

HAMILTON UNIFIED SCHOOL DISTRICT

AUDIT REPORT
JUNE 30, 2020



**HAMILTON UNIFIED SCHOOL DISTRICT
TABLE OF CONTENTS
JUNE 30, 2020**

FINANCIAL SECTION

Independent Auditors' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position.....	10
Statement of Activities.....	11
Fund Financial Statements	
Governmental Funds – Balance Sheet.....	12
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position.....	13
Governmental Funds – Statement of Revenues, Expenditures, and Changes in Fund Balances.....	14
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities.....	15
Fiduciary Funds – Statement of Net Position.....	17
Fiduciary Funds – Statement of Changes in Net Position.....	18
Notes to Financial Statements.....	19

REQUIRED SUPPLEMENTARY INFORMATION

General Fund – Budgetary Comparison Schedule.....	50
Schedule of Changes in Total OPEB Liability and Related Ratios.....	51
Schedule of the District's Proportionate Share of the Net Pension Liability - CalSTRS.....	52
Schedule of the District's Proportionate Share of the Net Pension Liability - CalPERS.....	53
Schedule of District Contributions - CalSTRS.....	54
Schedule of District Contributions - CalPERS.....	55
Notes to Required Supplementary Information.....	56

SUPPLEMENTARY INFORMATION

Schedule of Average Daily Attendance (ADA).....	58
Schedule of Instructional Time.....	59
Schedule of Financial Trends and Analysis.....	60
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements.....	61
Combining Statements – Non-Major Governmental Funds	
Combining Balance Sheet.....	62
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances.....	63
Local Education Agency Organization Structure.....	64
Notes to Supplementary Information.....	65

**HAMILTON UNIFIED SCHOOL DISTRICT
TABLE OF CONTENTS
JUNE 30, 2020**

OTHER INDEPENDENT AUDITORS' REPORTS

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance with *Government Auditing Standards*66
Report on State Compliance68

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Summary of Auditors' Results.....71
Financial Statement Findings72
State Award Findings and Questioned Costs73
Summary Schedule of Prior Audit Findings.....75

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Governing Board
Hamilton Unified School District
Hamilton City, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Hamilton Unified School District, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Hamilton Unified School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Hamilton Unified School District, as of June 30, 2020, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis, budgetary comparison information, schedule of changes in total OPEB liability and related ratios, schedules of proportionate share of net pension liability, and schedules of District contributions for pensions be presented to supplement the basic financial statements. Such information, although not 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 appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Hamilton Unified School District's basic financial statements. The supplementary information listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2021 on our consideration of Hamilton Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Hamilton Unified School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hamilton Unified School District's internal control over financial reporting and compliance.

Christy White, Inc.

San Diego, California
January 25, 2021

HAMILTON UNIFIED SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

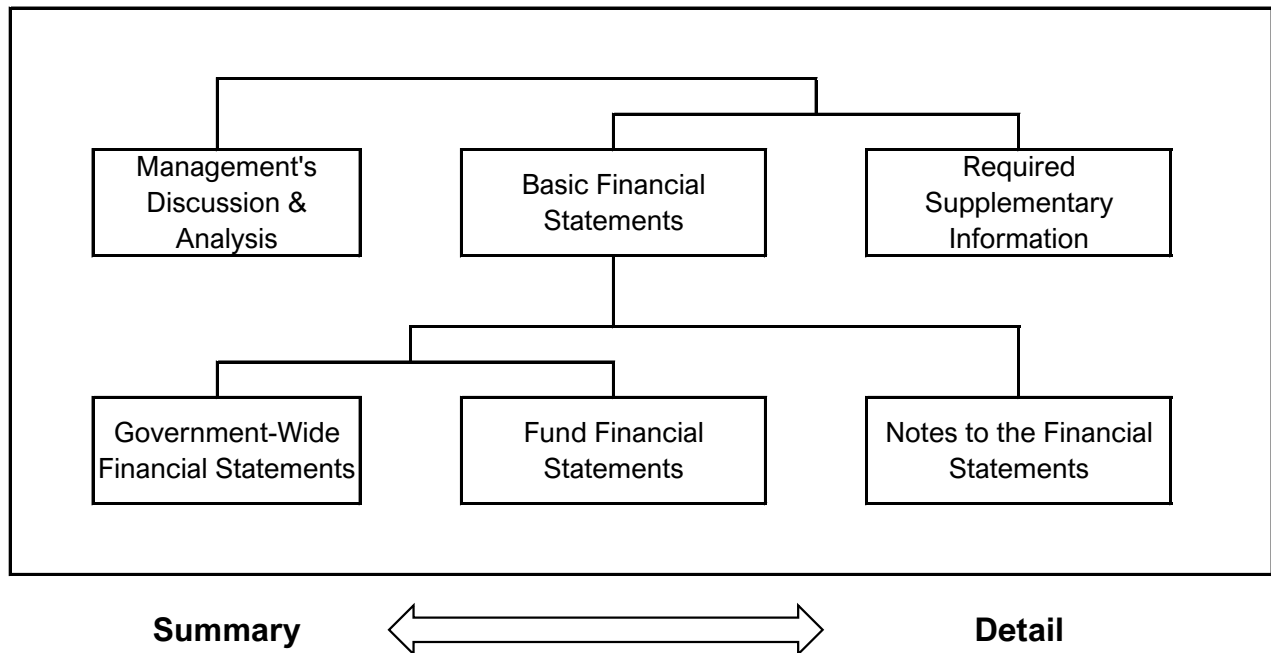
Our discussion and analysis of Hamilton Unified School District's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2020. It should be read in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's net position was \$(870,322) at June 30, 2020. This was a decrease of \$733,834 from the prior year.
- Overall revenues were \$10,137,958 which were exceeded by expenses of \$10,871,792.

OVERVIEW OF FINANCIAL STATEMENTS

Components of the Financial Section



**HAMILTON UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2020**

OVERVIEW OF FINANCIAL STATEMENTS (continued)

Components of the Financial Section (continued)

This annual report consists of three parts – Management's Discussion and Analysis (this section), the basic financial statements, and required supplementary information. The three sections together provide a comprehensive overview of the District. The basic financial statements are comprised of two kinds of statements that present financial information from different perspectives:

- ▶ **Government-wide financial statements**, which comprise the first two statements, provide both short-term and long-term information about the entity's overall financial position.

- ▶ **Fund financial statements** focus on reporting the individual parts of District operations in more detail. The fund financial statements comprise the remaining statements.
 - ▶ **Governmental Funds** provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

 - ▶ **Fiduciary Funds** report balances for which the District is a custodian or *trustee* of the funds, such as Associated Student Bodies and pension funds.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The basic financial statements are followed by a section of required and other supplementary information that further explain and support the financial statements.

Government-Wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how it has changed. Net position is one way to measure the District's financial health or position. Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.

The government-wide financial statements of the District include governmental activities. All of the District's basic services are included here, such as regular education, food service, maintenance and general administration. Local control formula funding and federal and state grants finance most of these activities.

**HAMILTON UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2020**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

Net Position

The District's net position was \$(870,322) at June 30, 2020, as reflected in the table below. Of this amount, \$(7,235,952) was unrestricted. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the Governing Board's ability to use that net position for day-to-day operations.

	Governmental Activities		
	2020	2019	Net Change
ASSETS			
Current and other assets	\$ 5,259,148	\$ 4,588,165	\$ 670,983
Capital assets	6,653,569	6,369,309	284,260
Total Assets	11,912,717	10,957,474	955,243
DEFERRED OUTFLOWS OF RESOURCES	3,646,748	2,830,221	816,527
LIABILITIES			
Current liabilities	1,757,208	590,219	1,166,989
Long-term liabilities	14,122,604	12,844,025	1,278,579
Total Liabilities	15,879,812	13,434,244	2,445,568
DEFERRED INFLOWS OF RESOURCES	549,975	489,939	60,036
NET POSITION			
Net investment in capital assets	5,386,483	5,186,646	199,837
Restricted	979,147	981,695	(2,548)
Unrestricted	(7,235,952)	(6,304,829)	(931,123)
Total Net Position	\$ (870,322)	\$ (136,488)	\$ (733,834)

**HAMILTON UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2020**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

Changes in Net Position

The results of this year's operations for the District as a whole are reported in the Statement of Activities. The table below takes the information from the Statement and rearranges it slightly, so you can see our total revenues, expenses, and special items for the year.

	Governmental Activities		
	2020	2019	Net Change
REVENUES			
Program revenues			
Charges for services	\$ 68,682	\$ 49,318	\$ 19,364
Operating grants and contributions	1,382,546	1,452,921	(70,375)
General revenues			
Property taxes	1,964,159	1,630,983	333,176
Unrestricted federal and state aid	6,572,355	6,370,423	201,932
Other	150,216	168,079	(17,863)
Total Revenues	10,137,958	9,671,724	466,234
EXPENSES			
Instruction	5,310,653	5,971,168	(660,515)
Instruction-related services	1,555,152	1,343,398	211,754
Pupil services	1,286,584	1,222,649	63,935
General administration	907,990	796,973	111,017
Plant services	873,456	969,560	(96,104)
Debt service	61,616	58,010	3,606
Other outgo	876,341	1,034,742	(158,401)
Total Expenses	10,871,792	11,396,500	(524,708)
Change in net position	(733,834)	(1,724,776)	990,942
Net Position - Beginning	(136,488)	1,588,288	(1,724,776)
Net Position - Ending	\$ (870,322)	\$ (136,488)	\$ (733,834)

The cost of all our governmental activities this year was \$10,871,792 (refer to the table below). The amount that our taxpayers ultimately financed for these activities through taxes was only \$1,964,159 because the cost was paid by other governments and organizations who subsidized certain programs with grants and contributions.

**HAMILTON UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2020**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

Changes in Net Position (continued)

In the table below, we have presented the net cost of each of the District's functions. Net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

	Net Cost of Services	
	2020	2019
Instruction	\$ 4,665,751	\$ 5,277,344
Instruction-related services	1,391,564	1,185,121
Pupil services	659,998	675,348
General administration	895,284	751,285
Plant services	870,010	942,651
Debt service	61,616	58,010
Transfers to other agencies	876,341	1,004,502
Total Expenses	\$ 9,420,564	\$ 9,894,261

FINANCIAL ANALYSIS OF THE DISTRICT'S MAJOR FUNDS

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed this year, its governmental funds reported a combined fund balance of \$3,959,406, which is less than last year's ending fund balance of \$4,203,601. The District's General Fund had \$355,464 less in operating revenues than expenditures for the year ended June 30, 2020. The District's Building Fund had \$151,671 less in operating revenues than expenditures for the year ended June 30, 2020.

CURRENT YEAR BUDGET 2019-2020

During the fiscal year, budget revisions and appropriation transfers are presented to the Board for their approval on a regular basis to reflect changes to both revenues and expenditures that become known during the year. In addition, the Board of Education approves financial projections included with the Adopted Budget, First Interim, and Second Interim financial reports. The Unaudited Actuals reflect the District's financial projections and current budget based on State and local financial information.

**HAMILTON UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2020**

CAPITAL ASSETS AND LONG-TERM LIABILITIES

Capital Assets

By the end of 2019-2020 the District had invested \$6,653,569 in capital assets, net of accumulated depreciation.

	Governmental Activities		
	2020	2019	Net Change
CAPITAL ASSETS			
Land	\$ 315,267	\$ 293,887	\$ 21,380
Construction in progress	252,138	1,150,401	(898,263)
Land improvements	604,362	604,362	-
Buildings & improvements	10,349,441	9,278,697	1,070,744
Furniture & equipment	2,058,340	1,629,370	428,970
Accumulated depreciation	(6,925,979)	(6,587,408)	(338,571)
Total Capital Assets	\$ 6,653,569	\$ 6,369,309	\$ 284,260

Long-Term Liabilities

At year-end, the District had \$14,122,604 in long-term liabilities, a 9.95% increase from last year – as shown in the table below. (More detailed information about the District's long-term liabilities is presented in footnotes to the financial statements.)

