.

- d. Basis of Presentation -

*Government-wide Financial Statements:*

*The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the district and its component units. Internal Service Fund activity is eliminated to avoid doubling revenues and expenses.*

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund and fiduciary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the district's governmental activities. 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 goods or services offered by a program, as well as grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the district, with certain exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the district.

#### Fund Financial Statements:

Fund financial statements report detailed information about the district. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major governmental fund is presented in a separate column, and all non-major funds are aggregated into one column. The Internal Service Fund is presented on the proprietary fund statements. Fiduciary funds are reported by fund type.

The accounting and financial treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances for these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the proprietary fund's Statement of Fund Net Assets. The Statement of Revenues, Expenses, and Changes in Fund Net Assets for proprietary funds presents increases (i.e., revenues) and decreases (i.e., expenditures) 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 activities.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the internal service fund are charges to other funds for self-insurance costs. Operating expenses for internal service funds include the costs of insurance premiums and claims related to self-insurance.

Fiduciary funds are reported using the economic resources measurement focus.

- e. Basis of Accounting -Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds use the accrual basis of accounting.

Revenue - Exchange and Non-Exchange Transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under 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 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 collectible within the current period or within 60 days after year-end.

Non-exchange transactions, in which the district receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and entitlement is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the district must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the district on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Deferred Revenue:

Deferred revenue arises when assets are received before revenue recognition criteria have been satisfied. Grants and entitlement received before eligibility requirements are met are recorded as deferred revenue. On governmental fund financial statements, receivables associated with non-exchange transactions that will not be collected within the availability period have also been recorded as deferred revenue.

Expenses/Expenditures:

On the accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

When both restricted and unrestricted resources are available for use, it is the district's policy to use restricted resources first, then unrestricted resources as they are needed.

- f. Fund Accounting - The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures or expenses, as appropriate. District resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The District's accounts are organized into major, non-major, proprietary, and fiduciary funds as follows:

### Major Governmental Funds-

General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

### Non-Major Governmental Funds-

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 three non-major special revenue funds:

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

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

Cafeteria Fund is used to account for revenues received and expenditures made to operate the District's cafeterias.

Debt Service Funds are used to account for the accumulation of resources for, and the payment of long-term debt principal, interest, and related costs. The District maintains two non-major debt service funds:

1993 and 1998 General Obligation Bond Funds which are used to account for the accumulation of resources for, and the repayment of, district bonds, interest, and related costs.

Capital Projects Funds are used to account for the acquisition and construction of all major governmental general fixed assets. The District maintains seven non-major capital projects funds:

Special Reserve Fund - Capital Facilities is used for capital building costs.

Building Fund is used to account for the acquisition of major governmental capital facilities and buildings from the sale of bond proceeds.

Special Reserve Fund-Instructional Materials Project is used to account for costs of the District's instructional materials project.

Special Reserve Fund-Buses is used for transportation capital outlay.

School Facilities Fund is used to account for state apportionments provided for construction of new school facilities (Education Code Sections 17070-17080).

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

Prison Impact Aid Fund is used to account for revenue received as funding for mitigation of impacts on school facilities associated with prison expansions.

### Proprietary Funds-

Internal Service Funds are used to account for services rendered on a cost-reimbursement basis within the District. The District maintains one internal service fund, the Employee Benefits Fund, which is used to provide dental benefits to its employees.

## Fiduciary Funds-

Agency Funds are used to account for assets of others for which the District acts as an agent. The District maintains agency funds for two schools' student body.

- g. Budgets and Budgetary Accounting - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. By state law, the District's Governing Board must adopt a final budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption. The District's Governing Board satisfied these requirements.

These budgets are revised by the District's Governing Board and District Superintendent during the year to give consideration to unanticipated income and expenditures. The original and final revised budgets are presented for the general fund in the financial statements.

Formal budgetary integration was employed as a management control device during the year for all budgeted funds. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

- h. Encumbrances - Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid. All encumbrances are liquidated on June 30.

- i. Assets, Liabilities, and Equity-

Deposits and Investments - Cash balances held in banks and in revolving funds are insured to \$100,000 by the Federal Depository Insurance Corporation.

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Kings County Treasury. The county pools these funds with those of other districts in the county and invests the cash. These pooled funds are carried at cost, which approximates market value. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

The county is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et. seq. The funds maintained by the county are either secured by federal depository insurance or are collateralized.

Stores Inventories and Prepaid Expenditures - Inventories are recorded using the consumption method, in that inventory acquisitions are initially recorded in inventory (asset) accounts, and are charged as expenditures when used. Inventory of the Cafeteria Fund is valued at average cost and consists of expendable supplies held for consumption. Reported inventories are equally offset by a fund balance reserve, which indicates that these amounts are not "available for appropriation and expenditure" even though they are a component of net current assets.

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 expenditure when incurred. On the government-wide statements, the District reports unamortized debt issuance cost as prepaid expenses.

Capital Assets - Capital assets are those purchased or acquired with an original cost of \$5,000 or more and are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the asset's lives are not capitalized, but are expensed as incurred. Depreciation on all capital assets is computed using a straight-line basis over the following estimated useful lives:

<u>ASSET CLASS</u>	<u>EXAMPLES</u>	<u>ESTIMATED USEFUL LIFE IN YEARS</u>
Land		N/A
Site Improvements	Paving, flagpoles, retaining walls, sidewalks, fencing, outdoor lighting	20
School buildings		50
Portable classrooms		25
HVAC systems	Heating, ventilation, and air conditioning systems	20
Roofing		20
Interior construction		25
Carpet replacement		7
Electrical/plumbing		30
Sprinkler/fire system	Fire suppression systems	25
Outdoor equipment	Playground, radio towers, fuel tanks, pumps	20
Machinery & Tools	Shop & maintenance equipment, tools	15
Kitchen equipment	Appliances	15
Custodial equipment	Floor scrubbers, vacuums, other	15
Science & engineering	Lab equipment, scientific apparatus	10
Furniture & accessories	Classroom & other furniture	20
Business machines	Fax, duplicating & printing equipment	10
Copiers		5
Communication equipment	Mobile, portable radios, non-computerized	10
Computer hardware	PCS, printers, network hardware	5
Computer software	Instructional, other short term	5 to 10
Computer software	Administrative or long term	10 to 20
Audio visual equipment	Projectors, cameras (still & digital)	10
Athletic equipment	Gymnastics, footballs, weight machines, wrestling mats	10
Musical instruments	Pianos, strings, brass, percussion	10
Library books	Collections	5 to 7
Licensed vehicles	Buses, other on-road vehicles	8
Contractors equipment	Major off-road vehicles, front-end loaders, large tractors, mobile air compressor	10
Ground equipment	Mowers, tractors, attachments	15

Deferred Revenue - Cash received for Federal and state special projects and programs is recognized as revenue to the extent that qualified expenditures have been incurred. Deferred revenue is recorded to the extent that cash received on specific projects and programs exceeds qualified expenditures.

Compensated Absences - All vacation pay plus related payroll taxes is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.



Accumulated sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expense in the period taken, since such benefits do not vest, nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

Long-Term Obligations -In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Assets. Bond premiums and discounts as well as issuance costs are deferred and amortized over the life of the bonds using the effective-interest method. Bonds payable are reported net of applicable bond premium or discount. Bond issuance costs are reported as prepaid expenditures and amortized over the term of the related debt.

In the fund financial statements, governmental funds recognize bond premiums and discounts as well as bond issuance costs, during the current period. The face amount of the debt issued, premiums, or discounts is reported as other financing sources/uses.

Fund Balance Reserves and Designations -Reservations of the ending fund balance indicate the portions of fund balance not appropriable for expenditure or amounts legally segregated for a specific future use. The reserve for revolving fund and reserve for stores inventory reflects the portions of fund balance represented by revolving fund cash and stores inventory, respectively. These amounts are not available for appropriation and expenditure at the balance sheet date.

Designations of the ending fund balance indicate tentative plans for financial resource utilization in a future period.

Revenue Limit/Property Tax - The District's revenue limit is received from a combination of local property taxes, state apportionments, and other local sources.

The county is responsible for assessing, collecting, and apportioning property taxes. Taxes are levied for each fiscal year on taxable real and personal property in the county. The levy is based on the assessed values as of the preceding March 1, which is also the lien date. Property taxes on the secured roll are due on November 1 and February 1, and taxes become delinquent after December 10 and April 10, respectively. Property taxes on the unsecured roll are due on the lien date (March 1), and become delinquent if unpaid by August 31.

Secured property taxes are recorded as revenue when apportioned, in the fiscal year of the levy. The county apportions secured property tax revenue in accordance with the alternate method of distribution prescribed in Section 4705 of the *California Revenue and Taxation Code*. This alternate method provides for crediting each applicable fund with its total secured taxes upon completion of the secured tax roll - approximately October 1 of each year.

The County Auditor reports the amount of the district's allocated property tax revenue to the California Department of Education. Property taxes are recorded as local revenue limit sources by the District.

