

# HAMILTON UNIFIED SCHOOL DISTRICT

## AUDIT REPORT

JUNE 30, 2013

San Diego

Los Angeles

San Francisco  
Bay Area

christy  white  
A PROFESSIONAL  
ACCOUNTANCY CORPORATION *associates*

**HAMILTON UNIFIED SCHOOL DISTRICT  
OF GLENN COUNTY**

**HAMILTON CITY, CALIFORNIA**

**JUNE 30, 2013**

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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**

<b>Member</b>	<b>Office</b>	<b>Term Expires</b>
Tomas Loera	President	December 2014
Tim Anderson	Clerk	December 2014
Gabriel Leal	Member	December 2016
Judy Twede	Member	December 2016
Hubert "Wendall" Lower	Member	December 2016

**DISTRICT ADMINISTRATORS**

Charles Tracy  
*Superintendent*

Diane Lyon  
*Chief Business Official*

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# FINANCIAL SECTION

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## INDEPENDENT AUDITORS' REPORT

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State Board of Accountancy*

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, the major fund, and the aggregate remaining fund information of the Hamilton Unified School District, as of and for the year ended June 30, 2013, 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, the major fund, and the aggregate remaining fund information of Hamilton Unified School District, as of June 30, 2013, 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 on pages 4 through 10, the budgetary comparison information on page 43, and the schedule of funding progress on page 44 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, including the schedule of expenditures of Federal awards, which is required by the U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the 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 December 9, 2013 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 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 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 Associates*

San Diego, California

December 9, 2013



**HAMILTON UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**INTRODUCTION**

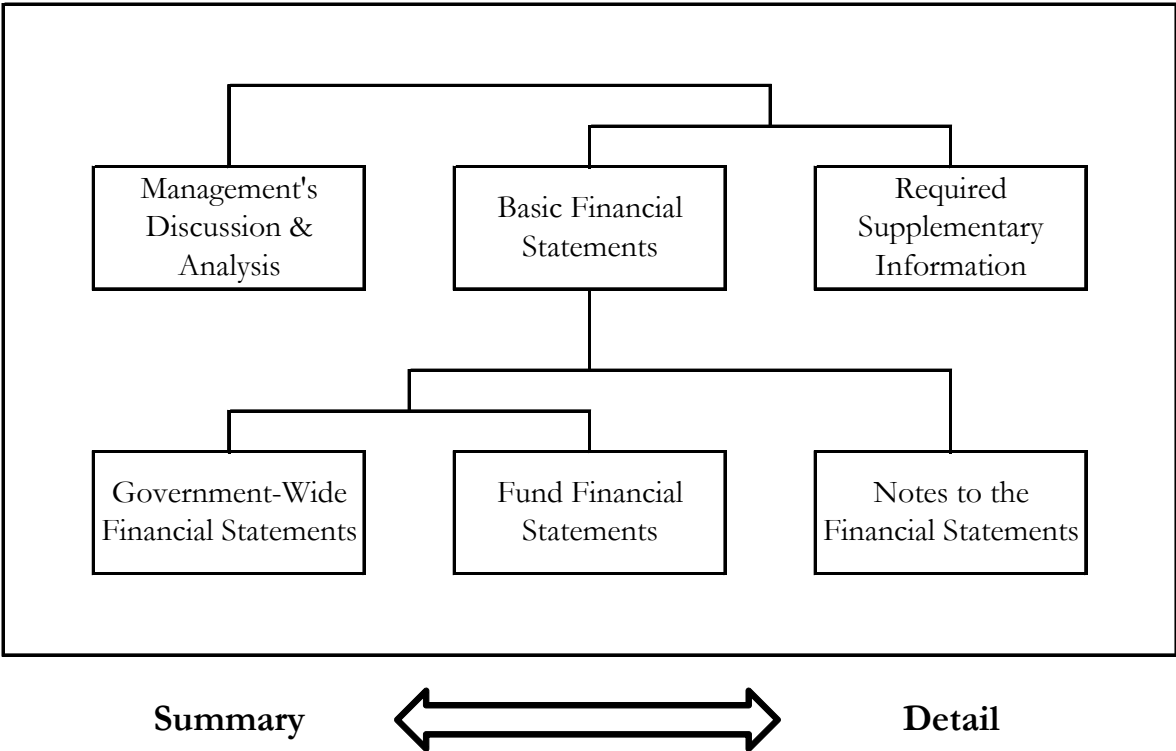
Our discussion and analysis of Hamilton Unified School District's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2013. It should be read in conjunction with the District's financial statements, which follow this section.

**FINANCIAL HIGHLIGHTS**

- ▶ Total net position was \$8,712,426 at June 30, 2013. This was an increase of \$33,212 from the prior year.
- ▶ Overall revenues were \$6,758,206 which exceeded expenses of \$6,724,994.

**OVERVIEW OF FINANCIAL STATEMENTS**

**Components of the Financials Section**



**HAMILTON UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2013**

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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. Revenue limit 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, 2013**

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**FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE**

**Net Position**

The District’s combined net position was \$8,712,426 at June 30, 2013, as reflected in Table A-1 below. Of this amount, \$2,862,247 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.

	<b>2013</b>	<b>2012</b>	<b>Net Change</b>
<b>ASSETS</b>			
Current and other assets	\$ 4,059,013	\$ 3,864,672	\$ 194,341
Capital assets	6,188,750	6,301,193	(112,443)
<b>Total Assets</b>	<b>10,247,763</b>	<b>10,165,865</b>	<b>81,898</b>
<b>LIABILITIES</b>			
Current liabilities	459,704	355,543	104,161
Long-term liabilities	1,075,633	1,131,108	(55,475)
<b>Total Liabilities</b>	<b>1,535,337</b>	<b>1,486,651</b>	<b>48,686</b>
<b>NET POSITION</b>			
Net investment in capital assets	5,341,344	5,414,993	(73,649)
Restricted	508,835	999,126	(490,291)
Unrestricted	2,862,247	2,265,095	597,152
<b>Total Net Position</b>	<b>\$ 8,712,426</b>	<b>\$ 8,679,214</b>	<b>\$ 33,212</b>

**HAMILTON UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2013**

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**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. Table A-2 takes the information from the Statement, rounds off the numbers, and rearranges them slightly, so you can see our total revenues, expenses, and special items for the year.

	<b>2013</b>	<b>2012</b>	<b>Net Change</b>
<b>REVENUES</b>			
Program revenues			
Charges for services	\$ 25,545	\$ 102,681	\$ (77,136)
Operating grants and contributions	1,034,264	1,302,247	(267,983)
General revenues			
Property taxes	1,192,450	1,165,350	27,100
Unrestricted federal and state aid	4,187,908	4,483,600	(295,692)
Other	318,039	391,552	(73,513)
<b>Total Revenues</b>	<b>6,758,206</b>	<b>7,445,430</b>	<b>(687,224)</b>
<b>EXPENSES</b>			
Instruction	3,755,239	4,137,994	(382,755)
Instruction-related services	945,527	949,548	(4,021)
Pupil services	653,265	777,885	(124,620)
General administration	442,057	368,272	73,785
Plant services	578,915	705,943	(127,028)
Ancillary and community services	68	7,690	(7,622)
Debt service	35,651	66,380	(30,729)
Other Outgo	314,272	337,874	(23,602)
<b>Total Expenses</b>	<b>6,724,994</b>	<b>7,351,586</b>	<b>(626,592)</b>
<b>Change in net position</b>	<b>33,212</b>	<b>93,844</b>	<b>(60,632)</b>
<b>Net Position - Beginning</b>	<b>8,679,214</b>	<b>8,585,370</b>	<b>93,844</b>
<b>Net Position - Ending</b>	<b>\$ 8,712,426</b>	<b>\$ 8,679,214</b>	<b>\$ 33,212</b>

**HAMILTON UNIFIED SCHOOL DISTRICT  
MANAGEMENT’S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2013**

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**FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)**

**Changes in Net Position (continued)**

The total cost of all our governmental activities this year was \$6,724,994, while net cost of services was only \$5,665,185 (refer to Table A-3). The amount that our taxpayers ultimately financed for these activities through taxes was only \$1,192,450 because the cost was paid by other governments and organizations who subsidized certain programs with grants and contributions (\$5,222,172).

