

Financial Statements
June 30, 2025

Hanford Elementary School District

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Independent Auditor's Report

To the Governing Board
Hanford Elementary School District
Hanford, California

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Hanford Elementary School District (the District), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Hanford Elementary School District, as of June 30, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Adoption of New Accounting Standard

As discussed in Note 15 to the financial statements, the District has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences* for the year ended June 30, 2025. Accordingly, a restatement has been made to the governmental activities net position as of July 1, 2024, to restate beginning net position. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in the District's net OPEB liability and related ratios, schedule of the District's proportionate share of the net OPEB liability – MPP program, schedule of the District's proportionate share of the net pension liability - CalSTRS, schedule of the District's proportionate share of the net pension liability - CalPERS, schedule of the District's contributions - CalSTRS, and schedule of the District's contributions - CalPERS be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, combining non-major governmental fund financial statements, and other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the Schedule of Expenditures of Federal Awards, combining non-major governmental fund financial statements, and other supplementary information listed in the table of contents are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the financial statements. The other information comprises the Local Education Agency Organization Structure but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2025 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Fresno, California
December 11, 2025

Hanford Elementary School District



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

(559) 585-3600

Superintendent
Joy C. Gabler

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

MANAGEMENT DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2025

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, 2025, with comparative information for the fiscal year ended June 30, 2024. 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 2024-2025 school year, the District operated eight elementary schools, one K-8 magnet school, two junior high schools, and one community day school on the traditional August through June schedule, for the instruction of approximately 5,574 students.

USING THE ANNUAL FINANCIAL REPORT

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

FINANCIAL HIGHLIGHTS

- The Hanford Elementary School District’s Government-wide Statement of Net Position illustrates total net position of \$76,319,402, the result of assets and deferred outflows of \$223,295,827 minus liabilities and deferred inflows of \$146,976,425.
- General Revenues accounted for \$86,405,996 or 74.31% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$29,866,487 or 25.69% of total revenues of \$116,272,483.
- The District had \$106,654,127 in expenses related to governmental activities.
- The General Fund reported a fund balance of \$74,174,856.

STUDENT ENROLLMENT AND DEMOGRAPHIC TRENDS

The District’s enrollment for the 2024–2025 school year is approximately 5,574 students, with projections remaining stable.

In addition to enrollment, the District closely monitors Average Daily Attendance (ADA), which typically falls below enrollment figures. ADA reflects actual student attendance and is a key metric for funding and performance. For 2025–2026, the District anticipates an ADA of 5,307, including County-run programs. Due to the pandemic, funding for the 2024–2025 school year is based on a prior three-year ADA average (2022-2024), as shown in Figure 1.

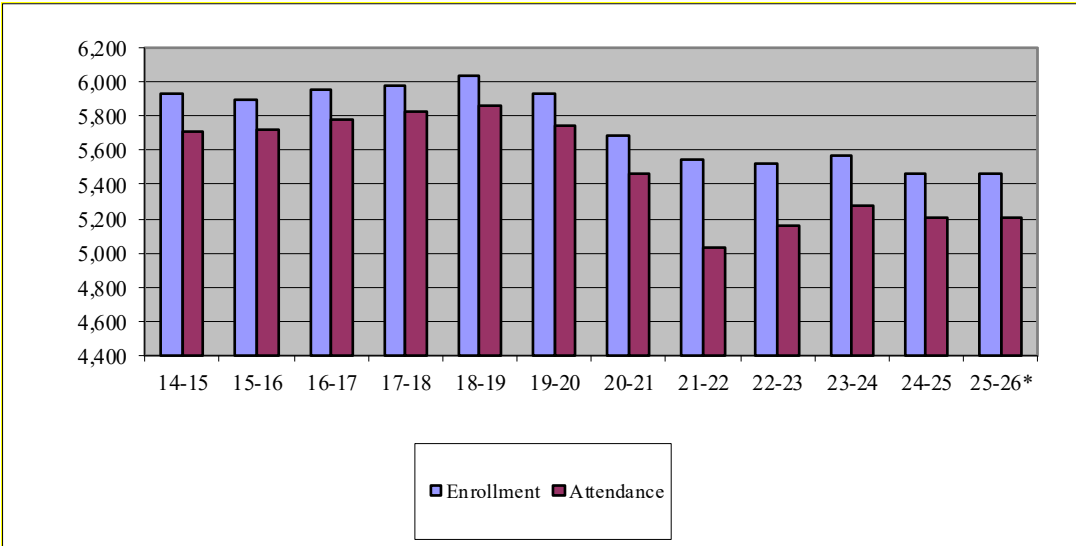


Figure 1. District Enrollment to Actual Attendance Data

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

REPORTING THE DISTRICT AS A WHOLE

- **THE STATEMENT OF NET POSITION AND STATEMENT OF ACTIVITIES**

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

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

- **FUND FINANCIAL STATEMENTS**

The fund financial statements provide detailed information about the most significant funds, not the District as a whole. Some funds are required to be established by State statute, while many other funds are established by the District to help manage money for particular purposes and compliance with various provisions. The District's 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 financial statements provide a detailed short-term view of the District's general governmental operations and the basic services it provides. Governmental fund information helps you determine whether there are more or less financial resources available to spend in the near future to finance the District's program. The Relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the notes to the financial statements.

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.

- NOTES TO THE FINANCIAL STATEMENTS

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

- THE DISTRICT AS A WHOLE

The “Statement of Net Position” provides the perspective of the District as a whole. Table 1 provides a summary of the District’s net position for fiscal years 2024-2025 and 2023-2024, respectively.

Table 1. Net Position

	Governmental Activities	
	2025	2024*
Assets		
Current and other assets	\$ 114,396,741	\$ 110,922,709
Capital assets	81,709,207	73,379,895
Total assets	196,105,948	184,302,604
Deferred Outflows of Resources	27,189,879	27,666,499
Liabilities		
Current liabilities	13,378,210	16,641,953
Long-term liabilities	123,722,359	114,763,761
Total liabilities	137,100,569	131,405,714
Deferred Inflows of Resources	9,875,856	8,170,648
Net Position		
Net investment in capital assets	54,167,173	46,531,121
Restricted	38,082,753	43,138,422
Unrestricted (deficit)	(15,930,524)	(17,276,802)
Total net position	\$ 76,319,402	\$ 72,392,741

* Amounts have not been restated for the effects of the implementation of GASB Statement No. 101 for comparative purposes. See Note 15 for further information.

Table 2 shows the changes in net position for fiscal years 2024-2025 and 2023-2024, respectively.

Table 2. Changes in Net Position

	Governmental Activities	
	2025	2024*
Revenues		
Program revenues		
Charges for services	\$ 1,943,156	\$ 774,309
Operating grants and contributions	27,717,567	31,184,124
Capital grants and contributions	205,764	11,303,741
General revenues		
Federal and State aid not restricted	74,934,683	76,410,721
Property taxes	5,487,264	4,893,567
Other general revenues	5,984,049	4,514,329
Total revenues	<u>116,272,483</u>	<u>129,080,791</u>
Expenses		
Instruction-related	65,435,321	66,622,248
Pupil services	16,651,751	16,337,361
Administration	5,691,456	5,601,313
Plant services	9,552,338	9,600,477
All other services	9,323,261	7,008,310
Total expenses	<u>106,654,127</u>	<u>105,169,709</u>
Change in net position	<u>\$ 9,618,356</u>	<u>\$ 23,911,082</u>

* The expenses for the year ended June 30, 2024, were not restated for the effects of the implementation of GASB Statement No. 101 for comparative purposes. See Note 15 for further information.

GOVERNMENTAL FUNDS

- The District's Governmental Funds include Special Revenue Funds for Student Activities, Charter School, Cafeteria and Deferred Maintenance, 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.

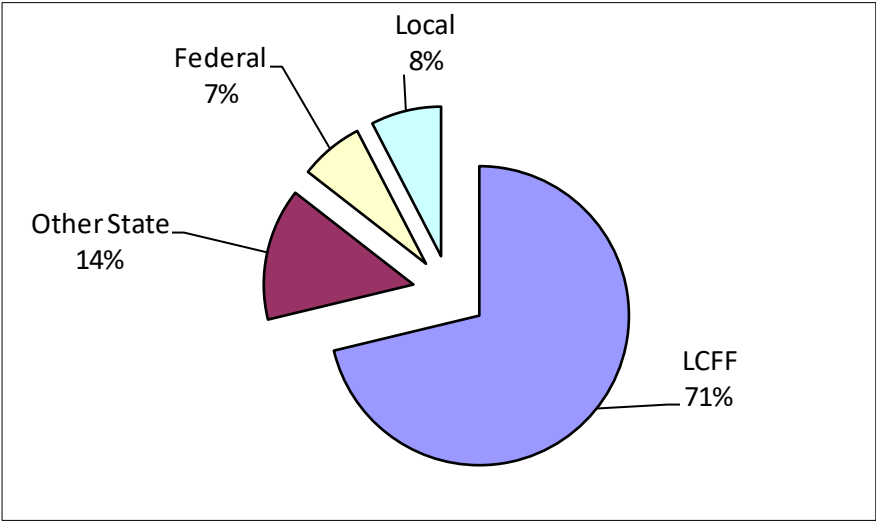


Figure 2. Revenues by Source

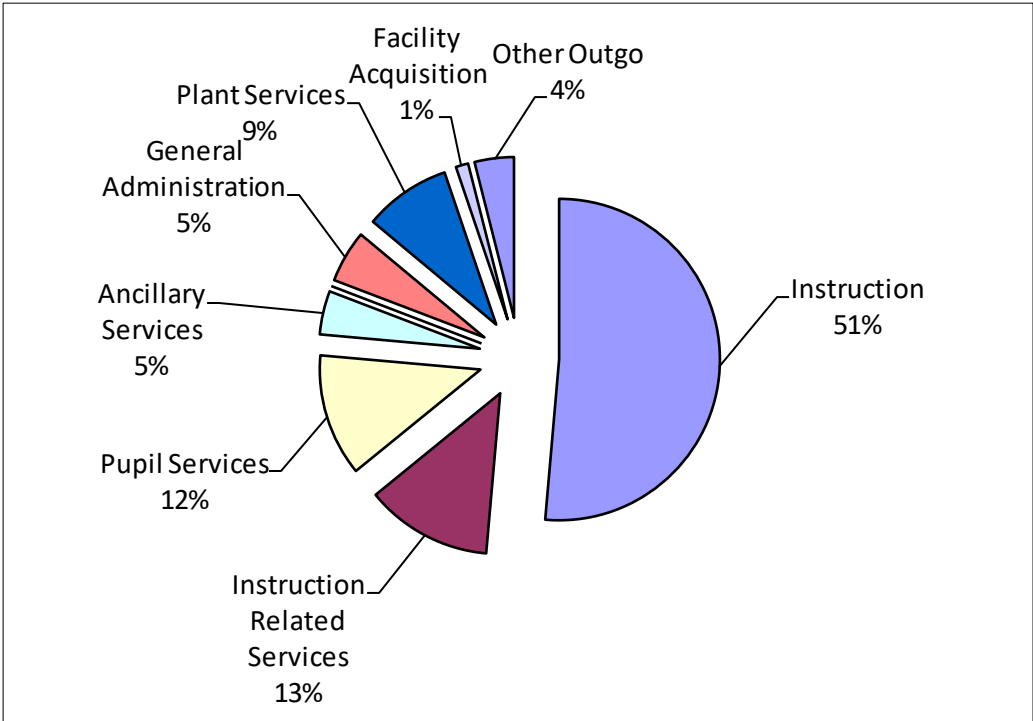


Figure 3. Expenditures by Function

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

The State and Federal budget issues have an impact on the District's General Fund budget. As revenues from these two sources change, so do District revenues, since 96% of District revenues come from State and Federal revenue streams.

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

The net difference in fund balance between the adopted budget and the final budget was an increase of \$56,444,055 and may be summarized as follows:

\$4,705,449 increase in total revenue and other sources mainly due to increases in state and federal revenue.

\$(51,444,310) decrease in total expenditures and other uses due primarily to decreased expenditures across multiple functions of the District.

CAPITAL ASSETS AND LONG-TERM LIABILITIES

- CAPITAL ASSETS

At June 30, 2024, the District had \$73,379,895 in a broad range of capital assets (net of depreciation and amortization), including land and construction in progress, buildings and improvements, equipment, and right-to-use subscription IT assets. At June 30, 2025, the District's net capital assets were \$81,709,207. This amount represents a net increase (including additions, deductions, depreciation and amortization) of \$8,329,312, or 11.35%, from last year. Table 3 presents capital asset balances for each year and the net change. The year's major additions included the completion of various modernization projects throughout the District.

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

	Governmental Activities	
	2025	2024
Land and construction in progress	\$ 13,049,874	\$ 7,481,188
Buildings and improvements	61,813,046	59,040,231
Equipment	6,840,152	6,827,540
Right-to-use subscription IT assets	6,135	30,936
	<u>6,135</u>	<u>30,936</u>
Total	<u>\$ 81,709,207</u>	<u>\$ 73,379,895</u>

- LONG-TERM LIABILITIES

At the end of this year, the District had \$123,722,359 in long-term liabilities outstanding versus \$114,763,761 last year, an increase of \$8,959,598. Table 4 summarizes these obligations.

Table 4. Outstanding Obligations

	Governmental Activities	
	2025	2024*
Long-Term Liabilities		
General obligation bonds	\$ 28,960,000	\$ 21,620,000
Unamortized premiums	1,621,995	1,433,544
Compensated absences	6,143,729	495,429
Financed purchases	4,263,544	3,795,230
Net OPEB liability	14,666,158	13,989,847
Aggregate net pension liability	68,066,933	73,429,711
	<u>68,066,933</u>	<u>73,429,711</u>
Total	<u>\$ 123,722,359</u>	<u>\$ 114,763,761</u>

* Amounts have not been restated for the effects of the implementation of GASB Statement No. 101 for comparative purposes. See Note 15 for further information.