The California Department of Education reduces the District's entitlement by the District's local property tax revenue. The balance is paid from the state General Fund, and is known as the State Apportionment.

The District's base revenue limit is the amount of general purpose tax revenue, per average daily attendance (ADA), that the District is entitled to by law. This amount is multiplied by the second period ADA to derive the District's total entitlement.

j. Self-Insurance Internal Service Fund - The District is self-insured for dental benefits for its employees. The General Fund is charged premiums by the Employee Benefits Fund, which is accounted for as an Internal Service Fund. The District also participates in two joint power authorities, which provide liability and property coverage and workers' compensation coverage to the District. On the government-wide financial statements, the Employee Benefits Fund activity is eliminated to avoid doubling of revenues and expenditures.

2. CASH AND INVESTMENTS -

Cash on Hand, in Banks and in Revolving Funds - Cash balances on hand, in banks and revolving funds are insured up to \$100,000 by the Federal Deposit Insurance Corporation (FDIC). These accounts are held within various financial institutions. As of June 30, 2003, the carrying amount of the District's accounts was \$18,036.

Cash in County Treasury - In accordance with *Education Code* Section 41001, the District maintains substantially all of its cash with the Kings County Treasury as part of the common investment pool, which totaled \$4,848,111 as of June 30, 2003. The fair market value of this pool as of that date, as provided by the pool sponsor, was \$4,857,405. Interest is deposited into participating funds. The county is restricted by *Government Code* Section 53635, pursuant to Section 53601, to invest in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements.

A summary of deposits as of June 30, 2003 is as follows:

	<u>Bank Amount</u>	<u>Carrying Amount</u>
Deposits:		
Cash in County Treasury	\$ 4,913,237	\$ 4,848,111
Cash on Hand and in Banks	183,710	18,036
Cash with Fiscal Agent	<u>3,922,006</u>	<u>3,922,006</u>
	<u>\$ 9,018,953</u>	<u>\$ 8,788,153</u>

3. EXCESS OF EXPENDITURES OVER APPROPRIATIONS-

As of June 30, 2003, expenditures exceeded appropriations in individual funds as follows:

<u>APPROPRIATIONS CATEGORY</u>	<u>EXCESS EXPENDITURES</u>
<u>Major Funds</u> -	
General Fund:	
Certificated Salaries	\$ 21,522
State On-Behalf Payments	\$ 752,454
<u>Non-major Funds</u> -	
Debt Service Funds:	
1993 General Obligation Bonds-	
Principal Retirement	\$ 252,669
Interest	\$ 305,401
1998 General Obligation Bonds-	
Principal Retirement	\$ 75,000
Interest	\$ 349,190

4. ACCOUNTS RECEIVABLE-

Accounts receivable as of June 30, 2003, consist of the following:

	<u>GENERAL</u> <u>FUND</u>	<u>ALL OTHER</u> <u>GOVERNMENTAL</u> <u>FUNDS</u>	<u>SELF-</u> <u>INSURANCE</u> <u>FUND</u>	<u>TOTALS</u>
<b>Federal Government:</b>				
Migrant Education	\$ 95,904	\$ -	\$ -	\$ 95,904
National School Lunch Program	-	199,853	-	199,853
School Breakfast Program	-	50,766	-	50,766
IASA- Title VII	61,471	-	-	61,471
Renovation Program	164,447	-	-	164,447
Federal Safe and Drug Free Schools	126,533	-	-	126,533
Bilingual Education - Title III	4,366	-	-	4,366
21st Century After School Learning Centers	<u>120,823</u>	<u>-</u>	<u>-</u>	<u>120,823</u>
<b>Total Federal Government</b>	<u>573,544</u>	<u>250,619</u>	<u>-</u>	<u>824,163</u>
<b>State Government:</b>				
Pupil Transportation	284,839	-	-	284,839
Revenue Limit	1,507,913	-	-	1,507,913
School Improvement Program	349,600	-	-	349,600
Healthy Start	9,454	-	-	9,454
Child Nutrition Program	-	17,099	-	17,099
AB 602	121,754	-	-	121,754
Lottery	128,110	-	-	128,110
Immediate Intervention/ Underperforming Schools	251,520	-	-	251,520
CELDT Testing	6,500	-	-	6,500
Staff Development	63,363	-	-	63,363
California Student Information System Project	9,013	-	-	9,013
Preschool Program	<u>-</u>	<u>16,756</u>	<u>-</u>	<u>16,756</u>
<b>Total State Government</b>	<u>2,732,066</u>	<u>33,855</u>	<u>-</u>	<u>2,765,921</u>
<b>Other Local:</b>				
Developer Fees	-	110,778	-	110,778
Health and Welfare Reimbursements	34,869	3,517	1,968	40,354
SELPA	26,127	-	-	26,127
E-Rate	24,844	66,192	-	91,036
Facilities Use	40,513	-	-	40,513
Food Service Sales	-	151,469	-	151,469
Interest	99,594	-	-	99,594
Other	<u>27,052</u>	<u>152</u>	<u>-</u>	<u>27,204</u>
<b>Total Other Local</b>	<u>252,999</u>	<u>332,108</u>	<u>1,968</u>	<u>587,075</u>
<b>Total Accounts Receivable</b>	<u>\$ 3,558,609</u>	<u>\$ 616,582</u>	<u>\$ 1,968</u>	<u>\$ 4,177,159</u>

5. INTERFUND TRANSACTIONS - Interfund transactions are reported as either loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables, as appropriate, and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers among governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

Interfund Receivables/Payables (Due From/Due To) - As of June 30, 2003 interfund receivables and payables were as follows:

<u>FUND</u>	<u>INTERFUND RECEIVABLES</u>	<u>INTERFUND PAYABLES</u>
General Fund	\$ 81,197	\$ -
Nonmajor Governmental Funds	-	81,197
Total	<u>\$ 81,197</u>	<u>\$ 81,197</u>

Interfund Transfers - Interfund transfers consist of operating transfers from funds receiving revenue to funds through which the resources are to be expended. Interfund transfers for the fiscal year 2002-2003 were as follows:

<u>FUNDS</u>	<u>TRANSFERS IN</u>	<u>TRANSFER OUT</u>
General Fund	\$ -	\$ 1,045,694
All Other Funds:		
Deferred Maintenance Fund	183,650	-
School Facilities Fund	144,934	-
Child Development Fund	2,135	-
Special Reserve - Capital Facilities	826,000	-
Building Fund	-	111,025
Total	<u>\$ 1,156,719</u>	<u>\$ 1,156,719</u>

Transfer of \$183,650 from the General Fund to the Deferred Maintenance Fund to support state match requirements.

Transfer of \$2,135 from the General Fund to the Child Development Fund to cover expenses that exceeded revenue.

Transfer of \$826,000 from the General Fund to the Special Reserve-Capital Facilities Fund was made to transfer proceeds from capital lease financing for a new construction project.

Transfer of \$33,909 from the General Fund to the School Facilities Fund for a portion of the total District 40% match for the state modernization project at Richmond School.

Transfer of 111,025 from the Building Fund to the School Facilities Fund for a portion of the total District 40% match for the state modernization project at Richmond School.

6. CAPITAL ASSETS AND DEPRECIATION -

Capital asset activity for the year ended June 30, 2003, is shown below:

	<u>BALANCE</u> <u>JULY 1, 2002</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>BALANCE</u> <u>JUNE 30, 2003</u>
Capital Assets Not Being Depreciated:				
Land	\$ 1,431,815	\$ -	\$ -	\$ 1,431,815
Work in Progress	<u>677,785</u>	<u>994,844</u>	<u>677,785</u>	<u>994,844</u>
Total Capital Assets, Not Being Depreciated	<u>2,109,600</u>	<u>994,844</u>	<u>677,785</u>	<u>2,426,659</u>
Capital Assets Being Depreciated:				
Buildings	23,642,895	898,669	-	24,541,564
Improvements of Sites	4,429,100	78,767	-	4,507,867
Equipment	<u>2,494,925</u>	<u>111,182</u>	<u>-</u>	<u>2,606,107</u>
Total Capital Assets, Being Depreciated	<u>30,566,920</u>	<u>1,088,618</u>	<u>-</u>	<u>31,655,538</u>
Less Accumulated Depreciation for:				
Buildings	6,299,625	510,279	-	6,809,904
Improvements of Sites	2,553,498	153,792	-	2,707,290
Equipment	<u>1,682,667</u>	<u>179,138</u>	<u>-</u>	<u>1,861,805</u>
Total Accumulated Depreciation	<u>10,535,790</u>	<u>843,209</u>	<u>-</u>	<u>11,378,999</u>
Total Capital Assets, Being Depreciated, Net	<u>20,031,130</u>	<u>245,409</u>	<u>-</u>	<u>20,276,539</u>
Governmental Activities Capital Assets, Net	<u>\$ 22,140,730</u>	<u>\$ 1,240,253</u>	<u>\$ 677,785</u>	<u>\$ 22,703,198</u>

Depreciation Expense was charged to governmental activities as follows:

Governmental Activities:

Instruction	\$ 17,836
Supervision of Instruction	4,038
School Site Administration	200
Home-to-School Transportation	45,301
Food Services	10,679
All Other General Administration	70,660
Plant Services	<u>694,495</u>
Total Depreciation Expense	<u>\$ 843,209</u>

7. TAX AND REVENUE ANTICIPATION NOTES (TRANS) -

On July 3, 2002, the District issued \$3,880,000 in Tax and Revenue Anticipation Notes (TRANS) maturing on July 3, 2003, with an interest rate of 1.67%. The TRANS are a general obligation of the District, and are payable from revenues and cash receipts to be generated by the District. There are no contractual obligations related to the issuance other than the TRANS agreement. The funds were used to supplement cash flow. Interest expense of \$116,400 was accrued as of June 30, 2003, on this note.