	Governmental Activities		
	2020	2019	Net Change
LONG-TERM LIABILITIES			
Total general obligation bonds	\$ 2,687,734	\$ 2,768,326	\$ (80,592)
Capital leases	13,344	-	13,344
Early retirement incentive	442,831	525,610	(82,779)
Compensated absences	39,761	34,918	4,843
Total OPEB liability	2,511,352	1,139,051	1,372,301
Net pension liability	8,847,000	8,534,686	312,314
Less: current portion of long-term liabilities	(419,418)	(158,566)	(260,852)
Total Long-term Liabilities	\$ 14,122,604	\$ 12,844,025	\$ 1,278,579

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

At the time these financial statements were prepared and audited, the District was aware of several circumstances that could affect its future financial health.

According to the UCLA Anderson Forecast, the U.S. economy is in a "depression-like crisis" and it will take at least three years before its GDP and unemployment rate return to the levels it saw before the COVID-19 pandemic struck. Between February 2020 and April 2020, California lost 2.56 million nonfarm payroll jobs, a 15% drop that is nearly double the job loss during the Great Recession in 2008 and 2009.

Fiscal policy for the funding of public education changes annually based on fluctuations in State revenues. Governor Gavin Newsom and the State Legislature provided resources and support beyond the Proposition 98 requirement in 2020–21, giving one-time federal resources and pension rate relief and promising more than the minimum guarantee in 2021–22.

**HAMILTON UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2020**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES (continued)

Landmark legislation passed in Year 2013 reformed California school district finance by creating the Local Control Funding Formula (LCFF). The LCFF is designed to provide a flexible funding mechanism that links student achievement to state funding levels. The LCFF provides a per-pupil base grant amount, by grade span, that is augmented by supplemental funding for targeted student groups in low income brackets, those that are English language learners and foster youth.

Factors related to LCFF that the District is monitoring include: (1) estimates of funding in the next budget year and beyond; (2) the Local Control and Accountability Plan (LCAP) that aims to link student accountability measurements to funding allocations; (3) ensuring the integrity of reporting student data through the California Longitudinal Pupil Achievement Data System (CALPADs); and, (4) meeting annual compliance and audit requirements.

The District participates in state employee pensions plans, California State Teachers' Retirement System (CalSTRS) and California Public Employees' Retirement System (CalPERS) and both are underfunded. The District's proportionate share of the liability is reported in the Statement of Net Position as of June 30, 2020. The amount of the liability is material to the financial position of the District. In response to the ongoing pandemic, the 2020-21 State Budget reduced employer contribution rates in 2020-21 and 2021-22. This will reduce the CalSTRS employer rate from 18.4% to approximately 16.15% in 2020-21 and from 18.2% to 16.02% in 2021-22. The CalPERS employer contribution rate will be reduced from CalPERS recently set rate for 2020-21 of 22.68% to 20.7% and 2021-22 estimated rate of 24.6% to 22.84%. Despite this reduction in the planned rate increases, the projected increased pension costs to school employers remain a significant fiscal factor.

Enrollment can fluctuate due to factors such as population growth, competition from private, parochial, inter-district transfers in or out, economic conditions and housing values. Losses in enrollment will cause a school district to lose operating revenues without necessarily permitting the district to make adjustments in fixed operating costs.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was signed into law. The CARES Act provides California K-12 education with \$1.65 billion in Elementary and Secondary School Emergency Relief (ESSER) Funds, \$355 million in Governor's Emergency Education Relief (GEER) Funds, and \$4.4 billion in Coronavirus Relief Funds (CRF). Collectively, GEER Funds, CRF, and \$540 million in state General Fund (GF) contributions are known as Learning Loss Mitigation Funding (LLMF). CARES Act funds will be apportioned in 2020-21, however, ESSER and GEER are to be used on eligible expenditures beginning March 13, 2020 through September 30, 2022, GF is to be used on eligible expenditures beginning March 1, 2020 through June 30, 2021, and CRF is to be used on eligible expenditures beginning March 1, 2020 through December 30, 2020. On December 27, 2020, the President signed the Consolidated Appropriations Act which extended the CRF spending deadline to December 30, 2021.

All of these factors were considered in preparing the District's budget for the 2020-21 fiscal year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the District's Business Office, Hamilton Unified School District, 620 Canal Street, PO Box 488; Hamilton City, CA 95951.

**HAMILTON UNIFIED SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2020**

	<u>Governmental Activities</u>
ASSETS	
Cash and investments	\$ 3,857,170
Accounts receivable	1,397,233
Inventory	4,745
Capital assets, not depreciated	567,405
Capital assets, net of accumulated depreciation	<u>6,086,164</u>
Total Assets	<u>11,912,717</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	2,383,079
Deferred outflows related to OPEB	<u>1,263,669</u>
Total Deferred Outflows of Resources	<u>3,646,748</u>
LIABILITIES	
Deficit cash	21,944
Accrued liabilities	1,061,541
Unearned revenue	254,305
Long-term liabilities, current portion	419,418
Long-term liabilities, non-current portion	<u>14,122,604</u>
Total Liabilities	<u>15,879,812</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	<u>549,975</u>
Total Deferred Inflows of Resources	<u>549,975</u>
NET POSITION	
Net investment in capital assets	5,386,483
Restricted:	
Capital projects	184,004
Debt service	450,960
Educational programs	260,525
All others	83,658
Unrestricted	<u>(7,235,952)</u>
Total Net Position	<u>\$ (870,322)</u>

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

**HAMILTON UNIFIED SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020**

Function/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
GOVERNMENTAL ACTIVITIES				
Instruction	\$ 5,310,653	\$ 35,754	\$ 609,148	\$ (4,665,751)
Instruction-related services				
Instructional supervision and administration	2,336	-	-	(2,336)
Instructional library, media, and technology	333,785	19,618	2,932	(311,235)
School site administration	1,219,031	377	140,661	(1,077,993)
Pupil services				
Home-to-school transportation	187,274	739	165,032	(21,503)
Food services	590,503	12,159	434,121	(144,223)
All other pupil services	508,807	-	14,535	(494,272)
General administration				
All other general administration	907,990	33	12,673	(895,284)
Plant services	873,456	2	3,444	(870,010)
Interest on long-term debt	61,616	-	-	(61,616)
Other outgo	876,341	-	-	(876,341)
Total Governmental Activities	\$ 10,871,792	\$ 68,682	\$ 1,382,546	(9,420,564)
General revenues				
Taxes and subventions				
Property taxes, levied for general purposes				1,618,406
Property taxes, levied for debt service				345,753
Federal and state aid not restricted for specific purposes				6,572,355
Interest and investment earnings				97,463
Interagency revenues				14,269
Miscellaneous				38,484
Subtotal, General Revenue				8,686,730
CHANGE IN NET POSITION				(733,834)
Net Position - Beginning				(136,488)
Net Position - Ending				\$ (870,322)

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

**HAMILTON UNIFIED SCHOOL DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2020**

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Cash and investments	\$ 1,538,948	\$ 1,433,916	\$ 884,306	\$ 3,857,170
Accounts receivable	1,248,665	14,193	134,375	1,397,233
Due from other funds	19,118	-	874	19,992
Stores inventory	-	-	4,745	4,745
Total Assets	\$ 2,806,731	\$ 1,448,109	\$ 1,024,300	\$ 5,279,140
LIABILITIES				
Deficit cash	\$ -	\$ -	\$ 21,944	\$ 21,944
Accrued liabilities	997,546	14,117	11,830	1,023,493
Due to other funds	41	-	19,951	19,992
Unearned revenue	253,907	-	398	254,305
Total Liabilities	1,251,494	14,117	54,123	1,319,734
FUND BALANCES				
Nonspendable	10,000	-	4,745	14,745
Restricted	119,021	1,433,992	898,174	2,451,187
Committed	-	-	67,258	67,258
Assigned	654,573	-	-	654,573
Unassigned	771,643	-	-	771,643
Total Fund Balances	1,555,237	1,433,992	970,177	3,959,406
Total Liabilities and Fund Balances	\$ 2,806,731	\$ 1,448,109	\$ 1,024,300	\$ 5,279,140

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

**HAMILTON UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET
POSITION
JUNE 30, 2020**

Total Fund Balance - Governmental Funds \$ 3,959,406

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

Capital assets:

In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation:

Capital assets	\$ 13,579,548	
Accumulated depreciation	<u>(6,925,979)</u>	6,653,569

Unmatured interest on long-term debt:

In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmaturing interest owing at the end of the period was:

(38,048)

Long-term liabilities:

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

Total general obligation bonds	\$ 2,687,734	
Capital leases	13,344	
Early retirement incentive	442,831	
Compensated absences	39,761	
Total OPEB liability	2,511,352	
Net pension liability	<u>8,847,000</u>	(14,542,022)

Deferred outflows and inflows of resources relating to pensions:

In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported.

Deferred outflows of resources related to pensions	\$ 2,383,079	
Deferred inflows of resources related to pensions	<u>(549,975)</u>	1,833,104

Deferred outflows and inflows of resources relating to OPEB:

In governmental funds, deferred outflows and inflows of resources relating to OPEB are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to OPEB are reported.

Deferred outflows of resources related to OPEB	\$ 1,263,669	1,263,669
--	--------------	-----------

Total Net Position - Governmental Activities		<u>\$ (870,322)</u>
---	--	---------------------

**HAMILTON UNIFIED SCHOOL DISTRICT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2020**

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES				
LCFF sources	\$ 7,839,810	\$ -	\$ 53,000	\$ 7,892,810
Federal sources	237,411	-	421,413	658,824
Other state sources	910,013	-	379,198	1,289,211
Other local sources	211,771	42,190	389,437	643,398
Total Revenues	9,199,005	42,190	1,243,048	10,484,243
EXPENDITURES				
Current				
Instruction	4,885,743	-	233,246	5,118,989
Instruction-related services				
Instructional supervision and administration	2,336	-	-	2,336
Instructional library, media, and technology	276,375	-	-	276,375
School site administration	1,010,613	-	103,418	1,114,031
Pupil services				
Home-to-school transportation	281,654	-	-	281,654
Food services	14,956	-	476,492	491,448
All other pupil services	474,378	-	-	474,378
General administration				
All other general administration	758,018	-	8,557	766,575
Plant services	969,963	-	24,582	994,545
Facilities acquisition and maintenance	-	193,861	-	193,861
Transfers to other agencies	880,433	-	-	880,433
Debt service				
Principal	-	-	76,500	76,500
Interest and other	-	-	70,657	70,657
Total Expenditures	9,554,469	193,861	993,452	10,741,782
Excess (Deficiency) of Revenues Over Expenditures	(355,464)	(151,671)	249,596	(257,539)
Other Financing Sources (Uses)				
Other sources	13,344	-	-	13,344
Net Financing Sources (Uses)	13,344	-	-	13,344
NET CHANGE IN FUND BALANCE	(342,120)	(151,671)	249,596	(244,195)
Fund Balance - Beginning	1,897,357	1,585,663	720,581	4,203,601
Fund Balance - Ending	\$ 1,555,237	\$ 1,433,992	\$ 970,177	\$ 3,959,406

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

**HAMILTON UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020**

Net Change in Fund Balances - Governmental Funds \$ (244,195)

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

Capital outlay:

In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:

Expenditures for capital outlay:	\$	637,901	
Depreciation expense:		(353,641)	284,260

