

HAMILTON UNIFIED SCHOOL DISTRICT

AUDIT REPORT
JUNE 30, 2021



**HAMILTON UNIFIED SCHOOL DISTRICT
TABLE OF CONTENTS
JUNE 30, 2021**

FINANCIAL SECTION

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

REQUIRED SUPPLEMENTARY INFORMATION

General Fund – Budgetary Comparison Schedule	47
Schedule of Changes in Total OPEB Liability and Related Ratios	48
Schedule of the District's Proportionate Share of the Net Pension Liability - CalSTRS	49
Schedule of the District's Proportionate Share of the Net Pension Liability - CalPERS	50
Schedule of District Contributions - CalSTRS	51
Schedule of District Contributions - CalPERS	52
Notes to Required Supplementary Information	53

SUPPLEMENTARY INFORMATION

Schedule of Expenditures of Federal Awards.....	55
Schedule of Instructional Time	56
Schedule of Financial Trends and Analysis	57
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements.....	58
Combining Statements – Non-Major Governmental Funds	
Combining Balance Sheet.....	59
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances.....	60
Local Education Agency Organization Structure	61
Notes to Supplementary Information	62

**HAMILTON UNIFIED SCHOOL DISTRICT
TABLE OF CONTENTS
JUNE 30, 2021**

OTHER INDEPENDENT AUDITORS' REPORTS

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on
an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*63
Report on Compliance For Each Major Federal Program; and Report on Internal Control Over
Compliance Required by the Uniform Guidance65
Report on State Compliance67

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Summary of Auditors' Results.....69
Financial Statement Findings70
Federal Award Findings and Questioned Costs71
State Award Findings and Questioned Costs72
Summary Schedule of Prior Audit Findings.....73

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Governing Board
Hamilton Unified School District
Hamilton City, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Hamilton Unified School District, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Hamilton Unified School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Hamilton Unified School District, as of June 30, 2021, 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.

Emphasis of Matter

Change in Accounting Principle

As described in Note 15 to the basic financial statements, the Hamilton Unified School District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, which established accounting and financial reporting standards for the identification and reporting of fiduciary activities. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Hamilton Unified School District's basic financial statements. The supplementary information listed in the table of contents, including the schedule of expenditures of Federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, 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 January 24, 2022 on our consideration of Hamilton Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Hamilton Unified School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hamilton Unified School District's internal control over financial reporting and compliance.

Christy White, Inc.

San Diego, California
January 24, 2022

HAMILTON UNIFIED SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

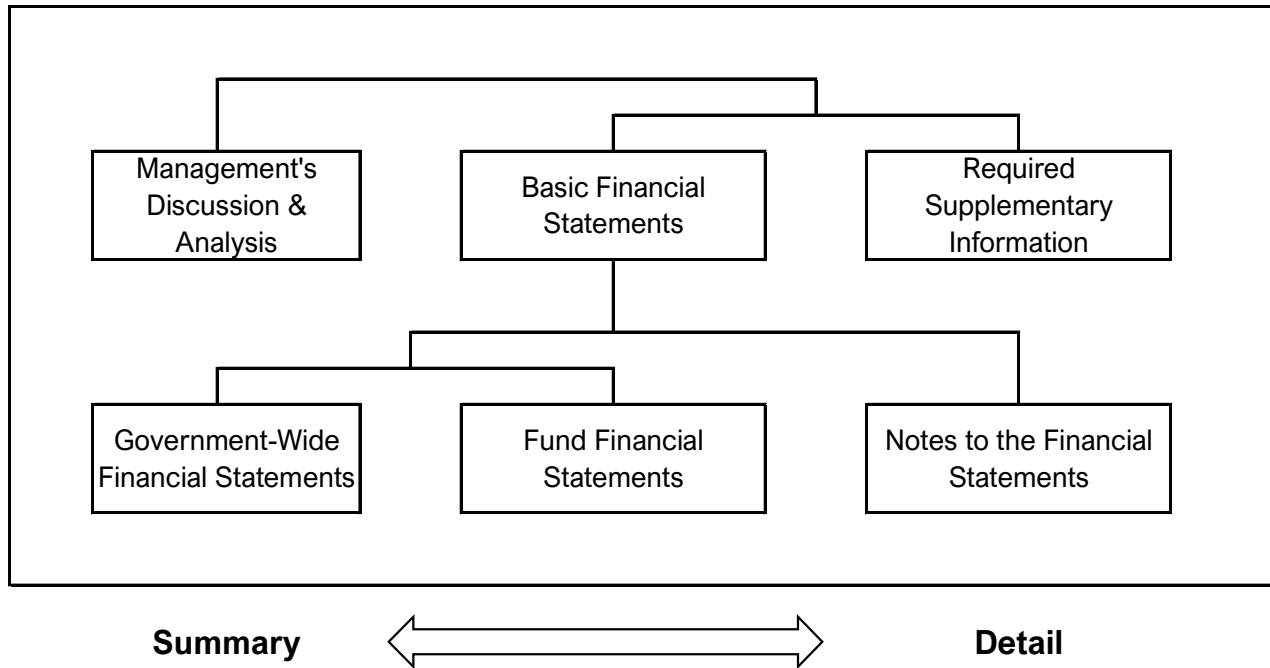
Our discussion and analysis of Hamilton Unified School District's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2021. It should be read in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's net position was \$(172,077) at June 30, 2021. This was an increase of \$523,616 from the prior year, after restatement.
- Overall revenues were \$11,748,139 which exceeded expenses of \$11,224,523.

OVERVIEW OF FINANCIAL STATEMENTS

Components of the Financial Section



**HAMILTON UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2021**

OVERVIEW OF FINANCIAL STATEMENTS (continued)

Components of the Financial Section (continued)

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

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

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

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

Government-Wide Statements

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

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

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

**HAMILTON UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2021**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

Net Position

The District's net position was \$(172,077) at June 30, 2021, as reflected in the table below. Of this amount, \$(7,542,874) was unrestricted. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the Governing Board's ability to use that net position for day-to-day operations.