	<u>OUTSTANDING</u> <u>JUNE 30, 2002</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>OUTSTANDING</u> <u>JUNE 30, 2003</u>
2002 TRANS	\$ 2,780,000	\$ -	\$ 2,780,000	\$ -
2003 TRANS	<u>-</u>	<u>3,880,000</u>	<u>-</u>	<u>3,880,000</u>
Total	<u>\$ 2,780,000</u>	<u>\$ 3,880,000</u>	<u>\$ 2,780,000</u>	<u>\$ 3,880,000</u>

8. LEASES-

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. Future minimum lease payments are as follows:

<u>YEAR ENDING</u> <u>JUNE 30,</u>	<u>LEASE PAYMENT</u>
2004	\$ 131,680
2005	131,680
2006	131,680
2007	101,569
2008	101,569
2009-2013	<u>507,844</u>
Total	1,106,022
Less-Amount Representing Interest	<u>(189,633)</u>
Present Value of Net Minimum Lease Payments	<u>\$ 916,389</u>

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

9. GENERAL OBLIGATION BONDS PAYABLE -

1993 General Obligation Bonds:

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% to 5.80%.

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

<u>YEAR ENDING</u> <u>JUNE 30</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u> <u>PAYMENTS</u>
2004	\$ 279,603	\$ 309,107	\$ 588,710
2005	315,731	312,179	627,910
2006	340,800	315,150	655,950
2007	394,889	317,811	712,700
2008	398,075	318,725	716,800
2009-2013	2,048,601	1,682,999	3,731,600
2014-2018	<u>2,344,883</u>	<u>1,688,117</u>	<u>4,033,000</u>
Totals	<u>\$ 6,122,582</u>	<u>\$ 4,944,088</u>	<u>\$ 11,066,670</u>

The Current Interest Bonds amount to \$5,240,000 and are subject to optional redemption prior to their stated maturity beginning July 1, 2004. The Capital Appreciation Bonds in the amount of \$1,750,000 are not subject to redemption prior to their respective maturity dates.

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% to 5.00%.

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

<u>YEAR ENDING</u> <u>JUNE 30,</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u> <u>PAYMENTS</u>
2004	\$ 100,000	\$ 344,815	\$ 444,815
2005	125,000	339,190	464,190
2006	150,000	332,315	482,315
2007	175,000	324,190	499,190
2008	195,000	314,940	509,940
2009-2013	1,405,000	1,401,385	2,806,385
2014-2018	1,955,000	1,008,162	2,963,162
2019-2023	2,485,000	466,410	2,951,410
2024	<u>575,000</u>	<u>14,375</u>	<u>589,375</u>
Totals	<u>\$ 7,165,000</u>	<u>\$ 4,545,782</u>	<u>\$ 11,710,782</u>

The annual requirements to amortize 1993 and 1998 Combined, General Obligation Bonds payable as of June 30, 2003, are as follows:

<u>YEAR ENDING</u> <u>JUNE 30,</u>	<u>PRINCIPAL</u>	<u>TOTAL</u> <u>INTEREST</u>	<u>PAYMENTS</u>
2004	\$ 379,603	\$ 653,922	\$ 1,033,525
2005	440,731	651,369	1,092,100
2006	490,800	647,465	1,138,265
2007	569,889	642,001	1,211,890
2008	593,075	633,665	1,226,740
2009-2013	3,453,601	3,084,384	6,537,985
2014-2018	4,299,883	2,696,279	6,996,162
2019-2023	2,485,000	466,410	2,951,410
2024	<u>575,000</u>	<u>14,375</u>	<u>589,375</u>
Totals	<u>\$ 13,287,582</u>	<u>\$ 9,489,870</u>	<u>\$ 22,777,452</u>

The outstanding General Obligation Bond Debt of the District as of June 30, 2003, is as follows:

<u>BOND</u>	<u>INTEREST</u> <u>RATE</u>	<u>DATE OF</u> <u>ISSUE</u>	<u>MATURITY</u> <u>DATE</u>	<u>AMOUNT OF</u> <u>ORIGINAL</u> <u>ISSUE</u>	<u>OUTSTANDING</u> <u>JULY 1, 2002</u>	<u>REDEEMED</u> <u>DURING</u> <u>YEAR</u>	<u>JUNE 30, 2003</u>
1993 Bonds	5.15%- 5.80%	July 1, 1993	July 1, 2018	\$ 7,500,000	\$ 6,375,251	\$ 252,669	\$ 6,122,582
1998 Bonds	4.4%- 5.0%	September 1, 1998	September 1, 2023	\$ 7,350,000	\$ 7,240,000	\$ 75,000	\$ 7,165,000
Totals				<u>\$ 14,850,000</u>	<u>\$ 13,615,251</u>	<u>\$ 327,669</u>	<u>\$ 13,287,582</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.

#### 10. LONG-TERM DEBT SCHEDULE OF CHANGES-

A schedule of changes in long-term debt for the year ended June 30, 2003 is as follows:

	<u>BALANCE</u> <u>JULY 1, 2002</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>BALANCE</u> <u>JUNE 30, 2003</u>	<u>DUE WITHIN</u> <u>ONE YEAR</u>
Capital Leases	\$ 214,317	\$ 835,000	\$ (132,928)	\$ 916,389	\$ 96,140
Compensated Absences	221,550	32,828	-	254,378	33,152
1993 General Obligation Bonds	6,375,251	-	(252,669)	6,122,582	279,603
1998 General Obligation Bonds	<u>7,240,000</u>	<u>-</u>	<u>(75,000)</u>	<u>7,165,000</u>	<u>100,000</u>
Totals	<u>\$ 14,051,118</u>	<u>\$ 867,828</u>	<u>\$ (460,597)</u>	<u>\$ 14,458,349</u>	<u>\$ 508,895</u>



11. STUDENT BODY FUNDS-

The Student Body Fund often engages in activities which involve cash transactions. These transactions are not subject to adequate internal accounting control prior to deposits being recorded in the bank accounts. It has been determined on a cost benefit basis that providing increased internal control in this area does not justify the additional costs that would be necessary to control receipts prior to the point of deposit.

12. JOINT VENTURES (JOINT POWERS AGREEMENTS)-

The District participates in the following joint ventures under joint powers agreements (JPA):

- a. Self-Insured Schools of California - whose members have pooled funds to be self-insured for liability and property coverage and
- b. Kings County Self-Insured Schools - whose members have pooled funds to be self-insured for workers' compensation.

The relationships between the District and the JPAs is such that the JPAs are not component units of the District for financial reporting purposes.

The JPAs are each individually governed by a Board of Directors which controls their operations, including selection of management and approval of operating budgets, independent of any influence by the member districts. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to their participation in the JPA.

13. COMMITMENTS AND CONTINGENCIES-

State and Federal Allowances, Awards and Grants - The District has received state and Federal funds for specific purposes that are subject to review and audit by the grantor agencies. If the review or audit discloses exceptions, the District may incur a liability to grantor agencies.

14. SUBSEQUENT EVENTS-

The District issued \$3,655,000 of 2003-2004 Tax and Revenue Anticipation Notes, the (Notes) on July 3, 2003 at a premium of \$36,587. The Notes mature on July 6, 2004 with an estimated yield of 1.15 percent. The Notes were sold by the District to supplement its cash flow.

15. EMPLOYEE RETIREMENT SYSTEMS-

Qualified employees are covered under multiple-employer defined benefit pension 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 California Public Employees' Retirement System CalPERS.

## State Teachers' Retirement System (STRS)

### Plan Description

The Hanford Elementary School District contributes to the 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, disability, 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 the STRS, 7667 Folsom Boulevard, Sacramento, California 95826.

### Funding Policy

Active plan members are required to contribute 8.0% 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 2002-2003 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The Hanford Elementary School District's contributions to STRS for the fiscal years ending June 30, 2003, 2002, and 2001 were \$1,376,291, \$1,335,390, and \$1,211,906, respectively, and equal 100% of the required contributions for each year.

## Public Employees' Retirement System (PERS)

### Plan Description

The Hanford Elementary School 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 Law. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

### Funding Policy

Active plan members are required to contribute 7.0% of their salary, and the Hanford Elementary School 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 2002-2003 was 3.00% of annual payroll. The contribution requirements of the plan members are established by state statute. The Hanford Elementary School District's contributions to CalPERS for the fiscal years ending June 30, 2003, 2002, and 2001 were \$182,644, \$0, and \$0, respectively, and equal 100% of the required contributions for each year.

16. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS-

In addition to the pension benefits described in Note 15, 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 5 years and have served a total of at least 13 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 5 years prior to retirement and have served a total of 10 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. On June 30, 2003, 18 retirees met these 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 3 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 at 65. Expenditures for postemployment health care benefits are recognized as retirees report claims. During the fiscal year ended June 30, 2003, expenditures of \$140,035 were recognized for postretirement health care.

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).

17. ON-BEHALF PAYMENTS MADE BY THE STATE OF CALIFORNIA-

The District was the recipient of on-behalf payments made by the State of California to STRS and to CalPERS for K-12 education. These payments consist of state general fund contributions of \$746,533 to STRS (4.475% of salaries subject to STRS) and \$5,921 to CalPERS (.092% of salaries subject to CalPERS).

REQUIRED SUPPLEMENTARY INFORMATION

SECTION

HANFORD ELEMENTARY SCHOOL DISTRICT  
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL(GAAP) - GENERAL FUND  
YEAR ENDED JUNE 30, 2003

	<u>BUDGETED AMOUNTS</u>		ACTUAL (GAAP BASIS)	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	<u>ORIGINAL</u>	<u>FINAL</u>		
<b>REVENUE:</b>				
Revenue Limit Sources-				
State Apportionments	\$ 18,867,523	\$19,149,326	\$ 19,296,793	\$ 147,467
Local Sources	<u>4,345,228</u>	<u>4,293,681</u>	<u>4,126,489</u>	<u>(167,192)</u>
Total Revenue Limit Sources	23,212,751	23,443,007	23,423,282	(19,725)
Federal Revenue	2,825,898	4,992,954	3,788,531	(1,204,423)
Other State Revenue	7,870,676	8,295,364	9,132,284	836,920
Other Local Revenue	<u>204,000</u>	<u>217,326</u>	<u>373,450</u>	<u>156,124</u>
Total Revenue	<u>34,113,325</u>	<u>36,948,651</u>	<u>36,717,547</u>	<u>(231,104)</u>
<b>EXPENDITURES:</b>				
Certificated Salaries	16,583,394	16,726,309	16,747,831	(21,522)
Classified Salaries	6,355,299	6,669,061	6,601,336	67,725
Employee Benefits	6,415,980	6,484,979	6,459,638	25,341
State On-Behalf Payments	-	-	752,454	(752,454)
Books and Supplies	2,040,100	3,078,388	1,963,414	1,114,974
Services and Other Operating Expenditures	2,437,720	3,254,429	2,654,169	600,260
Capital Outlay	63,300	240,775	222,898	17,877
Other Outgo	147,553	91,153	91,003	150
(Direct Support)/Indirect Costs	(83,340)	(79,287)	(91,039)	11,752
Debt Service - Principal Retirement	24,399	24,399	24,399	-
Interest	<u>11,725</u>	<u>11,726</u>	<u>11,725</u>	<u>1</u>
Total Expenditures	<u>33,996,130</u>	<u>36,501,932</u>	<u>35,437,828</u>	<u>1,064,104</u>
<b>EXCESS OF REVENUE OVER EXPENDITURES</b>	<u>117,195</u>	<u>446,719</u>	<u>1,279,719</u>	<u>833,000</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceeds from Capital Leases	-	835,000	835,000	-
Operating Transfers Out	<u>(175,000)</u>	<u>(1,075,696)</u>	<u>(1,045,694)</u>	<u>30,002</u>
Total Other Financing Sources (Uses)	<u>(175,000)</u>	<u>(240,696)</u>	<u>(210,694)</u>	<u>30,002</u>
<b>EXCESS OF REVENUE AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	(57,805)	206,023	1,069,025	863,002
<b>FUND BALANCES - JULY 1, 2002</b>	<u>1,905,607</u>	<u>1,905,607</u>	<u>1,905,607</u>	<u>-</u>
<b>FUND BALANCES - JUNE 30, 2003</b>	<u>\$ 1,847,802</u>	<u>\$ 2,111,630</u>	<u>\$ 2,974,632</u>	<u>\$ 863,002</u>

The notes to the financial statements are an integral part of this statement.

SUPPLEMENTARY INFORMATION

SECTION

HANFORD ELEMENTARY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS  
 AS OF JUNE 30, 2003

	CHILD DEVELOPMENT FUND	DEFERRED MAINTENANCE FUND	CAFETERIA FUND	TOTAL
<u>ASSETS</u>				
Cash in County Treasury	\$ 65	\$ 111,853	\$ 427,813	\$ 539,731
Cash in Banks	-	-	255	255
Cash in Revolving Fund	-	-	905	905
Accounts Receivable-				
Federal Government	-	-	250,619	250,619
State Government	16,756	-	17,099	33,855
Other	9	-	154,998	155,007
Stores Inventory	-	-	27,707	27,707
<b>TOTAL ASSETS</b>	<b>\$ 16,830</b>	<b>\$ 111,853</b>	<b>\$ 879,396</b>	<b>\$ 1,008,079</b>
<u>LIABILITIES AND FUND BALANCE</u>				
<b>LIABILITIES:</b>				
Accounts Payable	\$ 5,425	\$ 82,003	\$ 18,962	\$ 106,390
Due to Other Funds	11,405	-	-	11,405
<b>Total Liabilities</b>	<b>16,830</b>	<b>82,003</b>	<b>18,962</b>	<b>117,795</b>
<b>FUND BALANCES:</b>				
Reserved for Revolving Fund	-	-	905	905
Reserved for Stores Inventory	-	-	27,707	27,707
Unreserved - Designated				
For Equipment Replacement	-	-	157,000	157,000
Unreserved - Undesignated	-	29,850	674,822	704,672
<b>Total Fund Balances</b>	<b>-</b>	<b>29,850</b>	<b>860,434</b>	<b>890,284</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 16,830</b>	<b>\$ 111,853</b>	<b>\$ 879,396</b>	<b>\$ 1,008,079</b>

The notes to the financial statements are an integral part of this statement.

HANFORD ELEMENTARY SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES -  
 NONMAJOR SPECIAL REVENUE FUNDS (BY OBJECT)  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	CHILD DEVELOPMENT FUND	DEFERRED MAINTENANCE FUND	CAFETERIA FUND	TOTAL
<b>REVENUE:</b>				
Federal Revenue-				
National School Lunch	\$ -	\$ -	\$ 1,190,952	\$ 1,190,952
Other	-	-	289,308	289,308
Total Federal Revenue	-	-	1,480,260	1,480,260
Other State Revenue-				
Child Nutrition	-	-	100,802	100,802
Other	230,030	19,553	-	249,583
Total Other State Revenue	230,030	19,553	100,802	350,385
Other Local Revenue-				
Food Service Sales	-	-	364,227	364,227
Interest	239	1,873	8,758	10,870
Other	-	-	3,235	3,235
Total Other Local Revenue	239	1,873	376,220	378,332
Total Revenue	230,269	21,426	1,957,282	2,208,977
<b>EXPENDITURES:</b>				
Certificated Salaries	4,797	-	-	4,797
Classified Salaries	162,407	-	614,122	776,529
Employee Benefits	27,088	-	132,219	159,307
Books and Supplies	8,604	2,635	771,986	783,225
Services and Other Operating Expenditures	18,420	373,216	59,685	451,321
Capital Outlay	-	82,004	18,462	100,466
Other Outgo	11,088	-	79,951	91,039
Total Expenditures	232,404	457,855	1,676,425	2,366,684
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	(2,135)	(436,429)	280,857	(157,707)
<b>OTHER FINANCING SOURCES:</b>				
Operating Transfers In	2,135	183,650	-	185,785
EXCESS (DEFICIENCY) OF REVENUE AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	-	(252,779)	280,857	28,078
FUND BALANCES - JULY 1, 2002	-	282,629	579,577	862,206
FUND BALANCES - JUNE 30, 2003	\$ -	\$ 29,850	\$ 860,434	\$ 890,284

The notes to the financial statements are an integral part of this statement.