Debt service:

In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were: 76,500

Debt proceeds:

In governmental funds, proceeds from debt are recognized as Other Financing Sources. In the government-wide statements, proceeds from debt are reported as increases to liabilities. Amounts recognized in governmental funds as proceeds from debt, net of issue premium or discount, were: (13,344)

Unmatured interest on long-term debt:

In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period, was: 9,041

Compensated absences:

In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amount earned. The difference between compensated absences paid and compensated absences earned, was: (4,843)

Other expenditures relating to prior periods:

Certain expenditures recognized in governmental funds relate to prior periods. Typical examples are payments on structured legal settlements or retirement incentives paid over time. These expenditures are recognized in the government-wide statement of activities in the period in which the obligations were first incurred, so they must not be recognized again in the current period. Expenditures relating to prior periods were: 82,779

(continued on next page)

**HAMILTON UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES, continued
FOR THE YEAR ENDED JUNE 30, 2020**

Postemployment benefits other than pensions (OPEB):

In governmental funds, OPEB expenses are recognized when employer OPEB contributions are made. In the statement of activities, OPEB expenses are recognized on the accrual basis. This year, the difference between OPEB expenses and actual employer OPEB contributions was: (203,945)

Pensions:

In governmental funds, pension costs are recognized when employer contributions are made. In the government-wide statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and employer contributions was: (724,179)

Amortization of debt issuance premium or discount:

In governmental funds, if debt is issued at a premium or at a discount, the premium or discount is recognized as an Other Financing Source or an Other Financing Use in the period it is incurred. In the government-wide statements, the premium or discount is amortized over the life of the debt. Amortization of premium or discount for the period is: 4,092

Change in Net Position of Governmental Activities \$ (733,834)

**HAMILTON UNIFIED SCHOOL DISTRICT
 FIDUCIARY FUNDS
 STATEMENT OF NET POSITION
 JUNE 30, 2020**

	<u>Trust Fund</u> <u>Private-Purpose</u> <u>Trust Fund</u>	<u>Agency Fund</u> <u>Student Body</u> <u>Fund</u>
ASSETS		
Cash and investments	\$ 31,040	\$ 143,589
Total Assets	<u>31,040</u>	<u>\$ 143,589</u>
LIABILITIES		
Due to student groups	-	\$ 143,589
Total Liabilities	<u>-</u>	<u>\$ 143,589</u>
NET POSITION		
Restricted	31,040	
Total Net Position	<u>\$ 31,040</u>	

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

**HAMILTON UNIFIED SCHOOL DISTRICT
 FIDUCIARY FUNDS
 STATEMENT OF CHANGES IN NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Trust Fund</u> <u>Private-Purpose</u> <u>Trust Fund</u>
ADDITIONS	
Contributions	\$ 6,644
Total Additions	<u>6,644</u>
 DEDUCTIONS	
Other trust activities	6,700
Total Deductions	<u>6,700</u>
 CHANGE IN NET POSITION	 (56)
Net Position - Beginning	<u>31,096</u>
Net Position - Ending	<u>\$ 31,040</u>

**HAMILTON UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The Hamilton Unified School District (the "District") accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's *California School Accounting Manual*. The accounting policies of the District conform to generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

The District operates under a locally elected Board form of government and provides educational services to grades K-12 as mandated by the state. A reporting entity is comprised of the primary government, component units, 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 and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student-related activities.

B. Component Units

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

C. Basis of Presentation

Government-Wide Statements. The statement of net position and the statement of activities display information about the primary government (the District). These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenue, and other non-exchange transactions.

The statement of activities presents a comparison between direct expenses and program revenue for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reserved for the statement of activities. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting of 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.

**HAMILTON UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2020**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

Fund Financial Statements. The fund financial statements provide information about the District's funds, including its fiduciary funds. Separate statements for each fund category – governmental and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

Governmental funds are used to account for activities that are governmental in nature. Governmental activities are typically tax-supported and include education of pupils, operation of food service and child development programs, construction and maintenance of school facilities, and repayment of long-term debt.

Fiduciary funds are used to account for assets held by the District in a trustee or agency capacity for others that cannot be used to support the District's own programs.

Major Governmental Funds

General Fund: The General Fund is the main operating fund of the District. It is used to account for all activities except those that are required to be accounted for in another fund. In keeping with the minimum number of funds principle, all of the District's activities are reported in the General Fund unless there is a compelling reason to account for an activity in another fund. A District may have only one General Fund.

Building Fund: This 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. Other authorized revenues to the Building Fund are proceeds from the sale or lease-with-option-to-purchase of real property (*Education Code Section 17462*) and revenue from rentals and leases of real property specifically authorized for deposit into the fund by the governing board (*Education Code Section 41003*).

Non-Major Governmental Funds

Special Revenue Funds: Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. The District maintains the following special revenue funds:

Adult Education Fund: This fund is used to account separately for federal, state, and local revenues for adult education programs. Money in this fund shall be expended for adult education purposes only. Moneys received for programs other than adult education shall not be expended for adult education (*Education Code Sections 52616[b]* and *52501.5[a]*).

Child Development Fund: This fund is used to account separately for federal, state, and local revenues to operate child development programs. All moneys received by the District for, or from the operation of, child development services covered under the Child Care and Development Services Act (*Education Code Section 8200 et seq.*) shall be deposited into this fund. The moneys may be used only for expenditures for the operation of child development programs. The costs incurred in the maintenance and operation of child development services shall be paid from this fund, with accounting to reflect specific funding sources (*Education Code Section 8328*).

HAMILTON UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

Non-Major Governmental Funds (continued)

Special Revenue Funds (continued):

Cafeteria Special Revenue Fund: This fund is used to account separately for federal, state, and local resources to operate the food service program (*Education Code Sections 38090–38093*). The Cafeteria Special Revenue Fund shall be 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: This fund is used to account separately for state apportionments and the District's contributions for deferred maintenance purposes (*Education Code Sections 17582–17587*). In addition, whenever the state funds provided pursuant to *Education Code Sections 17584 and 17585* (apportionments from the State Allocation Board) are insufficient to fully match the local funds deposited in this fund, the governing board of a school district may transfer the excess local funds deposited in this fund to any other expenditure classifications in other funds of the District (*Education Code Sections 17582 and 17583*).

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

Capital Facilities Fund: This fund is used primarily to account separately for moneys received from fees levied on developers or other agencies as a condition of approving a development (*Education Code Sections 17620–17626*). The authority for these levies may be county/city ordinances (*Government Code Sections 65970–65981*) or private agreements between the District and the developer. Interest earned in the Capital Facilities Fund is restricted to that fund (*Government Code Section 66006*).

Debt Service Funds: Debt service funds are established to account for the accumulation of resources for and the payment of principal and interest on general long-term debt.

Bond Interest and Redemption Fund: This fund is used for the repayment of bonds issued for the District (*Education Code Sections 15125–15262*). The board of supervisors of the county issues the bonds. The proceeds from the sale of the bonds are deposited in the county treasury to the Building Fund of the District. Any premiums or accrued interest received from the sale of the bonds must be deposited in the Bond Interest and Redemption Fund of the District. The county auditor maintains control over the District's Bond Interest and Redemption Fund. The principal and interest on the bonds must be paid by the county treasurer from taxes levied by the county auditor-controller.

HAMILTON UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

Non-Major Governmental Funds (continued)

Fiduciary Funds

Trust and Agency Funds: Trust and agency funds are used to account for assets held in a trustee or agent capacity for others that cannot be used to support the District's own programs. The key distinction between trust and agency funds is that trust funds are subject to a trust agreement that affects the degree of management involvement and the length of time that the resources are held.

Private-Purpose Trust Fund: The Private-Purpose Trust Fund is a scholarship trust fund, and consists only of accounts such as cash and balancing net position accounts.

Student Body Fund: The Student Body Fund is an agency fund and, therefore, consists only of accounts such as cash and balancing liability accounts, such as due to student groups. The student body itself maintains its own general fund, which accounts for the transactions of that entity in raising and expending money to promote the general welfare, morale, and educational experiences of the student body (*Education Code Sections 48930–48938*).

D. Basis of Accounting – Measurement Focus

Government-Wide and Fiduciary Financial Statements

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Net Position equals assets and deferred outflows of resources minus liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. The net position should be reported as restricted when constraints placed on its use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other activities results from special revenue funds and the restrictions on their use.

Governmental Funds

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Governmental funds use the modified accrual basis of accounting.

**HAMILTON UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2020**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting – Measurement Focus (continued)

Revenues – Exchange and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. “Available” means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. Generally, “available” means collectible within the current period or within 60 days after year-end. However, to achieve comparability of reporting among California school districts and so as not to distort normal revenue patterns, with specific respect to reimbursements grants and corrections to State-aid apportionments, the California Department of Education has defined available for school districts as collectible within one year.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from the grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Unearned Revenue

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

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

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds. When both restricted and unrestricted resources are available for use, it is the District’s policy to use restricted resources first, then unrestricted resources as they are needed.

**HAMILTON UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2020**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position

Cash and Cash Equivalents

The District’s cash and cash equivalents consist of cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

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 and State investment pools are determined by the program sponsor.

Inventories

Inventories are valued at historical cost using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

Capital Assets

The accounting and reporting treatment applied to the capital assets associated with a fund is determined by its measurement focus. Capital assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements.

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair acquisition value as of the date received. The District maintains a capitalization threshold of \$5,000. The District does not own any infrastructure as defined in GASB Statement No. 34. 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. All reported capital assets, except for land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets.

Depreciation is computed using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Life</u>
Buildings and Improvements	25 – 50 years
Furniture and Equipment	15 – 20 years
Vehicles	8 years

Interfund Balances

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

**HAMILTON UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2020**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position (continued)

Compensated Absences

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

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

Accrued Liabilities and Long-Term Obligations

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

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the total OPEB liability, deferred outflows of resources related to OPEB and deferred inflows of resources related to OPEB, and OPEB expense have been determined by an independent actuary. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms.

Generally accepted accounting principles require the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date	July 1, 2019
Measurement Date	June 30, 2019
Measurement Period	July 1, 2018 to June 30, 2019

Gains and losses related to changes in total OPEB liability are recognized in OPEB expense systematically over time. The first amortized amounts are recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense. The amortization period differs depending on the source of gain or loss. The difference between projected and actual earnings is amortized on a straight-line basis over five years. All other amounts are amortized on a straight-line basis over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) at the beginning of the measurement period.

Premiums and Discounts

In the government-wide financial statements, long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method.

**HAMILTON UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2020**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position (continued)

Deferred Outflows/Deferred Inflows of Resources

In addition to assets, the District will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the District will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

Pensions

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

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance classification reflects amounts that are not in spendable form. Examples include inventory, prepaid items, the long-term portion of loans receivable, and nonfinancial assets held for resale. This classification also reflects amounts that are in spendable form but that are legally or contractually required to remain intact, such as the principal of a permanent endowment.

Restricted - The restricted fund balance classification reflects amounts subject to externally imposed and legally enforceable constraints. Such constraints may be imposed by creditors, grantors, contributors, or laws or regulations of other governments, or may be imposed by law through constitutional provisions or enabling legislation.

Committed - The committed fund balance classification reflects amounts subject to internal constraints self-imposed by formal action of the Governing Board. The constraints giving rise to committed fund balance must be imposed no later than the end of the reporting period. The actual amounts may be determined subsequent to that date but prior to the issuance of the financial statements. In contrast to restricted fund balance, committed fund balance may be redirected by the government to other purposes as long as the original constraints are removed or modified in the same manner in which they were imposed, that is, by the same formal action of the Governing Board.