	Governmental Activities		
	2021	2020	Net Change
ASSETS			
Current and other assets	\$ 5,627,119	\$ 5,259,148	\$ 367,971
Capital assets	7,949,282	6,653,569	1,295,713
Total Assets	13,576,401	11,912,717	1,663,684
DEFERRED OUTFLOWS OF RESOURCES	3,251,049	3,646,748	(395,699)
LIABILITIES			
Current liabilities	2,083,804	1,757,208	326,596
Long-term liabilities	14,354,878	14,122,604	232,274
Total Liabilities	16,438,682	15,879,812	558,870
DEFERRED INFLOWS OF RESOURCES	560,845	549,975	10,870
NET POSITION			
Net investment in capital assets	5,808,356	5,386,483	421,873
Restricted	1,562,441	979,147	583,294
Unrestricted	(7,542,874)	(7,235,952)	(306,922)
Total Net Position	\$ (172,077)	\$ (870,322)	\$ 698,245

**HAMILTON UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2021**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

Changes in Net Position

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

	Governmental Activities		
	2021	2020	Net Change
REVENUES			
Program revenues			
Charges for services	\$ 135,512	\$ 68,682	\$ 66,830
Operating grants and contributions	3,090,782	1,382,546	1,708,236
General revenues			
Property taxes	2,264,021	1,964,159	299,862
Unrestricted federal and state aid	6,049,130	6,572,355	(523,225)
Other	208,694	150,216	58,478
Total Revenues	11,748,139	10,137,958	1,610,181
EXPENSES			
Instruction	5,913,463	5,310,653	602,810
Instruction-related services	1,160,859	1,555,152	(394,293)
Pupil services	1,129,651	1,286,584	(156,933)
General administration	897,839	907,990	(10,151)
Plant services	937,407	873,456	63,951
Ancillary and community services	126,239	-	126,239
Debt service	97,619	61,616	36,003
Other outgo	961,446	876,341	85,105
Total Expenses	11,224,523	10,871,792	352,731
Change in net position	523,616	(733,834)	1,257,450
Net Position - Beginning, as Restated*	(695,693)	(136,488)	(559,205)
Net Position - Ending	\$ (172,077)	\$ (870,322)	\$ 698,245

**Beginning net position was restated for the 2021 year only.*

The cost of all our governmental activities this year was \$11,224,523 (refer to the table above). The amount that our taxpayers ultimately financed for these activities through taxes was only \$2,264,021 because a portion of the cost was paid by other governments and organizations who subsidized certain programs with grants and contributions.

**HAMILTON UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2021**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

Changes in Net Position (continued)

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

	Net Cost of Services	
	2021	2020
Instruction	\$ 3,591,558	\$ 4,665,751
Instruction-related services	900,518	1,391,564
Pupil services	769,778	659,998
General administration	878,141	895,284
Plant services	838,280	870,010
Ancillary and community services	(17,746)	-
Debt service	97,619	61,616
Transfers to other agencies	940,081	876,341
Total Expenses	\$ 7,998,229	\$ 9,420,564

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 \$3,945,975, which is less than this year's restated beginning fund balance of \$4,134,035. The District's General Fund had \$893,155 more in operating revenues than expenditures for the year ended June 30, 2021. The District's Building Fund had \$1,218,196 less in operating revenues than expenditures for the year ended June 30, 2021. The District's Bond Interest and Redemption Fund had \$114,823 more in operating revenues than expenditures for the year ended June 30, 2021.

CURRENT YEAR BUDGET 2020-2021

During the fiscal year, budget revisions and appropriation transfers are presented to the Board for their approval on a periodic 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, 2021**

CAPITAL ASSETS AND LONG-TERM LIABILITIES

Capital Assets

By the end of 2020-2021 the District had invested \$7,949,282 in capital assets, net of accumulated depreciation.

	Governmental Activities		
	2021	2020	Net Change
CAPITAL ASSETS			
Land	\$ 1,486,608	\$ 315,267	\$ 1,171,341
Construction in progress	315,679	252,138	63,541
Land improvements	646,205	604,362	41,843
Buildings & improvements	10,575,937	10,349,441	226,496
Furniture & equipment	2,274,547	2,058,340	216,207
Accumulated depreciation	(7,349,694)	(6,925,979)	(423,715)
Total Capital Assets	\$ 7,949,282	\$ 6,653,569	\$ 1,295,713

Long-Term Liabilities

At year-end, the District had \$14,354,878 in long-term liabilities, an increase of 1.64% from last year – as shown in the table below. (More detailed information about the District's long-term liabilities is presented in footnotes to the financial statements.)

	Governmental Activities		
	2021	2020	Net Change
LONG-TERM LIABILITIES			
Total general obligation bonds	\$ 2,397,842	\$ 2,687,734	\$ (289,892)
Capital leases	8,880	13,344	(4,464)
Early retirement incentive	340,824	442,831	(102,007)
Compensated absences	37,687	39,761	(2,074)
Total OPEB liability	2,753,694	2,511,352	242,342
Net pension liability	9,180,563	8,847,000	333,563
Less: current portion of long-term liabilities	(364,612)	(419,418)	54,806
Total Long-term Liabilities	\$ 14,354,878	\$ 14,122,604	\$ 232,274

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

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

In its March 2021 and June 2021 quarterly reports, the UCLA Anderson Forecast anticipated a robust recovery from the COVID-19-induced recession that began in March 2020. However, in its September 2021 quarterly report, hopes for blockbuster economic growth have been tempered by the spread of the delta variant and stagnating vaccination rates, which in turn have led to consumer caution and supply constraints. As a result, what could have been a couple of years of blockbuster economic performance will now likely feature solid but unspectacular growth. The economy is currently down 5.3 million payroll jobs from its pre-COVID peak, and there is little evidence to suggest that the expiration of enhanced unemployment benefits will lead to a surge in job applications.

**HAMILTON UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2021**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET (continued)

Fiscal policy for the funding of public education changes annually based on fluctuations in State revenues. Governor Gavin Newsom's "California Comeback Plan" includes a mix of ongoing and one-time investments of \$100 billion made possible by an unanticipated surge in state revenues and robust federal stimulus funding.

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

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

The May 2021 Budget Revision provides additional funding to further reduce the funding deferrals that were included in the 2020-21 Enacted Budget. The Governor's Budget in January proposed paying down \$9.2 billion of the K-12 deferrals. The May 2021 Budget Revision proposes paying down an additional \$1.1 billion, leaving a balance of \$2.6 billion at the end of the 2021-22 fiscal year.