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

At year-end, the District had a net pension liability of \$68,066,933 versus \$73,429,711 last year, a decrease of \$5,362,778, or 7.30%. The District also reported deferred outflows of resources from pension activities of \$23,168,332, and deferred inflows of resources from pension activities of \$5,627,824.

We present more detailed information regarding our long-term liabilities in the Notes to Financial Statements.

FOR THE FUTURE

Post-pandemic, the District continues to face challenges with declining attendance rates. In response, we are implementing targeted strategies such as expanded family outreach, attendance incentive programs, and enhanced data tracking systems.

We remain confident that our budgeting practices and internal controls are robust and well-positioned to support these efforts and meet future challenges.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

For questions or additional financial information regarding this report, please contact:

David Endo
Chief Business Officer
Hanford Elementary School District
P.O. Box 1067, Hanford, CA 93232

Hanford Elementary School District

Statement of Net Position

June 30, 2025

	Governmental Activities
Assets	
Deposits and investments	\$ 111,741,491
Receivables	2,337,028
Prepaid expense	25,142
Stores inventories	293,080
Capital assets not depreciated or amortized	13,049,874
Capital assets, net of accumulated depreciation and amortization	68,659,333
Total assets	196,105,948
Deferred Outflows of Resources	
Deferred outflows of resources related to OPEB	4,021,547
Deferred outflows of resources related to pensions	23,168,332
Total deferred outflows of resources	27,189,879
Liabilities	
Accounts payable	12,788,577
Unearned revenue	525,691
Claims liabilities	63,942
Long-term liabilities	
Long-term liabilities other than OPEB and pensions due within one year	1,897,672
OPEB liability due within one year	480,876
Long-term liabilities other than OPEB and pensions due in more than one year	39,091,596
Other postemployment benefits (OPEB) liability due in more than one year	14,185,282
Aggregate net pension liabilities	68,066,933
Total liabilities	137,100,569
Deferred Inflows of Resources	
Deferred inflows of resources related to OPEB	4,248,032
Deferred inflows of resources related to pensions	5,627,824
Total deferred inflows of resources	9,875,856
Net Position	
Net investment in capital assets	54,167,173
Restricted for	
Debt service	1,352,296
Capital projects	6,755,499
Educational programs	24,663,801
Child nutrition program	5,282,058
Student activities	29,099
Unrestricted (deficit)	(15,930,524)
Total net position	\$ 76,319,402

Hanford Elementary School District

Statement of Activities
Year Ended June 30, 2025

Functions/Programs	Expenses	Program Revenues			Net (Expenses)
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Revenues and Changes in Net Position
					Governmental Activities
Governmental Activities					
Instruction	\$ 52,386,913	\$ 1,187	\$ 8,099,497	\$ 205,764	\$ (44,080,465)
Instruction-related activities					
Supervision of instruction	4,041,962	5,217	2,803,366	-	(1,233,379)
Instructional library, media, and technology	2,088,485	-	20,803	-	(2,067,682)
School site administration	6,917,961	13,755	288,450	-	(6,615,756)
Pupil services					
Home-to-school transportation	2,165,604	-	296,256	-	(1,869,348)
Food services	4,823,876	45,295	5,285,407	-	506,826
All other pupil services	9,662,271	84,334	1,562,821	-	(8,015,116)
Administration					
Data processing	1,243,803	-	18,956	-	(1,224,847)
All other administration	4,447,653	2,132	746,322	-	(3,699,199)
Plant services	9,552,338	277,989	885,113	-	(8,389,236)
Ancillary services	4,544,739	38,115	5,723,465	-	1,216,841
Interest on long-term liabilities	1,053,945	-	-	-	(1,053,945)
Other outgo	3,724,577	1,475,132	1,987,111	-	(262,334)
Total governmental activities	<u>\$ 106,654,127</u>	<u>\$ 1,943,156</u>	<u>\$ 27,717,567</u>	<u>\$ 205,764</u>	<u>(76,787,640)</u>
General Revenues and Subventions					
Property taxes, levied for general purposes					4,392,213
Property taxes, levied for debt service					1,018,741
Taxes levied for other specific purposes					76,310
Federal and State aid not restricted to specific purposes					74,934,683
Interest and investment earnings					4,896,068
Interagency revenues					395
Miscellaneous revenues					<u>1,087,586</u>
Subtotal, general revenues and subventions					<u>86,405,996</u>
Change in Net Position					9,618,356
Net Position - Beginning, as previously reported					72,392,741
Adjustments (Note 15)					(5,691,695)
Net Position - Beginning, as restated					<u>66,701,046</u>
Net Position - Ending					<u>\$ 76,319,402</u>

Hanford Elementary School District

Balance Sheet – Governmental Funds

June 30, 2025

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
Assets				
Deposits and investments	\$ 85,255,687	\$ 7,303,505	\$ 18,082,069	\$ 110,641,261
Receivables	1,081,588	-	1,254,400	2,335,988
Prepaid expenditures	25,142	-	-	25,142
Stores inventories	221,745	-	71,335	293,080
Total assets	\$ 86,584,162	\$ 7,303,505	\$ 19,407,804	\$ 113,295,471
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 11,777,515	\$ -	\$ 984,880	\$ 12,762,395
Due to other funds	106,100	-	8,000	114,100
Unearned revenue	525,691	-	-	525,691
Total liabilities	12,409,306	-	992,880	13,402,186
Fund Balances				
Nonspendable	251,937	-	71,745	323,682
Restricted	24,663,737	7,303,505	13,419,016	45,386,258
Committed	19,043,398	-	158,179	19,201,577
Assigned	14,916,812	-	4,765,984	19,682,796
Unassigned	15,298,972	-	-	15,298,972
Total fund balances	74,174,856	7,303,505	18,414,924	99,893,285
Total liabilities and fund balances	\$ 86,584,162	\$ 7,303,505	\$ 19,407,804	\$ 113,295,471

Hanford Elementary School District
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2025

Total Fund Balance - Governmental Funds		\$ 99,893,285
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is	\$ 125,255,637	
Accumulated depreciation and amortization is	<u>(43,546,430)</u>	
Net capital assets		81,709,207
An internal service fund is used by management to charge the costs of the workers' compensation insurance program to the individual funds. The assets and liabilities (including claims liability) of the internal service fund are included with governmental activities in the statement of net position.		1,125,246
Deferred outflows of resources represent a consumption of net position in a future period and is not reported in the governmental funds. Deferred outflows of resources amounted to and related to		
Other postemployment benefits (OPEB) liability	4,021,547	
Aggregate net pension liability	<u>23,168,332</u>	
Total deferred outflows of resources		27,189,879
Deferred inflows of resources represent an acquisition of net position that applies to a future period and is not reported in the governmental funds. Deferred inflows of resources amount to and related to		
Other postemployment benefits (OPEB) liability	(4,248,032)	
Aggregate net pension liability	<u>(5,627,824)</u>	
Total deferred inflows of resources		(9,875,856)
Aggregate net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.		(68,066,933)
The District's OPEB liability is not due and payable in the current period, and is not reported as a liability in the funds.		(14,666,158)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Long-term liabilities, including unamortized premiums/(discounts), at year-end consist of		
General obligation bonds including unamortized premiums	(30,581,995)	
Financed purchase agreements	(4,263,544)	
Compensated absences	<u>(6,143,729)</u>	
Total long-term liabilities		<u>(40,989,268)</u>
Total net position - governmental activities		<u>\$ 76,319,402</u>

Hanford Elementary School District
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2025

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues				
Local Control Funding Formula (LCFF)	\$ 76,849,352	\$ -	\$ 300,000	\$ 77,149,352
Federal sources	7,405,287	-	4,083,939	11,489,226
Other State sources	15,415,056	-	1,085,811	16,500,867
Other local sources	8,976,821	32,213	4,071,582	13,080,616
Total revenues	108,646,516	32,213	9,541,332	118,220,061
Expenditures				
Current				
Instruction	53,777,254	-	-	53,777,254
Instruction-related activities				
Supervision of instruction	4,118,890	-	-	4,118,890
Instructional library, media, and technology	2,149,081	-	-	2,149,081
School site administration	7,055,411	-	-	7,055,411
Pupil services				
Home-to-school transportation	2,294,458	-	-	2,294,458
Food services	717,112	-	4,406,552	5,123,664
All other pupil services	10,113,172	-	-	10,113,172
Administration				
Data processing	1,459,399	-	-	1,459,399
All other administration	4,036,436	-	103,625	4,140,061
Plant services	9,125,567	-	446,461	9,572,028
Ancillary services	4,598,509	-	34,395	4,632,904
Other outgo	3,698,369	26,208	-	3,724,577
Facility acquisition and construction	1,320,566	-	9,168,795	10,489,361
Debt service				
Principal	137,397	-	160,000	297,397
Interest and other	-	202,500	851,445	1,053,945
Total expenditures	104,601,621	228,708	15,171,273	120,001,602

Hanford Elementary School District
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2025

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
Excess (Deficiency) of Revenues Over Expenditures	4,044,895	(196,495)	(5,629,941)	(1,781,541)
Other Financing Sources (Uses)				
Transfers in	-	-	4,300,000	4,300,000
Other sources - proceeds from issuance of bonds	-	7,500,000	-	7,500,000
Other sources - premium on issuance of bonds	-	-	251,303	251,303
Other sources - financed purchase agreement	605,711	-	-	605,711
Transfers out	-	-	(4,300,000)	(4,300,000)
Net Financing Sources (Uses)	605,711	7,500,000	251,303	8,357,014
Net Change in Fund Balances	4,650,606	7,303,505	(5,378,638)	6,575,473
Fund Balance - Beginning	69,524,250	-	23,793,562	93,317,812
Fund Balance - Ending	<u>\$ 74,174,856</u>	<u>\$ 7,303,505</u>	<u>\$ 18,414,924</u>	<u>\$ 99,893,285</u>

Hanford Elementary School District

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental
Funds to the Statement of Activities

June 30, 2025

Total Net Change in Fund Balances - Governmental Funds \$ 6,575,473

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

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

This is the amount by which capital outlay exceed depreciation and amortization expense in the period.

Capital outlay	\$ 12,045,594	
Depreciation and amortization expense	<u>(3,627,379)</u>	

Net expense adjustment		8,418,215
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A loss on disposal of capital assets is reported in the government-wide Statement of Net Position, but is not recorded in the governmental funds.		(88,903)
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Some of the capital assets acquired this year were financed. The amount financed is reported in the governmental funds as a source of financing. On the other hand, the proceeds are not revenues in the Statement of Activities, but rather constitute long-term liabilities in the Statement of Net Position.		(605,711)
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In the Statement of Activities, certain operating expenses, such as compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This amount is the difference between compensated absences earned and used.		43,395
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In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the Statement of Activities, pension expense is the net effect of all changes in the deferred outflows/inflows of resources and net pension liability during the year.		2,300,373
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In the governmental funds, OPEB costs are based on benefit payments made for OPEB plans during the year. However, in the Statement of Activities, OPEB expense is the net effect of all changes in the deferred outflows/inflows of resources and OPEB liability during the year.		204,266
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Hanford Elementary School District

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental
Funds to the Statement of Activities
Year Ended June 30, 2025

Proceeds received from general obligation bonds and certificates of participation are a revenue in the governmental funds, but increase long-term liabilities in the Statement of Net Position and do not affect the Statement of Activities.	(7,500,000)
Governmental funds report the effect of premiums, discounts, and the deferred charge on refunding when the debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.	
Premium on issuance recognized	(251,303)
Premium amortization	62,852
Payments of principal on long-term liabilities is an expenditure in the governmental funds, but reduce long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.	
General obligation bonds	160,000
Financed Purchases	137,397
An internal service fund is used by management to charge the costs of the self insurance program to the individual funds. The net revenue of the Internal Service Fund is reported with governmental activities.	162,302
Change in net position of governmental activities	<u><u>\$ 9,618,356</u></u>

Hanford Elementary School District
Statement of Net Position – Proprietary Funds
June 30, 2025

	<u>Governmental Activities - Internal Service Fund</u>
Assets	
Current assets	
Deposits and investments	\$ 1,100,230
Receivables	1,040
Due from other funds	<u>114,100</u>
Total assets	<u>1,215,370</u>
Liabilities	
Current liabilities	
Accounts payable	\$ 26,182
Claims liabilities	<u>63,942</u>
Total liabilities	<u>90,124</u>
Net Position	
Restricted for claims payments	<u><u>\$ 1,125,246</u></u>

Hanford Elementary School District
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds
Year Ended June 30, 2025

	Governmental Activities - Internal Service Fund
Operating Revenues	
Charges for services	\$ 918,050
Operating Expenses	
Services and Other Operating Expenses	806,176
Operating Income	111,874
Nonoperating Revenues	
Fair market value adjustments	16,353
Interest income	34,075
Total nonoperating revenues	50,428
Change in Net Position	162,302
Total Net Position - Beginning	962,944
Total Net Position - Ending	\$ 1,125,246

Hanford Elementary School District
Statement of Cash Flows – Proprietary Funds
Year Ended June 30, 2025

	Governmental Activities - Internal Service Fund
Operating Activities	
Cash receipts from operating funds	\$ 915,900
Cash payments for claims	<u>(803,787)</u>
Net Cash From Operating Activities	<u>112,113</u>
Investing Activities	
Fair market value adjustments	16,353
Interest on investments	<u>34,075</u>
Net Cash From Investing Activities	<u>50,428</u>
Net Change in Cash and Cash Equivalents	162,541
Cash and Cash Equivalents, Beginning	<u>937,689</u>
Cash and Cash Equivalents, Ending	<u><u>\$ 1,100,230</u></u>
Reconciliation of Operating Income to Net	
Cash from operating activities	
Operating income	\$ 111,874
Changes in assets and liabilities	
Accounts receivable	(850)
Accounts payable	2,389
Due from other funds	<u>(1,300)</u>
Net Cash From Operating Activities	<u><u>\$ 112,113</u></u>

Note 1 - Summary of Significant Accounting Policies**Financial Reporting Entity**

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

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

Basis of Presentation - Fund Accounting

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

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

Major Governmental Funds

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

Two funds currently defined as special revenue funds in the *California State Accounting Manual* (CSAM) do not meet the GASB Statement No. 54 special revenue fund definition. Specifically, Fund 15, Pupil Transportation Equipment Fund, and Fund 20, Special Reserve Fund for Postemployment Benefits, are not substantially composed of restricted or committed revenue sources. While these funds are authorized by statute and will remain open for internal reporting purposes, these funds function effectively as an extension of the General Fund, and accordingly have been combined with the General Fund for presentation in these audited financial statements.