**HAMILTON UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2020**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position (continued)

Fund Balance (continued)

Assigned - The assigned fund balance classification reflects amounts that the government *intends* to be used for specific purposes. Assignments may be established either by the Governing Board or by a designee of the governing body, and are subject to neither the restricted nor committed levels of constraint. In contrast to the constraints giving rise to committed fund balance, constraints giving rise to assigned fund balance are not required to be imposed, modified, or removed by formal action of the Governing Board. The action does not require the same level of formality and may be delegated to another body or official. Additionally, the assignment need not be made before the end of the reporting period, but rather may be made any time prior to the issuance of the financial statements.

Unassigned - In the General Fund only, the unassigned fund balance classification reflects the residual balance that has not been assigned to other funds and that is not restricted, committed, or assigned to specific purposes. However, deficits in any fund, including the General Fund that cannot be eliminated by reducing or eliminating amounts assigned to other purposes are reported as negative unassigned fund balance.

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

F. 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. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented in the financial statements. Interfund transfers are eliminated in the governmental activities columns of the statement of activities.

G. 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.

H. Budgetary Data

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

HAMILTON UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Budgetary Data (continued)

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

I. 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 Auditor-Controller bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

J. New Accounting Pronouncements

GASB Statement No. 84 – In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. This standard's primary objective is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The statement was postponed by GASB Statement No. 95 and is effective for periods beginning after December 15, 2019. The District has not yet determined the impact on the financial statements.

GASB Statement No. 87 – In June 2017, GASB issued Statement No. 87, *Leases*. This standard's primary objective is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The statement was postponed by GASB Statement No. 95 and is effective for periods beginning after June 15, 2021. The District has not yet determined the impact on the financial statements.

GASB Statement No. 91 – In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. This standard's primary objectives are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The statement was postponed by GASB Statement No. 95 and is effective for periods beginning after December 15, 2021. The District has not yet determined the impact on the financial statements.

GASB Statement No. 92 – In January 2020, GASB issued Statement No. 92, *Omnibus 2020*. This standard's primary objectives are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. A portion of this statement was effective upon issuance, while the majority of this statement was postponed by GASB Statement No. 95 and is effective for periods beginning after June 15, 2021. The District has implemented the requirements that were effective upon issuance but has not yet determined the impact on the financial statements for the requirements of this statement that are not yet effective.

**HAMILTON UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2020**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. New Accounting Pronouncements (continued)

GASB Statement No. 95 – In May 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. This standard’s primary objective is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. The statement is effective immediately. The District has implemented GASB Statement No. 95.

NOTE 2 – CASH AND INVESTMENTS

A. Summary of Cash and Investments

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>
Investment in county treasury*	\$ 3,820,226	\$ -
Cash on hand and in banks	5,000	174,629
Cash in revolving fund	10,000	-
Total	<u>\$ 3,835,226</u>	<u>\$ 174,629</u>

*Amount does not include deficit cash of \$21,944.

B. 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; collateralized mortgage obligations; and the County Investment Pool.

Investment in County Treasury – The District maintains substantially all of its cash in the County Treasury in accordance with *Education Code Section 41001*. The Glenn County Treasurer’s pooled investments are managed by the County Treasurer who reports on a monthly basis to the board of supervisors. In addition, the function of the County Treasury Oversight Committee is to review and monitor the County’s investment policy. The committee membership includes the Treasurer and Tax Collector, the Auditor-Controller, Chief Administrative Officer, Superintendent of Schools Representative, and a public member. The fair value of the District’s investment in the pool is 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.

**HAMILTON UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2020**

NOTE 2 – CASH AND INVESTMENTS (continued)

C. General Authorizations

Except for investments by trustees of debt proceeds, the authority to invest District funds deposited with the county treasury is delegated to the County Treasurer and Tax Collector. Additional information about the investment policy of the County Treasurer and Tax Collector may be obtained from its website. The table below identifies the investment types permitted by California Government Code.

<u>Authorized Investment Type</u>	<u>Maximum Remaining Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
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

D. 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 manages its exposure to interest rate risk by investing in the County Treasury. The District maintains a pooled investment with the County Treasury with a fair value of approximately \$3,824,584 and an amortized book value of \$3,820,226.

E. Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investments in the County Treasury are not required to be rated. As of June 30, 2020, the pooled investments in the County Treasury were not rated.

**HAMILTON UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2020**

NOTE 2 – CASH AND INVESTMENTS (continued)

F. 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. The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2020, the District's bank balance was not exposed to custodial credit risk.

G. Fair Value

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

Level 1 - Quoted prices (unadjusted) in active markets for identical assets.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, either directly or indirectly.

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

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

The District's fair value measurements at June 30, 2020 were as follows:

	<u>Uncategorized</u>
Investment in county treasury	<u>\$ 3,824,584</u>
Total	<u>\$ 3,824,584</u>

**HAMILTON UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2020**

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2020 consisted of the following:

	General Fund	Building Fund	Non-Major Governmental Funds	Governmental Activities
Federal Government				
Categorical aid	\$ 12,113	\$ -	\$ 115,991	\$ 128,104
State Government				
Apportionment	1,153,082	-	-	1,153,082
Categorical aid	3,476	-	8,201	11,677
Lottery	36,015	-	-	36,015
Local Government				
Other local sources	43,979	14,193	10,183	68,355
Total	\$ 1,248,665	\$ 14,193	\$ 134,375	\$ 1,397,233

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2020 was as follows:

	Balance July 01, 2019	Additions	Deletions	Balance June 30, 2020
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 293,887	\$ 21,380	\$ -	\$ 315,267
Construction in progress	1,150,401	172,481	1,070,744	252,138
Total Capital Assets not Being Depreciated	1,444,288	193,861	1,070,744	567,405
Capital assets being depreciated				
Land improvements	604,362	-	-	604,362
Buildings & improvements	9,278,697	1,070,744	-	10,349,441
Furniture & equipment	1,629,370	444,040	15,070	2,058,340
Total Capital Assets Being Depreciated	11,512,429	1,514,784	15,070	13,012,143
Less Accumulated Depreciation				
Land improvements	475,780	17,243	-	493,023
Buildings & improvements	4,912,286	287,205	-	5,199,491
Furniture & equipment	1,199,342	49,193	15,070	1,233,465
Total Accumulated Depreciation	6,587,408	353,641	15,070	6,925,979
Governmental Activities				
Capital Assets, net	\$ 6,369,309	\$ 1,355,004	\$ 1,070,744	\$ 6,653,569

Depreciation expense is allocated to governmental functions as follows:

Instruction	\$ 218,373
Home-to-school transportation	64,562
Food services	25,367
All other pupil services	7,456
All other general administration	10,923
Plant services	26,960
Total Depreciation Expense	\$ 353,641

**HAMILTON UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2020**

NOTE 5 – INTERFUND TRANSACTIONS

Individual interfund receivable and payable balances at June 30, 2020 were as follows:

	Due From Other Funds		
	General Fund	Non-Major Governmental Funds	Total
Due To Other Funds			
General Fund	\$ -	\$ 41	\$ 41
Non-Major Governmental Funds	19,118	833	19,951
Total	\$ 19,118	\$ 874	\$ 19,992
Due from the General Fund to the Non-Major Adult Education Fund for sales tax.			\$ 41
Due from the Non-Major Adult Education Fund to the General Fund for indirect costs.			8,606
Due from the Non-Major Adult Education Fund to the Non-Major Child Development Fund for sales tax.			816
Due from the Non-Major Child Development Fund to the General Fund for salaries and travel expenses.			10,512
Due from the Non-Major Child Development Fund to the Non-Major Cafeteria Special Revenue Fund for sales tax.			17
Total			\$ 19,992

NOTE 6 – ACCRUED LIABILITIES

Accrued liabilities at June 30, 2020 consisted of the following:

			Non-Major Governmental Funds		Governmental Activities	
	General Fund	Building Fund	District-Wide	District-Wide	District-Wide	District-Wide
Payroll	\$ 189,705	\$ -	\$ 6,016	\$ -	\$ -	\$ 195,721
Vendors payable	499,962	14,117	5,814	-	-	519,893
Unmatured interest	-	-	-	38,048	-	38,048
Due to grantor government	307,879	-	-	-	-	307,879
Total	\$ 997,546	\$ 14,117	\$ 11,830	\$ 38,048	\$ -	\$ 1,061,541

NOTE 7 – UNEARNED REVENUE

Unearned revenue at June 30, 2020 consisted of the following:

			Non-Major Governmental Funds		Governmental Activities	
	General Fund	Building Fund	District-Wide	District-Wide	District-Wide	District-Wide
Federal sources	\$ 15,680	\$ -	\$ -	\$ -	\$ -	\$ 15,680
State categorical sources	238,227	-	398	-	-	238,625
Total	\$ 253,907	\$ -	\$ 398	\$ -	\$ -	\$ 254,305

**HAMILTON UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2020**

NOTE 8 – LONG-TERM LIABILITIES

A schedule of changes in long-term liabilities for the year ended June 30, 2020 consisted of the following:

	Balance July 01, 2019	Additions	Deductions	Balance June 30, 2020	Balance Due In One Year
Governmental Activities					
General obligation bonds	\$ 2,625,100	\$ -	\$ 76,500	\$ 2,548,600	\$ 285,800
Unamortized premium	143,226	-	4,092	139,134	4,092
Total general obligation bonds	2,768,326	-	80,592	2,687,734	289,892
Capital leases	-	13,344	-	13,344	4,930
Early retirement incentive	525,610	-	82,779	442,831	124,596
Compensated absences	34,918	4,843	-	39,761	-
Total OPEB liability	1,139,051	1,372,301	-	2,511,352	-
Net pension liability	8,534,686	312,314	-	8,847,000	-
Total	\$ 13,002,591	\$ 1,702,802	\$ 163,371	\$ 14,542,022	\$ 419,418

- Payments for general obligation bonds are made in the Bond Interest and Redemption Fund.
- Payments for capital lease obligations are made in the General Fund.
- Payments for early retirement incentive are made in the General Fund.
- Payments for compensated absences are typically liquidated in the General Fund and the Non-Major Governmental Funds.

A. Bonded Debt

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds			Bonds Outstanding June 30, 2020
					Outstanding July 01, 2019	Additions	Deductions	
2011 Refunding	August 30, 2011	August 1, 2023	4.30%	\$ 886,200	\$ 425,100	\$ -	\$ 76,500	\$ 348,600
Election 2018, Series 2019A	June 5, 2019	August 1, 2053	4.00%	2,200,000	2,200,000	-	-	2,200,000
					\$ 2,625,100	\$ -	\$ 76,500	\$ 2,548,600

Election 1998

In an election held April 14, 1998, the voters authorized the District to issue and sell \$1,340,000 of principal amount of general obligation bonds. These bonds were issued for the purpose of constructing and acquiring a new library and classrooms for Hamilton High School.

There was one issuance under this election, Series 1998, which was issued on August 6, 1998 with interest rates ranging from 3.90% to 4.70%. The original issuance consisted of \$430,000 in current interest serial bonds and \$910,000 in current interest term bonds. Interest accrues from August 1, 1998 and is payable semi-annually on February 1 and August 1 of each year, commencing February 1, 1999. Principal is payable annually on August 1, commencing August 1, 2000 through the final maturity date of August 1, 2023. On August 30, 2011, the District issued Refunding Notes to redeem the outstanding bonds.

2011 Refunding Notes

On August 30, 2011, the District issued \$886,200 of refunding notes. The notes were issued to redeem the outstanding Election 1998, Series 1998 bonds. The bonds were issued as current interest serial bonds and carry interest of 4.30%. The transaction resulted in an economic gain (difference between the present value of debt service on the old bonds and the new notes) of \$30,720. The principal balance outstanding on June 30, 2020 amounted to \$348,600.