The District participates in state employee pensions plans, California State Teachers' Retirement System (CalSTRS) and California Public Employees' Retirement System (CalPERS) and both are underfunded. The District's proportionate share of the liability is reported in the Statement of Net Position as of June 30, 2021. The amount of the liability is material to the financial position of the District. Beginning in 2021-22, the CalSTRS Board has limited authority to increase or decrease rates by a maximum of 1% annually (not to exceed 20.25% of creditable compensation), the projected employer contribution rate for 2021-22 is 16.92%. The CalPERS Board adopted an employer contribution rate of 22.91% for 2021-22. The projected increased pension costs to school employers remain a significant fiscal factor.

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

All of these factors were considered in preparing the District's budget for the 2021-22 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, 2021**

	Governmental Activities
ASSETS	
Cash and investments	\$ 4,078,773
Accounts receivable	1,538,812
Inventory	3,145
Prepaid expenses	6,389
Capital assets, not depreciated	1,802,287
Capital assets, net of accumulated depreciation	6,146,995
Total Assets	13,576,401
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	2,126,143
Deferred outflows related to OPEB	1,124,906
Total Deferred Outflows of Resources	3,251,049
LIABILITIES	
Deficit cash	24,201
Accrued liabilities	1,571,381
Unearned revenue	123,610
Long-term liabilities, current portion	364,612
Long-term liabilities, non-current portion	14,354,878
Total Liabilities	16,438,682
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	560,845
Total Deferred Inflows of Resources	560,845
NET POSITION	
Net investment in capital assets	5,808,356
Restricted:	
Capital projects	189,996
Debt service	565,783
Educational programs	614,354
Food service	30,258
Associated student body	162,050
Unrestricted	(7,542,874)
Total Net Position	\$ (172,077)

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

**HAMILTON UNIFIED SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021**

Function/Programs	Expenses	Program Revenues		Net (Expenses)
		Charges for Services	Operating Grants and Contributions	Revenues and Changes in Net Position
				Governmental Activities
GOVERNMENTAL ACTIVITIES				
Instruction	\$ 5,913,463	\$ 58,434	\$ 2,263,471	\$ (3,591,558)
Instruction-related services				
Instructional supervision and administration	(101,119)	-	-	101,119
Instructional library, media, and technology	117,621	18,007	37,346	(62,268)
School site administration	1,144,357	141	204,847	(939,369)
Pupil services				
Home-to-school transportation	175,202	-	-	(175,202)
Food services	497,414	310	336,122	(160,982)
All other pupil services	457,035	-	23,441	(433,594)
General administration				
Centralized data processing	(19,666)	-	-	19,666
All other general administration	917,505	12	19,686	(897,807)
Plant services	937,407	1	99,126	(838,280)
Ancillary services	126,239	58,607	85,378	17,746
Interest on long-term debt	97,619	-	-	(97,619)
Other outgo	961,446	-	21,365	(940,081)
Total Governmental Activities	\$ 11,224,523	\$ 135,512	\$ 3,090,782	(7,998,229)
General revenues				
Taxes and subventions				
Property taxes, levied for general purposes				1,771,153
Property taxes, levied for debt service				492,868
Federal and state aid not restricted for specific purposes				6,049,130
Interest and investment earnings				54,400
Miscellaneous				154,294
Subtotal, General Revenue				8,521,845
CHANGE IN NET POSITION				523,616
Net Position - Beginning, as Restated				(695,693)
Net Position - Ending				\$ (172,077)

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

**HAMILTON UNIFIED SCHOOL DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2021**

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments	\$ 2,610,514	\$ 262,884	\$ 578,485	\$ 626,890	\$ 4,078,773
Accounts receivable	1,431,037	3,218	25,368	79,189	1,538,812
Due from other funds	8,756	-	-	184	8,940
Stores inventory	-	-	-	3,145	3,145
Prepaid expenditures	6,389	-	-	-	6,389
Total Assets	\$ 4,056,696	\$ 266,102	\$ 603,853	\$ 709,408	\$ 5,636,059
LIABILITIES					
Deficit cash	\$ -	\$ -	\$ -	\$ 24,201	\$ 24,201
Accrued liabilities	1,503,470	306	22	29,535	1,533,333
Due to other funds	184	-	-	8,756	8,940
Unearned revenue	123,610	-	-	-	123,610
Total Liabilities	1,627,264	306	22	62,492	1,690,084
FUND BALANCES					
Nonspendable	16,389	-	-	3,145	19,534
Restricted	443,928	265,796	603,831	552,730	1,866,285
Committed	-	-	-	91,041	91,041
Assigned	753,895	-	-	-	753,895
Unassigned	1,215,220	-	-	-	1,215,220
Total Fund Balances	2,429,432	265,796	603,831	646,916	3,945,975
Total Liabilities and Fund Balances	\$ 4,056,696	\$ 266,102	\$ 603,853	\$ 709,408	\$ 5,636,059

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, 2021**

Total Fund Balance - Governmental Funds \$ 3,945,975

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	\$ 15,298,976	
Accumulated depreciation	<u>(7,349,694)</u>	7,949,282

Unmatured interest on long-term debt:

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

(38,048)

Long-term liabilities:

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

Total general obligation bonds	\$ 2,397,842	
Capital leases	8,880	
Early retirement incentive	340,824	
Compensated absences	37,687	
Total OPEB liability	2,753,694	
Net pension liability	<u>9,180,563</u>	(14,719,490)

Deferred outflows and inflows of resources relating to pensions:

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

Deferred outflows of resources related to pensions	\$ 2,126,143	
Deferred inflows of resources related to pensions	<u>(560,845)</u>	1,565,298

Deferred outflows and inflows of resources relating to OPEB:

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

Deferred outflows of resources related to OPEB	<u>\$ 1,124,906</u>	1,124,906
--	---------------------	-----------

Total Net Position - Governmental Activities \$ (172,077)