As a result, the General Fund reflects an increase in fund balance of \$14,916,812.

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

Non-Major Governmental Funds

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

- **Student Activities Fund** The Student Activities Fund is used to account separately for the operating activities of the associated student body accounts that are not fiduciary in nature, including student clubs, general operations, athletics, and other student body activities.
- **Charter School Fund** The Charter School Fund may be used by authorizing districts to account separately for the operating activities of district-operated charter school that would otherwise be reported in the authorizing district's General Fund.
- **Cafeteria Fund** The Cafeteria Fund is used to account separately for Federal, State, and local resources to operate the food service program (*Education Code* Sections 38090-38093) and is used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (*Education Code* Sections 38091 and 38100).
- **Deferred Maintenance Fund** The Deferred Maintenance Fund is used to account separately for revenues that are restricted or committed for deferred maintenance purposes (*Education Code* Section 17582).

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

- **Capital Facilities Fund** The Capital Facilities Fund is used primarily to account separately for monies received from fees levied on developers or other agencies as a condition of approval (*Education Code* Sections 17620-17626 and *Government Code* Section 65995 et seq.). Expenditures are restricted to the purposes specified in *Government Code* Sections 65970-65981 or to the items specified in agreements with the developer (*Government Code* Section 66006).
- **County School Facilities Fund** The County School Facilities Fund is established pursuant to *Education Code* Section 17070.43 to receive apportionments from the 1998 State School Facilities Fund (Proposition 1A), the 2002 State School Facilities Fund (Proposition 47), the 2004 State School Facilities Fund (Proposition 55), the 2006 State School Facilities Fund (Proposition 1D), or the 2016 State School Facilities Fund (Proposition 51) authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*Education Code* Section 17070.10 et seq.).

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

Debt Service Funds The Debt Service funds are used to account for the accumulation of resources for, and the payment of, principal and interest on general long-term liabilities.

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

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

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

Basis of Accounting - Measurement Focus

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

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

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

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

- **Governmental Funds** All governmental funds are accounted for using the flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting, and the governmental fund financial statements, prepared using the flow of current financial resources measurement focus and the modified accrual basis of accounting.
- **Proprietary Funds** Proprietary funds are accounted for using a flow of economic resources measurement focus and the accrual basis of accounting. All assets and liabilities associated with the operation of this fund are included in the statement of net position. The Statement of Revenues, Expenses, and Changes in Net Position presents increases (revenues) and decreases (expenses) in net position. The Statement of Cash Flows provides information about how the District finances and meets the cash flow needs of its proprietary fund.

Revenues – Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter, to be used to pay liabilities of the current fiscal year. The District considers revenues to be available if they are collected within one year after year-end, except for property taxes, which are considered available if collected within 60 days. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

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

Unearned Revenue Unearned revenues arise when resources are received by the District before it has a legal claim to them, such as when certain grants are received prior to the occurrence of qualifying expenditures. In the subsequent periods, when the District has a legal claim to the resources, the liability for unearned revenue is removed from the financial statements and the revenue is recognized.

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

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include cash with county treasury balances for purposes of the Statement of Cash Flows.

Investments

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

The District's investment in the county treasury is measured at fair value on a recurring basis, which is determined by the fair value per share of the underlying portfolio determined by the program sponsor. Positions in this investment pool are not required to be categorized within the fair value hierarchy.

Stores Inventories

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

Capital Assets, Depreciation, and Amortization

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

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. When purchased, such assets are recorded as expenditures in the governmental funds and capitalized in the government-wide Statement of Net Position. The valuation basis for capital assets is historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets are capitalized at acquisition value on the date donated.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 20 to 50 years; improvements/infrastructure, 5 to 50 years; equipment, 2 to 15 years. Land is not depreciated.

The District records impairments of capital assets when it becomes probable that the carrying value of the assets will not be fully recovered over their estimated useful life. Impairments are recorded to reduce the carrying value of the assets to their net realizable value based on facts and circumstances in existence at the time of the determination. No impairments were recorded during the year ended June 30, 2025.

Right-to-use subscription IT assets are recognized at the subscription commencement date and represent the District's right-to-use the underlying IT asset for the subscription term. Right-to-use subscription IT assets are measured at the initial value of the subscription liability plus any payments made to the vendor at the commencement of the subscription term, less any subscription incentives from the vendor at or before the commencement of the subscription term, plus any capitalizable initial implementation costs necessary to place the subscription asset into service. Right-to-use subscription IT assets are amortized over the shorter of the subscription term or useful life of the underlying asset using the straight-line method. The amortization period is five years.

Interfund Balances

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

Compensated Absences

Compensated absences are accrued as a liability as the benefits are earned for leave balances that are more likely than not to be used for compensated leave or settled through cash or noncash means. The entire compensated absence liability is reported on the government-wide Statement of Net Position. For governmental funds, a liability for compensated absences is recognized upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year-end that have not yet been paid with expendable available financial resources. These amounts are reported in the fund from which the employees who have accumulated leave are paid.

Classified employee accumulation of earned vacation: Effective with the 2014-2015 school year and thereafter, not more than eighteen (18) days of earned, unused vacation as of June 30 shall be carried forward into the new fiscal year. Unused earned vacation days accumulated in excess of eighteen (18) days as of June 30 shall be paid off with the July pay warrant. Neither party shall reopen Article 15 Section B.5. for the term of this Agreement.

Management vacation credit and accumulation: Annual vacation allowances shall be credited to employees on July 1 of each year and shall be available for use, upon approval, anytime during the year. Not more than 22 days of earned, unused vacation as of the payroll cutoff date in June of any year shall be carried forward into the new fiscal year. Unused earned vacation days accumulated in excess of 22 days as of June 30, shall be paid off with the employee's July pay warrant. For employees leaving the district, unused earned vacation days shall be paid off with the employee's last pay warrant at the employee's regular per diem rate. Unearned vacation days used during the year but not earned as of the date of separation from service shall result in an appropriate deduction from the employee's last pay warrant at the employee's regular per diem rate.

Sick leave is accumulated without limit for each employee at the rate of one day for each month worked. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, only the portion of accumulated sick leave that is more likely than not to be used by the employee for paid leave is recognized as a liability in the District's financial statements. Credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive 0.004 year of service credit for each day of unused sick leave. Credit for unused sick leave is applicable to all certificated employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full-time. The portion of sick leave that is more likely than not to be settled through conversion to service credit for employee retirement plans is not included in the District's liability for compensated absences.

Accrued Liabilities and Long-Term Liabilities

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

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

Debt Issuance Costs, Premiums, and Discounts

Debt premiums, discounts, and debt issuance costs related to prepaid insurance are reported as liabilities in the applicable governmental activities or proprietary fund Statement of Net Position. Debt premiums and discounts, as well as issuance costs related to prepaid insurance costs, are amortized over the life of the bonds using the straight-line method, which approximates the effective interest method.

In governmental fund financial statements, bond premiums, discounts, and debt issuance costs are recognized in the period the bonds are issued. The face amount of the debt is reported as other financing sources. Premiums received on debt issuance are also reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as debt service expenditures in the period the bonds are issued.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense until then. The District reports deferred outflows of resources for pension related items and for OPEB related items.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District reports deferred inflows of resources for pension related items and for OPEB related items.

The deferred amounts related to pension and OPEB relate to differences between expected and actual experience, changes of assumptions, and other pension and OPEB related changes.

Pensions

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

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District Plan and the CalSTRS Medicare Premium Payment (MPP) Program and additions to/deductions from the District Plan and the MPP's fiduciary net position have been determined on the same basis as they are reported by the District Plan and the MPP. For this purpose, the District Plan and the MPP recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost. The net OPEB liability attributable to the governmental activities will be paid primarily by the General Fund.

Fund Balances - Governmental Funds

As of June 30, 2025, fund balances of the governmental funds are classified as follows:

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

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

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

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

Unassigned - all other spendable amounts.

Spending Order Policy

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

Minimum Fund Balance Policy

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

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net position related to net of investment in capital assets consists of capital assets, net of accumulated depreciation and amortization, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report \$38,082,753 of net position restricted by enabling legislation.

Operating Revenues and Expenses – Proprietary Funds

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

Interfund Activity

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

Estimates

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

Property Tax

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

Adoption of New Accounting Standard

Implementation of GASB Statement No. 101

As of June 30, 2025, the District adopted GASB Statement No. 101, *Compensated Absences*. The provisions of this standard modernize the types of leave that are considered a compensated absence and provides guidance for a consistent recognition and measurement of the compensated absence liability. The effect of the implementation of this standard on beginning net position is disclosed in Note 15.

Note 2 - Deposits and Investments**Summary of Deposits and Investments**

Deposits and investments as of June 30, 2025, are classified in the accompanying financial statements as follows:

Governmental funds	\$ 110,641,261
Proprietary fund	<u>1,100,230</u>
Total deposits and investments	<u><u>\$ 111,741,491</u></u>

Deposits and investments as of June 30, 2025, consist of the following:

Cash on hand and in banks	\$ 29,599
Cash with fiscal agent	17,000
Cash in revolving	5,460
Investments	<u>111,689,432</u>
Total deposits and investments	<u><u>\$ 111,741,491</u></u>

Policies and Practices

The District is authorized under California *Government Code* to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations.

Investment in County Treasury - The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their county treasurer (*Education Code* Section 41001). The fair value of the District's investment in the pool is reported in the accounting financial statements at amounts based upon the District's pro-rata share of the fair value provided by the county treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the county treasurer, which is recorded on the amortized cost basis.

General Authorizations

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

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

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District has a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by investing in the County Pool which purchases a combination of shorter term and longer term investments and which also times cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. The District maintains an investment of \$111,689,432 in the Kings County Treasury Investment Pool that has an average weighted maturity of 545 days.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligations to the holder of the investment. The is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investment with the Kings County Investment Pool is currently not rated, nor is it required to be rated.

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California *Government Code* requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105% of the secured deposits. As of June 30, 2025, the District's bank balances were fully insured.

Note 3 - Receivables

Receivables at June 30, 2025, consist of intergovernmental grants, entitlements, and local sources. All receivables are considered collectible in full.

	General Fund	Non-Major Governmental Funds	Total Governmental Funds	Proprietary Fund	Governmental Activities Total
Federal Government					
Categorical aid	\$ 337,087	\$ 540,684	\$ 877,771	\$ -	\$ 877,771
State Government					
Other State	542,553	154,435	696,988	-	696,988
Local Sources	201,948	559,281	761,229	1,040	762,269
Total	<u>\$ 1,081,588</u>	<u>\$ 1,254,400</u>	<u>\$ 2,335,988</u>	<u>\$ 1,040</u>	<u>\$ 2,337,028</u>

Note 4 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2025, was as follows:

	Balance July 1, 2024	Additions	Deductions	Balance June 30, 2025
Governmental Activities				
Capital assets not being depreciated or amortized				
Land	\$ 3,016,579	\$ -	\$ -	\$ 3,016,579
Construction in progress	4,464,609	9,288,236	(3,719,550)	10,033,295
Total capital assets not being depreciated or amortized	7,481,188	9,288,236	(3,719,550)	13,049,874
Capital assets being depreciated and amortized				
Land improvements	14,993,039	2,449,478	-	17,442,517
Buildings and improvements	77,948,641	2,722,759	(15,600)	80,655,800
Furniture and equipment	13,010,270	1,304,671	(222,220)	14,092,721
Right-to-use subscription IT assets	106,557	-	(91,832)	14,725
Total capital assets being depreciated and amortized	106,058,507	6,476,908	(329,652)	112,205,763
Total capital assets	113,539,695	15,765,144	(4,049,202)	125,255,637
Accumulated depreciation and amortization				
Land improvements	(6,665,334)	(583,624)	-	(7,248,958)
Buildings and improvements	(27,236,115)	(1,815,798)	15,600	(29,036,313)
Furniture and equipment	(6,182,730)	(1,203,156)	133,317	(7,252,569)
Right-to-use subscription IT assets	(75,621)	(24,801)	91,832	(8,590)
Total accumulated depreciation and amortization	(40,159,800)	(3,627,379)	240,749	(43,546,430)
Net depreciable and amortizable capital assets	65,898,707	2,849,529	(88,903)	68,659,333
Governmental activities capital assets, net	\$ 73,379,895	\$ 12,137,765	\$ (3,808,453)	\$ 81,709,207

Depreciation and amortization expense was charged to the following functions as follows:

Governmental Activities	
Instruction	\$ 1,675,095
Supervision of instruction	124,635
School site administration	262,079
Home-to-school transportation	163,249
Food services	256,837
All other pupil services	102,815
Ancillary services	51,206
Data processing	28,924
All other administration	345,425
Plant services	617,114
	<u> </u>
Total depreciation and amortization expense - governmental activities	<u><u>\$ 3,627,379</u></u>

Note 5 - Interfund Transactions

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund receivable and payable balances at June 30, 2025, between major and non-major governmental funds and internal service funds are as follows:

<u>Funds</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
Major Governmental Fund		
General	\$ -	\$ 106,100
Non-Major Governmental Fund		
Cafeteria	-	8,000
Proprietary Fund		
Internal Service-Self Insurance	<u>114,100</u>	<u>-</u>
Total	<u><u>\$ 114,100</u></u>	<u><u>\$ 114,100</u></u>
The General Fund owes the Self Insurance Proprietary Fund for dental premiums.		\$ 106,100
The Cafeteria Non-Major Governmental Fund owes the Self Insurance Proprietary Fund for dental premiums.		<u>8,000</u>
Total Interfund Receivables/Payables		<u><u>\$ 114,100</u></u>