**HAMILTON UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2020**

NOTE 8 – LONG-TERM LIABILITIES (continued)

A. Bonded Debt (continued)

Election 2018

In an election held November 6, 2018, the voters authorized the District to issue and sell \$7,000,000 of principal amount of general obligation bonds. These bonds were issued to finance the acquisition, construction, furnishing and equipping of District facilities.

There has been one issuance under this election, Series 2019A, which was issued on June 5, 2019 with a stated interest rate of 4.00%. The original issuance consisted of \$645,000 in current interest serial bonds and \$1,555,000 in current interest term bonds. Interest on the bonds is payable on February 1 and August 1 of each year, commencing February 1, 2020. Principal is payable annually on August 1, commencing August 1, 2020 through the final maturity date of August 1, 2053.

B. Debt Service Requirements to Maturity – Bonds

The bonds mature through 2054 as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 285,800	\$ 102,164	\$ 387,964
2022	235,100	86,486	321,586
2023	89,300	79,736	169,036
2024	93,400	75,808	169,208
2025	-	73,800	73,800
2026 - 2030	-	369,000	369,000
2031 - 2035	90,000	361,400	451,400
2036 - 2040	200,000	333,000	533,000
2041 - 2045	355,000	278,500	633,500
2046 - 2050	555,000	188,100	743,100
2051 - 2054	645,000	53,900	698,900
Total	\$ 2,548,600	\$ 2,001,894	\$ 4,550,494

C. Capital Lease

The District entered into a capital lease for bus air conditioning, with annual payments in September of each year, with principal maturing through 2023. Future minimum lease payments are as follows:

<u>Year Ended June 30,</u>	<u>Lease Payment</u>
2021	\$ 4,930
2022	4,930
2023	4,890
Total minimum lease payments	14,750
Less amount representing interest	(1,406)
Present value of minimum lease payments	<u>\$ 13,344</u>

**HAMILTON UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2020**

NOTE 8 – LONG-TERM LIABILITIES (continued)

D. Early Retirement Incentives

The District entered into a supplementary retirement plan with the California State Teachers' Retirement System (CalSTRS) whereby 10 employees (2 in the 2010-11 fiscal year, 2 in the 2011-12 fiscal year, 4 in the 2014-15 fiscal year, and 2 in the 2018-19 fiscal year) of the District elected to take early retirement in exchange for supplementary retirement benefits.

The District entered into a supplementary retirement plan with the California Public Employees' Retirement System (CalPERS) whereby 7 employees (1 in the 2014-15 fiscal year and 6 in the 2018-19 fiscal year) of the District elected to take early retirement in exchange for supplementary retirement benefits.

Future payments for the early retirement plans are as follows:

<u>Year Ended June 30,</u>	<u>Lease Payment</u>
2021	\$ 124,596
2022	121,111
2023	114,781
2024	92,530
2025	55,786
2026 - 2027	36,842
Total minimum lease payments	545,646
Less amount representing interest	(102,815)
Present value of minimum lease payments	<u>\$ 442,831</u>

E. Compensated Absences

Total unpaid employee compensated absences as of June 30, 2020 amounted to \$39,761. This amount is included as part of long-term liabilities in the government-wide financial statements.

F. Other Postemployment Benefits

The District's beginning total OPEB liability was \$1,139,051 and increased by \$1,372,301 during the year ended June 30, 2020. The ending total OPEB liability at June 30, 2020 was \$2,511,352. See Note 10 for additional information regarding the total OPEB liability.

G. Net Pension Liability

The District's beginning net pension liability was \$8,534,686 and increased by \$312,314 during the year ended June 30, 2020. The ending net pension liability at June 30, 2020 was \$8,847,000. See Note 11 for additional information regarding the net pension liability.

**HAMILTON UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2020**

NOTE 9 – FUND BALANCES

Fund balances were composed of the following elements at June 30, 2020:

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
Non-spendable				
Revolving cash	\$ 10,000	\$ -	\$ -	\$ 10,000
Stores inventory	-	-	4,745	4,745
Total non-spendable	10,000	-	4,745	14,745
Restricted				
Educational programs	119,021	-	141,504	260,525
Capital projects	-	1,433,992	184,004	1,617,996
Debt service	-	-	489,008	489,008
All others	-	-	83,658	83,658
Total restricted	119,021	1,433,992	898,174	2,451,187
Committed				
Other commitments	-	-	67,258	67,258
Total committed	-	-	67,258	67,258
Assigned				
Postemployment benefits	216,610	-	-	216,610
Other assignments	437,963	-	-	437,963
Total assigned	654,573	-	-	654,573
Unassigned	771,643	-	-	771,643
Total Fund Balance	\$ 1,555,237	\$ 1,433,992	\$ 970,177	\$ 3,959,406

The District is committed to maintaining a prudent level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unpredicted expenditures. The District’s Minimum Fund Balance Policy requires a Reserve for Economic Uncertainties, consisting of unassigned amounts, equal to no less than 4 percent of General Fund expenditures and other financing uses.

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

A. Plan Description

The Hamilton Unified School District administers a single employer defined benefit OPEB plan that provides medical, dental and vision insurance benefits to eligible retirees. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

B. Benefits Provided

The District provides postemployment health care benefits based on the age and the years of service. District-paid benefits are subject to a cap and paid until age 65. The District provides medical, dental, and vision benefits to eligible retirees up to an annual cap of \$11,370.

Employee Group	Age for Eligibility	Years for Eligibility
Certificated	55	15
Classified and Classified Management	55	15
Classified Confidential	50	10
Superintendent	55	5

**HAMILTON UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2020**

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

C. Contributions

For the measurement period, the District contributed \$45,447 to the Plan, all of which was used for current premiums.

D. Plan Membership

Membership of the Plan consisted of the following:

	<u>Number of participants</u>
Inactive employees receiving benefits	4
Inactive employees entitled to but not receiving benefits*	-
Participating active employees	<u>77</u>
Total number of participants**	<u>81</u>

*Information not provided

**As of the July 1, 2019 valuation date

E. Total OPEB Liability

The Hamilton Unified School District’s total OPEB liability of \$2,511,352 was measured as of June 30, 2019 and was determined by an actuarial valuation as of July 1, 2019.

F. Actuarial Assumptions and Other Inputs

The total OPEB liability as of June 30, 2020 was determined by an actuarial valuation as of July 1, 2019 using the following actuarial assumptions and other inputs, applied to all periods included in the measurement.

Assumptions:

Salary increases	3.00%
Inflation rate	3.00%
Healthcare cost trend rate	6.00% for 2019; 5.90% for 2020; 5.80% for 2021; and decreasing 0.10% per year to an ultimate rate of 5.00% for 2029 and later years

Pre-retirement mortality rates were based on the RP-2014 Employee Mortality Table for Males or Females, as appropriate, without projection. Post-retirement mortality rates were based on the RP-2014 Health Annuitant Mortality Table for Males or Females, as appropriate, without projection.

The actuarial assumptions used in the July 1, 2019 valuation were based on a review of plan experience during the period July 1, 2017 to June 30, 2019.

**HAMILTON UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2020**

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

G. Changes in Total OPEB Liability

	<u>June 30, 2020</u>
Total OPEB Liability	
Service Cost	\$ 136,970
Interest on total OPEB liability	45,377
Difference between expected and actual experience	1,092,942
Changes of assumptions	142,459
Benefits payments	<u>(45,447)</u>
Net change in total OPEB liability	1,372,301
Total OPEB liability - beginning	<u>1,139,051</u>
Total OPEB liability - ending	<u>\$ 2,511,352</u>
Covered-employee payroll	\$ 4,699,030
District's total OPEB liability as a percentage of covered-employee payroll	53.4%

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

The following presents the total OPEB liability of the Hamilton Unified School District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.13 percent) or one percentage point higher (4.13 percent) than the current discount rate:

	1% Decrease (2.13%)	Valuation Discount Rate (3.13%)	1% Increase (4.13%)
Net OPEB liability	\$ 2,705,140	\$ 2,511,352	\$ 2,332,032

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

The following presents the total OPEB liability of the Hamilton Unified School District, as well as what the District's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower (4.00 percent) or one percentage point higher (6.00 percent) than the current healthcare cost trend rate:

	1% Decrease (4.00%)	Valuation Trend Rate (5.00%)	1% Increase (6.00%)
Net OPEB liability	\$ 2,276,138	\$ 2,511,352	\$ 2,782,497

**HAMILTON UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2020**

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

J. OPEB Expense and Deferred Outflows and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2020, the Hamilton Unified School District recognized OPEB expense of \$312,390. At June 30, 2020, the Hamilton Unified School District reported deferred outflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>
Differences between expected and actual experience	\$ 977,895
Changes in assumptions	127,463
District contributions subsequent to the measurement date	<u>158,311</u>
Total	<u>\$ 1,263,669</u>

The \$158,311 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2021. The remaining \$1,105,358 reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows of Resources</u>
2021	\$ 130,043
2022	130,043
2023	130,043
2024	130,043
2025	130,043
Thereafter	<u>455,143</u>
Total	<u>\$ 1,105,358</u>

NOTE 11 – PENSION PLANS

Qualified employees are covered under multiple-employer contributory retirement plans maintained by agencies of the State of California. Certificated employees are members of the California State Teachers' Retirement System (CalSTRS), and classified employees are members of the California Public Employees' Retirement System (CalPERS). The District reported its proportionate share of the net pension liabilities, pension expense, deferred outflow of resources, and deferred inflow of resources for each of the above plans as follows:

	<u>Net pension liability</u>	<u>Deferred outflows related to pensions</u>	<u>Deferred inflows related to pensions</u>	<u>Pension expense</u>
STRS Pension	\$ 5,660,584	\$ 1,619,445	\$ 517,904	\$ 746,578
PERS Pension	3,186,416	763,634	32,071	843,884
Total	<u>\$ 8,847,000</u>	<u>\$ 2,383,079</u>	<u>\$ 549,975</u>	<u>\$ 1,590,462</u>

**HAMILTON UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2020**

NOTE 11 – PENSION PLANS (continued)

A. California State Teachers' Retirement System (CalSTRS)

Plan Description

The District contributes to the California State Teachers' Retirement System (CalSTRS); a cost-sharing multiple employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7919 Folsom Blvd., Sacramento, CA 95826.

Benefits Provided

The CalSTRS defined benefit plan has two benefit formulas:

1. CalSTRS 2% at 60: Members first hired on or before December 31, 2012, to perform service that could be creditable to CalSTRS. CalSTRS 2% at 60 members are eligible for normal retirement at age 60, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. Early retirement options are available at age 55 with five years of credited service or as early as age 50 with 30 years of credited service. The age factor for retirements after age 60 increases with each quarter year of age to 2.4 percent at age 63 or older. Members who have 30 years or more of credited service receive an additional increase of up to 0.2 percent to the age factor, known as the career factor. The maximum benefit with the career factor is 2.4 percent of final compensation.
2. CalSTRS 2% at 62: Members first hired on or after January 1, 2013, to perform service that could be creditable to CalSTRS. CalSTRS 2% at 62 members are eligible for normal retirement at age 62, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. An early retirement option is available at age 55. The age factor for retirement after age 62 increases with each quarter year of age to 2.4 percent at age 65 or older.

Contributions

Active plan CalSTRS 2% at 60 and 2% at 62 members are required to contribute 10.25% and 10.205% of their salary for fiscal year 2020, respectively, and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2020 was 18.13% of annual payroll reduced to 17.10% pursuant to California Senate Bill 90 (SB 90). The contribution requirements of the plan members are established by state statute. Contributions to the plan from the District were \$597,873 for the year ended June 30, 2020.