**HAMILTON UNIFIED SCHOOL DISTRICT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2021**

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES					
LCFF sources	\$ 7,648,900	\$ -	\$ -	\$ 25,000	\$ 7,673,900
Federal sources	1,393,475	-	-	289,579	1,683,054
Other state sources	1,378,978	-	1,580	397,455	1,778,013
Other local sources	213,661	17,518	496,196	150,981	878,356
Total Revenues	10,635,014	17,518	497,776	863,015	12,013,323
EXPENDITURES					
Current					
Instruction	5,228,038	-	-	227,367	5,455,405
Instruction-related services					
Instructional supervision and administration	888	-	-	-	888
Instructional library, media, and technology	135,386	-	-	-	135,386
School site administration	1,017,510	-	-	101,742	1,119,252
Pupil services					
Home-to-school transportation	85,497	-	-	-	85,497
Food services	30,346	-	-	377,615	407,961
All other pupil services	426,268	-	-	-	426,268
General administration					
All other general administration	735,958	-	-	8,756	744,714
Plant services	832,056	-	-	3,038	835,094
Facilities acquisition and maintenance	275,544	1,235,714	-	-	1,511,258
Ancillary services	3,900	-	-	122,339	126,239
Transfers to other agencies	965,538	-	-	-	965,538
Debt service					
Principal	4,464	-	285,800	-	290,264
Interest and other	466	-	97,153	-	97,619
Total Expenditures	9,741,859	1,235,714	382,953	840,857	12,201,383
Excess (Deficiency) of Revenues					
Over Expenditures	893,155	(1,218,196)	114,823	22,158	(188,060)
Other Financing Sources (Uses)					
Transfers in	-	50,000	-	-	50,000
Transfers out	(50,000)	-	-	-	(50,000)
Net Financing Sources (Uses)	(50,000)	50,000	-	-	-
NET CHANGE IN FUND BALANCE	843,155	(1,168,196)	114,823	22,158	(188,060)
Fund Balance - Beginning, as Restated	1,586,277	1,433,992	489,008	624,758	4,134,035
Fund Balance - Ending	\$ 2,429,432	\$ 265,796	\$ 603,831	\$ 646,916	\$ 3,945,975

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, 2021**

Net Change in Fund Balances - Governmental Funds \$ (188,060)

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:	\$	1,744,096	
Depreciation expense:		<u>(448,383)</u>	1,295,713

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:

290,264

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:

2,074

Other expenditures relating to prior periods:

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

102,007

Postemployment benefits other than pensions (OPEB):

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

(381,105)

(continued on next page)

**HAMILTON UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES, continued
FOR THE YEAR ENDED JUNE 30, 2021**

Pensions:

In governmental funds, pension costs are recognized when employer contributions are made. In the government-wide statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and employer contributions was: (601,369)

Amortization of debt issuance premium or discount:

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

Change in Net Position of Governmental Activities		\$ 523,616
--	--	-------------------

**HAMILTON UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

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. 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.

Fund Financial Statements. The fund financial statements provide information about the District's funds. Separate statements for each fund category 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.

HAMILTON UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

Major Governmental Funds

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

Building Fund: This fund exists primarily to account separately for proceeds from the sale of bonds (*Education Code Section 15146*) and may not be used for any purposes other than those for which the bonds were issued. Other authorized revenues to the Building Fund are proceeds from the sale or lease-with-option-to-purchase of real property (*Education Code Section 17462*) and revenue from rentals and leases of real property specifically authorized for deposit into the fund by the governing board (*Education Code Section 41003*).

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.

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:

Student Activity Fund: This fund may be used to account for student body activities that do not meet the fiduciary criteria established in GASB Statement No. 84.

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*).

Cafeteria 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 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*).

HAMILTON UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

Non-Major Governmental Funds (continued)

Special Revenue Funds (continued):

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*).

D. Basis of Accounting – Measurement Focus

Government-Wide Financial Statements

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

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

Governmental Funds

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

**HAMILTON UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting – Measurement Focus (continued)

Revenues – Exchange and Non-Exchange Transactions

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

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

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

Unearned Revenue

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

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

Expenses/Expenditures

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

**HAMILTON UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2021**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Cash and Cash Equivalents

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

Investments

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

Inventories

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

Capital Assets

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

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

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

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

Interfund Balances

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

**HAMILTON UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Compensated Absences

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

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

Accrued Liabilities and Long-Term Obligations

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

Postemployment Benefits Other Than Pensions (OPEB)

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

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

Valuation Date	July 1, 2019
Measurement Date	June 30, 2020
Measurement Period	July 1, 2019 to June 30, 2020

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

Premiums and Discounts

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

**HAMILTON UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Deferred Outflows/Deferred Inflows of Resources

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

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

Pensions

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

Fund Balance

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

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

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

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

**HAMILTON UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fund Balance (continued)

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

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

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

F. Interfund Activity

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

G. Estimates

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

H. Budgetary Data

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

**HAMILTON UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Budgetary Data (continued)

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

I. Property Tax

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

J. New Accounting Pronouncements

GASB Statement No. 84 – In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. This standard's primary objective is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The statement was postponed by GASB Statement No. 95 and is effective for periods beginning after December 15, 2019. The District has implemented this Statement as of June 30, 2021.

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

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

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

**HAMILTON UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2021**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. New Accounting Pronouncements (continued)

GASB Statement No. 97 – In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans* – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32. This standard’s primary objectives are to increase consistency and comparability related to reporting fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; to mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and to enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The statement is effective for periods beginning after June 15, 2021. The District has not yet determined the impact on the financial statements.

NOTE 2 – CASH AND INVESTMENTS

A. Summary of Cash and Investments

	Governmental Activities
Investment in county treasury*	\$ 3,867,513
Cash on hand and in banks	201,260
Cash in revolving fund	10,000
Total	\$ 4,078,773

*Excludes deficit cash of \$24,201

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, 2021**

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 \$3,880,276 and an amortized book value of \$3,867,513. The average weighted maturity for this pool was not available.

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, 2021, the pooled investments in the County Treasury were rated not rated.

**HAMILTON UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021**

NOTE 2 – CASH AND INVESTMENTS (continued)

F. Custodial Credit Risk – Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2021, the District's bank balance was not exposed to custodial credit risk.