HANFORD ELEMENTARY SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES -  
 BUDGET AND ACTUAL - NONMAJOR SPECIAL REVENUE FUNDS (BY OBJECT)  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	<u>CHILD DEVELOPMENT FUND</u>		
	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
REVENUE:			
Federal Revenue-			
National School Lunch	\$ -	\$ -	\$ -
School Breakfast Program	-	-	-
Total Federal Revenue	-	-	-
Other State Revenue-			
Child Nutrition	-	-	-
Other	<u>230,030</u>	<u>230,030</u>	<u>-</u>
Total Other State Revenue	<u>230,030</u>	<u>230,030</u>	<u>-</u>
Other Local Revenue-			
Food Service Sales	-	-	-
Interest	240	239	(1)
Other	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Local Revenue	<u>240</u>	<u>239</u>	<u>(1)</u>
Total Revenue	<u>230,270</u>	<u>230,269</u>	<u>(1)</u>
EXPENDITURES:			
Certificated Salaries	4,798	4,797	1
Classified Salaries	162,407	162,407	-
Employee Benefits	27,088	27,088	-
Books and Supplies	8,605	8,604	1
Services and Other Operating Expenditures	18,420	18,420	-
Capital Outlay	-	-	-
Other Outgo	<u>11,088</u>	<u>11,088</u>	<u>-</u>
Total Expenditures	<u>232,406</u>	<u>232,404</u>	<u>2</u>
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	(2,136)	(2,135)	1
OTHER FINANCING SOURCES:			
Operating Transfers In	<u>2,136</u>	<u>2,135</u>	<u>(1)</u>
EXCESS (DEFICIENCY) OF REVENUE AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	-	-	-
FUND BALANCES - JULY 1, 2002	-	-	-
FUND BALANCES - JUNE 30, 2003	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

HANFORD ELEMENTARY SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES -  
 BUDGET AND ACTUAL - NONMAJOR SPECIAL REVENUE FUNDS (BY OBJECT)  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	<u>DEFERRED MAINTENANCE FUND</u>		
	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
<b>REVENUE:</b>			
Federal Revenue-			
National School Lunch	\$ -	\$ -	\$ -
School Breakfast Program	-	-	-
Total Federal Revenue	-	-	-
Other State Revenue-			
Child Nutrition	-	-	-
Other	19,553	19,553	-
Total Other State Revenue	19,553	19,553	-
Other Local Revenue-			
Food Service Sales	-	-	-
Interest	3,000	1,873	(1,127)
Other	-	-	-
Total Other Local Revenue	3,000	1,873	(1,127)
Total Revenue	22,553	21,426	(1,127)
<b>EXPENDITURES:</b>			
Certificated Salaries	-	-	-
Classified Salaries	-	-	-
Employee Benefits	-	-	-
Books and Supplies	2,636	2,635	1
Services and Other Operating Expenditures	373,218	373,216	2
Capital Outlay	82,004	82,004	-
Other Outgo	-	-	-
Total Expenditures	457,858	457,855	3
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	(435,305)	(436,429)	(1,124)
<b>OTHER FINANCING SOURCES:</b>			
Operating Transfers In	183,650	183,650	-
EXCESS (DEFICIENCY) OF REVENUE AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	(251,655)	(252,779)	(1,124)
FUND BALANCES - JULY 1, 2002	282,629	282,629	-
FUND BALANCES - JUNE 30, 2003	\$ 30,974	\$ 29,850	\$ (1,124)

The notes to the financial statements

CAFETERIA FUND			TOTALS		
FINAL BUDGET	ACTUAL	VARIANCE-FAVORABLE (UNFAVORABLE)	FINAL BUDGET	ACTUAL	VARIANCE-FAVORABLE (UNFAVORABLE)
\$ 1,404,415	\$ 1,190,952	\$ (213,463)	\$ 1,404,415	\$ 1,190,952	\$ (213,463)
-	289,308	289,308	-	289,308	289,308
1,404,415	1,480,260	75,845	1,404,415	1,480,260	75,845
93,784	100,802	7,018	93,784	100,802	7,018
-	-	-	249,583	249,583	-
93,784	100,802	7,018	343,367	350,385	7,018
401,693	364,227	(37,466)	401,693	364,227	(37,466)
7,511	8,758	1,247	10,751	10,870	119
39,964	3,235	(36,729)	39,964	3,235	(36,729)
449,168	376,220	(72,948)	452,408	378,332	(74,076)
1,947,367	1,957,282	9,915	2,200,190	2,208,977	8,787
-	-	-	4,798	4,797	1
614,887	614,122	765	777,294	776,529	765
165,742	132,219	33,523	192,830	159,307	33,523
841,787	771,986	69,801	853,028	783,225	69,803
59,828	59,685	143	451,466	451,321	145
18,483	18,462	21	100,487	100,466	21
79,951	79,951	-	91,039	91,039	-
1,780,678	1,676,425	104,253	2,470,942	2,366,684	104,258
166,689	280,857	114,168	(270,752)	(157,707)	113,045
-	-	-	185,786	185,785	(1)
166,689	280,857	114,168	(84,966)	28,078	113,044
579,577	579,577	-	862,206	862,206	-
\$ 746,266	\$ 860,434	\$ 114,168	\$ 777,240	\$ 890,284	\$ 113,044

are an integral part of this statement.

HANFORD ELEMENTARY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET - NONMAJOR DEBT SERVICE FUNDS  
 AS OF JUNE 30, 2003

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	<u>1993 GENERAL OBLIGATION BONDS</u>	<u>1998 GENERAL OBLIGATION BONDS</u>	<u>TOTAL</u>
<u>ASSETS</u>			
Cash in County Treasury	<u>\$ 88,431</u>	<u>\$ 351,734</u>	<u>\$ 440,165</u>
<u>FUND BALANCES</u>			
Fund Balances:			
Reserved for Debt Service	<u>\$ 88,431</u>	<u>\$ 351,734</u>	<u>\$ 440,165</u>

The notes to the financial statements are an integral part of this statement.

HANFORD ELEMENTARY SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUE, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - NONMAJOR DEBT SERVICE FUNDS (BY OBJECT)  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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	<u>1993 GENERAL OBLIGATION BONDS</u>	<u>1998 GENERAL OBLIGATION BONDS</u>	<u>TOTAL</u>
REVENUE:			
Other State Revenue	\$ 18,598	\$ 14,965	\$ 33,563
Other Local Revenue-			
Interest	3,567	5,526	9,093
Other	<u>561,630</u>	<u>447,000</u>	<u>1,008,630</u>
Total Other Local Revenue	<u>565,197</u>	<u>452,526</u>	<u>1,017,723</u>
Total Revenue	<u>583,795</u>	<u>467,491</u>	<u>1,051,286</u>
EXPENDITURES:			
Debt Service-			
Principal Retirement	252,669	75,000	327,669
Interest	<u>305,401</u>	<u>349,190</u>	<u>654,591</u>
Total Expenditures	<u>558,070</u>	<u>424,190</u>	<u>982,260</u>
EXCESS OF REVENUE OVER EXPENDITURES	25,725	43,301	69,026
FUND BALANCES - JULY 1, 2002	<u>62,706</u>	<u>308,433</u>	<u>371,139</u>
FUND BALANCES - JUNE 30, 2003	<u>\$ 88,431</u>	<u>\$ 351,734</u>	<u>\$ 440,165</u>

The notes to the financial statements are an integral part of this statement.

HANFORD ELEMENTARY SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUE, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -  
 NONMAJOR DEBT SERVICE FUNDS (BY OBJECT)  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2003

1993 GENERAL OBLIGATION BONDS

	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
REVENUE:			
Other State Revenue	\$ -	\$ 18,598	\$ 18,598
Other Local Revenue-			
Interest	-	3,567	3,567
Other	-	561,630	561,630
Total Other Local Revenue	-	565,197	565,197
Total Other Revenue	-	583,795	583,795
EXPENDITURES:			
Debt Service -			
Principal Retirement	-	252,669	(252,669)
Interest	-	305,401	(305,401)
Total Expenditures	-	558,070	(558,070)
EXCESS OF REVENUE OVER EXPENDITURES	-	25,725	25,725
FUND BALANCES - JULY 1, 2002	62,706	62,706	-
FUND BALANCES - JUNE 30, 2003	<u>\$ 62,706</u>	<u>\$ 88,431</u>	<u>\$ 25,725</u>

The notes to the financial statements

<u>1998 GENERAL OBLIGATION BONDS</u>			<u>TOTALS</u>		
<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE-FAVORABLE (UNFAVORABLE)</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE-FAVORABLE (UNFAVORABLE)</u>
\$ -	\$ 14,965	\$ 14,965	\$ -	\$ 33,563	\$ 33,563
-	5,526	5,526	-	9,093	9,093
-	447,000	447,000	-	1,008,630	1,008,630
-	452,526	452,526	-	1,017,723	1,017,723
-	467,491	467,491	-	1,051,286	1,051,286
-	75,000	(75,000)	-	327,669	(327,669)
-	349,190	(349,190)	-	654,591	(654,591)
-	424,190	(424,190)	-	982,260	(982,260)
-	43,301	43,301	-	69,026	69,026
308,433	308,433	-	371,139	371,139	-
<u>\$ 308,433</u>	<u>\$ 351,734</u>	<u>\$ 43,301</u>	<u>\$ 371,139</u>	<u>\$ 440,165</u>	<u>\$ 69,026</u>

are an integral part of this statement.