On-Behalf Payments

The District was the recipient of on-behalf payments made by the State of California to CalSTRS for K-12 education. These payments consist of state general fund contributions of approximately \$430,778 to CalSTRS.

**HAMILTON UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2020**

NOTE 11 – PENSION PLANS (continued)

A. California State Teachers’ Retirement System (CalSTRS) (continued)

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

At June 30, 2020, 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:

District's proportionate share of the net pension liability	\$	5,660,584
State's proportionate share of the net pension liability associated with the District		<u>3,088,251</u>
Total	\$	<u>8,748,835</u>

The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2018 and rolling forward the total pension liability to June 30, 2019. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2019, the District’s proportion was 0.006 percent, which did not change from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the District recognized pension expense of \$746,578. In addition, the District recognized pension expense and revenue of \$84,493 for support provided by the State. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected and actual earnings on plan investments	\$ -	\$ 218,047
Differences between expected and actual experience	14,290	159,509
Changes in assumptions	715,940	-
Changes in proportion and differences between District contributions and proportionate share of contributions	291,342	140,348
District contributions subsequent to the measurement date	<u>597,873</u>	<u>-</u>
Total	\$ 1,619,445	\$ 517,904

**HAMILTON UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2020**

NOTE 11 – PENSION PLANS (continued)

A. California State Teachers’ Retirement System (CalSTRS) (continued)

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

The \$597,873 reported as 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 year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2021	\$ 268,055	\$ 104,133
2022	268,055	255,512
2023	220,101	106,267
2024	220,289	17,855
2025	37,591	17,601
2026	7,481	16,536
Total	\$ 1,021,572	\$ 517,904

Actuarial Assumptions

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2018, and rolling forward the total pension liability to June 30, 2019 using the following actuarial assumptions, applied to all periods included in the measurement:

Consumer Price Inflation	2.75%
Investment Rate of Return*	7.10%
Wage Inflation	3.50%

* Net of investment expenses, but gross of administrative expenses.

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on MP-2016 series tables adjusted to fit CalSTRS experience.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2010–June 30, 2015.

**HAMILTON UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2020**

NOTE 11 – PENSION PLANS (continued)

A. California State Teachers’ Retirement System (CalSTRS) (continued)

Actuarial Assumptions (continued)

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 (Pension Consulting Alliance–PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2019, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return*
Global Equity	47%	4.80%
Fixed Income	12%	1.30%
Real Estate	13%	3.60%
Private Equity	13%	6.30%
Risk Mitigating Strategies	9%	1.80%
Inflation Sensitive	4%	3.30%
Cash/Liquidity	2%	-0.40%
	<u>100%</u>	

*20-year geometric average

Discount Rate

The discount rate used to measure the total pension liability was 7.10 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increases per AB 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10 percent) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those assumptions, the Plan’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 the total pension liability.

Sensitivity of the District’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.10 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.10 percent) or 1-percentage-point higher (8.10 percent) than the current rate:

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
District's proportionate share of the net pension liability	\$ 8,429,078	\$ 5,660,584	\$ 3,364,975

**HAMILTON UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2020**

NOTE 11 – PENSION PLANS (continued)

A. California State Teachers' Retirement System (CalSTRS) (continued)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalSTRS financial report.

B. California Public Employees' Retirement System (CalPERS)

Plan Description

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS); a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Laws. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95811.

Benefits Provided

The benefits for the defined benefit plan are based on members' years of service, age, final compensation, and benefit formula. Benefits are provided for disability, death, and survivors of eligible members or beneficiaries. Members become fully vested in their retirement benefits earned to date after five years of credited service.

Contributions

Active plan members who entered into the plan prior to January 1, 2013, are required to contribute 7.0% of their salary. The California Public Employees' Pension Reform Act (PEPRA) specifies that new members entering into the plan on or after January 1, 2013, shall pay the higher of fifty percent of normal costs or 7.0% of their salary. Additionally, for new members entering the plan on or after January 1, 2013, the employer is prohibited from paying any of the employee contribution to CalPERS unless the employer payment of the member's contribution is specified in an employment agreement or collective bargaining agreement that expires after January 1, 2013.

The District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2020 was 20.733% of annual payroll reduced to 19.721% pursuant to California Senate Bill 90 (SB 90). Contributions to the plan from the District were \$268,410 for the year ended June 30, 2020.

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

At June 30, 2020, the District reported a liability of \$3,186,416 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2018 and rolling forward the total pension liability to June 30, 2019. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2019, the District's proportion was 0.011 percent, which did not change from its proportion measured as of June 30, 2018.

**HAMILTON UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2020**

NOTE 11 – PENSION PLANS (continued)

B. California Public Employees’ Retirement System (CalPERS) (continued)

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

For the year ended June 30, 2020, the District recognized pension expense of \$843,884. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected and actual earnings on plan investments	\$ -	\$ 29,555
Differences between expected and actual experience	231,462	-
Changes in assumptions	151,683	-
Changes in proportion and differences between District contributions and proportionate share of contributions	112,079	2,516
District contributions subsequent to the measurement date	268,410	-
Total	<u>\$ 763,634</u>	<u>\$ 32,071</u>

The \$268,410 reported as 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 year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2021	\$ 291,407	\$ 31,200
2022	142,809	(57,783)
2023	57,278	(8,831)
2024	3,730	67,485
Total	<u>\$ 495,224</u>	<u>\$ 32,071</u>

Actuarial Assumptions

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2018, and rolling forward the total pension liability to June 30, 2019 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Discount Rate	7.15%
Salary Increases	Varies by Entry Age and Service

CalPERS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are derived using CalPERS’ membership data for all funds. The table includes 15 years of mortality improvements using the Society of Actuaries Scale 90% of scale MP 2016.

**HAMILTON UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2020**

NOTE 11 – PENSION PLANS (continued)

B. California Public Employees’ Retirement System (CalPERS) (continued)

Actuarial Assumptions (continued)

The actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the period from 1997 to 2015.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. In determining the long-term expected rate of return, both short-term and long-term market return expectations as well as the expected pension fund cash flows were taken into account. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds’ asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

Asset Class	Assumed Asset Allocation	Real Return Years 1 – 10*	Real Return Years 11+**
Global Equity	50.0%	4.80%	5.98%
Fixed Income	28.0%	1.00%	2.62%
Inflation Assets	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Estate	13.0%	3.75%	4.93%
Liquidity	1.0%	0.0%	-0.92%
	100.0%		

*An expected inflation of 2.00% used for this period.

**An expected inflation of 2.92% used for this period.

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. A projection of the expected benefit payments and contributions was performed to determine if assets would run out. The test revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Schools Pool. The results of the crossover testing for the Schools Pool are presented in a detailed report that can be obtained at CalPERS’ website.

**HAMILTON UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2020**

NOTE 11 – PENSION PLANS (continued)

B. California Public Employees’ Retirement System (CalPERS) (continued)

Sensitivity of the District’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.15 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.15 percent) or 1-percentage-point higher (8.15 percent) than the current rate:

	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
District's proportionate share of the net pension liability	\$ 4,593,010	\$ 3,186,416	\$ 2,019,550

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued CalPERS financial report.

NOTE 12 – COMMITMENTS AND CONTINGENCIES

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2020.

B. Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all other litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2020.

C. Construction Commitments

As of June 30, 2020, the District had no construction commitments with respect to unfinished capital projects.

NOTE 13 – PARTICIPATION IN JOINT POWERS AUTHORITIES

The District is a member of two joint powers authorities (JPAs). The first is the California’s Valued Trust to provide health and welfare benefits, and the other is the Golden State Risk Management Authority to provide property and liability insurance and workers’ compensation insurance. The relationship is such that the JPAs are not component units of the District for financial reporting purposes.

**HAMILTON UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2020**

NOTE 14 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

A. Pension Plans

Pursuant to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, the District recognized deferred outflows of resources related to pensions and deferred inflows of resources related to pensions in the District-wide financial statements. Further information regarding the deferred outflows of resources and deferred inflows of resources can be found at Note 11. At June 30, 2020, total deferred outflows related to pensions was \$2,383,079 and total deferred inflows related to pensions was \$549,975.

B. Other Postemployment Benefits

Pursuant to GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, the District recognized deferred outflows of resources related to other postemployment benefits and deferred inflows of resources related to other postemployment benefits in the District-wide financial statements. Further information regarding the deferred outflows of resources and deferred inflows of resources can be found at Note 10. At June 30, 2020, total deferred outflows related to other postemployment benefits was \$1,263,669.

REQUIRED SUPPLEMENTARY INFORMATION

**HAMILTON UNIFIED SCHOOL DISTRICT
GENERAL FUND – BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2020**

	Budgeted Amounts		Actual* (Budgetary Basis)	Variances - Final to Actual
	Original	Final		
REVENUES				
LCFF sources	\$ 7,980,647	\$ 7,873,467	\$ 7,892,810	\$ 19,343
Federal sources	254,861	279,569	315,268	35,699
Other state sources	195,102	386,640	479,235	92,595
Other local sources	69,840	79,577	118,156	38,579
Total Revenues	8,500,450	8,619,253	8,805,469	186,216
EXPENDITURES				
Certificated salaries	3,452,793	3,470,510	3,490,940	(20,430)
Classified salaries	1,193,213	1,191,536	1,188,677	2,859
Employee benefits	1,985,570	1,985,519	1,961,387	24,132
Books and supplies	498,894	449,144	314,170	134,974
Services and other operating expenditures	796,286	887,203	876,765	10,438
Capital outlay	-	402,972	419,876	(16,904)
Other outgo				
Excluding transfers of indirect costs	773,732	868,599	880,433	(11,834)
Transfers of indirect costs	(17,786)	(17,786)	(8,557)	(9,229)
Total Expenditures	8,682,702	9,237,697	9,123,691	114,006
Excess (Deficiency) of Revenues Over Expenditures	(182,252)	(618,444)	(318,222)	300,222
Other Financing Sources (Uses)				
Transfers out	(53,000)	(53,000)	(53,000)	-
Net Financing Sources (Uses)	(53,000)	(53,000)	(53,000)	-
NET CHANGE IN FUND BALANCE	(235,252)	(671,444)	(371,222)	300,222
Fund Balance - Beginning	1,258,543	1,258,543	1,258,543	-
Fund Balance - Ending	\$ 1,023,291	\$ 587,099	\$ 887,321	\$ 300,222

* The actual amounts reported on this schedule do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance for the following reasons:

- On-behalf payments of \$430,778 are not included in the actual revenues and expenditures reported in this schedule.
- Capital lease in the amount of \$13,344 is not included in the actual other financing sources reported in this schedule.
- Actual amounts reported in this schedule are for the General Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include the financial activity of the Special Reserve Fund for Other Than Capital Outlay Projects and the Special Reserve Fund for Postemployment Benefits, in accordance with the fund type definitions promulgated by GASB Statement No. 54.
- Actual amounts reported in this schedule do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include federal revenues for the Medi-Cal Administrative Activities program that have been reclassified as local revenues.

**HAMILTON UNIFIED SCHOOL DISTRICT
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Total OPEB Liability			
Service Cost	\$ 136,970	\$ 59,372	\$ 57,643
Interest on total OPEB liability	45,377	34,889	35,569
Difference between expected and actual experience	1,092,942	(36,932)	-
Changes of assumptions	142,459	-	-
Benefits payments	<u>(45,447)</u>	<u>(65,379)</u>	<u>(163,783)</u>
Net change in total OPEB liability	1,372,301	(8,050)	(70,571)
Total OPEB liability - beginning	<u>1,139,051</u>	<u>1,147,101</u>	<u>1,217,672</u>
Total OPEB liability - ending	<u>\$ 2,511,352</u>	<u>\$ 1,139,051</u>	<u>\$ 1,147,101</u>
Covered-employee payroll	\$ 4,699,030	\$ 4,907,547	\$ 4,720,386
District's total OPEB liability as a percentage of covered-employee payroll	53.4%	23.2%	24.3%

See accompanying note to required supplementary information.