G. Fair Value

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

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

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

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

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

The District's fair value measurements at June 30, 2021 were as follows:

	<u>Uncategorized</u>
Investment in county treasury	<u>\$ 3,880,276</u>
Total	<u>\$ 3,880,276</u>

**HAMILTON UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021**

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2021 consisted of the following:

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Governmental Activities
Federal Government					
Categorical aid	\$ 240,113	\$ -	\$ -	\$ 56,610	\$ 296,723
State Government					
Apportionment	994,179	-	-	-	994,179
Categorical aid	44,976	-	-	21,105	66,081
Lottery	46,141	-	-	-	46,141
Local Government					
Other local sources	105,628	3,218	25,368	1,474	135,688
Total	\$ 1,431,037	\$ 3,218	\$ 25,368	\$ 79,189	\$ 1,538,812

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2021 was as follows:

	Balance July 01, 2020	Additions	Deletions	Balance June 30, 2021
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 315,267	\$ 1,171,341	\$ -	\$ 1,486,608
Construction in progress	252,138	102,289	38,748	315,679
Total Capital Assets not Being Depreciated	567,405	1,273,630	38,748	1,802,287
Capital assets being depreciated				
Land improvements	604,362	41,843	-	646,205
Buildings & improvements	10,349,441	226,496	-	10,575,937
Furniture & equipment	2,058,340	240,875	24,668	2,274,547
Total Capital Assets Being Depreciated	13,012,143	509,214	24,668	13,496,689
Less Accumulated Depreciation				
Land improvements	493,023	19,959	-	512,982
Buildings & improvements	5,199,491	295,130	-	5,494,621
Furniture & equipment	1,233,465	133,294	24,668	1,342,091
Total Accumulated Depreciation	6,925,979	448,383	24,668	7,349,694
Governmental Activities				
Capital Assets, net	\$ 6,653,569	\$ 1,334,461	\$ 38,748	\$ 7,949,282

Depreciation expense is allocated to governmental functions as follows:

Governmental Activities	
Instruction	\$ 276,876
Home-to-school transportation	81,857
Food services	32,164
All other pupil services	9,454
All other general administration	13,849
Plant services	34,183
	<u>\$ 448,383</u>

**HAMILTON UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021**

NOTE 5 – INTERFUND TRANSACTIONS

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

Individual interfund receivable and payable balances at June 30, 2021 were as follows:

	<u>Due From Other Funds</u>		
	<u>General Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total</u>
<u>Due To Other Funds</u>			
General Fund	\$ -	\$ 184	\$ 184
Non-Major Governmental Funds	8,756	-	8,756
Total	\$ 8,756	\$ 184	\$ 8,940
Due from the General Fund to the Non-Major Adult Education Fund to correct account miscoding.		\$ 184	184
Due from the Non-Major Adult Fund to the General Fund for indirect costs.			8,756
Total			\$ 8,940

B. Operating Transfers

The individual interfund transfer for the year ended June 30, 2021 consisted of a transfer in the amount of \$50,000 from the General Fund to the Building Fund for construction costs.

NOTE 6 – ACCRUED LIABILITIES

Accrued liabilities at June 30, 2021 consisted of the following:

	<u>General Fund</u>	<u>Building Fund</u>	<u>Bond Interest and Redemption Fund</u>	<u>Non-Major Governmental Funds</u>	<u>District-Wide</u>	<u>Governmental Activities</u>
Payroll	\$ 177,751	\$ -	\$ -	\$ 8,352	\$ -	\$ 186,103
Vendors payable	1,003,686	306	22	21,183	-	1,025,197
Unmatured interest	-	-	-	-	38,048	38,048
Due to grantor government	322,033	-	-	-	-	322,033
Total	\$ 1,503,470	\$ 306	\$ 22	\$ 29,535	\$ 38,048	\$ 1,571,381

NOTE 7 – UNEARNED REVENUE

Unearned revenue at June 30, 2021 consisted of the following:

	<u>General Fund</u>
Federal sources	\$ 34,054
State categorical sources	89,556
Total	\$ 123,610

**HAMILTON UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021**

NOTE 8 – LONG-TERM LIABILITIES

A schedule of changes in long-term liabilities for the year ended June 30, 2021 consisted of the following:

	Balance July 01, 2020	Additions	Deductions	Balance June 30, 2021	Balance Due In One Year
Governmental Activities					
General obligation bonds	\$ 2,548,600	\$ -	\$ 285,800	\$ 2,262,800	\$ 235,100
Unamortized premium	139,134	-	4,092	135,042	4,092
Total general obligation bonds	2,687,734	-	289,892	2,397,842	239,192
Capital leases	13,344	-	4,464	8,880	4,309
Early retirement incentive	442,831	-	102,007	340,824	121,111
Compensated absences	39,761	-	2,074	37,687	-
Total OPEB liability	2,511,352	242,342	-	2,753,694	-
Net pension liability	8,847,000	333,563	-	9,180,563	-
Total	\$ 14,542,022	\$ 575,905	\$ 398,437	\$ 14,719,490	\$ 364,612

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

A. Bonded Debt

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds			Bonds Outstanding June 30, 2021
					Bonds Outstanding July 01, 2020	Additions	Deductions	
2011 Refunding	August 30, 2011	August 1, 2023	4.30%	\$ 886,200	\$ 348,600	\$ -	\$ 80,800	\$ 267,800
Election 2018, Series 2019A	June 5, 2019	August 1, 2053	4.00%	2,200,000	2,200,000	-	205,000	1,995,000
					\$ 2,548,600	\$ -	\$ 285,800	\$ 2,262,800

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, 2021 amounted to \$267,800.

**HAMILTON UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021**

NOTE 8 – LONG-TERM LIABILITIES (continued)

A. Bonded Debt (continued)

Election 2018

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

There has been one issuance under this election, Series 2019A, which was issued on June 5, 2019 with a stated interest rate of 4.00%. The original issuance consisted of \$645,000 in current interest serial bonds and \$1,555,000 in current interest term bonds. Interest on the bonds is payable on February 1 and August 1 of each year, commencing February 1, 2020. Principal is payable annually on August 1, commencing August 1, 2020 through the final maturity date of August 1, 2053. The principal balance outstanding on June 30, 2021 amounted to \$1,995,000.