HANFORD ELEMENTARY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECTS FUNDS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2003

<u>ASSETS</u>	<u>SPECIAL RESERVE- CAPITAL FACILITIES</u>	<u>BUILDING FUND</u>	<u>SPECIAL RESERVE- INSTRUCTIONAL MATERIALS PROJECT</u>
Cash in County Treasury	\$ 409,754	\$ 490	\$ 31,747
Accounts Receivable - Other	<u>-</u>	<u>66,192</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 409,754</u></b>	<b><u>\$ 66,682</u></b>	<b><u>\$ 31,747</u></b>
 <u>LIABILITIES AND FUND BALANCES</u>			
LIABILITIES:			
Accounts Payable	\$ 100,378	\$ -	\$ -
Due to Other Funds	<u>-</u>	<u>66,682</u>	<u>-</u>
<b>Total Liabilities</b>	<b>100,378</b>	<b>66,682</b>	<b>-</b>
FUND BALANCES:			
Unreserved - Undesignated	<u>309,376</u>	<u>-</u>	<u>31,747</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 409,754</u></b>	<b><u>\$ 66,682</u></b>	<b><u>\$ 31,747</u></b>

The notes to the financial statements



<u>SPECIAL RESERVE- BUSES</u>	<u>SCHOOL FACILITIES</u>	<u>CAPITAL FACILITIES</u>	<u>PRISON IMPACT AID</u>	<u>TOTAL</u>
\$ 5,893	\$ 298,832	\$ 554,619	\$ 15,702	\$ 1,317,037
<u>-</u>	<u>-</u>	<u>110,909</u>	<u>-</u>	<u>177,101</u>
<u>\$ 5,893</u>	<u>\$ 298,832</u>	<u>\$ 665,528</u>	<u>\$ 15,702</u>	<u>\$ 1,494,138</u>
\$ -	\$ 16,928	\$ 12,000	\$ -	\$ 129,306
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>66,682</u>
-	16,928	12,000	-	195,988
<u>5,893</u>	<u>281,904</u>	<u>653,528</u>	<u>15,702</u>	<u>1,298,150</u>
<u>\$ 5,893</u>	<u>\$ 298,832</u>	<u>\$ 665,528</u>	<u>\$ 15,702</u>	<u>\$ 1,494,138</u>

are an integral part of this statement.

HANFORD ELEMENTARY SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES -  
 NONMAJOR CAPITAL PROJECTS FUNDS (BY OBJECT)  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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	<u>SPECIAL RESERVE- CAPITAL FACILITIES</u>	<u>BUILDING FUND</u>	<u>SPECIAL RESERVE- INSTRUCTIONAL MATERIALS PROJECT</u>
REVENUE:			
Other Local Revenue-			
Interest	\$ 4,369	\$ 7,178	\$ 1,208
Developer Fees	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenue	<u>4,369</u>	<u>7,178</u>	<u>1,208</u>
EXPENDITURES:			
Books and Supplies	18,398	-	44,028
Services and Other Operating Expenditures	96,895	250	-
Capital Outlay	686,561	208,742	44,024
Debt Service-			
Principal Retirement	<u>-</u>	<u>108,529</u>	<u>-</u>
Total Expenditures	<u>801,854</u>	<u>317,521</u>	<u>88,052</u>
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	<u>(797,485)</u>	<u>(310,343)</u>	<u>(86,844)</u>
OTHER FINANCING SOURCES (USES):			
Operating Transfers In	826,000	-	-
Operating Transfers Out	<u>-</u>	<u>(111,025)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>826,000</u>	<u>(111,025)</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUE AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	28,515	(421,368)	(86,844)
FUND BALANCES - JULY 1, 2002	<u>280,861</u>	<u>421,368</u>	<u>118,591</u>
FUND BALANCES - JUNE 30, 2003	<u>\$ 309,376</u>	<u>\$ -</u>	<u>\$ 31,747</u>

The notes to the financial statements are

<u>SPECIAL RESERVE- BUSES</u>	<u>SCHOOL FACILITIES</u>	<u>CAPITAL FACILITIES</u>	<u>PRISON IMPACT AID</u>	<u>TOTAL</u>
\$ 144	\$ 3,770	\$ 9,724	\$ -	\$ 26,393
<u>-</u>	<u>-</u>	<u>696,864</u>	<u>-</u>	<u>696,864</u>
<u>144</u>	<u>3,770</u>	<u>706,588</u>	<u>-</u>	<u>723,257</u>
-	58,550	12,936	-	133,912
-	27,402	291,457	-	416,004
-	17,198	126,670	-	1,083,195
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>108,529</u>
<u>-</u>	<u>103,150</u>	<u>431,063</u>	<u>-</u>	<u>1,741,640</u>
<u>144</u>	<u>(99,380)</u>	<u>275,525</u>	<u>-</u>	<u>(1,018,383)</u>
-	144,934	-	-	970,934
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(111,025)</u>
<u>-</u>	<u>144,934</u>	<u>-</u>	<u>-</u>	<u>859,909</u>
144	45,554	275,525	-	(158,474)
<u>5,749</u>	<u>236,350</u>	<u>378,003</u>	<u>15,702</u>	<u>1,456,624</u>
<u>\$ 5,893</u>	<u>\$ 281,904</u>	<u>\$ 653,528</u>	<u>\$ 15,702</u>	<u>\$ 1,298,150</u>

an integral part of this statement.

HANFORD ELEMENTARY SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES -  
 BUDGET AND ACTUAL - NONMAJOR CAPITAL REVENUE FUNDS (BY OBJECT)  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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	SPECIAL RESERVE -	
	FINAL BUDGET	ACTUAL
REVENUE:		
Other State Revenue-		
School Facilities Apportionment	\$ -	\$ -
Other Local Revenue-		
Interest	5,000	4,369
Developer Fees	-	-
Total Other Local Revenue	5,000	4,369
Total Revenue	5,000	4,369
EXPENDITURES:		
Books and Supplies	18,398	18,398
Services and Other Operating Expenditures	97,129	96,895
Capital Outlay	696,334	686,561
Debt Service-		
Principal Retirement	-	-
Total Expenditures	811,861	801,854
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	(806,861)	(797,485)
OTHER FINANCING SOURCES (USES):		
Operating Transfers In	826,000	826,000
Operating Transfers Out	-	-
Total Other Financing Sources (Uses)	826,000	826,000
EXCESS (DEFICIENCY) OF REVENUE AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	19,139	28,515
FUND BALANCES - JULY 1, 2002	280,861	280,861
FUND BALANCES - JUNE 30, 2003	\$ 300,000	\$ 309,376

CAPITAL FACILITIES

BUILDING FUND

<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
\$ -	\$ -	\$ -	\$ -
(631)	15,000	7,178	(7,822)
-	-	-	-
<u>(631)</u>	<u>15,000</u>	<u>7,178</u>	<u>(7,822)</u>
<u>(631)</u>	<u>15,000</u>	<u>7,178</u>	<u>(7,822)</u>
-	-	-	-
234	300	250	50
9,773	215,539	208,742	6,797
-	108,529	108,529	-
<u>10,007</u>	<u>324,368</u>	<u>317,521</u>	<u>6,847</u>
<u>9,376</u>	<u>(309,368)</u>	<u>(310,343)</u>	<u>(975)</u>
-	-	-	-
<u>-</u>	<u>(112,000)</u>	<u>(111,025)</u>	<u>975</u>
<u>-</u>	<u>(112,000)</u>	<u>(111,025)</u>	<u>975</u>
9,376	(421,368)	(421,368)	-
<u>-</u>	<u>421,368</u>	<u>421,368</u>	<u>-</u>
<u>\$ 9,376</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

HANFORD ELEMENTARY SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN  
 FUND BALANCES - BUDGET AND ACTUAL -  
 NONMAJOR CAPITAL PROJECTS FUNDS (BY OBJECT)  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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SPECIAL RESERVE -  
 INSTRUCTIONAL MATERIALS PROJECT

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	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
<b>REVENUE:</b>			
Other State Revenue-			
School Facilities Apportionment	\$ -	\$ -	\$ -
Other Local Revenue-			
Interest	1,000	1,208	208
Developer Fees	-	-	-
Total Other Local Revenue	<u>1,000</u>	<u>1,208</u>	<u>208</u>
Total Revenue	<u>1,000</u>	<u>1,208</u>	<u>208</u>
<b>EXPENDITURES:</b>			
Books and Supplies	44,108	44,028	80
Services and Other Operating Expenditures	-	-	-
Capital Outlay	44,025	44,024	1
Debt Service-			
Principal Retirement	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>88,133</u>	<u>88,052</u>	<u>81</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES</b>	<u>(87,133)</u>	<u>(86,844)</u>	<u>289</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Operating Transfers In	-	-	-
Operating Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
<b>EXCESS (DEFICIENCY) OF REVENUE AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<u>(87,133)</u>	<u>(86,844)</u>	<u>289</u>
<b>FUND BALANCES - JULY 1, 2002</b>	<u>118,591</u>	<u>118,591</u>	<u>-</u>
<b>FUND BALANCES - JUNE 30, 2003</b>	<u>\$ 31,458</u>	<u>\$ 31,747</u>	<u>\$ 289</u>