**HAMILTON UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - CALSTRS
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
District's proportion of the net pension liability	0.006%	0.006%	0.006%	0.006%	0.006%	0.006%
District's proportionate share of the net pension liability	\$ 5,660,584	\$ 5,724,627	\$ 5,517,090	\$ 4,929,244	\$ 4,289,136	\$ 3,454,068
State's proportionate share of the net pension liability associated with the District	3,088,251	3,277,633	3,263,891	2,806,545	2,268,474	2,085,715
Total	<u>\$ 8,748,835</u>	<u>\$ 9,002,260</u>	<u>\$ 8,780,981</u>	<u>\$ 7,735,789</u>	<u>\$ 6,557,610</u>	<u>\$ 5,539,783</u>
District's covered payroll	\$ 3,394,579	\$ 3,327,082	\$ 3,193,611	\$ 3,041,124	\$ 2,952,115	\$ 2,632,667
District's proportionate share of the net pension liability as a percentage of its covered payroll	166.8%	172.1%	172.8%	162.1%	145.3%	131.2%
Plan fiduciary net position as a percentage of the total pension liability	72.6%	71.0%	69.5%	70.0%	74.0%	76.5%

The amounts presented for each fiscal year were determined as of the year-end that occurred one year prior.

**HAMILTON UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - CALPERS
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
District's proportion of the net pension liability	0.011%	0.011%	0.009%	0.009%	0.009%	0.009%
District's proportionate share of the net pension liability	\$ 3,186,416	\$ 2,810,059	\$ 2,255,628	\$ 1,829,810	\$ 1,380,963	\$ 1,064,892
District's covered payroll	\$ 1,512,968	\$ 1,393,304	\$ 1,207,955	\$ 1,113,685	\$ 1,030,826	\$ 984,697
District's proportionate share of the net pension liability as a percentage of its covered payroll	210.6%	201.7%	186.7%	164.3%	134.0%	108.1%
Plan fiduciary net position as a percentage of the total pension liability	70.0%	70.8%	71.9%	73.9%	79.4%	83.4%

The amounts presented for each fiscal year were determined as of the year-end that occurred one year prior.

**HAMILTON UNIFIED SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS - CALSTRS
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 597,873	\$ 568,939	\$ 480,098	\$ 400,723	\$ 327,759	\$ 262,013
Contributions in relation to the contractually required contribution*	(597,873)	(568,939)	(480,098)	(400,723)	(327,759)	(262,013)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 3,520,694	\$ 3,394,579	\$ 3,327,082	\$ 3,193,611	\$ 3,041,124	\$ 2,952,115
Contributions as a percentage of covered payroll	16.98%	16.76%	14.43%	12.55%	10.78%	8.88%

*Amounts do not include on-behalf contributions

**HAMILTON UNIFIED SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS - CALPERS
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 268,410	\$ 273,239	\$ 216,394	\$ 167,570	\$ 131,477	\$ 121,898
Contributions in relation to the contractually required contribution*	(268,410)	(273,239)	(216,394)	(167,570)	(131,477)	(121,898)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 1,363,897	\$ 1,512,968	\$ 1,393,304	\$ 1,207,955	\$ 1,113,685	\$ 1,030,826
Contributions as a percentage of covered payroll	19.68%	18.06%	15.53%	13.87%	11.81%	11.83%

*Amounts do not include on-behalf contributions

**HAMILTON UNIFIED SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 1 – PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

This schedule is required by GASB Statement No. 34 as required supplementary information (RSI) for the General Fund and for each major special revenue fund that has a legally adopted annual budget. The budgetary comparison schedule presents both (a) the original and (b) the final appropriated budgets for the reporting period as well as (c) actual inflows, outflows, and balances, stated on the District's budgetary basis. A separate column to report the variance between the final budget and actual amounts is also presented, although not required.

Schedule of Changes in Total OPEB Liability and Related Ratios

This 10-year schedule is required by GASB Statement No. 75 for all sole and agent employers that provide other postemployment benefits (OPEB). Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 75 was applicable. The schedule presents the sources of change in the total OPEB liability, and the components of the total OPEB liability and related ratios, including the total OPEB liability as a percentage of covered-employee payroll.

Changes in Benefit Terms

There were no changes in benefit terms since the previous valuation for OPEB.

Changes in Assumptions

There discount rate changed from 3.62% to 3.13% since the previous valuation for OPEB.

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

This 10-year schedule is required by GASB Statement No. 68 for each cost-sharing pension plan. Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 68 was applicable. The schedule presents the District's proportion (percentage) of the collective net pension liability, the District's proportionate share (amount) of the collective net pension liability, the District's covered payroll, the District's proportionate share (amount) of the collective net pension liability as a percentage of the employer's covered payroll, and the pension plan's fiduciary net position as a percentage of the total pension liability.

Changes in Benefit Terms

There were no changes in benefit terms since the previous valuations for CalSTRS and CalPERS.

Changes in Assumptions

There were no changes in economic assumptions since the previous valuations for CalSTRS and CalPERS.

Schedule of District Contributions

This 10-year schedule is required by GASB Statement No. 68 for each cost-sharing pension plan. Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 68 was applicable. The schedule presents the District's statutorily or contractually required employer contribution, the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution, the difference between the statutorily or contractually required employer contribution and the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution, the District's covered payroll, and the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution as a percentage of the District's covered payroll.

**HAMILTON UNIFIED SCHOOL DISTRICT
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION, continued
 FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2020, the District incurred an excess of expenditures over appropriations in individual major funds presented in the Budgetary Comparison Schedule by major object code, as follows:

	Expenditures and Other Uses		
	Budget	Actual	Excess
General Fund			
Certificated salaries	\$ 3,470,510	\$ 3,490,940	\$ 20,430
Capital outlay	\$ 402,972	\$ 419,876	\$ 16,904
Other outgo			
Excluding transfers of indirect costs	\$ 868,599	\$ 880,433	\$ 11,834
Transfers of indirect costs	\$ (17,786)	\$ (8,557)	\$ 9,229

SUPPLEMENTARY INFORMATION

**HAMILTON UNIFIED SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)
FOR THE YEAR ENDED JUNE 30, 2020**

	Second Period Report	Annual Report
	Certificate No. 6BF39A72	Certificate No. 3855E4FD
SCHOOL DISTRICT		
TK/K through Third		
Regular ADA	171.62	171.62
Total TK/K through Third	<u>171.62</u>	<u>171.62</u>
Fourth through Sixth		
Regular ADA	144.04	144.04
Total Fourth through Sixth	<u>144.04</u>	<u>144.04</u>
Seventh through Eighth		
Regular ADA	88.80	88.80
Total Seventh through Eighth	<u>88.80</u>	<u>88.80</u>
Ninth through Twelfth		
Regular ADA	262.35	262.35
Total Ninth through Twelfth	<u>262.35</u>	<u>262.35</u>
TOTAL SCHOOL DISTRICT	<u>666.81</u>	<u>666.81</u>

**HAMILTON UNIFIED SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2020**

Grade Level	Minutes Requirement	2019-20 Planned Instructional Minutes	2019-20 Planned Number of Days	2019-20 Actual Instructional Minutes	2019-20 Actual Number of Days	Instructional Minutes Closed due to COVID-19	Number of Days Certified Closed due to COVID-19*	Status
Kindergarten	36,000	53,200	180	37,870	129	15,330	51	Complied
Grade 1	50,400	53,200	180	37,870	129	15,330	51	Complied
Grade 2	50,400	53,200	180	37,870	129	15,330	51	Complied
Grade 3	50,400	53,200	180	37,870	129	15,330	51	Complied
Grade 4	54,000	54,300	180	38,670	129	15,630	51	Complied
Grade 5	54,000	54,300	180	38,670	129	15,630	51	Complied
Grade 6	54,000	62,621	180	44,798	129	17,823	51	Complied
Grade 7	54,000	62,624	180	44,801	129	17,823	51	Complied
Grade 8	54,000	62,621	180	44,798	129	17,823	51	Complied
Grade 9	64,800	65,360	180	46,895	129	18,465	51	Complied
Grade 10	64,800	65,360	180	46,895	129	18,465	51	Complied
Grade 11	64,800	65,360	180	46,895	129	18,465	51	Complied
Grade 12	64,800	65,360	180	46,895	129	18,465	51	Complied

*On December 17, 2020 the District certified that all schools were closed from March 17, 2020 to June 5, 2020 for a total of 51 instructional days due to COVID-19.

**HAMILTON UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020**

	2021 (Budget)	2020	2019	2018
General Fund - Budgetary Basis**				
Revenues And Other Financing Sources	\$ 8,008,777	\$ 8,805,469	\$ 8,768,795	\$ 7,991,664
Expenditures And Other Financing Uses	8,075,796	9,176,691	9,457,335	8,713,858
Net change in Fund Balance	\$ (67,019)	\$ (371,222)	\$ (688,540)	\$ (722,194)
Ending Fund Balance	\$ 820,302	\$ 887,321	\$ 1,258,543	\$ 1,947,083
Available Reserves*	\$ 705,592	\$ 758,300	\$ 1,308,367	\$ 1,532,032
Available Reserves As A Percentage Of Outgo	8.74%	8.26%	13.83%	17.58%
Long-term Liabilities	\$ 14,122,604	\$ 14,542,022	\$ 13,002,591	\$ 9,589,121
Average Daily Attendance At P-2	667	667	688	672

The General Fund balance has decreased by \$1,059,762 over the past two years. The fiscal year 2020-21 budget projects a decrease of \$67,019. For a District this size, the State recommends available reserves of at least 4% of General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating deficits in each of the past three years and anticipates incurring an operating deficit during the 2020-21 fiscal year. Total long-term obligations have increased by \$4,952,901 over the past two years.

Average daily attendance has decreased by 5 ADA over the past two years. No change is anticipated during the 2020-21 fiscal year.

*Available reserves consist of all unassigned fund balance within the General Fund and the Special Reserve Fund for Other Than Capital Outlay Projects.

**The actual amounts reported in this schedule are for the General Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include the financial activity of the Special Reserve Fund for Other Than Capital Outlay Projects and Special Reserve Fund for Postemployment Benefits, in accordance with the fund type definitions promulgated by GASB Statement No. 54.

On-behalf payments of \$430,778 are not included in the actual revenues and expenditures reported in this schedule.

Capital lease amount of \$13,344 is not included in the actual revenues and other financing sources reported in this schedule.