**Table A-3  
Cost of Services**

	<b>Total Cost of Services</b>	<b>Net Cost of Services</b>
Instruction	\$ 3,755,239	\$ 3,200,904
Instruction-related services	945,527	887,294
Pupil services	653,265	229,831
General administration	442,057	425,267
Plant services	578,915	571,898
Ancillary and community services	68	68
Debt service	35,651	35,651
Transfers to other agencies	314,272	314,272
<b>Total Expenses</b>	<b>\$ 6,724,994</b>	<b>\$ 5,665,185</b>

**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 \$3,689,317, which is more than last year’s ending fund balance of \$3,596,333. The District’s General Fund had \$39,315 more in operating revenues than expenditures for the year ended June 30, 2013.

**CURRENT YEAR BUDGET 2012-13**

During the fiscal year, budget revisions and appropriation transfers are presented to the Board for their approval on a monthly 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, 2013**

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**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

By the end of 2012-13 the District had invested \$6,188,750 in capital assets, net of accumulated depreciation.

**Table A-4**  
**Governmental Activities**

	2013	2012	Net Change
<b>CAPITAL ASSETS</b>			
Land	\$ 293,887	\$ 293,887	\$ -
Land improvements	571,482	571,482	-
Buildings & improvements	8,913,816	8,913,816	-
Furniture & equipment	1,126,289	1,074,561	51,728
Accumulated depreciation	(4,716,724)	(4,552,553)	(164,171)
<b>Total Capital Assets</b>	<b>\$ 6,188,750</b>	<b>\$ 6,301,193</b>	<b>\$ (112,443)</b>

**Long-Term Liabilities**

At year-end, the District had \$1,170,643 in long-term liabilities, a decrease of 4.4% from last year – as shown in Table A-5. (More detailed information about the District's long-term liabilities is presented in footnotes to the financial statements.)

**Table A-5**  
**Governmental Activities**

	2013	2012	Net Change
<b>LONG-TERM LIABILITIES</b>			
Total general obligation bonds	\$ 823,900	\$ 886,200	\$ (62,300)
Capital leases	23,506	-	23,506
Early retirement incentive	125,710	156,382	(30,672)
Compensated absences	25,344	24,794	550
Net OPEB obligation	172,183	156,704	15,479
<b>Total Long-term Liabilities</b>	<b>\$ 1,170,643</b>	<b>\$ 1,224,080</b>	<b>\$ (53,437)</b>

**HAMILTON UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2013**

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**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.

Assembly Bill 97 (Chapter 47, Statutes of 2013), as amended by Senate Bills 91 and 97, enacted landmark legislation reform in California school district finance by creating the new Local Control Funding Formula (LCFF). The District is analyzing the impact of the LCFF on funding for our program offerings and services. 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. The State anticipates all school districts to reach the statewide targeted base funding levels by 2020-21.

Factors related to LCFF that the District is in the process of evaluating include estimates of new funding in the next budget year and beyond; creation of the Local Control and Accountability Plan (LCAP) for fiscal year 2014-15 that aims to link student accountability measurements to funding allocations; ensuring the integrity of reporting student data through the California Longitudinal Pupil Achievement Data System (CALPADs); and, meeting new compliance and audit requirements.

The State's economy "mirrors the slow growth of the nation", this is according to the UCLA Newsroom reporting on the September 2013 Anderson Economic Forecast. "While the economy is returning to normal, it is still operating well below what would have been expected prior to the recession." The ability of the State to fund the new LCFF is largely dependent on the strength of the State's economy and remains uncertain.

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.

All of these factors were considered in preparing the District's budget for the 2013-14 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, 2013**

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	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 2,880,108
Accounts receivable	1,145,669
Inventory	13,472
Deferred charges	19,764
Capital assets, not depreciated	293,887
Capital assets, net of accumulated depreciation	5,894,863
<b>Total Assets</b>	<b>10,247,763</b>
<b>LIABILITIES</b>	
Accrued liabilities	364,232
Unearned revenue	462
Long-term liabilities, current portion	95,010
Long-term liabilities, non-current portion	1,075,633
<b>Total Liabilities</b>	<b>1,535,337</b>
<b>NET POSITION</b>	
Net investment in capital assets	5,341,344
Restricted:	
Capital projects	35,122
Debt service	155,635
Educational programs	318,078
Unrestricted	2,862,247
<b>Total Net Position</b>	<b>\$ 8,712,426</b>

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



**HAMILTON UNIFIED SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2013**

Function/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities
<b>GOVERNMENTAL ACTIVITIES</b>				
Instruction	\$ 3,755,239	\$ 1,869	\$ 552,466	\$ (3,200,904)
Instruction-related services				
Instructional library, media, and technology	209,154	-	30,168	(178,986)
School site administration	736,373	-	28,065	(708,308)
Pupil services				
Home-to-school transportation	108,973	2,011	46,255	(60,707)
Food services	435,191	21,382	353,786	(60,023)
All other pupil services	109,101	-	-	(109,101)
General administration				
All other general administration	442,057	-	16,790	(425,267)
Plant services	578,915	283	6,734	(571,898)
Community services	68	-	-	(68)
Interest on long-term debt	35,651	-	-	(35,651)
Other Outgo	314,272	-	-	(314,272)
<b>Total Governmental Activities</b>	<b>\$ 6,724,994</b>	<b>\$ 25,545</b>	<b>\$ 1,034,264</b>	<b>(5,665,185)</b>
General revenues				
Taxes and subventions				
Property taxes, levied for general purposes				1,093,228
Property taxes, levied for debt service				99,222
Federal and state aid not restricted for specific purposes				4,187,908
Interest and investment earnings				5,909
Interagency revenues				236,108
Miscellaneous				76,022
<b>Subtotal, General Revenue</b>				<b>5,698,397</b>
<b>CHANGE IN NET POSITION</b>				<b>33,212</b>
<b>Net Position - Beginning</b>				<b>8,679,214</b>
<b>Net Position - Ending</b>				<b>\$ 8,712,426</b>

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

**HAMILTON UNIFIED SCHOOL DISTRICT  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2013**

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	<b>General Fund</b>	<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,307,008	\$ 573,100	\$ 2,880,108
Accounts receivable	1,025,073	120,596	1,145,669
Due from other funds	10,000	-	10,000
Stores inventory	-	13,472	13,472
<b>Total Assets</b>	<b>\$ 3,342,081</b>	<b>\$ 707,168</b>	<b>\$ 4,049,249</b>
<b>LIABILITIES</b>			
Accrued liabilities	\$ 345,762	\$ 3,708	\$ 349,470
Due to other funds	-	10,000	10,000
Unearned revenue	462	-	462
<b>Total Liabilities</b>	<b>346,224</b>	<b>13,708</b>	<b>359,932</b>
<b>FUND BALANCES</b>			
Nonspendable	10,000	13,472	23,472
Restricted	192,612	316,223	508,835
Committed	-	363,765	363,765
Unassigned	2,793,245	-	2,793,245
<b>Total Fund Balances</b>	<b>2,995,857</b>	<b>693,460</b>	<b>3,689,317</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 3,342,081</b>	<b>\$ 707,168</b>	<b>\$ 4,049,249</b>

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, 2013**

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**Total Fund Balance - Governmental Funds** \$ 3,689,317

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	\$ 10,905,474	
Accumulated depreciation	<u>(4,716,724)</u>	6,188,750

Unamortized costs:

In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the government-wide statements, debt issue costs are amortized over the life of the debt. Unamortized debt issue costs included in net long-term debt on the statement of net position are:

19,764

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 unamatured interest owing at the end of the period was:

(14,762)

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

Total general obligation bonds	\$ 823,900	
Capital leases	23,506	
Early retirement incentive	125,710	
Compensated absences	25,344	
Net OPEB obligation	<u>172,183</u>	(1,170,643)

**Total Net Position - Governmental Activities** \$ 8,712,426

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

**HAMILTON UNIFIED SCHOOL DISTRICT  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2013**

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>REVENUES</b>			
Revenue limit sources	\$ 4,129,653	\$ -	\$ 4,129,653
Federal sources	268,304	370,945	639,249
Other state sources	1,288,139	231,493	1,519,632
Other local sources	332,795	136,877	469,672
<b>Total Revenues</b>	<b>6,018,891</b>	<b>739,315</b>	<b>6,758,206</b>
<b>EXPENDITURES</b>			
Current			
Instruction	3,511,269	147,852	3,659,121
Instruction-related services			
Instructional library, media, and technology	219,613	-	219,613
School site administration	688,992	45,698	734,690
Pupil services			
Home-to-school transportation	116,642	-	116,642
Food services	23,999	396,434	420,433
All other pupil services	105,540	-	105,540
General administration			
All other general administration	447,737	-	447,737
Plant services	538,326	35,101	573,427
Community services	68	-	68
Transfers to other agencies	312,390	-	312,390
Debt service			
Principal	15,000	62,300	77,300
Interest and other	-	36,767	36,767
<b>Total Expenditures</b>	<b>5,979,576</b>	<b>724,152</b>	<b>6,703,728</b>
<b>Excess (Deficiency) of Revenues</b>			
<b>Over Expenditures</b>	<b>39,315</b>	<b>15,163</b>	<b>54,478</b>
<b>Other Financing Sources (Uses)</b>			
Transfers in	-	53,837	53,837
Other sources	38,506	-	38,506
Transfers out	(53,837)	-	(53,837)
<b>Net Financing Sources (Uses)</b>	<b>(15,331)</b>	<b>53,837</b>	<b>38,506</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>23,984</b>	<b>69,000</b>	<b>92,984</b>
<b>Fund Balance - Beginning</b>	<b>2,971,873</b>	<b>624,460</b>	<b>3,596,333</b>
<b>Fund Balance - Ending</b>	<b>\$ 2,995,857</b>	<b>\$ 693,460</b>	<b>\$ 3,689,317</b>