SPECIAL RESERVE - BUSES

SCHOOL FACILITIES FUND

<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE-FAVORABLE (UNFAVORABLE)</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE-FAVORABLE (UNFAVORABLE)</u>
\$ -	\$ -	\$ -	\$ 217,400	\$ -	\$ (217,400)
200	144	(56)	2,854	3,770	916
-	-	-	-	-	-
<u>200</u>	<u>144</u>	<u>(56)</u>	<u>2,854</u>	<u>3,770</u>	<u>916</u>
<u>200</u>	<u>144</u>	<u>(56)</u>	<u>220,254</u>	<u>3,770</u>	<u>(216,484)</u>
-	-	-	58,550	58,550	-
-	-	-	40,000	27,402	12,598
-	-	-	253,400	17,198	236,202
-	-	-	-	-	-
-	-	-	<u>351,950</u>	<u>103,150</u>	<u>248,800</u>
<u>200</u>	<u>144</u>	<u>(56)</u>	<u>(131,696)</u>	<u>(99,380)</u>	<u>32,316</u>
-	-	-	144,934	144,934	-
-	-	-	-	-	-
-	-	-	<u>144,934</u>	<u>144,934</u>	<u>-</u>
200	144	(56)	13,238	45,554	32,316
<u>5,749</u>	<u>5,749</u>	<u>-</u>	<u>236,350</u>	<u>236,350</u>	<u>-</u>
<u>\$ 5,949</u>	<u>\$ 5,893</u>	<u>\$ (56)</u>	<u>\$ 249,588</u>	<u>\$ 281,904</u>	<u>\$ 32,316</u>

HANFORD ELEMENTARY SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN  
 FUND BALANCES - BUDGET AND ACTUAL -  
 NONMAJOR CAPITAL PROJECTS FUNDS (BY OBJECT)  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	<u>CAPITAL FACILITIES FUND</u>		
	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
<b>REVENUE:</b>			
Other State Revenue-			
School Facilities Apportionment	\$ -	\$ -	\$ -
Other Local Revenue-			
Interest	8,000	9,724	1,724
Developer Fees	<u>571,966</u>	<u>696,864</u>	<u>124,898</u>
Total Other Local Revenue	<u>579,966</u>	<u>706,588</u>	<u>126,622</u>
 Total Revenue	 <u>579,966</u>	 <u>706,588</u>	 <u>126,622</u>
<b>EXPENDITURES:</b>			
Books and Supplies	13,000	12,936	64
Services and Other Operating Expenditures	316,874	291,457	25,417
Capital Outlay	131,018	126,670	4,348
Debt Service-			
Principal Retirement	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>460,892</u>	<u>431,063</u>	<u>29,829</u>
 EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	 <u>119,074</u>	 <u>275,525</u>	 <u>156,451</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Operating Transfers In	-	-	-
Operating Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
 EXCESS (DEFICIENCY) OF REVENUE AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	 119,074	 275,525	 156,451
 FUND BALANCES - JULY 1, 2002	 <u>378,003</u>	 <u>378,003</u>	 <u>-</u>
 FUND BALANCES - JUNE 30, 2003	 <u>\$ 497,077</u>	 <u>\$ 653,528</u>	 <u>\$ 156,451</u>

The notes to the financial statements



<u>PRISON IMPACT AID FUND</u>			<u>TOTALS (MEMORANDUM ONLY)</u>		
<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE-FAVORABLE (UNFAVORABLE)</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE-FAVORABLE (UNFAVORABLE)</u>
\$ -	\$ -	\$ -	\$ 217,400	\$ -	\$ (217,400)
-	-	-	32,054	26,393	(5,661)
-	-	-	571,966	696,864	124,898
-	-	-	604,020	723,257	119,237
-	-	-	821,420	723,257	(98,163)
-	-	-	134,056	133,912	144
-	-	-	454,303	416,004	38,299
-	-	-	1,340,316	1,083,195	257,121
-	-	-	108,529	108,529	-
-	-	-	2,037,204	1,741,640	295,564
-	-	-	(1,215,784)	(1,018,383)	197,401
-	-	-	970,934	970,934	-
-	-	-	(112,000)	(111,025)	975
-	-	-	858,934	859,909	975
-	-	-	(356,850)	(158,474)	198,376
15,702	15,702	-	1,456,624	1,456,624	-
<u>\$ 15,702</u>	<u>\$ 15,702</u>	<u>\$ -</u>	<u>\$ 1,099,774</u>	<u>\$ 1,298,150</u>	<u>\$ 198,376</u>

are an integral part of this statement.

HANFORD ELEMENTARY SCHOOL DISTRICT  
ORGANIZATION  
JUNE 30, 2003

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The Hanford Elementary School District comprises an area of approximately thirteen square miles located in Kings County and operates ten schools, providing instruction from kindergarten through eighth grade. There were no changes in the boundaries of the District during the current year.

The Board of Trustees for the fiscal year ended June 30, 2003 was composed of the following members:

<u>NAME</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Kenneth Baird	President	November, 2004
Lupe C. Hernandez	Vice President	November, 2006
Robert A. Garcia	Clerk	November, 2006
Dennis Hill	Member	November, 2004
Jack L. Krieger	Member	November, 2006

ADMINISTRATION

Rebecca Presley - Superintendent

Nancy White - Assistant Superintendent Fiscal Services

HANFORD ELEMENTARY SCHOOL DISTRICT  
 SCHEDULE OF AVERAGE DAILY ATTENDANCE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	<u>SECOND PERIOD REPORT</u>	<u>ANNUAL REPORT</u>
<u>ELEMENTARY-</u>		
Kindergarten	555	556
Grades One through Three	1,673	1,672
Grades Four through Six	1,702	1,698
Grades Seven and Eight	955	955
Special Education - Master Plan	89	89
Special Education - Nonpublic, Nonsectarian	1	1
Home and Hospital	4	6
Opportunity	15	16
Community Day School	22	23
TOTALS	5,016	5,016

	<u>HOURS OF ATTENDANCE</u>
<u>SUMMER SCHOOL-</u>	
Elementary	49,395

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

HANFORD ELEMENTARY SCHOOL DISTRICT  
 SCHEDULE OF INSTRUCTIONAL TIME  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

<u>GRADE LEVEL</u>	<u>1982-83 ACTUAL MINUTES</u>	<u>1986-87 MINUTES REQUIREMENT</u>	<u>2002-2003 ACTUAL MINUTES</u>	<u>NUMBER OF DAYS TRADITIONAL CALENDAR</u>	<u>NUMBER OF DAYS MULTITRACK CALENDER</u>	<u>STATUS</u>
Kindergarten	31,680	36,000	50,856	180	-	Complied
Grades 1 Through 3	42,240	50,400	54,336	180	-	Complied
Grades 4 Through 8	48,224	54,000	57,816	180	-	Complied

Districts, including basic aid 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. This schedule is required for all districts, including basic aid districts.

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 instruction time offered by the District and whether the District complied with the provisions of Education Code Sections 46200 through 46206.

HANFORD ELEMENTARY SCHOOL DISTRICT  
 SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2003

<u>General Fund</u>	<u>(Budget)</u> <u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Revenue and Other Financial Sources	\$ 35,267,104	\$ 37,552,547	\$ 35,775,977	\$ 32,426,440
Expenditures	35,003,712	35,437,828	35,546,679	32,687,250
Other Uses and Transfers Out	<u>240,000</u>	<u>1,045,694</u>	<u>170,000</u>	<u>168,000</u>
Total Outgo	<u>35,243,712</u>	<u>36,483,522</u>	<u>35,716,679</u>	<u>32,855,250</u>
Change in Fund Balance	<u>\$ 23,392</u>	<u>\$ 1,069,025</u>	<u>\$ 59,298</u>	<u>\$ (428,810)</u>
Ending Fund Balance	<u>\$ 2,998,024</u>	<u>\$ 2,974,632</u>	<u>\$ 1,905,607</u>	<u>\$ 1,846,309</u>
Available Reserves	<u>\$ 2,922,974</u>	<u>\$ 2,832,155</u>	<u>\$ 1,824,222</u>	<u>\$ 1,805,731</u>
Designated for Economic Uncertainties	<u>\$ 1,900,000</u>	<u>\$ 1,368,000</u>	<u>\$ 1,080,625</u>	<u>\$ 1,372,500</u>
Undesignated Fund Balance	<u>\$ 1,022,974</u>	<u>\$ 1,464,155</u>	<u>\$ 743,597</u>	<u>\$ 433,231</u>
Available Reserves as a Percentage of Total Outgo	8.3%	7.8%	5.1%	5.5%
Total Long-Term Debt	\$ 13,949,454	\$ 14,458,349	\$ 13,901,146	\$ 14,297,503
Average Daily Attendance at P-2	5,085	5,016	4,927	4,789

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.

The general fund balance has increased by \$1,128,323 over the past two years. The fiscal year 2003-2004 budget projects an increase of \$ 23,392. For a district this size, the state recommends available reserves of the greater of 3 percent of total general fund expenditures, transfers out, and other uses (total outgo) or \$50,000.

The long-term debt has increased by \$160,846 over the past two years.

Average daily attendance has increased by 227 ADA over the past two years, and is expected to increase by 69 ADA during fiscal year 2003-2004.