B. Debt Service Requirements to Maturity – Bonds

The bonds mature through 2054 as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 235,100	\$ 86,486	\$ 321,586
2023	89,300	79,736	169,036
2024	93,400	75,808	169,208
2025	-	73,800	73,800
2026	-	73,800	73,800
2027 - 2031	10,000	368,800	378,800
2032 - 2036	110,000	357,400	467,400
2037 - 2041	225,000	324,500	549,500
2042 - 2046	395,000	263,500	658,500
2047 - 2051	605,000	164,900	769,900
2052 - 2054	500,000	31,000	531,000
Total	\$ 2,262,800	\$ 1,899,730	\$ 4,162,530

C. Capital Lease

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

<u>Year Ended June 30,</u>	<u>Lease Payment</u>
2022	\$ 4,930
2023	4,890
Total minimum lease payments	9,820
Less amount representing interest	(940)
Present value of minimum lease payments	<u>\$ 8,880</u>

**HAMILTON UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021**

NOTE 8 – LONG-TERM LIABILITIES (continued)

D. Early Retirement Incentives

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

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

Future payments for the early retirement plans are as follows:

<u>Year Ended June 30,</u>	<u>Payment</u>
2022	\$ 121,111
2023	114,781
2024	92,530
2025	55,786
2026	19,042
2027	17,800
Total	<u>421,050</u>
Less amount representing interest	(80,226)
Present value of minimum payments	<u>\$ 340,824</u>

E. Compensated Absences

Total unpaid employee compensated absences as of June 30, 2021 amounted to \$37,687. This amount is included as part of long-term liabilities in the government-wide financial statements.

F. Other Postemployment Benefits

The District's beginning total OPEB liability was \$2,511,352 and increased by \$242,342 during the year ended June 30, 2021. The ending total OPEB liability at June 30, 2021 was \$2,753,694. See Note 10 for additional information regarding the total OPEB liability.

G. Net Pension Liability

The District's beginning net pension liability was \$8,847,000 and increased by \$333,563 during the year ended June 30, 2021. The ending net pension liability at June 30, 2021 was \$9,180,563. See Note 11 for additional information regarding the net pension liability.

**HAMILTON UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021**

NOTE 9 – FUND BALANCES

Fund balances were composed of the following elements at June 30, 2021:

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
Non-spendable					
Revolving cash	\$ 10,000	\$ -	\$ -	\$ -	\$ 10,000
Stores inventory	-	-	-	3,145	3,145
Prepaid expenditures	6,389	-	-	-	6,389
Total non-spendable	16,389	-	-	3,145	19,534
Restricted					
Educational programs	443,928	-	-	170,426	614,354
Food service	-	-	-	30,258	30,258
Associated student body	-	-	-	162,050	162,050
Capital projects	-	265,796	-	189,996	455,792
Debt service	-	-	603,831	-	603,831
Total restricted	443,928	265,796	603,831	552,730	1,866,285
Committed					
Other commitments	-	-	-	91,041	91,041
Total committed	-	-	-	91,041	91,041
Assigned					
Postemployment benefits	219,558	-	-	-	219,558
Other assignments	534,337	-	-	-	534,337
Total assigned	753,895	-	-	-	753,895
Unassigned	1,215,220	-	-	-	1,215,220
Total Fund Balance	\$ 2,429,432	\$ 265,796	\$ 603,831	\$ 646,916	\$ 3,945,975

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

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

A. Plan Description

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

B. Benefits Provided

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

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

**HAMILTON UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021**

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

C. Contributions

For the measurement period ended June 30, 2020, the District contributed \$131,353 to the Plan, all of which was used for current premiums.

D. Plan Membership

Membership of the Plan consisted of the following:

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

*Information not provided

**As of the July 1, 2019 valuation date

E. Total OPEB Liability

The Hamilton Unified School District’s total OPEB liability of \$2,753,694 was measured as of June 30, 2020 and was determined by an actuarial valuation as of July 1, 2019.

F. Actuarial Assumptions and Other Inputs

The total OPEB liability as of June 30, 2021 was determined by an actuarial valuation as of July 1, 2019 using the following actuarial assumptions and other inputs, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020.

Assumptions:

Salary increases	3.00%
Inflation rate	3.00%
Discount rate	2.45%
Healthcare cost trend rate	5.90% for 2020; 5.80% for 2021; 5.70% for 2022; and decreasing 0.10% per year to an ultimate rate of 5.00% for 2029 and later years

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

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

**HAMILTON UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021**

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

G. Changes in Total OPEB Liability

	<u>June 30, 2021</u>
Total OPEB Liability	
Service cost	\$ 157,365
Interest on total OPEB liability	81,491
Changes of assumptions	134,839
Benefits payments	<u>(131,353)</u>
Net change in total OPEB liability	242,342
Total OPEB liability - beginning	<u>2,511,352</u>
Total OPEB liability - ending	<u>\$ 2,753,694</u>
Covered-employee payroll	\$ 4,723,409
District's total OPEB liability as a percentage of covered-employee payroll	58.30%

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

The following presents the total OPEB liability of the Hamilton Unified School District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.45 percent) or one percentage point higher (3.45 percent) than the current discount rate:

	1% Decrease	Valuation Discount Rate	1% Increase
	(1.45%)	(2.45%)	(3.45%)
Total OPEB liability	\$ 2,964,703	\$ 2,753,694	\$ 2,557,820

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

The following presents the total OPEB liability of the Hamilton Unified School District, as well as what the District's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower (4.90 percent) or one percentage point higher (6.90 percent) than the current healthcare cost trend rate:

	1% Decrease	Valuation Trend Rate	1% Increase
	(4.90%)	(5.90%)	(6.90%)
Total OPEB liability	\$ 2,468,046	\$ 2,753,694	\$ 3,085,704

**HAMILTON UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021**

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

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

For the year ended June 30, 2021, the Hamilton Unified School District recognized OPEB expense of \$383,398. At June 30, 2021, the Hamilton Unified School District reported deferred outflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>
Differences between expected and actual experience	\$ 862,848
Changes in assumptions	232,807
District contributions subsequent to the measurement date	<u>29,251</u>
Total	<u>\$ 1,124,906</u>

The \$29,251 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2022. The remaining \$1,095,655 reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows of Resources</u>
2022	\$ 144,542
2023	144,542
2024	144,542
2025	144,542
2026	144,542
Thereafter	<u>372,945</u>
Total	<u>\$ 1,095,655</u>

NOTE 11 – PENSION PLANS

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

	<u>Net pension liability</u>	<u>Deferred outflows related to pensions</u>	<u>Deferred inflows related to pensions</u>	<u>Pension expense</u>
STRS Pension	\$ 6,280,750	\$ 1,608,130	\$ 275,190	\$ 922,299
PERS Pension	2,899,813	518,013	285,655	468,013
Total	<u>\$ 9,180,563</u>	<u>\$ 2,126,143</u>	<u>\$ 560,845</u>	<u>\$ 1,390,312</u>

**HAMILTON UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021**

NOTE 11 – PENSION PLANS (continued)

A. California State Teachers' Retirement System (CalSTRS)

Plan Description

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

Benefits Provided

The CalSTRS defined benefit plan has two benefit formulas:

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

Contributions

Active plan CalSTRS 2% at 60 and 2% at 62 members are required to contribute 10.25% and 10.205% of their salary for fiscal year 2021, respectively, and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2021 was 19.10% of annual payroll reduced to 16.15% pursuant to California Senate Bill 90 (SB 90). The contribution requirements of the plan members are established by state statute. Contributions to the plan from the District were \$533,532 for the year ended June 30, 2021

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 \$366,415 to CalSTRS.