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, 2013**

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**Net Change in Fund Balances - Governmental Funds** \$ 92,984

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:	\$ 58,495	
Depreciation expense:	(168,909)	(110,414)

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:

77,300

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:

(38,506)

Debt issuance costs:

In governmental funds, debt issuance costs are recognized as expenditures in the period they are incurred. In the government-wide statements, debt issuance costs are amortized over the life of the debt. The difference between debt issuance costs recognized in the current period and debt issuance costs amortized for the period is:

Issuance costs incurred during the period:	\$ -	
Issuance costs amortized for the period:	(1,882)	(1,882)

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 BALANCE TO THE STATEMENT OF  
ACTIVITIES, continued  
FOR THE YEAR ENDED JUNE 30, 2013**

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Gain or loss from the disposal of capital assets:

In governmental funds, the entire proceeds from disposal of capital assets are reported as revenue. In the statement of activities, only the resulting gain or loss is reported. The difference between the proceeds from disposal of capital assets and the resulting gain or loss is: (2,029)

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: 1,116

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: (550)

Postemployment benefits other than pensions (OPEB):

In governmental funds, OPEB costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. This year, the difference between OPEB costs and actual employer contributions was: (15,479)

Other liabilities not normally liquidated with current financial resources:

In the government-wide statements, expenses must be accrued in connection with any liabilities incurred during the period that are not expected to be liquidated with current financial resources. Examples include special termination benefits such as retirement incentives financed over time, and structured legal settlements. This year, expenses incurred for such obligations were: 30,672

**Change in Net Position of Governmental Activities**

\$ 33,212

HAMILTON UNIFIED SCHOOL DISTRICT  
FIDUCIARY FUNDS  
STATEMENT OF NET POSITION  
JUNE 30, 2013

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	<u>Agency Funds</u>
	<u>Student Body</u>
	<u>Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 130,028
<b>Total Assets</b>	<b>\$ 130,028</b>
<b>LIABILITIES</b>	
Due to student groups	\$ 130,028
<b>Total Liabilities</b>	<b>\$ 130,028</b>

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

HAMILTON UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

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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, 2013

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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.

**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, 2013

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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*).

**County School Facilities Fund:** This fund is established pursuant to *Education Code Section 17070.43* to receive apportionments from the 1998 State School Facilities Fund (Proposition 1A), the 2002 State School Facilities Fund (Proposition 47), or the 2004 State School Facilities Fund (Proposition 55) authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*Education Code Section 17070 et seq.*).

**Special Reserve Fund for Capital Outlay Projects:** This fund exists primarily to provide for the accumulation of General Fund moneys for capital outlay purposes (*Education Code Section 42840*).

HAMILTON UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, *continued*  
JUNE 30, 2013

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

C. Basis of Presentation (*continued*)

Non-Major Governmental Funds (*continued*)

**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.

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.

**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.

HAMILTON UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2013

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting – Measurement Focus (continued)

**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.

**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.

HAMILTON UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, *continued*  
JUNE 30, 2013

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

D. Basis of Accounting – Measurement Focus (*continued*)

**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.

E. Assets, Liabilities, 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. Cash held in the county treasury is recorded at cost, which approximates fair value.

**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 market values 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.

HAMILTON UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2013

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Liabilities, Fund Balance and Net Position (continued)

**Capital Assets (continued)**

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.

**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.

**Deferred Issuance Costs, Premiums, and Discounts**

In the government-wide financial statements, long-term obligations are reported as liabilities in statement of net position. Bond premiums and discounts, as well as issuance costs, 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, 2013

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

E. Assets, Liabilities, Fund Balance and Net Position (*continued*)

**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.

*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.

HAMILTON UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, *continued*  
JUNE 30, 2013

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

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.

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.



HAMILTON UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2013

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. New Accounting Pronouncements

**GASB Statement No. 61** – In November 2010, GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statement No.14 and No. 34*. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity and modifies certain requirements for inclusion of component units in the financial reporting entity. The Statement is effective for periods beginning after June 15, 2012. The District has implemented GASB Statement No. 61 for the year ended June 30, 2013.

**GASB Statement No. 62** – In December 2010, GASB issued Statement No. 62, *Codifications of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The objective of this Statement is to incorporate into GASB's authoritative literature certain accounting and financial reporting guidance that is included in the Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedures that were issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. The Statement is effective for periods beginning after December 15, 2011. The District has implemented GASB Statement No. 62 for the year ended June 30, 2013.

**GASB Statement No. 63** - In June 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement provides financial reporting guidance for deferred inflows of resources and amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definition of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The Statement is effective for periods beginning after December 15, 2011. The District has implemented GASB Statement No. 63 for the year ended June 30, 2013.

**GASB Statement No. 65** – In March 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The Statement is effective for periods beginning after December 15, 2012. The District has not yet determined the impact on the financial statements.

**GASB Statement No. 68** – In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The Statement is effective for periods beginning after June 15, 2014. The District has not yet determined the impact on the financial statements.

HAMILTON UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2013

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NOTE 2 – CASH AND INVESTMENTS

A. Summary of Cash and Investments

	Governmental Funds	Fiduciary Funds
Cash in county	\$ 2,844,091	\$ -
Cash on hand and in banks	26,017	130,028
Cash in revolving fund	10,000	-
<b>Total cash and cash equivalents</b>	<b>\$ 2,880,108</b>	<b>\$ 130,028</b>

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, 2013**

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**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.

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

**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 \$2,842,619 and an amortized book value of \$2,844,091.

**HAMILTON UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2013**

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**NOTE 2 – CASH AND INVESTMENTS (continued)**

**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, 2013, the pooled investments in the County Treasury were not rated.

**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, 2013, the District's bank balance was not exposed to custodial credit risk.

**NOTE 3 – ACCOUNTS RECEIVABLE**

Accounts receivable at June 30, 2013 consisted of the following:

	<u>General Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Activities</u>
Federal Government			
Categorical aid	\$ 33,695	\$ 71,066	\$ 104,761
State Government			
Apportionment	722,338	36,989	759,327
Categorical aid	90,722	12,038	102,760
Lottery	61,529	-	61,529
Local Government			
Other local sources	116,789	503	117,292
<b>Total</b>	<u>\$ 1,025,073</u>	<u>\$ 120,596</u>	<u>\$ 1,145,669</u>

**HAMILTON UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2013**

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**NOTE 4 – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2013 was as follows:

	Balance July 01, 2012	Additions	Deletions	Balance June 30, 2013
<b>Governmental Activities</b>				
Capital assets not being depreciated				
Land	\$ 293,887	\$ -	\$ -	\$ 293,887
Total Capital Assets not Being Depreciated	293,887	-	-	293,887
Capital assets being depreciated				
Land improvements	571,482	-	-	571,482
Buildings & improvements	8,913,816	-	-	8,913,816
Furniture & equipment	1,074,561	58,495	6,767	1,126,289
Total Capital Assets Being Depreciated	10,559,859	58,495	6,767	10,611,587
Less Accumulated Depreciation				
Land improvements	338,533	23,089	-	361,622
Buildings & improvements	3,364,944	114,824	-	3,479,768
Furniture & equipment	849,076	30,996	4,738	875,334
Total Accumulated Depreciation	4,552,553	168,909	4,738	4,716,724
<b>Governmental Activities</b>				
<b>Capital Assets, net</b>	<b>\$ 6,301,193</b>	<b>\$ (110,414)</b>	<b>\$ 2,029</b>	<b>\$ 6,188,750</b>

Depreciation expense was allocated to governmental activities as follows:

<b>Governmental Activities</b>	
Instruction	\$ 104,300
Home-to-school transportation	30,837
Food services	12,116
All other pupil services	3,561
All other general administration	5,217
Plant services	12,878
<b>Total depreciation expense</b>	<b>\$ 168,909</b>

**NOTE 5 – INTERFUND TRANSACTIONS**

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

Individual interfund receivable and payable balances at June 30, 2013 were as follows:

The Non-Major Child Development Fund owed the General Fund \$10,000 for repayment of a temporary loan.