HANFORD ELEMENTARY SCHOOL DISTRICT  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2003

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM OR CLUSTER TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS- THROUGH ENTITY IDENTIFYING NUMBER</u>	<u>FEDERAL EXPENDITURES</u>
<b>FEDERAL PROGRAMS:</b>			
U.S. Department of Education:			
Maintenance and Operation (P.L. 84-874)	84.041		\$ 5,999
Safe and Drug Free Schools	84.186		425,174
IASA - Title VII Bilingual Education	84.294A		147,778
21st Century After School Learning Centers	84.287		730,470
Passed through California Department of Education (CDE):			
IASA - Title I	84.010	03064	1,416,585
Migrant Education	84.011	03239	284,068
IASA - Title VI Innovative Strategies	84.298A	13340	45,371
Federal Renovation Program	84.352A	14313	164,447
School Renovation Technology Grant	84.352A	14318	119,897
Title VI Class Size Reduction (P.L. 105-277)	84.340A	03073	70,954
Title II Enhancing Education Through Technology	84.318	14334	17,135
Title II Teacher Quality	84.367H	14341	316,020
Title III Limited English Proficiency	84.365	10084	<u>44,633</u>
Total U.S. Department of Education			<u>3,788,531</u>
U.S. Department of Agriculture:			
Passed through CDE:			
National School Lunch	10.555	03755	1,190,952
School Breakfast Program	10.553	03157	<u>289,308</u>
Total U.S. Department of Agriculture			<u>1,480,260</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 5,268,791</u>

- NOTE: 1. Basis of Presentation-  
 The accompanying schedule of expenditures of Federal awards includes the Federal grant activity of Hanford Elementary School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB 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 general purpose financial statements.
2. Subrecipients-  
 Of the federal expenditures presented in the schedule, Hanford Elementary School District provided no federal awards to subrecipients.
3. Non-cash assistance in the form of donated commodities was received from California Department of Education as a pass-through grant from the U.S. Department of Agriculture. The total market value of the commodities received during 2002-2003 was \$87,874.

The accompanying notes are an integral part of this schedule.

HANFORD ELEMENTARY SCHOOL DISTRICT  
 RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET  
 REPORT (J-200) WITH AUDITED FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	GENERAL FUND
June 30, 2003 Annual Financial and Budget Report (Form J-200) Fund Balance	\$ 3,195,858
Adjustments Increasing	
Decreasing Fund Balance-	
Record Accrued Compensated Absences	(221,226)
June 30, 2003 Audited Financial Statement Fund Balance	\$ 2,974,632
<u>GENERAL LONG-TERM DEBT</u>	
June 30, 2003 Annual Financial and Budget Report (J-200) Total Liabilities	\$ 13,440,550
Adjustments Increasing (Decreasing) Total Liabilities-	
Understatement of Capital Leases Payable	834,999
Understatement of Compensated Absences	182,800
June 30, 2003 Audited Financial Statement, General Long-Term Debt Total Liabilities	\$ 14,458,349

NOTE: There were no adjustments to the following funds:

- Cafeteria Fund
- Deferred Maintenance Fund
- Capital Facilities Fund
- Self-Insurance Employee Benefits Fund
- Child Development Fund
- Building Fund
- School Facilities Fund
- Prison Impact Aid Fund
- 1993 General Obligation Bond Fund
- Special Reserve Fund-Instructional Materials Project
- Special Reserve Fund - Buses
- Special Reserve - Capital Facilities
- 1998 General Obligation Bonds

This schedule provides the information necessary to reconcile the fund balances of all funds and the total liabilities balance of the general long-term debt account group as reported on the Form J-200 to the audited financial statements.

OTHER INDEPENDENT AUDITOR'S REPORTS



**DIANE M. AUGUSTO**

Certified Public Accountant

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

To the Board of Trustees  
Hanford Elementary School District  
Hanford, California:

We have audited the financial statements of the Hanford Elementary School District as of and for the year ended June 30, 2003, and have issued our report thereon dated January 30, 2004, which was qualified because of a scope limitation regarding Student Body Fund records, and because we did not audit the claims paid on behalf of the Self-Insurance Fund by the administrator of the plan. Except as discussed in the preceding sentence, 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.

Compliance

As part of obtaining reasonable assurance about whether the 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 instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the 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 assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting 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 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the Board of Trustees, management, and Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than the specified parties.

*Diane M. Augusto*  
January 30, 2004.

# DIANE M. AUGUSTO

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## AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the 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, 2003. Hanford Elementary School District's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major Federal programs is the responsibility of the Hanford Elementary School District's management. Our responsibility is to express an opinion on the 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 on the 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, 2003.

### Internal Control Over Compliance

The management of Hanford Elementary School District is responsible for establishing and maintaining effective internal control over compliance with 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 the 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 for the information and use of the Board of Trustees, management, Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Diane M. Augusto*

January 30, 2004.

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AUDITOR'S REPORT ON STATE COMPLIANCE

To the Board of Trustees  
Hanford Elementary School District  
Hanford, California:

We have audited the general purpose financial statements of the Hanford Elementary School District, as of and for the year ended June 30, 2003, and have issued our report thereon dated January 30, 2004. In our report, our opinion was qualified due to a scope limitation regarding Student Body Fund records, and because we did not audit the claims paid on behalf of the Self-Insurance Fund by the administrator of the plan. Except as discussed in the preceding sentence, our audit was made in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the 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 District's management 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 District's compliance with the state laws and regulations applicable to the following items:

<u>Description</u>	<u>Procedures in Controller's Audit Guide</u>	<u>Procedures Performed</u>
Attendance accounting:		
Attendance reporting	4	Yes
Kindergarten Continuation	3	Yes
Independent study	13	No (see below)
Continuation education	11	Not applicable
Adult education	8	Not applicable
Regional occupational center/programs	4	Not applicable
Staff development days	3	Yes
Incentive for longer instructional day:		
School districts	4	Yes
County Offices of Education	4	Not applicable

GANN limit calculation	1	Yes
Early retirement incentive program	5	Yes
Community day schools	8	Yes
Class Size Reduction Program:		
Option one classes	10	Yes
Option two classes	9	Yes
Option one and two classes	14	Yes
Program to Reduce class size in two courses in grade 9	8	Not applicable
State Instructional Materials Fund:		
Instructional Materials Funding		
Realignment Program	9	Yes
Schiff-Bustamante Standards-Based		
Instructional Materials	9	Yes
Digital High School Education Technology Grant Program	5	Not applicable
California Public Schools Library Act of 1998, K-12	4	Yes
Office of Criminal Justice Planning	-	Not applicable
Ratio of Administrative Employees to Teachers	3	Yes

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

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 examination, for items not tested, nothing came to our attention to indicate that the Hanford Elementary School District had not complied with the state laws and regulations.

This report is intended solely for the information and use of the Board of Trustees, management, State Controller's Office, Department of Finance, Department of Education and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

*Diane M. Augusto*  
January 30, 2004.

HANFORD ELEMENTARY SCHOOL DISTRICT  
 SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS  
 JUNE 30, 2003

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:

Qualified

Internal control over financial reporting:

Material weakness(es) identified? \_\_\_\_\_ Yes X No

Reporting condition(s) identified not considered  
to be material weaknesses? X Yes \_\_\_\_\_ None reported

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? \_\_\_\_\_ Yes X No

Reporting condition(s) identified not considered  
to be material weaknesses? \_\_\_\_\_ Yes X None reported

Type of auditor's report issued on compliance for  
major programs:

Unqualified

Any audit findings disclosed that are required to be  
reported in accordance with Circular A-133,  
Section .510(a)

\_\_\_\_\_ Yes X No

Identification of major programs

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.186	Safe and Drug Free Schools
10.555	National School Lunch
10.553	School Breakfast Program
84.010	IASA - Title I
84.367H	Title II - Teacher Quality

Dollar threshold used to distinguish between Type A and Type B programs: \$ 300,000

Auditee qualified as low-risk auditee? \_\_\_\_\_ Yes X No

State Awards

Internal control over state programs:

Material weakness(es) identified? \_\_\_\_\_ Yes X No

Reporting condition(s) identified not considered  
to be material weaknesses? \_\_\_\_\_ Yes X None reported

Type of auditor's report issued on compliance for  
state programs:

Unqualified

## SECTION II - FINANCIAL STATEMENT FINDINGS

### 03-1. PROPERTY, PLANT AND EQUIPMENT- Inventory of Equipment Finding Type - Code 20000

#### 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 \$5,000 due to computer problems in the processing of the updating information. We 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.

#### District Response:

In process.

## SECTION III- FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

## SECTION IV- STATE AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

HANFORD ELEMENTARY SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2003

1. 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 due to computer problems in the processing of the updating information. We understand that the District will be placing their fixed assets inventory listing on a new computer system.

Recommendation:

We recommend the District manually update their computerized fixed asset inventory listings for additions and deletions until such time that they place the fixed asset listings on the new computer system.

Current Status:

In process. Assets greater than \$5,000 have been placed on an inventory listing. See current year recommendation.