**HAMILTON UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021**

NOTE 11 – PENSION PLANS (continued)

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

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

At June 30, 2021, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net pension liability	\$	6,280,750
State's proportionate share of the net pension liability associated with the District		<u>3,237,702</u>
Total	\$	<u>9,518,452</u>

The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2019 and rolling forward the total pension liability to June 30, 2020. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2020, the District’s proportion was 0.006 percent, which did not change from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the District recognized pension expense of \$922,299. In addition, the District recognized pension expense and revenue of \$101,231 for support provided by the State. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected and actual earnings on plan investments	\$ 149,194	\$ -
Differences between expected and actual experience	11,083	177,128
Changes in assumptions	612,462	-
Changes in proportion and differences between District contributions and proportionate share of contributions	301,859	98,062
District contributions subsequent to the measurement date	<u>533,532</u>	<u>-</u>
Total	\$ 1,608,130	\$ 275,190

**HAMILTON UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021**

NOTE 11 – PENSION PLANS (continued)

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

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

The \$533,532 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2022	\$ 168,726	\$ 92,709
2023	310,662	80,262
2024	361,473	40,389
2025	159,197	27,091
2026	41,011	25,989
2027	33,529	8,750
Total	<u>\$ 1,074,598</u>	<u>\$ 275,190</u>

Actuarial Assumptions

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2019, and rolling forward the total pension liability to June 30, 2020 using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

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

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2015 through June 30, 2018.

**HAMILTON UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021**

NOTE 11 – PENSION PLANS (continued)

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

Actuarial Assumptions (continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best-estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance–PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in January 2020 in conjunction with the most recent experience study. For each current and future valuation, CalSTRS’ independent consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of expected 20-year geometrically linked real rates of return and the assumed asset allocation for each major asset class as of June 30, 2020, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return*
Public Equity	42%	4.80%
Real Estate	15%	3.60%
Private Equity	13%	6.30%
Fixed Income	12%	1.30%
Risk Mitigating Strategies	10%	1.80%
Inflation Sensitive	6%	3.30%
Cash/Liquidity	2%	-0.40%
	<u>100%</u>	

*20-year geometric average

Discount Rate

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

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

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

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
District's proportionate share of the net pension liability	\$ 9,489,339	\$ 6,280,750	\$ 3,631,609

**HAMILTON UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021**

NOTE 11 – PENSION PLANS (continued)

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

Pension Plan Fiduciary Net Position

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

B. California Public Employees' Retirement System (CalPERS)

Plan Description

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

Benefits Provided

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

Contributions

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

The District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2021 was 22.68% of annual payroll reduced to 20.70% pursuant to California Senate Bill 90 (SB 90). Contributions to the plan from the District were \$255,411 for the year ended June 30, 2021.

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

At June 30, 2021, the District reported a liability of \$2,899,813 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2019 and rolling forward the total pension liability to June 30, 2020. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2020, the District's proportion was 0.009 percent, which was a decrease of 0.001 percent from its proportion measured as of June 30, 2019.

**HAMILTON UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021**

NOTE 11 – PENSION PLANS (continued)

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

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

For the year ended June 30, 2021, the District recognized pension expense of \$468,013. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected and actual earnings on plan investments	\$ 60,365	\$ -
Differences between expected and actual experience	143,822	-
Changes in assumptions	10,634	-
Changes in proportion and differences between District contributions and proportionate share of contributions	47,781	285,655
District contributions subsequent to the measurement date	255,411	-
Total	<u>\$ 518,013</u>	<u>\$ 285,655</u>

The \$255,411 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2022	\$ 122,277	\$ 98,502
2023	62,822	98,502
2024	48,677	88,651
2025	28,826	-
Total	<u>\$ 262,602</u>	<u>\$ 285,655</u>

Actuarial Assumptions

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2019, and rolling forward the total pension liability to June 30, 2020 using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

**HAMILTON UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021**

NOTE 11 – PENSION PLANS (continued)

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

Actuarial Assumptions (continued)

The actuarial assumptions used in the June 30, 2019, valuation were based on the results of an actuarial experience study for the period from 1997 to 2015.

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

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

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

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

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

Discount Rate

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

**HAMILTON UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021**

NOTE 11 – PENSION PLANS (continued)

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

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

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

	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
District’s proportionate share of the net pension liability	\$ 4,169,010	\$ 2,899,813	\$ 1,846,443

Pension Plan Fiduciary Net Position

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

NOTE 12 – COMMITMENTS AND CONTINGENCIES

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2021.

B. Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all other litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2021.

C. Construction Commitments

As of June 30, 2021, the District had no construction commitments with respect to unfinished capital projects.

NOTE 13 – PARTICIPATION IN JOINT POWERS AUTHORITIES

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

**HAMILTON UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021**

NOTE 14 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

A. Pension Plans

Pursuant to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, the District recognized deferred outflows of resources related to pensions and deferred inflows of resources related to pensions in the District-wide financial statements. Further information regarding the deferred outflows of resources and deferred inflows of resources can be found at Note 11. At June 30, 2021, total deferred outflows related to pensions was \$2,126,143 and total deferred inflows related to pensions was \$560,845.

B. Other Postemployment Benefits

Pursuant to GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, the District recognized deferred outflows of resources related to other postemployment benefits and deferred inflows of resources related to other postemployment benefits in the District-wide financial statements. Further information regarding the deferred outflows of resources and deferred inflows of resources can be found at Note 10. At June 30, 2021, total deferred outflows related to other postemployment benefits was \$1,124,906.