**HAMILTON UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2013**

**NOTE 5 – INTERFUND TRANSACTIONS (continued)**

**B. Operating Transfers**

Interfund transfers for the year ended June 30, 2013 consisted of the following:

The General Fund transferred \$53,837 to the Non-Major Deferred Maintenance Fund for future deferred maintenance projects.

**NOTE 6 – ACCRUED LIABILITIES**

Accrued liabilities at June 30, 2013 consisted of the following:

	General Fund	Non-Major Governmental Funds	District-Wide	Total Governmental Activities
Payroll	\$ 101,442	\$ 1,885	\$ -	\$ 103,327
Vendors payable	244,320	1,823	-	246,143
Unmatured interest	-	-	14,762	14,762
<b>Total</b>	<b>\$ 345,762</b>	<b>\$ 3,708</b>	<b>\$ 14,762</b>	<b>\$ 364,232</b>

**NOTE 7 – UNEARNED REVENUE**

Unearned revenue at June 30, 2013, consisted of \$462 related to federal sources in the General Fund.

**NOTE 8 – LONG-TERM DEBT**

A schedule of changes in long-term debt for the year ended June 30, 2013 consisted of the following:

	Balance July 01, 2012	Additions	Deductions	Balance June 30, 2013	Balance Due In One Year
<b>Governmental Activities</b>					
General obligation bonds	\$ 886,200	\$ -	\$ 62,300	\$ 823,900	\$ 59,000
Capital leases	-	38,506	15,000	23,506	5,338
Early retirement incentive	156,382	-	30,672	125,710	30,672
Compensated absences	24,794	550	-	25,344	-
Net OPEB obligation	156,704	15,479	-	172,183	-
<b>Total</b>	<b>\$ 1,224,080</b>	<b>\$ 54,535</b>	<b>\$ 107,972</b>	<b>\$ 1,170,643</b>	<b>\$ 95,010</b>

**A. Bonded Debt**

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds			Bonds	
					Outstanding July 01, 2012	Additions	Deductions	Outstanding June 30, 2013	
2011 Refunding	August 30, 2011	August 1, 2023	4.30%	\$ 886,200	\$ 886,200	\$ -	\$ 62,300	\$ 823,900	\$ 823,900
					\$ 886,200	\$ -	\$ 62,300	\$ 823,900	\$ 823,900

**HAMILTON UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2013**

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**NOTE 8 – LONG-TERM DEBT (continued)**

**A. Bonded Debt (continued)**

**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, 2013 amounted to \$823,900.

**B. Debt Service Requirements to Maturity – Bonds**

The bonds mature through 2024 as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 59,000	\$ 34,159	\$ 93,159
2015	63,700	31,521	95,221
2016	63,400	28,789	92,189
2017	68,000	25,963	93,963
2018	72,600	22,941	95,541
2019 - 2023	403,800	65,339	469,139
2024	93,400	2,008	95,408
<b>Total</b>	<b>\$ 823,900</b>	<b>\$ 210,720</b>	<b>\$ 1,034,620</b>

**HAMILTON UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2013**

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**NOTE 8 – LONG-TERM DEBT (continued)**

**C. Capital Leases**

During the fiscal year ended June 30, 2013, the District entered into a capital lease for a vehicle. The capital lease has minimum lease payments as follows:

<u>Year Ended June 30,</u>	<u>Lease Payment</u>
2014	\$ 6,854
2015	6,854
2016	6,854
2017	6,853
Total minimum lease payments	27,415
Less amount representing interest	(3,909)
Present value of minimum lease payments	<u>\$ 23,506</u>

**D. Early Retirement Incentives**

In March 2010, the District entered into a supplementary retirement plan with Public Agency Retirement Services (PARS) whereby 1 employee 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 State Teachers' Retirement System (CalSTRS) whereby 4 employees (2 in the 2010-11 fiscal year and 2 in the 2011-12 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>Payment</u>
2014	\$ 39,529
2015	24,899
2016	23,526
2017	22,153
2018	20,779
2019 - 2020	27,985
Total minimum lease payments	158,871
Less amount representing interest	(33,161)
Present value of minimum lease payments	<u>\$ 125,710</u>

**E. Compensated Absences**

Total unpaid employee compensated absences as of June 30, 2013 amounted to \$25,344. This amount is included as part of long-term liabilities in the government-wide financial statements.



**HAMILTON UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2013**

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**NOTE 8 – LONG-TERM DEBT (continued)**

**F. Other Postemployment Benefits (OPEB)**

The District follows GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The District's annual required contribution for the year ended June 30, 2013, was \$145,496, with net interest and other adjustments of (\$2,794) for a net OPEB cost of \$142,702. Contributions made by the District during the year were \$127,223, which resulted in an increase to Net OPEB obligation of \$15,479. The ending OPEB balance at June 30, 2013 was \$172,183. See Note 10 for additional information regarding the OPEB obligation and the postemployment benefit plan.

**NOTE 9 – FUND BALANCES**

Fund balances were composed of the following elements at June 30, 2013:

	<b>General Fund</b>	<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Non-spendable</b>			
Revolving cash	\$ 10,000	\$ -	\$ 10,000
Stores inventory	-	13,472	13,472
Total non-spendable	10,000	13,472	23,472
<b>Restricted</b>			
Educational programs	192,612	6,631	199,243
Capital projects	-	35,122	35,122
Debt service	-	155,635	155,635
All others	-	118,835	118,835
Total restricted	192,612	316,223	508,835
<b>Committed</b>			
Other commitments	-	363,765	363,765
Total committed	-	363,765	363,765
<b>Unassigned</b>			
Reserve for economic uncertainties	292,797	-	292,797
Remaining unassigned	2,500,448	-	2,500,448
Total unassigned	2,793,245	-	2,793,245
<b>Total</b>	<b>\$ 2,995,857</b>	<b>\$ 693,460</b>	<b>\$ 3,689,317</b>

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.

**HAMILTON UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2013**

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

**A. Plan Description and Contribution Information**

The District administers a single-employer defined benefit other postemployment benefit (OPEB) plan that provides medical, dental and vision insurance benefits to eligible retirees. The District implemented Governmental Accounting Standards Board Statement #45, *Accounting and Financial Reporting by Employees for Postemployment Benefit Plans Other Than Pension Plans*, in the 2009-2010 fiscal year under the unified status.

Membership of the plan consisted of the following:

Retirees and beneficiaries receiving benefits	10
Active plan members	59
Total*	<u>69</u>
 Number of participating employers	 1

\*As of July 1, 2013 actuarial study

The District provides postemployment health care benefits based on the age and the years of service. All employees may retire with District-paid benefits at age 55 and 20 years of minimum District service. Combined services in CalSTRS or CalPERS benefits are paid until age 65.

**B. Funding Policy**

The contribution requirements of Plan members and the District are established and may be amended by the District and District’s bargaining units. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2012-13, the District contributed \$127,223 to the Plan, all of which was used for current premiums.

As of June 30, 2013, the District has not established a plan or equivalent that contains an irrevocable transfer of assets dedicated to providing benefits to retirees in accordance with the terms of the plan and that are legally protected from creditors.

**HAMILTON UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2013**

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

**C. Annual OPEB Cost and Net OPEB Obligation**

The District’s annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District’s annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the District’s net OPEB obligation to the Plan:

Annual required contribution	\$ 145,496
Interest on net OPEB obligation	6,268
Adjustment to annual required contribution	(9,062)
Annual OPEB cost (expense)	<u>142,702</u>
Contributions made	<u>(127,223)</u>
Increase (decrease) in net OPEB obligation	15,479
Net OPEB obligation, beginning of the year	156,704
Net OPEB obligation, end of the year	<u>\$ 172,183</u>

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the year ended June 30, 2013 and the preceding two years were as follows:

<b>Year Ended June 30,</b>	<b>Annual OPEB Cost</b>	<b>Percentage Contributed</b>	<b>Net OPEB Obligation</b>
2013	\$ 142,702	89%	\$ 172,183
2012	\$ 153,206	102%	\$ 156,704
2011	\$ 153,473	88%	\$ 160,029

**HAMILTON UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2013**

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

**D. Funded Status and Funding Progress**

The funded status of the plan as of the most recent actuarial evaluation consists of the following:

Actuarial Valuation Date	Actuarial Valuation of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2013	\$ -	\$ 1,288,342	\$ 1,288,342	0%	\$ 3,435,254	38%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, investment returns, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The schedule of funding progress, presented as required supplementary information following the notes to financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**E. Actuarial Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2013, actuarial valuation, the alternative measurement method was used. The actuarial assumptions included a discount rate of 4 percent per year. For medical costs a 8 percent trend rate was used and for dental and vision a 4 percent trend rate was used. A 30 year amortization period was used to allocate the liability. Because there has not been a previous valuation to comply with GASB 43 and/or 45, it was not necessary at this time for the District to make an election with respect to whether to use an “open” or “closed” amortization period; or whether to use different amortization periods for different sources of the UAAL.