**HAMILTON UNIFIED SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL
STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

	General Fund	Special Reserve Fund for Other Than Capital Outlay Projects	Special Reserve Fund for Postemployment Benefits
June 30, 2020, annual financial and budget report fund balance	\$ 887,321	\$ 437,962	\$ 216,610
Adjustments and reclassifications:			
Increase (decrease) in total fund balances:			
Fund balance transfer (GASB 54)	654,572	(437,962)	(216,610)
To record capital lease	13,344	-	-
Net adjustments and reclassifications	667,916	(437,962)	(216,610)
June 30, 2020, audited financial statement fund balance	\$ 1,555,237	\$ -	\$ -

**HAMILTON UNIFIED SCHOOL DISTRICT
COMBINING BALANCE SHEET
JUNE 30, 2020**

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds
ASSETS							
Cash and investments	\$ 137,514	\$ 12,497	\$ 2,500	\$ 67,089	\$ 182,259	\$ 482,447	\$ 884,306
Accounts receivable	21,742	169	103,919	169	1,745	6,631	134,375
Due from other funds	41	816	17	-	-	-	874
Stores inventory	-	-	4,745	-	-	-	4,745
Total Assets	\$ 159,297	\$ 13,482	\$ 111,181	\$ 67,258	\$ 184,004	\$ 489,078	\$ 1,024,300
LIABILITIES							
Deficit cash	\$ -	\$ -	\$ 21,944	\$ -	\$ -	\$ -	\$ 21,944
Accrued liabilities	10,530	396	834	-	-	70	11,830
Due to other funds	9,422	10,529	-	-	-	-	19,951
Unearned revenue	-	398	-	-	-	-	398
Total Liabilities	19,952	11,323	22,778	-	-	70	54,123
FUND BALANCES							
Non-spendable	-	-	4,745	-	-	-	4,745
Restricted	139,345	2,159	83,658	-	184,004	489,008	898,174
Committed	-	-	-	67,258	-	-	67,258
Total Fund Balances	139,345	2,159	88,403	67,258	184,004	489,008	970,177
Total Liabilities and Fund Balance	\$ 159,297	\$ 13,482	\$ 111,181	\$ 67,258	\$ 184,004	\$ 489,078	\$ 1,024,300

See accompanying note to supplementary information.

**HAMILTON UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2020**

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds
REVENUES							
LCFF sources	\$ -	\$ -	\$ -	\$ 53,000	\$ -	\$ -	\$ 53,000
Federal sources	20,390	-	401,023	-	-	-	421,413
Other state sources	209,205	139,007	28,704	-	-	2,282	379,198
Other local sources	3,222	274	12,608	414	20,545	352,374	389,437
Total Revenues	232,817	139,281	442,335	53,414	20,545	354,656	1,243,048
EXPENDITURES							
Current							
Instruction	94,424	138,822	-	-	-	-	233,246
Instruction-related services							
School site administration	103,418	-	-	-	-	-	103,418
Pupil services							
Food services	-	-	476,492	-	-	-	476,492
General administration							
All other general administration	8,557	-	-	-	-	-	8,557
Plant services	459	459	-	23,664	-	-	24,582
Debt service							
Principal	-	-	-	-	-	76,500	76,500
Interest and other	-	-	-	-	-	70,657	70,657
Total Expenditures	206,858	139,281	476,492	23,664	-	147,157	993,452
NET CHANGE IN FUND BALANCE	25,959	-	(34,157)	29,750	20,545	207,499	249,596
Fund Balance - Beginning	113,386	2,159	122,560	37,508	163,459	281,509	720,581
Fund Balance - Ending	\$ 139,345	\$ 2,159	\$ 88,403	\$ 67,258	\$ 184,004	\$ 489,008	\$ 970,177

See accompanying note to supplementary information.

**HAMILTON UNIFIED SCHOOL DISTRICT
 LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
 JUNE 30, 2020**

The Hamilton Unified School District was established on July 1, 2009 upon the unification of Hamilton High School District and Hamilton Elementary School District. The boundaries of the former districts changed in accordance with the approved plan of unification. The District is located in Glenn County and is currently operating one high school, one elementary school, two community day schools, one continuation high school, one preschool, and an adult education program.

GOVERNING BOARD

Member	Office	Term Expires
Gabriel Leal	President	December 2020
Hubert "Wendall" Lower	Clerk	December 2020
Rod Boone	Member	December 2020
Ray Odom	Member	December 2022
Genaro Reyes	Member	December 2022

DISTRICT ADMINISTRATORS

Jeremy Powell, Ed.D.
Superintendent

Kristen Hamman
Chief Business Official

**HAMILTON UNIFIED SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
JUNE 30, 2020**

NOTE 1 – PURPOSE OF SCHEDULES

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

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 46208*.

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.

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 Annual Financial and Budget Report Unaudited Actuals to the audited financial statements.

Combining Statements – Non-Major Funds

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

Local Education Agency Organization Structure

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

OTHER INDEPENDENT AUDITORS' REPORTS

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

Governing Board
Hamilton Unified School District
Hamilton City, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hamilton Unified School District, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Hamilton Unified School District's basic financial statements, and have issued our report thereon dated January 25, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Hamilton Unified School 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 Hamilton Unified School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Hamilton Unified School District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. . We did identify certain deficiencies in internal control, described in the accompanying Schedule of Audit Findings and Questioned Costs that we consider to be significant deficiencies. (Finding #2020-001).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hamilton Unified School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

Hamilton Unified School District's Response to Findings

Hamilton Unified School District's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Hamilton Unified School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Christy White, Inc.

San Diego, California
January 25, 2021

REPORT ON STATE COMPLIANCEIndependent Auditors' Report

Governing Board
Hamilton Unified School District
Hamilton City, California

Report on State Compliance

We have audited Hamilton Unified School District's compliance with the types of compliance requirements described in the *2019-2020 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, California Code of Regulations, section 19810, that could have a direct and material effect on each of Hamilton Unified School District's state programs for the fiscal year ended June 30, 2020, as identified below.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Hamilton Unified School District's state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2019-2020 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, California Code of Regulations, section 19810. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the state programs noted below occurred. An audit includes examining, on a test basis, evidence about Hamilton Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with the requirements referred to above. However, our audit does not provide a legal determination of Hamilton Unified School District's compliance with those requirements.

Opinion on State Compliance

In our opinion, Hamilton Unified School District complied, in all material respects, with the types of compliance requirements referred to above that are applicable to the state programs noted in the table below for the year ended June 30, 2020.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are described in the accompanying schedule of findings and questioned costs as Findings #2020-002, #2020-003. Our opinion on state compliance is not modified with respect to these matters.

Hamilton Unified School District’s response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs and corrective action plan. Hamilton Unified School District’s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Procedures Performed

In connection with the audit referred to above, we selected and tested transactions and records to determine Hamilton Unified School District’s compliance with the state laws and regulations applicable to the following items:

<u>PROGRAM NAME</u>	<u>PROCEDURES PERFORMED</u>
Local Education Agencies Other Than Charter Schools	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	Not Applicable
Continuation Education	No
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
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	Not Applicable
Comprehensive School Safety Plan	Yes
District of Choice	Not Applicable
School Districts, County Offices of Education, and Charter Schools	
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program	Not Applicable
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

(Continued on the next page)

Procedures Performed (continued)

Charter Schools

Attendance; for charter schools	Not Applicable
Mode of Instruction; for charter schools	Not Applicable
Nonclassroom-Based Instruction/Independent Study; for charter schools	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction; for charter schools	Not Applicable
Annual Instructional Minutes – Classroom Based; for charter schools	Not Applicable
Charter School Facility Grant Program	Not Applicable

We did not perform testing for continuation education because total reported ADA was not material.

Christy White, Inc.

San Diego, California
January 25, 2021

**SCHEDULE OF FINDINGS AND
QUESTIONED COSTS**

**HAMILTON UNIFIED SCHOOL DISTRICT
SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2020**

FINANCIAL STATEMENTS

Type of auditors' report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>Yes</u>
Non-compliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

The District was not subject to Uniform Guidance Single Audit for the year ended June 30, 2020 because federal award expenditures did not exceed \$750,000.

STATE AWARDS

Internal control over state programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>Yes</u>
Type of auditors' report issued on compliance for state programs:	<u>Unmodified</u>

**HAMILTON UNIFIED SCHOOL DISTRICT
FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2020**

FIVE DIGIT CODE

20000
30000

AB 3627 FINDING TYPE

Inventory of Equipment
Internal Control

FINDING #2020-001: INTERFUND ACTIVITY (30000)

Criteria: Education Code Section 42603 allows the governing board to authorize the temporary borrowing of monies held in any fund to another fund for payment of obligations. The transfer shall be accounted for as temporary borrowing between funds and shall not be available for apportionment or be considered income to the borrowing fund. Amounts transferred shall be repaid either in the same fiscal year, or in the following fiscal year if the transfer takes place within the final 120 calendar days of a fiscal year.

Condition: Through review of interfund borrowing transaction detail it was apparent that prior year interfund payable and receivable was not properly repaid to the respective fund. The uncleared interfund activity consisted of a \$10,000 payable from the Child Development Fund to the General Fund for repayment of loan for completion of preschool project.

Effect: Interfund borrowing activities are not being properly monitored and cleared as required by Education Code Section 42603.

Cause: Lack of oversight during the year and closing procedures.

Repeat Finding: No, this is not a repeat finding.

Recommendation: We recommend the District implement proper controls to ensure interfund payables and receivables are cleared within the same fiscal year or in the following fiscal year if the transfer takes place within the final 120 calendar days of a fiscal year.

Corrective Action Plan: This issue is related to a interfund temporary borrowing that occurred in 2012-13. In the future, during the closing process, the District will review all interfund payable and receivable accounts to ensure they are cleared in a timely manner as required by Education Code Section 42603.

**HAMILTON UNIFIED SCHOOL DISTRICT
STATE AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020**

FIVE DIGIT CODE

10000
40000
42000
43000
60000
61000
62000
70000
71000
72000

AB 3627 FINDING TYPE

Attendance
State Compliance
Charter School Facilities Programs
Apprenticeship: Related and Supplemental Instruction
Miscellaneous
Classroom Teacher Salaries
Local Control Accountability Plan
Instructional Materials
Teacher Misassignments
School Accountability Report Card

FINDING #2020-002: CLASSROOM TEACHER SALARIES (61000)

Criteria: As set forth in California Education Code section 41372, a unified school district should expend a minimum of 55% of the District's current expenses of education towards salaries of classroom teachers.

Condition: In the 2019-20 fiscal year, the District did not meet the minimum percentage requirement of 55% for a unified school district. The District spent 52.80% on classroom teacher salaries resulting in a shortfall of 2.20%.

Effect: The District's current expense of education for the year ended June 30, 2020 was \$7,490,225 and the total salaries and benefits for classroom teachers was \$3,954,866. The District was below the minimum required percentage of 55% by 2.2% which calculates out to a deficiency of \$164,785.

Cause: The deficiency was due to hardship during 2019-20.

Questioned Costs: The questioned costs are the deficiency of \$164,785.

Repeat Finding: No, this is not a repeat finding.

Recommendation: We recommend that the District submit an application for exemption with the County.

Corrective Action Plan: The District submitted an application for exemption with the County which was approved. The District is striving to meet the minimum percentage requirement for future years.

**HAMILTON UNIFIED SCHOOL DISTRICT
STATE AWARD FINDINGS AND QUESTIONED COSTS, continued
FOR THE YEAR ENDED JUNE 30, 2020**

FINDING #2020-003: INSTRUCTIONAL MATERIALS (70000)

Criteria: Per Education Code Section 60119, the public hearing for instructional materials must occur on or before the end of the eighth week from the first day pupils attended school for that year.

Condition: The District's did not hold a public hearing regarding the sufficiency of instructional materials prior to the adoption of the resolution on August 28, 2019.

Cause: There were changes in personnel during this time which contributed to the oversight of requirements.

Effect: The District is not in compliance with California Education Code Section 60119.

Questioned Costs: Funding for this program has ended, thus there are no questioned costs related to instructional materials.

Repeat Finding: No, this not a repeat finding.

Recommendation: We recommend that the District comply with Education Code Section 60119 in the future and ensure that the public hearing for instructional materials occurs on or before the end of the eighth week from the first day pupils attended school for that year.

Corrective Action Plan: The District was going through several personnel changes during the time of the oversight. Personnel has been stable over the last year and is anticipated to continue. The District has also put procedures in place to ensure compliance with Education Code Section 60119.

**HAMILTON UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2020**

There were no prior audit findings or questioned costs for the year ended June 30, 2019.