Operating Transfers

Interfund transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Interfund transfers for the year ended June 30, 2025, consist of the following:

The Special Reserve Non-Major Governmental Fund for Capital Outlay Projects transferred to the County School Facilities Non-Major Governmental Fund to fund Woodrow Administration Modernization and Monroe Modernization projects.	\$ 3,000,000
The Capital Facilities Non-Major Governmental Fund transferred to the County School Facilities Non-Major Governmental Fund for the TK/K Monroe Building project match.	<u>1,300,000</u>
Total	<u><u>\$ 4,300,000</u></u>

Note 6 - Accounts Payable

Accounts payable at June 30, 2025, consist of the following:

	General Fund	Non-Major Governmental Funds	Governmental Funds Total	Proprietary Fund	Governmental Activities Total
Vendor payables	\$ 1,450,674	\$ 941,990	\$ 2,392,664	\$ 20,706	\$ 2,413,370
LCFF apportionment	997,771	-	997,771	-	997,771
Salaries and benefits	3,104,073	42,890	3,146,963	5,476	3,152,439
Due to CDE - ELOP	<u>6,224,997</u>	<u>-</u>	<u>6,224,997</u>	<u>-</u>	<u>6,224,997</u>
Total	<u><u>\$ 11,777,515</u></u>	<u><u>\$ 984,880</u></u>	<u><u>\$ 12,762,395</u></u>	<u><u>\$ 26,182</u></u>	<u><u>\$ 12,788,577</u></u>

Note 7 - Unearned Revenue

Unearned revenue at June 30, 2025, consists of the following:

	General Fund
Federal financial assistance	<u><u>\$ 525,691</u></u>

Note 8 - Long-Term Liabilities Other than OPEB and Pensions**Summary**

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

	Balance July 1, 2024, as Restated	Additions	Deductions	Balance June 30, 2025	Due in One Year
Long-Term Liabilities					
General obligation bonds	\$ 21,620,000	\$ 7,500,000	\$ (160,000)	\$ 28,960,000	\$ 200,000
Unamortized debt premiums	1,433,544	251,303	(62,852)	1,621,995	-
Financed purchase agreements	3,795,230	605,711	(137,397)	4,263,544	247,526
Compensated absences	6,187,124	-	(43,395)	6,143,729	1,450,146
Total	<u>\$ 33,035,898</u>	<u>\$ 8,357,014</u>	<u>\$ (403,644)</u>	<u>\$ 40,989,268</u>	<u>\$ 1,897,672</u>

The change in compensated absences is presented as a net change.

Payments on the general obligation bonds are made by the Bond Interest and Redemption Fund. The financed purchase agreement will be paid by the General Fund.

General Obligation Bonds

The outstanding general obligation bonded debt is as follows:

Fiscal Year Issued	Final Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2024	Issued	Redeemed	Bonds Outstanding June 30, 2025
2017	8/2047	2.0-5.0%	\$ 8,800,000	\$ 8,085,000	\$ -	\$ (70,000)	\$ 8,015,000
2019	8/2048	1.875-5.250%	7,600,000	6,390,000	-	-	6,390,000
2020	8/2045	2.375-4.00%	7,600,000	7,145,000	-	(90,000)	7,055,000
2025	8/2054	5.0%	7,500,000	-	7,500,000	-	7,500,000
Total				<u>\$ 21,620,000</u>	<u>\$ 7,500,000</u>	<u>\$ (160,000)</u>	<u>\$ 28,960,000</u>

Debt Service Requirements to Maturity**2016A General Obligation Bonds**

On May 24, 2017, the District issued \$8,800,000 Election of 2016, Series A General Obligation Bonds. The bonds were authorized at an election of the registered voters of the District held on November 8, 2016, which authorized the issuance of \$24,000,000 principal amount of general obligation bonds to finance the repair, upgrading, acquisition, construction and equipping of certain District property and facilities, and to pay the costs

of issuing the bonds. The bonds were issued as current interest bonds. Interest on the bonds is payable semiannually on February 1 and August 1 of each year commencing February 1, 2018.

The bonds were sold at a premium of \$452,164 which is being amortized over the life of the bonds at \$15,072 per year. The unamortized premium as of June 30, 2025, amounted to \$331,588.

2016B General Obligation Bonds

On March 27, 2019, the District issued \$7,600,000 Election of 2016, Series B General Obligation Bonds. The bonds were authorized at an election of the registered voters of the District held on November 8, 2016, which authorized the issuance of \$24,000,000 principal amount of general obligation bonds to finance the repair, upgrading, acquisition, construction and equipping of certain District property and facilities, and to pay the costs of issuing the bonds. The bonds were issued as current interest bonds. Interest on the bonds is payable semiannually on February 1 and August 1 of each year commencing August 1, 2019.

The bonds were sold at a premium of \$626,269 which is being amortized over the life of the bonds at \$20,876 per year. The unamortized premium as of June 30, 2025, amounted to \$501,013.

2016C General Obligation Bonds

On September 9, 2020, the District issued \$7,600,000 Election of 2016, Series C General Obligation Bonds. The bonds were authorized at an election of the registered voters of the District held on November 8, 2016, which authorized the issuance of \$24,000,000 principal amount of general obligation bonds to finance the repair, upgrading, acquisition, construction and equipping of certain District property and facilities, and to pay the costs of issuing the bonds. The bonds were issued as current interest bonds. Interest on the bonds is payable semiannually on February 1 and August 1 of each year commencing February 1, 2021.

The bonds were sold at a premium of \$672,611 which is being amortized over the life of the bonds at \$26,904 per year. The unamortized premium as of June 30, 2025, amounted to \$538,091.

2024A General Obligation Bonds

On June 5, 2025, the District issued \$7,500,000 Election of 2024, Series A General Obligation Bonds. The bonds were authorized at an election of the registered voters of the District held on November 5, 2024, which authorized the issuance of \$23,000,000 principal amount of general obligation bonds to financing the renovation, construction and improvement of school facilities, and to pay the costs of issuing the bonds. The bonds were issued as current interest bonds. Interest on the bonds is payable semiannually on February 1 and August 1 of each year commencing August 1, 2025.

The bonds were sold at a premium of \$251,303 which is being amortized over the life of the bonds at \$8,377 per year. The unamortized premium as of June 30, 2025, amounted to \$251,303.

The bonds have debt service payments as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2026	\$ 200,000	\$ 1,087,108	\$ 1,287,108
2027	665,000	1,196,350	1,861,350
2028	670,000	1,164,499	1,834,499
2029	340,000	1,141,049	1,481,049
2030	390,000	1,124,874	1,514,874
2031-2035	2,850,000	5,321,433	8,171,433
2036-2040	5,040,000	4,613,071	9,653,071
2041-2045	7,985,000	3,448,113	11,433,113
2046-2050	7,560,000	1,635,051	9,195,051
2051-2055	3,260,000	437,500	3,697,500
Total	<u>\$ 28,960,000</u>	<u>\$ 21,169,048</u>	<u>\$ 50,129,048</u>

Financed Purchase Agreements

Loan 006-20-ECG

The District entered into an arrangement with the California Energy Commission for an energy efficiency project not to exceed \$2,473,151. The District has received all reimbursement requests up to the threshold amount and is no longer submitting for reimbursements.

The project was completed as of June 30, 2022. Principal payments on the purchase agreement are payable semiannually on December 22 and June 22 of each year commencing December 22, 2022.

Loan 003-22-ECG

The District entered into a financed purchase agreement with the California Energy Commission for an energy efficiency project not to exceed \$2,202,584. The District has received \$605,711 in reimbursement requests during the current year, bringing the total amount for reimbursement to \$2,202,584.

The project was completed as of June 30, 2025. Principal payments on the purchase agreement are payable semiannually on December 22 and June 22 of each year commencing December 22, 2025.

The remaining principal payment requirements for the purchase agreements as of June 30, 2025, are as follows:

<u>Fiscal Year</u>	<u>Principal</u>
2026	\$ 247,526
2027	247,526
2028	247,526
2029	247,526
2030	247,526
2031-2035	1,237,630
2036-2040	1,237,630
2046-2050	550,654
Total	<u>\$ 4,263,544</u>

Note 9 - Other Postemployment Benefit (OPEB) Liability

For the fiscal year ended June 30, 2025, the District reported OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense for the following plans:

<u>OPEB Plan</u>	<u>OPEB Liability</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>OPEB Expense</u>
District Plan	\$ 14,437,367	\$ 4,021,547	\$ 4,248,032	\$ 347,081
Medicare Premium Payment (MPP) Program	228,791	-	-	(28,346)
Total	<u>\$ 14,666,158</u>	<u>\$ 4,021,547</u>	<u>\$ 4,248,032</u>	<u>\$ 318,735</u>

The details of each plan are as follows:

District Plan

Plan Administration

The District's governing board administers the Postemployment Benefits Plan (the Plan). The Plan is a single employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for eligible retirees and their eligible dependents (spouses, registered domestic partners, and children under age 26). No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Plan Membership

At June 30, 2023, the valuation date, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	36
Active employees	508
Total	544

Benefits Provided

The Plan provides medical and dental insurance benefits to eligible retirees and their eligible dependents. Benefits are provided through a third-party insurer, and the District contributes towards the cost of benefits that are covered by the Plan. The District’s governing board has the authority to establish and amend the benefit terms as contained within the negotiated labor agreements.

Benefit Payments

The benefit payment requirements of the Plan members and the District are established and may be amended by the District, the Hanford Elementary Teachers Association (HETA), the local California Service Employees Association (CSEA), and unrepresented groups. The benefit payment is based on projected pay-as-you-go financing requirements as determined annually through the agreements with the District, TEA, CSEA, and the unrepresented groups. For the measurement period of June 30, 2024, the District paid \$523,001 in benefits, which includes \$480,876 of pay-as-you-go contributions made from sources outside of trust, plus an implicit subsidy amount of \$42,125.

Total OPEB Liability of the District

The District’s total OPEB liability of \$14,437,367 was measured as of June 30, 2024, and the total OPEB liability was determined by an actuarial valuation as of June 30, 2023.

Actuarial Assumptions

The total OPEB liability as of June 30, 2024, was determined by applying updated procedures to the financial reporting actuarial valuation as of June 30, 2023, and rolling forward the total OPEB liability to June 30, 2024. The following assumptions were applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	3.00%, average
Discount rate	3.97% for 2024
Healthcare cost trend rates	5.50% for 2024

The discount rate was based on the Bond Buyer 20-bond General Obligation Index.

Mortality Rates for active employees from CalSTRS Experience Analysis (2015-2018). Preretirement Mortality Rates from CalPERS Experience Study (2000-2019). Mortality Rates for retired members and beneficiaries from CalSTRS Experience Analysis (2015-2018). Post-retirement Mortality Rates for Healthy Recipients from CalPERS Experience Study (2000-2019).

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actual experience study for the period July 1, 2021 to June 30, 2023.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance, June 30, 2023 (Measurement Date)	<u>\$ 13,732,710</u>
Service cost	811,671
Interest	551,415
Changes of assumptions or other inputs	(135,428)
Benefit payments	<u>(523,001)</u>
Net change in net OPEB liability	<u>704,657</u>
Balance, June 30, 2024 (Measurement Date)	<u><u>\$ 14,437,367</u></u>

Changes in Benefit Terms - There were no changes in the benefit terms since the previous valuation.

Changes of Assumptions - The discount rate changed from 3.86% in 2023 to 3.97% in 2024. The healthcare cost trend rate changed from 6.00% in 2023 to 5.50% in 2024.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

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

Discount Rate	Total OPEB Liability
1% decrease (2.97%)	\$ 15,697,388
Current discount rate (3.97%)	14,437,367
1% increase (4.97%)	13,246,422

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percent lower or higher than the current healthcare costs trend rate:

<u>Healthcare Cost Trend Rate</u>	<u>Total OPEB Liability</u>
1% decrease (4.50%)	\$ 12,507,113
Current healthcare cost trend rate (5.50%)	14,437,367
1% increase (6.50%)	16,753,738

OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2025, the District recognized OPEB expense of \$347,081. At June 30, 2025, the District reported deferred outflows of resources and deferred inflow of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Amounts paid by the District for OPEB as the benefits come due subsequent to measurement date	\$ 1,447,454	\$ -
Differences between expected and actual experience	1,595,077	-
Changes of assumptions	979,016	4,248,032
Total	<u>\$ 4,021,547</u>	<u>\$ 4,248,032</u>

The deferred outflows of resources related to OPEB resulting from amounts paid by the District for OPEB as the benefits come due subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the subsequent fiscal year.

The deferred outflows of resources and deferred inflows of resources related to changes of assumptions and the difference between expected and actual experience will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period and will be recognized in OPEB expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows of Resources</u>
2025	\$ 560,088
2026	560,090
2027	395,132
2028	295,061
2029	141,502
Thereafter	<u>622,220</u>
Total	<u>\$ 2,574,093</u>
<u>Year Ended June 30,</u>	<u>Deferred Inflows of Resources</u>
2025	\$ 626,563
2026	581,302
2027	581,302
2028	581,302
2029	581,302
Thereafter	<u>1,296,261</u>
Total	<u>\$ 4,248,032</u>

Medicare Premium Payment (MPP) Program

Plan Description

The Medicare Premium Payment (MPP) Program is administered by the California State Teachers' Retirement System (CalSTRS). The MPP Program is a cost-sharing multiple-employer other postemployment benefit plan (OPEB) established pursuant to Chapter 1032, Statutes 2000 (SB 1435). CalSTRS administers the MPP Program through the Teachers' Health Benefits Fund (THBF).

A full description of the MPP Program regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2023, annual actuarial valuation report, Medicare Premium Payment Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <https://www.calstrs.com/forms-publications>.