**HAMILTON UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2013**

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**NOTE 11 – EMPLOYEE RETIREMENT SYSTEMS**

Qualified employees are covered under multiple-employer 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).

**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.

**Funding Policy**

Active plan members are required to contribute 8.0% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2013 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to CalSTRS for the last three fiscal years were as follows:

	<u>Contribution</u>	<u>Percent of Required Contribution</u>
2012-13	\$ 199,714	100%
2011-12	\$ 222,864	100%
2010-11	\$ 231,809	100%

**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 \$145,422 to CalSTRS (5.176% of 2010-11 creditable compensation subject to CalSTRS).

**HAMILTON UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2013**

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**NOTE 11 – EMPLOYEE RETIREMENT SYSTEMS (continued)**

**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.

**Funding Policy**

Active plan members are required to contribute 7.0% of their salary, and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2013 was 11.417% of annual payroll. The contribution requirements of the plan members are established by state statute. The District’s contributions to CalPERS for the last three fiscal years were as follows:

	<u>Contribution</u>	<u>Percent of Required Contribution</u>
2012-13	\$ 103,192	100%
2011-12	\$ 93,771	100%
2010-11	\$ 94,691	100%

**HAMILTON UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2013**

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**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, 2013.

**B. Litigation**

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2013.

**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.

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

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**REQUIRED SUPPLEMENTARY  
INFORMATION**

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**HAMILTON UNIFIED SCHOOL DISTRICT  
GENERAL FUND – BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2013**

	Budgeted Amounts		Actual* (Budgetary Basis)	Variances - Final to Actual
	Original	Final		
<b>REVENUES</b>				
Revenue limit sources	\$ 3,919,789	\$ 4,250,486	\$ 4,129,653	\$ (120,833)
Federal sources	302,667	429,108	268,304	(160,804)
Other state sources	821,526	1,016,779	1,142,717	125,938
Other local sources	225,000	250,877	317,077	66,200
<b>Total Revenues</b>	<b>5,268,982</b>	<b>5,947,250</b>	<b>5,857,751</b>	<b>(89,499)</b>
<b>EXPENDITURES</b>				
Certificated salaries	2,596,327	2,457,439	2,480,165	(22,726)
Classified salaries	622,338	710,611	707,592	3,019
Employee benefits	1,178,956	1,176,663	1,216,317	(39,654)
Books and supplies	189,144	490,302	345,831	144,471
Services and other operating expenditures	514,323	693,466	707,894	(14,428)
Capital outlay	-	43,522	10,459	33,063
Other outgo				
Excluding transfers of indirect costs	399,000	399,000	312,390	86,610
<b>Total Expenditures</b>	<b>5,500,088</b>	<b>5,971,003</b>	<b>5,780,648</b>	<b>190,355</b>
<b>Excess (Deficiency) of Revenues</b>				
<b>Over Expenditures</b>	<b>(231,106)</b>	<b>(23,753)</b>	<b>77,103</b>	<b>100,856</b>
<b>Other Financing Sources (Uses)</b>				
Transfers out	(55,000)	(75,000)	(73,837)	1,163
<b>Net Financing Sources (Uses)</b>	<b>(55,000)</b>	<b>(75,000)</b>	<b>(73,837)</b>	<b>1,163</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(286,106)</b>	<b>(98,753)</b>	<b>3,266</b>	<b>102,019</b>
<b>Fund Balance - Beginning</b>	<b>2,667,503</b>	<b>2,667,503</b>	<b>2,667,503</b>	<b>-</b>
<b>Fund Balance - Ending</b>	<b>\$ 2,381,397</b>	<b>\$ 2,568,750</b>	<b>\$ 2,670,769</b>	<b>\$ 102,019</b>

\* 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 \$145,422 are not included in the actual revenues and expenditures 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.

See accompanying note to required supplementary information.

**HAMILTON UNIFIED SCHOOL DISTRICT  
SCHEDULE OF FUNDING PROGRESS  
FOR THE YEAR ENDED JUNE 30, 2013**

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<b>Actuarial Valuation Date</b>	<b>Actuarial Valuation of Assets</b>	<b>Actuarial Accrued Liability (AAL)</b>	<b>Unfunded AAL (UAAL)</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>UAAL as a Percentage of Covered Payroll</b>
July 1, 2013	\$ -	\$ 1,288,342	\$ 1,288,342	0%	\$ 3,435,254	38%
July 1, 2010	\$ -	\$ 1,415,519	\$ 1,415,519	0%	\$ 4,973,564	28%

See accompanying note to required supplementary information.

**HAMILTON UNIFIED SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2013**

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**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 Funding Progress**

This schedule is required by GASB Statement No. 45 for all sole and agent employers that provide other postemployment benefits (OPEB). The schedule presents, for the most recent actuarial valuation and the two preceding valuations, information about the funding progress of the plan, including, for each valuation, the actuarial valuation date, the actuarial value of assets, the actuarial accrued liability, the total unfunded actuarial liability (or funding excess), the actuarial value of assets as a percentage of the actuarial accrued liability (funded ratio), the annual covered payroll, and the ratio of the total unfunded actuarial liability (or funding excess) to annual covered payroll.

**NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

For the year ended June 30, 2013, the District incurred the following excesses of expenditures over appropriations in individual major funds presented in the Budgetary Comparison Schedule by major object code as follows:

	<b>Expenditures and Other Uses</b>		
	<b>Budget</b>	<b>Actual</b>	<b>Excess</b>
General Fund			
Certificated salaries	\$ 2,457,439	\$ 2,480,165	\$ 22,726
Employee benefits	\$ 1,176,663	\$ 1,216,317	\$ 39,654
Services and other operating expenditures	\$ 693,466	\$ 707,894	\$ 14,428

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**SUPPLEMENTARY  
INFORMATION**

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**HAMILTON UNIFIED SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2013**

Federal Grantor/Pass-Through Grantor/Program or Cluster	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U. S. DEPARTMENT OF EDUCATION:			
<i>Passed through California Department of Education:</i>			
Title I, Part A, Basic Grants Low-Income and Neglected Adult Education Cluster	84.010	14329	\$ 183,303
Adult Education: Adult Basic Education & ESL (Section 231)	84.002A	14508	4,911
Adult Education: Adult Secondary Education	84.002	13978	7,497
Adult Education: English Literacy and Civics Education	84.002A	14109	10,000
Subtotal Adult Education			22,408
Title II, Part A, Teacher Quality	84.367	14341	37,874
Title II, Part D, Enhancing Education Through Technology, Formula Grants	84.318	14334	1,063
Title III, Limited English Proficient (LEP) Student Program	84.365	14346	42,284
Title IV, Part A, Drug-Free Schools	84.186	14347	699
<b>Total U. S. Department of Education</b>			287,631
U. S. DEPARTMENT OF AGRICULTURE:			
<i>Passed through California Department of Education:</i>			
Child Nutrition Cluster			
School Breakfast Program	10.553	13526	96,957
National School Lunch Program	10.555	13391	223,142
Meal Supplements	10.555	*	9,411
Commodities	10.555	*	19,027
Subtotal Child Nutrition Cluster			348,537
Forest Reserve Funds	10.665	10044	3,081
<b>Total U. S. Department of Agriculture</b>			351,618
<b>Total Federal Expenditures</b>			\$ 639,249

\* - PCS Number not available or not applicable

**HAMILTON UNIFIED SCHOOL DISTRICT  
 SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)  
 FOR THE YEAR ENDED JUNE 30, 2013**

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	<b>Second Period Report</b>	<b>Annual Report</b>
<b>ELEMENTARY</b>		
Kindergarten	35	35
First through third	131	133
Fourth through sixth	139	139
Seventh through eighth	92	91
Total Elementary	397	398
<b>SECONDARY</b>		
Regular classes	276	274
Continuation education	11	11
Community day school	-	1
Total Secondary	287	286
Average Daily Attendance Total	684	684

See accompanying note to supplementary information.

**HAMILTON UNIFIED SCHOOL DISTRICT  
SCHEDULE OF INSTRUCTIONAL TIME  
FOR THE YEAR ENDED JUNE 30, 2013**

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Grade Level	1982-83		1986-87		2012-13 Actual Minutes	Number of Days	Status
	Actual Minutes	Actual Minutes Reduced	Minutes Requirement	Minutes Requirement Reduced			
Kindergarten	36,750	35,729	36,000	35,000	51,935	175	Complied
Grade 1	46,375	45,087	50,400	49,000	51,060	175	Complied
Grade 2	46,375	45,087	50,400	49,000	51,060	175	Complied
Grade 3	46,375	45,087	50,400	49,000	51,060	175	Complied
Grade 4	46,375	45,087	54,000	52,500	53,685	175	Complied
Grade 5	46,375	45,087	54,000	52,500	53,685	175	Complied
Grade 6	46,375	45,087	54,000	52,500	53,685	175	Complied
Grade 7	46,375	45,087	54,000	52,500	54,242	175	Complied
Grade 8	46,375	45,087	54,000	52,500	54,242	175	Complied
Grade 9	56,912	55,331	64,800	63,000	64,360	175	Complied
Grade 10	56,912	55,331	64,800	63,000	64,360	175	Complied
Grade 11	56,912	55,331	64,800	63,000	64,360	175	Complied
Grade 12	56,912	55,331	64,800	63,000	64,360	175	Complied

See accompanying note to supplementary information.

**HAMILTON UNIFIED SCHOOL DISTRICT  
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2013**

	<b>2014 (Budget)</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
General Fund - Budgetary Basis**				
Revenues And Other Financing Sources	\$ 5,952,313	\$ 5,857,751	\$ 6,518,247	\$ 6,618,125
Expenditures And Other Financing Uses	6,262,875	5,854,485	6,141,835	6,183,676
Net change in Fund Balance	\$ (310,562)	\$ 3,266	\$ 376,412	\$ 434,449
Ending Fund Balance	\$ 2,360,207	\$ 2,670,769	\$ 2,667,503	\$ 2,291,091
Available Reserves*	\$ 2,167,595	\$ 2,793,245	\$ 1,970,283	\$ 1,813,169
Available Reserves As A Percentage Of Outgo	34.61%	47.71%	32.08%	29.32%
Long-term Debt	\$ 1,075,633	\$ 1,170,643	\$ 1,224,080	\$ 1,196,927
Average Daily Attendance At P-2	684	684	729	755

The General Fund balance has increased by \$379,678 over the past two years. The fiscal year 2013-14 budget projects a decrease of \$310,562. 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 surpluses in each of the past three years but anticipates incurring an operating deficit during the 2013-14 fiscal year. Total long term obligations have decreased by \$26,284 over the past two years.

Average daily attendance has decreased by 71 ADA over the past two years. No change in ADA is anticipated during the 2013-14 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 \$145,422 are not included in the actual revenues and expenditures reported in this schedule.

See accompanying note to supplementary information.



**HAMILTON UNIFIED SCHOOL DISTRICT  
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013**

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	General Fund	Special Reserve Fund for Other Than Capital Outlay Projects	Special Reserve Fund for Postemployment Benefits	County School Facilities Fund
June 30, 2013, annual financial and budget report fund balance	\$ 2,670,769	\$ 162,118	\$ 162,970	\$ 4,404
Adjustments and reclassifications:				
Decrease in accounts payable	-	-	-	10,089
Increase (decrease) in total fund balances:				
Fund balance transfer (GASB54)	325,088	(162,118)	(162,970)	-
Net adjustments and reclassifications	325,088	(162,118)	(162,970)	10,089
June 30, 2013, audited financial statement fund balance	\$ 2,995,857	\$ -	\$ -	\$ 14,493

See accompanying note to supplementary information.

**HAMILTON UNIFIED SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
JUNE 30, 2013**

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest & Redemption Fund	Non-Major Governmental Funds
<b>ASSETS</b>									
Cash and cash equivalents	\$ 92,884	\$ 8,335	\$ 66,334	\$ 214,840	\$ 20,618	\$ 14,562	\$ -	\$ 155,527	\$ 573,100
Accounts receivable	59,494	7,792	52,990	188	11	13	-	108	120,596
Stores inventory	-	-	13,472	-	-	-	-	-	13,472
<b>Total Assets</b>	<b>\$ 152,378</b>	<b>\$ 16,127</b>	<b>\$ 132,796</b>	<b>\$ 215,028</b>	<b>\$ 20,629</b>	<b>\$ 14,575</b>	<b>\$ -</b>	<b>\$ 155,635</b>	<b>\$ 707,168</b>
<b>LIABILITIES</b>									
Accrued liabilities	\$ 2,659	\$ 151	\$ 489	\$ 327	\$ -	\$ 82	\$ -	\$ -	\$ 3,708
Due to other funds	-	10,000	-	-	-	-	-	-	10,000
<b>Total Liabilities</b>	<b>2,659</b>	<b>10,151</b>	<b>489</b>	<b>327</b>	<b>-</b>	<b>82</b>	<b>-</b>	<b>-</b>	<b>13,708</b>
<b>FUND BALANCES</b>									
Non-spendable	-	-	13,472	-	-	-	-	-	13,472
Restricted	655	5,976	118,835	-	20,629	14,493	-	155,635	316,223
Committed	149,064	-	-	214,701	-	-	-	-	363,765
<b>Total Fund Balances</b>	<b>149,719</b>	<b>5,976</b>	<b>132,307</b>	<b>214,701</b>	<b>20,629</b>	<b>14,493</b>	<b>-</b>	<b>155,635</b>	<b>693,460</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 152,378</b>	<b>\$ 16,127</b>	<b>\$ 132,796</b>	<b>\$ 215,028</b>	<b>\$ 20,629</b>	<b>\$ 14,575</b>	<b>\$ -</b>	<b>\$ 155,635</b>	<b>\$ 707,168</b>

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, 2013**

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest & Redemption Fund	Non-Major Governmental Funds
<b>REVENUES</b>									
Federal sources	\$ 22,408	\$ -	\$ 348,537	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 370,945
Other state sources	109,957	92,520	28,791	-	-	-	-	225	231,493
Other local sources	264	1,911	21,837	448	13,092	41	12	99,272	136,877
<b>Total Revenues</b>	<b>132,629</b>	<b>94,431</b>	<b>399,165</b>	<b>448</b>	<b>13,092</b>	<b>41</b>	<b>12</b>	<b>99,497</b>	<b>739,315</b>
<b>EXPENDITURES</b>									
Current									
Instruction	49,065	98,787	-	-	-	-	-	-	147,852
Instruction-related services									
School site administration	45,698	-	-	-	-	-	-	-	45,698
Pupil services									
Food services	-	-	396,434	-	-	-	-	-	396,434
Plant services	3,600	-	5,000	8,417	-	8,554	9,530	-	35,101
Debt service									
Principal	-	-	-	-	-	-	-	62,300	62,300
Interest and other	-	-	-	-	-	-	-	36,767	36,767
<b>Total Expenditures</b>	<b>98,363</b>	<b>98,787</b>	<b>401,434</b>	<b>8,417</b>	<b>-</b>	<b>8,554</b>	<b>9,530</b>	<b>99,067</b>	<b>724,152</b>
<b>Excess (Deficiency) of Revenues</b>									
<b>Over Expenditures</b>	<b>34,266</b>	<b>(4,356)</b>	<b>(2,269)</b>	<b>(7,969)</b>	<b>13,092</b>	<b>(8,513)</b>	<b>(9,518)</b>	<b>430</b>	<b>15,163</b>
<b>Other Financing Sources (Uses)</b>									
Transfers in	-	-	-	53,837	-	-	-	-	53,837
<b>Net Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>53,837</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>53,837</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>34,266</b>	<b>(4,356)</b>	<b>(2,269)</b>	<b>45,868</b>	<b>13,092</b>	<b>(8,513)</b>	<b>(9,518)</b>	<b>430</b>	<b>69,000</b>
<b>Fund Balance - Beginning</b>	<b>115,453</b>	<b>10,332</b>	<b>134,576</b>	<b>168,833</b>	<b>7,537</b>	<b>23,006</b>	<b>9,518</b>	<b>155,205</b>	<b>624,460</b>
<b>Fund Balance - Ending</b>	<b>\$ 149,719</b>	<b>\$ 5,976</b>	<b>\$ 132,307</b>	<b>\$ 214,701</b>	<b>\$ 20,629</b>	<b>\$ 14,493</b>	<b>\$ -</b>	<b>\$ 155,635</b>	<b>\$ 693,460</b>

See accompanying note to supplementary information.