Benefits Provided

The MPP Program pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible members of the State Teachers Retirement Plan (STRP) Defined Benefit (DB) Program who were retired or began receiving a disability allowance prior to July 1, 2012 and were not eligible for premium free Medicare Part A. The payments are made directly to the Centers for Medicare and Medicaid Services (CMS) on a monthly basis.

The MPP Program is closed to new entrants as members who retire after July 1, 2012, are not eligible for coverage under the MPP Program.

The MPP Program is funded on a pay-as-you go basis from a portion of monthly District benefit payments. In accordance with California *Education Code* Section 25930, contributions that would otherwise be credited to the DB Program each month are instead credited to the MPP Program to fund monthly program and administrative costs. Total redirections to the MPP Program are monitored to ensure that total incurred costs do not exceed the amount initially identified as the cost of the program.

Net OPEB Liability and OPEB Expense

At June 30, 2025, the District reported a liability of \$228,791 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2024, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2023. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB Plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2024 and June 30, 2023, respectively, was 0.0858% and 0.0847%, resulting in a net increase in the proportionate share of 0.0011%.

For the year ended June 30, 2025, the District recognized OPEB expense of \$(28,346).

Actuarial Methods and Assumptions

The June 30, 2024 total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2023, and rolling forward the total OPEB liability to June 30, 2024, using the assumptions listed in the following table:

Measurement Date	June 30, 2024	June 30, 2023
Valuation Date	June 30, 2023	June 30, 2022
Experience Study	July 1, 2007 through June 30, 2022	July 1, 2015 through June 30, 2018
Actuarial Cost Method	Entry age normal	Entry age normal
Investment Rate of Return	3.93%	3.65%
Medicare Part A Premium Cost Trend Rate	5.00%	4.50%
Medicare Part B Premium Cost Trend Rate	6.50%	5.40%

For the valuation as of June 30, 2023, CalSTRS uses a generational mortality assumption, which is based off generational mortality tables that reflect expected future improvements in mortality and includes a base table and a projection table. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among members. The projection table reflects the expected annual reduction in mortality rates at each age. The current mortality assumption uses a base year of 2023, and projected improvement is based on the MP-2021 Ultimate Projection Scale.

Assumptions were made about future participation (enrollment) into the MPP Program because CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members' age increases. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility and are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 154 or an average of 0.12% of the potentially eligible population (132,333).

The MPP Program is funded on a pay-as-you-go basis with contributions generally being made at the same time and in the same amount as benefit payments and expenses coming due. Any funds within the MPP Program as of June 30, 2024, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund, which is a pooled investment program administered by the State Treasurer.

Discount Rate

As the MPP Program is funded on a pay-as-you-go basis, the OPEB plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, the MPP Program used the Bond Buyer's 20-Bond GO Index from Bondbuyer.com as of June 30, 2024, as the discount rate, which was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate as of June 30, 2024, was 3.93%, which is an increase of 0.28% from 3.65% as of June 30, 2023.

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

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

Discount Rate	Net OPEB Liability
1% decrease (2.93%)	\$ 246,860
Current discount rate (3.93%)	228,791
1% increase (4.93%)	212,903

Sensitivity of the District’s Proportionate Share of the Net OPEB Liability to Changes in the Medicare Costs Trend Rates

The following presents the District’s proportionate share of the net OPEB liability calculated using the current Medicare costs trend rates, as well as what the net OPEB liability would be if it were calculated using Medicare costs trend rates that are one percent lower or higher than the current rates:

Medicare Costs Trend Rates	Net OPEB Liability
1% decrease (4.00% Part A and 5.50% Part B)	\$ 211,950
Current Medicare costs trend rates (5.00% Part A and 6.50% Part B)	228,791
1% increase (6.00% Part A and 7.50% Part B)	247,593

Note 10 - Fund Balances

Fund balances are composed of the following elements:

	General Fund	Building Fund	Non-Major Governmental Funds	Total
Nonspendable				
Revolving cash	\$ 5,050	\$ -	\$ 410	\$ 5,460
Stores inventories	221,745	-	71,335	293,080
Prepaid expenditures	25,142	-	-	25,142
Total nonspendable	251,937	-	71,745	323,682
Restricted				
Legally restricted programs	24,663,737	-	64	24,663,801
Student activities	-	-	29,099	29,099
Food service	-	-	5,282,058	5,282,058
Capital projects	-	7,303,505	6,755,499	14,059,004
Debt services	-	-	1,352,296	1,352,296
Total restricted	24,663,737	7,303,505	13,419,016	45,386,258
Committed				
Declining enrollment	7,242,457	-	-	7,242,457
Deferred maintenance program	-	-	158,179	158,179
Textbook adoption	2,000,000	-	-	2,000,000
Technology	2,400,000	-	-	2,400,000
Facility construction	3,000,000	-	-	3,000,000
CEC solar loan	4,400,941	-	-	4,400,941
Total committed	19,043,398	-	158,179	19,201,577
Assigned				
Retiree postemployment benefits	14,578,739	-	-	14,578,739
Capital projects	-	-	4,765,984	4,765,984
Pupil transportation	338,073	-	-	338,073
Total assigned	14,916,812	-	4,765,984	19,682,796
Unassigned	15,298,972	-	-	15,298,972
Total	\$ 74,174,856	\$ 7,303,505	\$ 18,414,924	\$ 99,893,285

Note 11 - Risk Management**Property and Liability**

The District is exposed to various risks of loss related to torts; theft, damage, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2025, the District contracted with Northern California Regional Excess Liability Fund for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Workers' Compensation

For fiscal year 2025, the District participated in the Kings County Self-Insured Schools (KCSIS), an insurance purchasing pool. The intent of KCSIS is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in KCSIS. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in KCSIS. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage. A participant will then either receive money from or be required to contribute to the "equity-pooling fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of KCSIS. Participation in KCSIS is limited to districts that can meet KCSIS' selection criteria.

Employee Medical and Vision Benefits

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

Employee Dental Benefits Claims Liabilities

The District records an estimated liability for dental claims paid out of the Internal Service Fund of the District. Claims liabilities are based on estimates of the ultimate cost of reported claims (including future claim adjustment expenses) and an estimate for claims incurred, but not reported based on historical experience. The following represent the changes in approximate aggregate liabilities for the District from June 30, 2023 to June 30, 2025:

	<u>Dental Care</u>
Liability Balance, July 1, 2023	\$ 78,400
Claims and changes in estimates	674,131
Claim payments	<u>(674,131)</u>
Liability Balance, June 30, 2024	78,400
Claims and changes in estimates	791,718
Claims payments	<u>(806,176)</u>
Liability Balance, June 30, 2025	<u>\$ 63,942</u>
Assets available to pay claims at June 30, 2025	<u>\$ 1,215,370</u>

Note 12 - Employee Retirement Systems

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

For the fiscal year ended June 30, 2025, the District reported its proportionate share of net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

<u>Pension Plan</u>	<u>Net Pension Liability</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Pension Expense</u>
CalSTRS	\$ 39,518,141	\$ 14,083,882	\$ 4,877,898	\$ 4,352,987
CalPERS	<u>28,548,792</u>	<u>9,084,450</u>	<u>749,926</u>	<u>5,041,386</u>
Total	<u>\$ 68,066,933</u>	<u>\$ 23,168,332</u>	<u>\$ 5,627,824</u>	<u>\$ 9,394,373</u>

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2023, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <https://www.calstrs.com/forms-publications>.

Benefits Provided

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

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

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

The STRP provisions and benefits in effect at June 30, 2025, are summarized as follows:

	STRP Defined Benefit Program	
	On or before December 31, 2012	On or after January 1, 2013
Hire date	2% at 60	2% at 62
Benefit formula	5 years of service	5 years of service
Benefit vesting schedule	Monthly for life	Monthly for life
Benefit payments	60	62
Retirement age	2.0% - 2.4%	2.0% - 2.4%
Monthly benefits as a percentage of eligible compensation	10.25%	10.205%
Required employee contribution rate	19.10%	19.10%
Required employer contribution rate	10.828%	10.828%
Required state contribution rate		

Contributions

Required member, District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1% of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2025, are presented above and the District's total contributions were \$7,377,278.

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

At June 30, 2025, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the District were as follows:

Total net pension liability, including State share	
Proportionate share of net pension liability	\$ 39,518,141
State's proportionate share of the net pension liability	18,131,059
Total	<u>\$ 57,649,200</u>

Hanford Elementary School District

Notes to Financial Statements

June 30, 2025

The net pension liability was measured as of June 30, 2024. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating member districts and the State, actuarially determined. The District's proportionate share for the measurement periods June 30, 2024 and June 30, 2023, respectively, was 0.0588% and 0.0573%, resulting in a net increase in the proportionate share of 0.0015%.

For the year ended June 30, 2025, the District recognized pension expense of \$4,352,987. In addition, the District recognized pension expense and revenue of \$1,650,621 for support provided by the State. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 7,377,278	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	2,063,606	291,386
Differences between projected and actual earnings on pension plan investments	-	159,454
Differences between expected and actual experience in the measurement of the total pension liability	4,470,011	1,728,106
Changes of assumptions	172,987	2,698,952
Total	<u>\$ 14,083,882</u>	<u>\$ 4,877,898</u>

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2026	\$ (2,649,183)
2027	3,190,602
2028	(260,314)
2029	(440,559)
Total	<u>\$ (159,454)</u>

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2026	\$ 436,348
2027	381,482
2028	179,320
2029	500,023
2030	520,974
Thereafter	(29,987)
Total	<u>\$ 1,988,160</u>

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2023, and rolling forward the total pension liability to June 30, 2024. The financial reporting actuarial valuation as of June 30, 2023, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2023
Measurement date	June 30, 2024
Experience study	July 1, 2007 through June 30, 2022
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

CalSTRS uses a generational mortality assumption, which is based off generational mortality tables that reflect expected future improvements in mortality and includes a base table and a projection table. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among our members. The projection table reflects the expected annual reduction in mortality rates at each age. The current mortality assumption uses a base year of 2023, and projected improvement is based on the MP-2021 Ultimate Projection Scale.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant as an input to the process. The actuarial investment rate of return assumption was adopted by the board in January 2024 in conjunction with the most recent experience study. For each current and future valuation, CalSTRS' independent consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. The assumed asset allocation and best estimates of the expected rates of return for each major asset class for the year ended June 30, 2024, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Public equity	38%	5.25%
Real estate	15%	4.05%
Private equity	14%	6.75%
Fixed income	14%	2.45%
Risk mitigating strategies	10%	2.25%
Inflation sensitive	7%	3.65%
Cash/liquidity	2%	0.05%

Discount Rate

The discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return of 7.10% and assume that contributions, benefit payments and administrative expense occurred midyear. Based on these assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

Discount Rate	Net Pension Liability
1% decrease (6.10%)	\$ 70,289,842
Current discount rate (7.10%)	39,518,141
1% increase (8.10%)	13,822,494

California Public Employees Retirement System (CalPERS)**Plan Description**

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2023 annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at:
<https://www.calpers.ca.gov/page/forms-publications>.

Benefits Provided

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

The CalPERS provisions and benefits in effect at June 30, 2025, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
Hire date		
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	8.00%
Required employer contribution rate	27.050%	27.050%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2025, are presented above and the total District contributions were \$4,317,468.

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

As of June 30, 2025, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$28,548,792. The net pension liability was measured as of June 30, 2024. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2024 and June 30, 2023, respectively, was 0.0799% and 0.0823%, resulting in a net decrease in the proportionate share of 0.0024%.

For the year ended June 30, 2025, the District recognized pension expense of \$5,041,386. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 4,317,468	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	633,604	545,603
Differences between projected and actual earnings on pension plan investments	1,108,955	-
Differences between expected and actual experience in the measurement of the total pension liability	2,393,398	204,323
Changes of assumptions	631,025	-
Total	<u>\$ 9,084,450</u>	<u>\$ 749,926</u>

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2026	\$ (9,561)
2027	1,724,173
2028	(254,768)
2029	(350,889)
Total	<u>\$ 1,108,955</u>

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2026	\$ 1,673,542
2027	862,865
2028	371,694
Total	<u>\$ 2,908,101</u>

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2023, and rolling forward the total pension liability to June 30, 2024. The financial reporting actuarial valuation as of June 30, 2023, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2023
Measurement date	June 30, 2024
Experience study	July 1, 1997 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	6.90%
Investment rate of return	6.90%
Consumer price inflation	2.30%
Wage growth	Varies by entry age and service

The mortality table used was developed based on CalPERS-specific data. The rates incorporate Generational Mortality to capture ongoing mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries.

In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated and, combined with risk estimates, are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity - cap-weighted	30%	4.54%
Global equity non-cap-weighted	12%	3.84%
Private equity	13%	7.28%
Treasury	5%	0.27%
Mortgage-backed securities	5%	0.50%
Investment grade corporates	10%	1.56%
High yield	5%	2.27%
Emerging market debt	5%	2.48%
Private debt	5%	3.57%
Real assets	15%	3.21%
Leverage	(5%)	(0.59%)

Discount Rate

The discount rate used to measure the total pension liability was 6.90%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, SEP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on SEP investments was applied to all periods of projected benefit payments to determine total pension liability.

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

Discount Rate	Net Pension Liability
1% decrease (5.90%)	\$ 42,409,469
Current discount rate (6.90%)	28,548,792
1% increase (7.90%)	17,098,770

Social Security

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

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$3,661,051 (10.828% of annual payroll). Contributions are no longer appropriated in the annual Budget Act for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been included in the calculation of available reserves.

Note 13 - Commitments and Contingencies

Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2025.

Litigation

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

Construction Commitments

As of June 30, 2025, the District had the following commitments with respect to the unfinished capital projects:

Capital Project	Remaining Construction Commitment	Expected Date of Completion
Jefferson playground	\$ 7,360	July 2025
Simas relocatables	164,469	August 2025
Kennedy roofing replacement	78,356	September 2025
Monroe TK-K wing	1,262,507	November 2025
District Office CISCO router upgrade	13,567	December 2025
Monroe modernization	6,849,552	December 2026
Jefferson modernization	9,073,290	December 2026
 Total	 <u>\$ 17,449,101</u>	

Note 14 - Participation in Joint Powers Authorities

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

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

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

During the year ended June 30, 2025, the District made payment of \$528,867 to NorCal ReLiEF for property and liability insurance.