HAMILTON UNIFIED SCHOOL DISTRICT  
NOTES TO SUPPLEMENTARY INFORMATION  
JUNE 30, 2013

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NOTE 1 – PURPOSE OF SCHEDULES

**Schedule of Expenditures of Federal Awards**

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

**Schedule of Average Daily Attendance (ADA)**

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

**Schedule of Instructional Time**

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

Districts must maintain their instructional minutes at either the 1982-83 actual minutes or the 1986-87 requirements, whichever is greater, as required by *Education Code Section 46201*. Through 2014-15, the instructional day and minute requirements have been reduced pursuant to *Education Code Section 46201.2*.

**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. (Located in the front of the audit report)

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**OTHER INDEPENDENT  
AUDITORS' REPORTS**

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**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**

Christy White, CPA

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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, the major fund, and the aggregate remaining fund information of Hamilton Unified School District, as of and for the year ended June 30, 2013, 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 December 9, 2013.

**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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 #2013-1,# 2013-2)

### **Compliance and Other Matters**

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

### **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.



San Diego, California  
December 9, 2013

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT  
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY  
OMB CIRCULAR A-133**

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Independent Auditors' Report

Governing Board  
Hamilton Unified School District  
Hamilton City, California

**Report on Compliance for Each Major Federal Program**

We have audited Hamilton Unified School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Hamilton Unified School District's major federal programs for the year ended June 30, 2013. Hamilton Unified School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Hamilton Unified School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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 for each major federal program. However, our audit does not provide a legal determination of Hamilton Unified School District's compliance.



### *Opinion on Each Major Federal Program*

In our opinion, Hamilton Unified School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

### **Report on Internal Control Over Compliance**

Management of Hamilton Unified School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Hamilton Unified School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Hamilton Unified School District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



San Diego, California  
December 9, 2013

## REPORT ON STATE COMPLIANCE

Christy White, CPA

John Dominguez, CPA, CFE

Tanya M. Rogers, CPA, CFE

Michael Ash, CPA

Heather Daud

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*Licensed by the California  
State Board of Accountancy*

### Independent 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 *Standards and Procedures for Audits of California K – 12 Local Education Agencies 2012-13*, issued by the California Education Audit Appeals Panel 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, 2013, 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 *Standards and Procedures for Audits of California K – 12 Local Education Agencies 2012-13*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether 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, 2013.

***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:

<b><u>PROGRAM NAME</u></b>	<b><u>PROCEDURES IN AUDIT GUIDE</u></b>	<b><u>PROCEDURES PERFORMED</u></b>
Attendance Reporting	6	Yes
Teacher Certification and Misassignments	3	Yes
Kindergarten Continuance	3	Yes
Independent Study	23	No, see below
Continuation Education	10	Yes
Instructional Time for:		
School Districts	6	Yes
County Offices of Education	3	Not Applicable
Instructional Materials, general requirements	8	Yes
Ratios of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive	4	Not Applicable
Gann Limit Calculation	1	Yes
School Accountability Report Card	3	Yes
Juvenile Court Schools	8	Not Applicable
Class Size Reduction (including in charter schools):		
General requirements	7	Yes
Option One	3	Yes
Option Two	4	Not Applicable
Districts or charter schools with only one school serving K - 3	4	Not Applicable

*(Continued on the next page)*

*Procedures Performed (continued)*

<u>PROGRAM NAME</u>	<u>PROCEDURES IN AUDIT GUIDE</u>	<u>PROCEDURES PERFORMED</u>
After School Education and Safety Program:		
General requirements	4	Not Applicable
After school	5	Not Applicable
Before school	6	Not Applicable
Contemporaneous Records of Attendance; for charter schools	1	Not Applicable
Mode of Instruction; for charter schools	1	Not Applicable
Nonclassroom-Based Instruction/Independent Study; for charter schools	15	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction; for charter schools	3	Not Applicable
Annual Instructional Minutes – Classroom Based; for charter schools	4	Not Applicable

We did not perform testing for Independent Study because total ADA claimed was below the threshold required for testing.

*Christy White Associates*

San Diego, California  
December 9, 2013

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**SCHEDULE OF FINDINGS  
AND QUESTIONED COSTS**

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**HAMILTON UNIFIED SCHOOL DISTRICT  
SUMMARY OF AUDITORS' RESULTS  
FOR THE YEAR ENDED JUNE 30, 2013**

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**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**

Internal control over major program:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None Reported</u>
Type of auditors' report issued:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with section .510(a) of OMB Circular A-133?	<u>No</u>
Identification of major programs:	

<u>CFDA Number(s)</u>	<u>Name of Federal Program of Cluster</u>	
<u>10.553, 10.555</u>	<u>Child Nutrition Cluster</u>	
Dollar threshold used to distinguish between Type A and Type B programs:	\$	<u>300,000</u>
Auditee qualified as low-risk auditee?		<u>Yes</u>

**STATE AWARDS**

Internal control over state programs:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None Reported</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, 2013**

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**FIVE DIGIT CODE**

20000

30000

**AB 3627 FINDING TYPE**

Inventory of Equipment

Internal Control

**FINDING #2013-1: CAPITAL ASSETS (20000)**

**Criteria:** California Education Code Section 35168 states “the governing board of each school district, shall establish and maintain a historical inventory, or an audit trace inventory system, or any other inventory system authorized by the State Board of Education, which shall contain the description, name, identification numbers, and original cost of all items of equipment acquired by it whose current market value exceeds five hundred dollars (\$500) per item, the date of acquisition, the location of use, and the time and mode of disposal. A reasonable estimate of the original cost may be used if the actual original cost is unknown.”

**Condition:** The capital asset listing was provided in two parts, one which represented the high school assets, and the other which represented the elementary school assets. It was noted that the high school listing appeared accurate and up to date, but the elementary listing has a gap in data beginning July 2007 through June 2010.

**Context:** The District has not reconciled the differences identified in prior years between audited financial statements of the former Elementary District and the physical inventory records.

**Effect:** The capital asset listing may not be properly reported and therefore, capital assets listed on the audit report could be misstated.

**Perspective:** Review of the capital asset listings.

**Recommendation:** The District should perform a detailed inventory of all assets in excess of \$500 held under both former Districts to develop one unified asset listing. The listing should also be reviewed for obsolete items that should be removed.

**District Response:** The district received a proposal for inventory services that was in excess of \$11,000. It was the district’s decision to purchase two wands and bar-coded labels to track assets and maintain the information for audit purposes. Another component of the proposal included a complete site review and compilation of an inventory list which would have included all capital assets at all school sites therefore, capturing all items at the elementary which would have brought us up to date and into compliance with our audit finding. Since this proposal was declined the district still needs to do a physical inventory and update the current list pertaining to the elementary site. This physical inventory will be done during this school year or during the summer break before the next school year begins.

**HAMILTON UNIFIED SCHOOL DISTRICT  
FINANCIAL STATEMENT FINDINGS , continued  
FOR THE YEAR ENDED JUNE 30, 2013**

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**FINDING #2013-2: ASSOCIATED STUDENT BODY (ASB) FUNDS (30000)**

**Criteria:** Maintaining sound internal control procedures over cash receipts, cash disbursements, bank reconciliations and minutes of council meetings reduces the opportunity for irregularities to go undetected. The Fiscal Crisis & Management Assistance Team (FCMAT) Associated Student Body Accounting Manual & Desk Reference outlines proper internal control procedures for associated student body accounts to follow.

**Condition:** Through our testing of the school site ASB accounts, we noted the following internal control deficiencies:

*Hamilton High School*

- 7/10 cash receipts tested lacked adequate supporting documentation, such as a tally sheet or sales report, to reconcile the amount of collections or sales to the amount deposited in the ASB bank account. Cash collection activities lacking proper documentation included football gate sales, volleyball gate sales, concession stand sales, homecoming dance ticket sales, Christmas tree fundraiser, and the golf tournament.
- It was noted through inquiry that the ASB and other clubs do not prepare revenue potentials for fundraising activities.
- Bank statements for the ASB and scholarship accounts were not reconciled in a timely fashion for the first half of the fiscal year. Our audit conducted in May 2013 indicated that reconciliations prior to January 2013 were not completed until February; however, reconciliations beginning in February were completed timely.

**Cause:** Insufficient controls over student body activities

**Effect:** The potential for irregularities in accounting to go undetected

**Perspective:** Of the two school sites, an audit was conducted over activities at the high school ASB

**Recommendation:** We recommend that the District implement procedures to ensure that adequate supporting documentation is maintained for all ASB cash collections and those collections be deposited within 2 weeks of the event. The District should utilize ticket logs, tally sheets, and/or sales detail forms that indicate the number of items sold and the prices to support cash collection activities. We also recommend the ASB develop policies that require implementation of revenue potential preparation. The District should provide all ASB personnel with the latest FCMAT Associated Student Body Accounting Manual & Desk Reference and reinforce the importance for sound internal control procedures to be implemented.

**District Response:** The district sent seven staff members in 2011, and two more in 2012, to the ASB workshop offered by CASBO. The corresponding manual is readily available at both school sites. Many improvements, forms and procedures regarding policies have been set in place to tighten up the internal controls relative to ASB. The newly trained ASB clerk has prepared new or revised cash sheets for supporting documentation. She prepares deposits at a minimum of every two weeks or sooner if there is a lot of activity. She has created a potential revenue form for fundraising (attached). She has trained advisors how to use a tally sheet for concession sales. And she reconciles the ASB account monthly to the bank statement.



HAMILTON UNIFIED SCHOOL DISTRICT  
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2013

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FIVE DIGIT CODE

50000

AB 3627 FINDING TYPE

Federal Compliance

*There were no federal award findings or questioned costs for the year ended June 30, 2013.*

HAMILTON UNIFIED SCHOOL DISTRICT  
STATE AWARD FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2013

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<u>FIVE DIGIT CODE</u>	<u>AB 3627 FINDING TYPE</u>
10000	Attendance
40000	State Compliance
41000	CalSTRS
60000	Miscellaneous
61000	Classroom Teacher Salaries
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

*There were no state award findings or questioned costs for the year ended June 30, 2013.*

**HAMILTON UNIFIED SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2013**

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**FINDING #2012-01: CAPITAL ASSETS (20000)**

**Criteria:** California Education Code Section 35168 states “The governing board of each school district, shall establish and maintain a historical inventory, or an audit trace inventory system, or any other inventory system authorized by the State Board of Education, which shall contain the description, name, identification numbers, and original cost of all items of equipment acquired by it whose current market value exceeds five hundred dollars (\$500) per item, the date of acquisition, the location of use, and the time and mode of disposal. A reasonable estimate of the original cost may be used if the actual original cost is unknown.”

**Condition:** The capital asset listing was provided in two parts, one which represented the High School Assets, and the other listing represented the Elementary School Assets. It was noted that the High School listing appeared accurate and up to date, and auditor testing appears to support the accuracy. The Elementary School listing provided was last updated 6/30/2007 and therefore does not appear to be accurate.

**Context:** The District has not reconciled the differences identified in prior years between audited financial statements of the former Elementary District and the physical inventory records.

**Effect:** The capital asset listing may not be properly reported and therefore, capital assets listed on the audit report could be misstated.

**Perspective:** Review of the capital asset listings.

**Recommendation:** The District should perform a detailed inventory of all assets in excess of \$500 held under both former Districts to develop one unified asset listing. The listing should also be reviewed for obsolete items that should be removed.

**District Response:** The District continues to explore the possibility of hiring a consulting firm. Funding for the services and equipment needed are not supported in the budget at this time.

**Current Status:** Not implemented, see current year finding #2013-1.

**HAMILTON UNIFIED SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, continued  
FOR THE YEAR ENDED JUNE 30, 2013**

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**FINDING #2012-02: EXPENDITURES (30000)**

**Criteria:** Internal controls over expenditures should include a purchase order and verification of receipt of goods. During our audit of Hamilton Unified School District, it was noted that expenditures tested were lacking purchase orders and verification of receipt of goods.

**Condition:** In testing expenditures, 4 out of 40 expenditures tested did not have a purchase order to verify approval of the purchase and encumber the funds for the purchase.

**Cause:** It appears that the District is not regularly using purchase orders to approve and encumber the funds for purchases. In addition, the District lacked indicating that expenditures were related to goods received as indicated by the lack of verification of receipt of goods.

**Effect:** Purchases that are not approved through a purchase order put the District at risk of making inappropriate expenditures. An improper approval process also increases the risk that there could be purchases made without the review of budget appropriateness. The lack of receipt of goods also increases the risk that goods will be paid for prior to the inspection of the completeness of the order.

**Perspective:** Review of a sample of expenditures.

**Recommendation:** We recommend the District adopt a policy to include the required use of purchase requisitions for purchases. Exceptions might be made for minor reimbursements, revolving expenditures, utilities and standing orders or contracts.

**District Response:** The purchase order process is enforced by the Superintendent, administrative staff and business staff. It is infrequent that a purchase order is not completed without authorization for purchases.

**Current Status:** Implemented.

**HAMILTON UNIFIED SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, continued  
FOR THE YEAR ENDED JUNE 30, 2013**

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**FINDING #2012-03: ASSOCIATED STUDENT BODY (ASB) FUNDS (30000)**

**Criteria:** Maintaining sound internal control procedures over cash receipts, cash disbursements, bank reconciliations and minutes of council meetings reduces the opportunity for irregularities to go undetected. The Fiscal Crisis & Management Assistance Team (FCMAT) Associated Student Body Accounting Manual & Desk Reference outlines proper internal control procedures for associated student body accounts to follow.

**Condition:** Through our testing of the school site ASB accounts, we noted the following internal control deficiencies:

*Hamilton High School*

- 4/10 cash receipts tested lacked adequate supporting documentation, such as a tally sheet or sales report, to reconcile the amount of collections or sales to the amount deposited in the ASB bank account. Cash collection activities lacking proper documentation included cheerleading sweatshirt sales, Class of 2013 football concessions, Christmas tree sales, and volleyball tournament concessions.
- It was noted through inquiry that the ASB and other clubs do not prepare revenue potentials for fundraising activities.

*Hamilton Elementary School*

- 2/5 cash receipts tested were not deposited to the bank in a timely manner. We noted that the collections from the Carnival and Yearbook sales were deposited over a month after the date of collection.

**Cause:** Insufficient controls over student body activities.

**Effect:** The potential for irregularities in accounting to go undetected.

**Perspective:** Testing of ASBs at two school sites.

**Recommendation:** We recommend that the District implement procedures to ensure that adequate supporting documentation is maintained for ASB cash collections and those collections are deposited within 2 weeks of the event. The District should utilize ticket logs, tally sheets and/or sales detail forms that indicate number of items sold and the prices to support student funds cash collection activities. We also recommend that Hamilton High School develop ASB policies that require the implementation of revenue potential preparation. The District should provide each student body account clerk with the latest FCMAT Associated Student Body Accounting Manual & Desk Reference and reinforce the importance for sound internal control procedures to be implemented.

**District Response:** The District has sent seven staff members to an ASB workshop. In addition, the field auditor has provided sample forms that we will modify and put into practice. It is reasonable to have this implemented before the next school year.

**Current Status:** Partially implemented, see current year finding #2013-2.

**HAMILTON UNIFIED SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, continued  
FOR THE YEAR ENDED JUNE 30, 2013**

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**FINDING #2012-04: BANK RECONCILIATIONS (30000)**

**Criteria:** ASB and Scholarship account bank reconciliations should be prepared accurately and timely. These reconciliations should accurately reflect the ending book balance held in the account. In addition, there should be regular review of bank reconciliations to verify their accuracy.

**Condition:** It was noted that the bank statements for the High School ASB and Scholarship accounts had not been reconciled in a timely fashion. Our audit work performed in November 2012 showed that the High School ASB account had not been since March 2012 and the Scholarship account had not been reconciled all fiscal year 2011-12. In addition, there was no verification that the Revolving Account bank reconciliation is being reviewed following its preparation.

**Cause:** Untimely bank reconciliations due to lack of staff training.

**Effect:** The untimely and inaccurate preparation of the bank reconciliations can lead to an inaccurate representation of the ending book balance of the account. Bank reconciliations not being reviewed also increases the risk that bank reconciliations are not being prepared correctly.

**Perspective:** Review of ASB and scholarship bank reconciliations.

**Recommendation:** We recommend that bank reconciliations be prepared within the month following the bank statement date. A review process should be in place to verify that the reconciliations are being prepared accurately. If the CBO is charged with preparing the bank reconciliation, the superintendent should review the bank reconciliation for accuracy.

**District Response:** This issue will be resolved as the district implements a reorganization of clerk duties. This will take place in January when the ASB process is transitioned to another district clerk.

**Current Status:** Not implemented, see current year finding #2013-2.