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

During the year ended June 30, 2025, the District made payment of \$8,743,287 to SISC III for health insurance.

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

During the year ended June 30, 2025, the District made payment of \$1,176,227 to KCSIS for workers' compensation insurance.

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

During the year ended June 30, 2025, the District made payment of \$709,893 to KSTA for student transportation services.

Note 15 - Restatement

Change in Accounting Principle

As of June 30, 2025, the District adopted GASB Statement No. 101, *Compensated Absences*. The provisions of this standard modernize the types of leave that are considered a compensated absence and provides guidance for a consistent recognition and measurement of the compensated absence liability. Therefore, compensated absences current portion and compensated absences noncurrent portion were increased by \$1,434,869 and \$4,256,826, respectively. The effect of this change in accounting principle is described in the table below.

	Governmental Activities
Beginning, as previously reported on July 1, 2024	\$ 72,392,741
Change in accounting principle	<u>(5,691,695)</u>
Beginning, as Restated on July 1, 2024	<u><u>\$ 66,701,046</u></u>

Required Supplementary Information
June 30, 2025

Hanford Elementary School District

Hanford Elementary School District
Budgetary Comparison Schedule – General Fund
Year Ended June 30, 2025

	Budgeted Amounts		Actual	Variances - Positive (Negative) Final to Actual
	Original	Final		
Revenues				
Local Control Funding Formula	\$ 76,673,151	\$ 76,849,352	\$ 76,849,352	\$ -
Federal sources	7,083,087	7,405,287	7,405,287	-
Other State sources	14,971,507	15,415,056	15,415,056	-
Other local sources	5,213,322	8,976,821	8,976,821	-
Total revenues ¹	103,941,067	108,646,516	108,646,516	-
Expenditures				
Current				
Certificated salaries	40,442,214	40,237,457	40,237,457	-
Classified salaries	16,908,245	16,472,818	16,472,818	-
Employee benefits	27,298,293	26,988,044	26,988,044	-
Books and supplies	56,233,332	5,971,733	5,971,733	-
Services and operating expenditures	7,538,487	7,695,331	7,695,331	-
Other outgo	3,108,463	4,656,748	4,656,748	-
Capital outlay	4,379,500	2,442,093	2,442,093	-
Debt service				
Debt service - principal	137,397	137,397	137,397	-
Total expenditures ¹	156,045,931	104,601,621	104,601,621	-
Excess (Deficiency) of Revenues Over Expenditures	(52,104,864)	4,044,895	4,044,895	-
Other Financing Sources (Uses)				
Other sources - financed purchase agreement	605,711	605,711	605,711	-
Transfers out	(294,296)	-	-	-
Net financing sources (uses)	311,415	605,711	605,711	-
Net Change in Fund Balances	(51,793,449)	4,650,606	4,650,606	-
Fund Balance - Beginning	69,524,250	69,524,250	69,524,250	-
Fund Balance - Ending	\$ 17,730,801	\$ 74,174,856	\$ 74,174,856	\$ -

¹ Due to the consolidation of Fund 15, Pupil Transportation Fund and Fund 20, Special Reserve Fund for Postemployment Benefits for reporting purposes into the General Fund, additional revenues and expenditures pertaining to these other funds are included in the Actual (GAAP Basis) revenues and expenditures, however are not included in the original and final General Fund budgets.

Hanford Elementary School District
Schedule of Changes in the District's Total OPEB Liability and Related Ratios
Year Ended June 30, 2025

	2025	2024	2023	2022
Total OPEB Liability				
Service cost	\$ 811,671	\$ 807,370	\$ 794,580	\$ 870,370
Interest	551,415	546,659	324,180	359,742
Difference between expected and actual experience	-	1,493,328	-	632,998
Changes of assumptions	(135,428)	(2,869,102)	(2,680,483)	948,996
Benefit payments	(523,001)	(501,015)	(542,659)	(527,282)
Net change in total OPEB liability	704,657	(522,760)	(2,104,382)	2,284,824
Total OPEB Liability - Beginning	13,732,710	14,255,470	16,359,852	14,075,028
Total OPEB Liability - Ending	\$ 14,437,367	\$ 13,732,710	\$ 14,255,470	\$ 16,359,852
Covered Payroll	N/A ¹	N/A ¹	N/A ¹	N/A ¹
Total OPEB Liability as a Percentage of Covered Payroll	N/A ¹	N/A ¹	N/A ¹	N/A ¹
Measurement Date	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021

¹ The OPEB Plan is not administered through a trust and contributions are not made based on a measure of pay; therefore, no measure of payroll is presented.

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

Hanford Elementary School District
Schedule of Changes in the District's Total OPEB Liability and Related Ratios
Year Ended June 30, 2025

	2021	2020	2019	2018
Total OPEB Liability				
Service cost	\$ 711,522	\$ 600,382	\$ 634,895	\$ 616,403
Interest	408,564	406,651	334,563	321,583
Difference between expected and actual experience	-	120,927	-	-
Changes of assumptions	878,429	1,109,739	(497,902)	-
Benefit payments	(526,211)	(531,418)	(524,045)	(522,503)
Net change in total OPEB liability	1,472,304	1,706,281	(52,489)	415,483
Total OPEB Liability - Beginning	12,602,724	10,896,443	10,948,932	10,533,449
Total OPEB Liability - Ending	<u>\$ 14,075,028</u>	<u>\$ 12,602,724</u>	<u>\$ 10,896,443</u>	<u>\$ 10,948,932</u>
Covered Payroll	<u>N/A ¹</u>	<u>N/A ¹</u>	<u>N/A ¹</u>	<u>N/A ¹</u>
Total OPEB Liability as a Percentage of Covered Payroll	<u>N/A ¹</u>	<u>N/A ¹</u>	<u>N/A ¹</u>	<u>N/A ¹</u>
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017

¹ The OPEB Plan is not administered through a trust and contributions are not made based on a measure of pay; therefore, no measure of payroll is presented.

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

Hanford Elementary School District
Schedule of the District's Proportionate Share of the Net OPEB Liability – MPP Program
Year Ended June 30, 2025

Year ended June 30,	2025	2024	2023	2022
Proportion of the net OPEB liability	0.0858%	0.0847%	0.0873%	0.0844%
Proportionate share of the net OPEB liability	\$ 228,791	\$ 257,137	\$ 287,486	\$ 336,589
Covered payroll	N/A ¹	N/A ¹	N/A ¹	N/A ¹
Proportionate share of the net OPEB liability as a percentage of it's covered payroll	N/A ¹	N/A ¹	N/A ¹	N/A ¹
Plan fiduciary net position as a percentage of the total OPEB liability	(1.02%)	(0.96%)	(0.94%)	(0.80%)
Measurement Date	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021

¹ As of June 30, 2012, active members are no longer eligible for future enrollment in the MPP Program; therefore, the covered payroll disclosure is not applicable.

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

Hanford Elementary School District
Schedule of the District's Proportionate Share of the Net OPEB Liability – MPP Program
Year Ended June 30, 2025

Year ended June 30,	2021	2020	2019	2018
Proportion of the net OPEB liability	0.0966%	0.0945%	0.0927%	0.0914%
Proportionate share of the net OPEB liability	\$ 409,297	\$ 352,053	\$ 354,948	\$ 384,710
Covered payroll	N/A ¹	N/A ¹	N/A ¹	N/A ¹
Proportionate share of the net OPEB liability as a percentage of it's covered payroll	N/A ¹	N/A ¹	N/A ¹	N/A ¹
Plan fiduciary net position as a percentage of the total OPEB liability	(0.71%)	(0.81%)	(0.40%)	0.01%
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017

¹ As of June 30, 2012, active members are no longer eligible for future enrollment in the MPP Program; therefore, the covered payroll disclosure is not applicable.

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

Hanford Elementary School District
Schedule of the District's Proportionate Share of the Net Pension Liability – CalSTRS
Year Ended June 30, 2025

CalSTRS	2025	2024	2023	2022	2021
Proportion of the net pension liability	0.0588%	0.0573%	0.0582%	0.0561%	0.0554%
Proportionate share of the net pension liability	\$ 39,518,141	\$ 43,633,856	\$ 40,406,750	\$ 25,547,989	\$ 53,714,913
State's proportionate share of the net pension liability	18,131,059	20,906,207	20,235,543	12,854,757	27,690,044
Total	\$ 57,649,200	\$ 64,540,063	\$ 60,642,293	\$ 38,402,746	\$ 81,404,957
Covered payroll	\$ 38,703,126	\$ 36,486,293	\$ 33,536,407	\$ 30,179,858	\$ 29,909,842
Proportionate share of the net pension liability as a percentage of its covered payroll	102.11%	119.59%	120.49%	84.65%	179.59%
Plan fiduciary net position as a percentage of the total pension liability	84%	81%	81%	87%	72%
Measurement Date	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020
	2020	2019	2018	2017	2016
Proportion of the net pension liability	0.0534%	0.0517%	0.0505%	0.0511%	0.0510%
Proportionate share of the net pension liability	\$ 48,265,346	\$ 47,482,880	\$ 46,711,085	\$ 41,305,968	\$ 34,307,537
State's proportionate share of the net pension liability	26,331,969	27,186,169	27,633,883	23,514,751	18,144,905
Total	\$ 74,597,315	\$ 74,669,049	\$ 74,344,968	\$ 64,820,719	\$ 52,452,442
Covered payroll	\$ 28,765,405	\$ 27,570,305	\$ 26,685,429	\$ 25,643,541	\$ 23,320,878
Proportionate share of the net pension liability as a percentage of its covered payroll	167.79%	172.22%	175.04%	161.08%	147.11%
Plan fiduciary net position as a percentage of the total pension liability	73%	71%	69%	70%	74%
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015

Hanford Elementary School District
Schedule of the District's Proportionate Share of the Net Pension Liability – CalPERS
Year Ended June 30, 2025

CalPERS	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Proportion of the net pension liability	<u>0.0799%</u>	<u>0.0823%</u>	<u>0.0821%</u>	<u>0.0775%</u>	<u>0.0808%</u>
Proportionate share of the net pension liability	<u>\$ 28,548,792</u>	<u>\$ 29,795,855</u>	<u>\$ 28,234,960</u>	<u>\$ 15,763,604</u>	<u>\$ 16,206,327</u>
Covered payroll	<u>\$ 15,842,335</u>	<u>\$ 16,788,096</u>	<u>\$ 12,587,988</u>	<u>\$ 11,127,430</u>	<u>\$ 11,636,555</u>
Proportionate share of the net pension liability as a percentage of its covered payroll	<u>180.21%</u>	<u>177.48%</u>	<u>224.30%</u>	<u>141.66%</u>	<u>139.27%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>72%</u>	<u>70%</u>	<u>70%</u>	<u>81%</u>	<u>70%</u>
Measurement Date	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Proportion of the net pension liability	<u>0.0781%</u>	<u>0.0781%</u>	<u>0.0790%</u>	<u>0.0798%</u>	<u>0.0771%</u>
Proportionate share of the net pension liability	<u>\$ 23,035,615</u>	<u>\$ 20,819,169</u>	<u>\$ 18,847,723</u>	<u>\$ 15,760,087</u>	<u>\$ 11,366,384</u>
Covered payroll	<u>\$ 10,948,001</u>	<u>\$ 10,303,580</u>	<u>\$ 10,066,302</u>	<u>\$ 9,581,751</u>	<u>\$ 8,524,832</u>
Proportionate share of the net pension liability as a percentage of its covered payroll	<u>210.41%</u>	<u>202.06%</u>	<u>187.24%</u>	<u>164.48%</u>	<u>133.33%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>70%</u>	<u>71%</u>	<u>72%</u>	<u>74%</u>	<u>79%</u>
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015

Hanford Elementary School District
Schedule of the District's Contributions – CalSTRS
Year Ended June 30, 2025

CalSTRS	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Contractually required contribution	\$ 7,377,278	\$ 7,392,297	\$ 6,968,882	\$ 5,674,360	\$ 4,874,047
Less contributions in relation to the contractually required contribution	<u>7,377,278</u>	<u>7,392,297</u>	<u>6,968,882</u>	<u>5,674,360</u>	<u>4,874,047</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 38,624,492</u>	<u>\$ 38,703,126</u>	<u>\$ 36,486,293</u>	<u>\$ 33,536,407</u>	<u>\$ 30,179,858</u>
Contributions as a percentage of covered payroll	<u>19.10%</u>	<u>19.10%</u>	<u>19.10%</u>	<u>16.92%</u>	<u>16.15%</u>
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 5,114,583	\$ 4,683,008	\$ 3,978,395	\$ 3,357,027	\$ 2,751,552
Less contributions in relation to the contractually required contribution	<u>5,114,583</u>	<u>4,683,008</u>	<u>3,978,395</u>	<u>3,357,027</u>	<u>2,751,552</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 29,909,842</u>	<u>\$ 28,765,405</u>	<u>\$ 27,570,305</u>	<u>\$ 26,685,429</u>	<u>\$ 25,643,541</u>
Contributions as a percentage of covered payroll	<u>17.10%</u>	<u>16.28%</u>	<u>14.43%</u>	<u>12.58%</u>	<u>10.73%</u>

Hanford Elementary School District
Schedule of the District Contributions – CalPERS
Year Ended June 30, 2025

CalPERS	2025	2024	2023	2022	2021
Contractually required contribution	\$ 4,317,468	\$ 4,226,735	\$ 4,259,140	\$ 2,883,908	\$ 2,303,378
Less contributions in relation to the contractually required contribution	4,317,468	4,226,735	4,259,140	2,883,908	2,303,378
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 15,961,065	\$ 15,842,335	\$ 16,788,096	\$ 12,587,988	\$ 11,127,430
Contributions as a percentage of covered payroll	27.050%	26.680%	25.370%	22.910%	20.700%
	2020	2019	2018	2017	2016
Contractually required contribution	\$ 2,294,845	\$ 1,977,428	\$ 1,600,249	\$ 1,398,008	\$ 1,135,150
Less contributions in relation to the contractually required contribution	2,294,845	1,977,428	1,600,249	1,398,008	1,135,150
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 11,636,555	\$ 10,948,001	\$ 10,303,580	\$ 10,066,302	\$ 9,581,751
Contributions as a percentage of covered payroll	19.721%	18.062%	15.531%	13.888%	11.847%

Note 1 - Purpose of Schedules

Budgetary Comparison Schedule

The District employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United State of America as prescribed by the Governmental Accounting Standards Board and provisions of the California *Education Code*. The governing board is required to hold a public hearing and adopt an operating budget no later than July 1 of each year. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

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

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

Schedule of Changes in the District's Net OPEB Liability and Related Ratios

This schedule presents information on the District's changes in the net OPEB liability, including beginning and ending balances, the plan's fiduciary net position, and the net OPEB liability. In the future, as data becomes available, ten years of information will be presented.

- *Changes in Benefit Terms* – There were no changes in the benefit terms since the previous valuation.
- *Changes of Assumptions* – The discount rate changed from 3.86% in 2023 to 3.97% in 2024, and the healthcare cost trend rate changed from 6.00% in 2023 to 5.50% in 2024.

Schedule of the District's Proportionate Share of the Net OPEB Liability - MPP Program

This schedule presents information on the District's proportionate share of the net OPEB Liability - MPP Program and the plan fiduciary net position. In the future, as data becomes available, ten years of information will be presented.

- *Changes in Benefit Terms* – There were no changes in the benefit terms since the previous valuation.
- *Changes of Assumptions* – The plan rate of investment return assumption was changed from 3.65% to 3.93% since the previous valuation. The Medicare Part A premium cost trend rate assumption was changed from 4.50% to 5.00%, while the Medicare Part B premium cost trend rate assumption was changed from 5.40% to 6.50% since the previous valuation.

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

This schedule presents information on the District's proportionate share of the net pension liability (NPL), the plans' fiduciary net position and, when applicable, the State's proportionate share of the NPL associated with the District.

- *Changes in Benefit Terms* – There were no changes in benefit terms for the CalSTRS or CalPERS plans since the previous valuations.
- *Changes of Assumptions* – There were no changes in economic assumptions for the CalSTRS or CalPERS plans since the previous valuations.

Schedule of District's Contributions

This schedule presents information on the District's required contribution, the amounts actually contributed, and any excess or deficiency related to the required contribution.

Supplementary Information
June 30, 2025

Hanford Elementary School District

Hanford Elementary School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2025

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Education			
Passed through California Department of Education			
Education Stabilization Fund			
COVID-19 Elementary and Secondary School Emergency Relief III (ESSER III) Fund	84.425U	15559	\$ 3,635,956
COVID-19 ESSER III State Reserve Emergency Needs	84.425U	15620	97,794
COVID-19 ESSER III State Reserve Learning Loss	84.425U	15621	11,061
COVID-19 American Rescue Plan – Homeless Children and Youth II (ARP HCY II)	84.425W	15566	2,329
Subtotal			3,747,140
Title I, Part A, Basic Grants Low Income and Neglected	84.010	14329	2,548,019
Title I, School Improvement Funding for LEAs	84.010	15438	31,500
Subtotal			2,579,519
Title III, English Learner Student Program	84.365	14346	260,248
Title II, Part A, Supporting Effective Instruction	84.367	14341	297,595
Title IV, Part A, Student Support and Academic Enrichment	84.424	15396	184,828
Passed through Kings County SELPA			
Special Education Cluster (IDEA)			
Local Assistance, Part B, Sec 611, Private School Individual Service Plans	84.027	10115	2,907
Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	256,297
Quality Assurance & Focused Monitoring	84.027A	13693	9,984
Mental Health Allocation Plan, Part B, Sec 611	84.027A	15197	66,770
Subtotal			335,958
Subtotal Special Education Cluster (IDEA)			335,958
Total U.S. Department of Education			7,405,288

Hanford Elementary School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2025

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture			
Passed through California Department of Education			
Child Nutrition Cluster			
School Breakfast Needy	10.553	13526	795,375
School Lunch - Section 4	10.555	13523	346,123
Commodities	10.555	13524	278,597
School Lunch - Section 11	10.555	13524	2,504,140
Meal Supplements	10.555	13755	159,703
Supply Chain Assistance (SCA) Funds	10.555	15655	94,444
Subtotal			3,383,007
Subtotal Child Nutrition Cluster			4,178,382
Total U.S. Department of Agriculture			4,178,382
Total Federal Financial Assistance			\$ 11,583,670

Hanford Elementary School District
Schedule of Average Daily Attendance
Year Ended June 30, 2025

	<u>Second Period Report</u>	<u>Annual Report</u>
Regular ADA		
Transitional kindergarten through third	2,383.26	2,383.88
Fourth through sixth	1,703.22	1,703.93
Seventh and eighth	<u>1,104.10</u>	<u>1,101.38</u>
Total regular ADA	<u>5,190.58</u>	<u>5,189.19</u>
Extended Year Special Education		
Transitional kindergarten through third	0.69	2.06
Fourth through sixth	0.24	0.73
Seventh and eighth	<u>0.18</u>	<u>0.18</u>
Total extended year special education	<u>1.11</u>	<u>2.97</u>
Community Day School		
Transitional kindergarten through third	2.63	2.53
Fourth through sixth	3.57	3.32
Seventh and eighth	<u>6.16</u>	<u>6.45</u>
Total community day school	<u>12.36</u>	<u>12.30</u>
Total ADA	<u><u>5,204.05</u></u>	<u><u>5,204.46</u></u>

Hanford Elementary School District

Schedule of Instructional Time

Year Ended June 30, 2025

Grade Level	1986-1987 Minutes Requirement	2024-2025 Actual Minutes	Number of Actual Days	Status
Kindergarten	36,000	48,846	180	Complied
Grades 1 - 3	50,400			
Grade 1		52,026	180	Complied
Grade 2		52,026	180	Complied
Grade 3		52,026	180	Complied
Grades 4 - 8	54,000			
Grade 4		55,206	180	Complied
Grade 5		55,206	180	Complied
Grade 6		55,206	180	Complied
Grade 7		56,086	180	Complied
Grade 8		56,086	180	Complied

Hanford Elementary School District
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements
Year Ended June 30, 2025

There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2025.

Hanford Elementary School District
Schedule of Financial Trends and Analysis
Year Ended June 30, 2025

	(Budget) 2026 ¹	2025	2024 ¹	2023 ¹
General Fund ³				
Revenues	\$ 105,302,497	\$ 107,877,048	\$ 109,683,187	\$ 115,426,326
Other sources	800,000	1,405,711	825,969	772,603
Total Revenues and Other Sources	106,102,497	109,282,759	110,509,156	116,198,929
Expenditures	109,309,492	104,343,240	104,530,966	88,781,903
Other uses	300,000	301,759	704,096	4,701,524
Total Expenditures and Other Uses	109,609,492	104,644,999	105,235,062	93,483,427
Increase/(Decrease) in Fund Balance	(3,506,995)	4,637,760	5,274,094	22,715,502
Ending Fund Balance	\$ 55,751,049	\$ 59,258,044	\$ 54,620,284	\$ 49,346,190
Available Reserves ^{2, 3}	\$ 15,438,583	\$ 15,298,972	\$ 10,856,973	\$ 5,191,211
Available Reserves as a Percentage of Total Outgo ³	14.09%	14.62%	10.32%	5.55%
Long-Term Liabilities ⁴	Not Available	\$ 123,722,359	\$ 114,763,761	\$ 110,605,314
Average Daily Attendance at P-2	5,204	5,204	5,280	5,169

The General Fund balance has increased by \$9,911,854 over the past two years. The fiscal year 2025-2026 budget projects a decrease of \$3,506,995 (5.92%). For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in each of the past three years but anticipates incurring an operating deficit during the 2025-2026 fiscal year. Total long-term liabilities have increased by \$13,117,045 over the past two years due to increases in the District's net pension liability and general obligation bonds.

Average daily attendance has increased by 35 over the past two years. No change in ADA is anticipated during fiscal year 2025-2026.

¹ Financial information for 2026, 2024, and 2023 are included for analytical purposes only and has not been subjected to audit.

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

³ General Fund amounts do not include activity related to the consolidation of the Pupil Transportation Fund or the Special Reserve Fund for Postemployment Benefits as required by GASB Statement No. 54.

⁴ Amounts have not been restated for the effects of the implementation of GASB Statement No. 101 for comparative purposes. See Note 15 for further information.

Hanford Elementary School District
Combining Balance Sheet – Non-Major Governmental Funds
June 30, 2025

	Student Activities Fund	Charter Schools Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
Assets									
Deposits and investments	\$ 29,099	\$ 64	\$ 4,657,636	\$ 158,179	\$ 2,302,454	\$ 1,538,238	\$ 8,044,103	\$ 1,352,296	\$ 18,082,069
Receivables	-	-	698,797	-	555,603	-	-	-	1,254,400
Stores inventories	-	-	71,335	-	-	-	-	-	71,335
Total assets	\$ 29,099	\$ 64	\$ 5,427,768	\$ 158,179	\$ 2,858,057	\$ 1,538,238	\$ 8,044,103	\$ 1,352,296	\$ 19,407,804
Liabilities and Fund Balances									
Liabilities									
Accounts payable	\$ -	\$ -	\$ 65,965	\$ -	\$ 1,741	\$ 917,174	\$ -	\$ -	\$ 984,880
Due to other funds	-	-	8,000	-	-	-	-	-	8,000
Total liabilities	-	-	73,965	-	1,741	917,174	-	-	992,880
Fund Balances									
Nonspendable	-	-	71,745	-	-	-	-	-	71,745
Restricted	29,099	64	5,282,058	-	2,856,316	621,064	3,278,119	1,352,296	13,419,016
Committed	-	-	-	158,179	-	-	-	-	158,179
Assigned	-	-	-	-	-	-	4,765,984	-	4,765,984
Total fund balances	29,099	64	5,353,803	158,179	2,856,316	621,064	8,044,103	1,352,296	18,414,924
Total liabilities and fund balances	\$ 29,099	\$ 64	\$ 5,427,768	\$ 158,179	\$ 2,858,057	\$ 1,538,238	\$ 8,044,103	\$ 1,352,296	\$ 19,407,804

Hanford Elementary School District

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Non-Major Governmental Funds

Year Ended June 30, 2025

	Student Activities Fund	Charter Schools Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
Revenues									
Local Control Funding Formula	\$ -	\$ -	\$ -	\$ 300,000	\$ -	\$ -	\$ -	\$ -	\$ 300,000
Federal sources	-	-	4,083,939	-	-	-	-	-	4,083,939
Other State sources	-	-	1,077,683	-	-	-	-	8,128	1,085,811
Other local sources	38,128	1	254,365	14,842	1,967,077	205,766	536,122	1,055,281	4,071,582
Total revenues	38,128	1	5,415,987	314,842	1,967,077	205,766	536,122	1,063,409	9,541,332
Expenditures									
Current									
Pupil services									
Food services	-	-	4,406,552	-	-	-	-	-	4,406,552
Administration									
All other administration	-	-	100,000	-	3,625	-	-	-	103,625
Plant services	-	-	1,414	389,187	55,860	-	-	-	446,461
Ancillary services	34,395	-	-	-	-	-	-	-	34,395
Facility acquisition and construction	-	-	-	-	47,956	8,632,191	488,648	-	9,168,795
Debt service									
Principal	-	-	-	-	-	-	-	160,000	160,000
Interest and other	-	-	-	-	-	-	-	851,445	851,445
Total expenditures	34,395	-	4,507,966	389,187	107,441	8,632,191	488,648	1,011,445	15,171,273
Excess (Deficiency) of Revenues Over Expenditures	3,733	1	908,021	(74,345)	1,859,636	(8,426,425)	47,474	51,964	(5,629,941)
Other Financing Sources(Uses)									
Transfers in	-	-	-	-	-	4,300,000	-	-	4,300,000
Other sources - proceeds from sale of bonds	-	-	-	-	-	-	-	251,303	251,303
Transfers out	-	-	-	-	(1,300,000)	-	(3,000,000)	-	(4,300,000)
Net Financing Sources (Uses)	-	-	-	-	(1,300,000)	4,300,000	(3,000,000)	251,303	251,303
Net Change in Fund Balances	3,733	1	908,021	(74,345)	559,636	(4,126,425)	(2,952,526)	303,267	(5,378,638)
Fund Balance - Beginning	25,366	63	4,445,782	232,524	2,296,680	4,747,489	10,996,629	1,049,029	23,793,562
Fund Balance - Ending	\$ 29,099	\$ 64	\$ 5,353,803	\$ 158,179	\$ 2,856,316	\$ 621,064	\$ 8,044,103	\$ 1,352,296	\$ 18,414,924

Note 1 - Purpose of Schedules**Schedule of Expenditures of Federal Awards (SEFA)**Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the schedule) includes the federal award activity of the Hanford Elementary School District (the District) under programs of the federal government for the year ended June 30, 2025. The information is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Hanford Elementary School District, it is not intended to and does not present the net position, changes in net position or fund balances of Hanford Elementary School District.

Summary of Significant Accounting Policies

Expenditures reported in the schedule are reported on the modified accrual basis of accounting. When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. No federal financial assistance has been provided to a subrecipient.

Indirect Cost Rate

The District has not elected to use the ten percent de minimis cost rate.

Food Donation

Nonmonetary assistance is reported in this schedule at the fair market value of the commodities received and disbursed. At June 30, 2025, the District did not report any food commodities in inventory.

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *Education Code* Sections 46200 through 46207.

Districts must maintain their instructional minutes at the 1986-87 requirements, as required by *Education Code* Section 46201.

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

Schedule of Financial Trends and Analysis

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

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

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

Other Information
June 30, 2025

Hanford Elementary School District

Organization

The Hanford Elementary School District was established in August 1891 and consists of an area comprising approximately 12.92 square miles. The District operates eight elementary schools, one K-8 magnet school, two junior high schools, and one community day school. There were no boundary changes during the year.

Governing Board

Member	Office	Term Expires
Greg Strickland	President	2028
Robert “Bobby” Garcia	Vice President	2026
Lupe Hernandez	Clerk	2026
Tim Revious	Trustee	2028
Jeff Garner	Trustee	2026

Administration

Joy C. Gabler	Superintendent
David Endo	Chief Business Official
Jaime Martinez	Assistant Superintendent Human Resources
Jill Rubalcava	Assistant Superintendent Curriculum, Instruction and Professional Development
Jason Strickland	Assistant Superintendent, Special Services

Independent Auditor's Reports
June 30, 2025

Hanford Elementary School District



**Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed in Accordance with
*Government Auditing Standards***

To the Governing Board
Hanford Elementary School District
Hanford, California

We have audited, 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 (*Government Auditing Standards*), the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hanford Elementary School District (the District), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 11, 2025.

Adoption of New Accounting Standard

As discussed in Note 15 to the financial statements, the District has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences* for the year ended June 30, 2025. Accordingly, a restatement has been made to the governmental activities net position as of July 1, 2024, to restate beginning net position. Our opinions are not modified with respect to this matter.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Fresno, California
December 11, 2025



Independent Auditor's Report on Compliance for the Major Federal Program; Report on Internal Control Over Compliance Required by the Uniform Guidance

To the Governing Board
Hanford Elementary School District
Hanford, California

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Hanford Elementary School District's (the District) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the District's major federal program for the year ended June 30, 2025. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2025.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over*

compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Fresno, California
December 11, 2025



Independent Auditor's Report on State Compliance and on Internal Control Over Compliance

To the Governing Board
Hanford Elementary School District
Hanford, California

Report on Compliance

Opinion on State Compliance

We have audited Hanford Elementary School District's (the District) compliance with the requirements specified in the *2024-2025 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, applicable to the District's state program requirements identified below for the year ended June 30, 2025.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the laws and regulations of the state programs noted in the table below for the year ended June 30, 2025.

Basis for Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), and the *2024-2025 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the District's state programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the *2024-2025 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of the state programs as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the *2024-2025 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we consider necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the *2024-2025 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, but not for the purpose of expressing an opinion on the effectiveness of the District's internal controls over compliance. Accordingly, we express no such opinion; and
- Select and test transactions and records to determine the District's compliance with the state laws and regulations applicable to the following items:

<u>2024-2025 K-12 Audit Guide Procedures</u>	<u>Procedures Performed</u>
Local Education Agencies Other Than Charter Schools	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Independent Study	No (see below)
Continuation Education	Not Applicable
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
GANN Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable

2024-2025 K-12 Audit Guide Procedures	Procedures Performed
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Yes
Apprenticeship: Related and Supplemental Instruction	Not Applicable
Comprehensive School Safety Plan	Yes
District of Choice	Not Applicable
Home to School Transportation Reimbursement	Yes
School Districts, County Offices of Education, and Charter Schools	
Proposition 28 Arts and Music in Schools	Yes
After/Before School Education and Safety Program	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study - Course Based	Not Applicable
Immunizations	Yes
Educator Effectiveness	Yes
Expanded Learning Opportunities Grant (ELO-G)	Yes
Career Technical Education Incentive Grant	Not Applicable
Expanded Learning Opportunities Program	Yes
Transitional Kindergarten	Yes
Kindergarten Continuance	Yes
Charter Schools	
Attendance	Not Applicable
Mode of Instruction	Not Applicable
Nonclassroom-Based Instruction/Independent Study	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction	Not Applicable
Annual Instructional Minutes - Classroom Based	Not Applicable
Charter School Facility Grant Program	Not Applicable

We did not perform testing for Independent Study because average daily attendance reported did not exceed thresholds required for testing.

The term “Not Applicable” is used above to mean either the District did not offer the program during the current fiscal year, the District did not participate in the program during the current fiscal year, or the program applies to a different type of local education agency.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identify during the audit.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is described in the accompanying Schedule of Findings and Questioned Costs as item 2025-001. Our opinion on state compliance is not modified with respect to this matter.

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the noncompliance finding identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. The District's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention from those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2025-001 to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the internal control over compliance finding identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. The District's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the *2024-2025 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Fresno, California
December 11, 2025

Schedule of Findings and Questioned Costs
June 30, 2025

Hanford Elementary School District

Financial Statements

Type of auditor’s report issued	Unmodified
Internal control over financial reporting	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major program	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Type of auditor’s report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a)	No

Identification of major programs

<u>Name of Federal Program or Cluster</u>	<u>Federal Financial Assistance Listing</u>
Title I, Part A, Basic Grants	84.010
Title I, School Improvement Funding for LEAs	84.010
Dollar threshold used to distinguish between type A and type B programs	\$ 750,000
Auditee qualified as low-risk auditee?	Yes

State Compliance

Internal control over state compliance programs	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	Yes
Other matters to be reported	Yes
Type of auditor’s report issued on compliance for programs	Unmodified

None reported.

None reported.

The following finding represents a significant deficiency and an instance of noncompliance, including questioned costs, that is required to be reported by the *2024-2025 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. The finding has been coded as follows:

Five Digit Code	AB 3627 Finding Type
40000	State Compliance

2025-001 40000 - Expanded Learning Opportunities Program

Criteria

Education Code Section 46120 requires commencing with the 2023–2024 school year, on school days, in-person before or after school expanded learning opportunities that, when added to daily instructional minutes, recess, and meals, are no less than nine hours of combined instructional time, recess, meals, and expanded learning opportunities per instructional day. For at least 30 non-school days, inclusive of extended school year days provided, no less than nine hours of in-person expanded learning opportunities per day.

Condition

The District’s Expanded Learning Opportunity Program operated 25 days of the required 30 intersession days. The District was aware of the non-compliance and a liability of \$219,340 was recorded in accounts payable.

Cause

Due to limited current and potential staffing, the District’s Expanded Learning Opportunity Program was only able to offer 25 intersession days of the required 30, leaving 5 days not offered.

Effect

The District is out of compliance with Education Code Section 46120. The penalty amount was determined to be \$219,340 as summarized below using the ELO-P penalty calculator.

Entitlement, Rate 1	\$	9,139,172
Required Intersession Days		30
Intersession Days Offered		25
ELO-P Days Short		5
Penalty Factor		0.0048
ELO-P Day Offering Penalty	\$	219,340

Questioned Costs

The penalty was calculated to be \$219,340.

Repeat Finding

Yes.

Recommendation

We recommend the District continue to try and staff in order to offer the total required operational days to all interested students in the 2025-2026 fiscal year.

Corrective Action Plan and Views of Responsible Officials

The District agrees with the finding and is working continuously to determine if it can find staffing for all 210 days of Expanded Learning.

Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year’s Schedule of Findings and Questioned Costs.

State Compliance Finding

2024-001 40000 - Expanded Learning Opportunities Program

Criteria or Specific Requirements

Education Code Section 46120 requires commencing with the 2023–2024 school year, on school days, in-person before or after school expanded learning opportunities that, when added to daily instructional minutes, recess, and meals, are no less than nine hours of combined instructional time, recess, meals, and expanded learning opportunities per instructional day. For at least 30 non-school days, inclusive of extended school year days provided, no less than nine hours of in-person expanded learning opportunities per day.

Condition

The District’s Expanded Learning Opportunity Program operated 9 days of the required 30 intersession days. The District was aware of the non-compliance and a liability of \$896,451 was recorded in accounts payable.

Cause

Due to limited current and potential staffing, the District’s Expanded Learning Opportunity Program was only able to offer 9 intersession days of the required 30, leaving 21 days not offered.

Effect

The penalty amount was determined to be \$896,451 as calculated below as the District is out of compliance with *Education Code* Section 46120.

Entitlement, Rate 1	<u>\$ 8,893,368</u>
Required Intersession Days	30
Intersession Days Offered	9
ELO-P Days Short	21
Penalty Factor	0.0048
ELO-P Day Offering Penalty	\$ 896,451

Questioned Costs

The penalty was calculated to be \$896,451.

Repeat Finding

No

Recommendation

We recommend the District continue to try and staff in order to offer the total required operational days to all interested students in the 2024-2025 fiscal year.

Current Status

Not implemented, see current year finding 2025-001.



December 11, 2025

To the Governing Board
Hanford Elementary School District
Hanford, California

We have audited the financial statements of Hanford Elementary School District (the District) as of and for the year ended June 30, 2025, and have issued our report thereon dated December 11, 2025. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit under Generally Accepted Auditing Standards and *Government Auditing Standards* and our Compliance Audit under the Uniform Guidance

As communicated in our letter dated May 5, 2025, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America and to express an opinion on whether the District complied with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs. Our audit of the financial statements and major program compliance does not relieve you or management of its respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the District solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Our responsibility, as prescribed by professional standards as it relates to the audit of the District's major federal program compliance, is to express an opinion on the compliance for each of District's major federal programs based on our audit of the types of compliance requirements referred to above. An audit of major program compliance includes consideration of internal control over compliance with the types of compliance requirements referred to above as a basis for designing audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, as a part of our major program compliance audit, we considered internal control over compliance for these purposes and not to provide any assurance on the effectiveness of the District's internal control over compliance.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our comments regarding internal controls during our audit in our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* dated December 11, 2025. We have also provided our comments regarding compliance with the types of compliance requirements referred to above and internal controls over compliance during our audit in our Independent Auditor's Report on Compliance with Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance dated December 11, 2025.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, our firm, and other firms utilized in the engagement, if applicable, have complied with all relevant ethical requirements regarding independence.

Significant Risks Identified

As stated in our auditor's report, professional standards require us to design our audit to provide reasonable assurance that the financial statements are free of material misstatement whether caused by fraud or error. In designing our audit procedures, professional standards require us to evaluate the financial statements and assess the risk that a material misstatement could occur. Areas that are potentially more susceptible to misstatements, and thereby require special audit considerations, are designated as "significant risks". We have identified the following as significant risks.

- Management Override of Controls – Professional standards require auditors to address the possibility of management overriding controls. Accordingly, we identified as a significant risk that management of the District may have the ability to override controls that the District has implemented. Management may override the District's controls in order to modify the financial records with the intent of manipulating the financial statements to overstate the District's financial performance or with the intent of concealing fraudulent transactions.
- Revenue Recognition – We identified revenue recognition as a significant risk due to financial and operational incentives for the District to overstate revenues.
- Pension Liability – We have identified the valuation of pension liability related to GASB 68 as a significant risk due to the amounts reported by the District being based on the District's proportionate share of the California State Teachers' Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) estimated net pension liability and related deferred outflows and inflows, which is derived by utilizing projections of future contributions and future earnings and various actuarially determined assumptions.
- OPEB Liability – We have identified the valuation of OPEB liability related to GASB 75 as a significant risk due to the amounts reported by the District being based on estimated net OPEB liability and related deferred outflows and inflows resources, which is derived by utilizing projections of future contributions and various actuarially determined assumptions.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the District is included in Note 1 to the financial statements. As described in Note 15, the District changed accounting policies related to accounting for compensated absences to adopt the provisions of Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*. Accordingly, the accounting change has been retrospectively applied to the financial statements beginning July 1, 2024. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Accounting Estimates and Related Disclosures

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are:

Governmental Accounting Standards Board (GASB) requires the District to calculate, recognize, and report the costs and obligations associated with pensions and Other Postemployment Benefits (OPEB) in their financial statements. These amounts were all determined based on the District's proportionate share of the California State Teachers' Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) estimated net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense, which utilized projections of future contributions and future earnings, actuarial assumptions such as inflation, salary increases, mortality rates, and investment rate of return and discount rates in the determination of the final balances reported in the CalSTRS and CalPERS audited financial statements. The District's proportionate share was determined by calculating the District's share of contributions to the pension plan relative to the contributions of all participating entities in the plan.

Management's estimate of the total other postemployment benefit (OPEB) liability related deferred outflows of resources, deferred inflows of resources, and OPEB expense are based on a calculation of actuarially determined contributions for health insurance benefits.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the District's financial statements relate to Other Postemployment Benefits (OPEB) Liability (Note 9) and Employee Retirement Systems (Note 12).

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. Uncorrected misstatements or matters underlying those uncorrected misstatements could potentially cause future-period financial statements to be materially misstated, even though the uncorrected misstatements are immaterial to the financial statements currently under audit. There were no uncorrected or corrected misstatements identified as a result of our audit procedures.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Circumstances that Affect the Form and Content of the Auditor's Report

For purposes of this letter, professional standards require that we communicate any circumstances that affect the form and content of our auditor's report. As described in Note 15 to the financial statements, due to the adoption of GASB Statement No. 101, *Compensated Absences*, the District restated opening balances as of July 1, 2004. The purpose of the paragraph is to draw attention to the disclosures for the adoption of the standards update. We have included an emphasis of matter in our report regarding this restatement. We did not modify our opinions related to this matter.

Representations Requested from Management

We have requested certain written representations from management which are included in the management representation letter dated December 11, 2025.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the District, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, significant events or transactions that occurred during the year, operating conditions affecting the entity, and operating plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the District's auditors.

As described in the audit finding 2025-001 in the audit report, the District was not in compliance with the Expanded Learning Opportunities Program (ELOP).

Other Information Included in Financial Statements

Pursuant to professional standards, our responsibility as auditors for other information, whether financial or nonfinancial, included in the District's financial statements, does not extend beyond the financial information identified in the audit report, and we are not required to perform any procedures to corroborate such other information.

Our responsibility also includes communicating to you any information which we believe is a material misstatement of fact. Nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the financial statements.

This report is intended solely for the information and use of the governing board, and management of the District and is not intended to be, and should not be, used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Fresno, California