NOTE 15 – RESTATEMENT OF NET POSITION AND FUND BALANCE

The amounts previously reported at June 30, 2020 as the ending net position for Governmental Activities and the ending fund balance for the General Fund, Student Activity Fund and Private-Purpose Trust Fund have been restated due to the implementation of GASB Statement No. 84, *Fiduciary Activities*. Based on the clarifications provided by GASB Statement No. 84 and California Education Code regarding associated student body (ASB) and scholarship accounts, it has been determined that the District’s ASB and scholarship accounts are not fiduciary because they do not meet the criteria established by GASB Statement No. 84, paragraph 11(c)(2) regarding administrative involvement. The June 30, 2020 ending balances have been restated as follows:

	Governmental Activities	Private-Purpose Trust Fund
Net Position - Beginning, as Previously Reported	\$ (870,322)	\$ 31,040
Restatement	174,629	(31,040)
Net Position - Beginning, as Restated	<u>\$ (695,693)</u>	<u>\$ -</u>
	General Fund	Student Activity Fund
Fund Balance - Beginning, as Previously Reported	\$ 1,555,237	\$ -
Restatement	31,040	143,589
Fund Balance - Beginning, as Restated	<u>\$ 1,586,277</u>	<u>\$ 143,589</u>

REQUIRED SUPPLEMENTARY INFORMATION

**HAMILTON UNIFIED SCHOOL DISTRICT
GENERAL FUND – BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2021**

	Budgeted Amounts		Actual* (Budgetary Basis)	Variances - Final to Actual
	Original	Final		
REVENUES				
LCFF sources	\$ 7,197,888	\$ 7,714,760	\$ 7,673,900	\$ (40,860)
Federal sources	252,770	1,162,188	1,393,475	231,287
Other state sources	483,279	561,743	1,012,563	450,820
Other local sources	74,840	150,442	204,753	54,311
Total Revenues	8,008,777	9,589,133	10,284,691	695,558
EXPENDITURES				
Certificated salaries	2,944,886	3,115,770	3,304,404	(188,634)
Classified salaries	947,558	1,046,639	1,095,169	(48,530)
Employee benefits	1,658,150	1,748,334	1,827,090	(78,756)
Books and supplies	414,755	745,160	711,448	33,712
Services and other operating expenditures	896,133	1,144,946	1,009,389	135,557
Capital outlay	306,728	410,340	466,698	(56,358)
Other outgo				
Excluding transfers of indirect costs	900,372	990,860	965,538	25,322
Transfers of indirect costs	(17,786)	(17,786)	(8,756)	(9,030)
Total Expenditures	8,050,796	9,184,263	9,370,980	(186,717)
Excess (Deficiency) of Revenues Over Expenditures	(42,019)	404,870	913,711	508,841
Other Financing Sources (Uses)				
Transfers out	(25,000)	(25,000)	(75,000)	(50,000)
Net Financing Sources (Uses)	(25,000)	(25,000)	(75,000)	(50,000)
NET CHANGE IN FUND BALANCE	(67,019)	379,870	838,711	458,841
Fund Balance - Beginning, as Restated	918,361	918,361	918,361	-
Fund Balance - Ending	\$ 851,342	\$ 1,298,231	\$ 1,757,072	\$ 458,841

* 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 \$366,415 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.
- The actual amount reported for beginning fund balance includes restatement promulgated by GASB Statement No. 84.

**HAMILTON UNIFIED SCHOOL DISTRICT
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Total OPEB Liability				
Service cost	\$ 157,365	\$ 136,970	\$ 59,372	\$ 57,643
Interest on total OPEB liability	81,491	45,377	34,889	35,569
Difference between expected and actual experience	-	1,092,942	(36,932)	-
Changes of assumptions	134,839	142,459	-	-
Benefits payments	<u>(131,353)</u>	<u>(45,447)</u>	<u>(65,379)</u>	<u>(163,783)</u>
Net change in total OPEB liability	242,342	1,372,301	(8,050)	(70,571)
Total OPEB liability - beginning	<u>2,511,352</u>	<u>1,139,051</u>	<u>1,147,101</u>	<u>1,217,672</u>
Total OPEB liability - ending	<u>\$ 2,753,694</u>	<u>\$ 2,511,352</u>	<u>\$ 1,139,051</u>	<u>\$ 1,147,101</u>
Covered-employee payroll	\$ 4,723,409	\$ 4,699,030	\$ 4,907,547	\$ 4,720,386
District's total OPEB liability as a percentage of covered-employee payroll	58.30%	53.44%	23.21%	24.30%

See accompanying note to required supplementary information.

**HAMILTON UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - CALSTRS
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
District's proportion of the net pension liability	0.006%	0.006%	0.006%	0.006%	0.006%	0.006%	0.006%
District's proportionate share of the net pension liability	\$ 6,280,750	\$ 5,660,584	\$ 5,724,627	\$ 5,517,090	\$ 4,929,244	\$ 4,289,136	\$ 3,454,068
State's proportionate share of the net pension liability associated with the District	<u>3,237,702</u>	<u>3,088,251</u>	<u>3,277,633</u>	<u>3,263,891</u>	<u>2,806,545</u>	<u>2,268,474</u>	<u>2,085,715</u>
Total	\$ 9,518,452	\$ 8,748,835	\$ 9,002,260	\$ 8,780,981	\$ 7,735,789	\$ 6,557,610	\$ 5,539,783
District's covered payroll	\$ 3,520,694	\$ 3,394,579	\$ 3,327,082	\$ 3,193,611	\$ 3,041,124	\$ 2,952,115	\$ 2,632,667
District's proportionate share of the net pension liability as a percentage of its covered payroll	178.4%	166.8%	172.1%	172.8%	162.1%	145.3%	131.2%
Plan fiduciary net position as a percentage of the total pension liability	71.8%	72.6%	71.0%	69.5%	70.0%	74.0%	76.5%

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

**HAMILTON UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - CALPERS
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
District's proportion of the net pension liability	0.009%	0.011%	0.011%	0.009%	0.009%	0.009%	0.009%
District's proportionate share of the net pension liability	\$ 2,899,813	\$ 3,186,416	\$ 2,810,059	\$ 2,255,628	\$ 1,829,810	\$ 1,380,963	\$ 1,064,892
District's covered payroll	\$ 1,363,897	\$ 1,512,968	\$ 1,393,304	\$ 1,207,955	\$ 1,113,685	\$ 1,030,826	\$ 984,697
District's proportionate share of the net pension liability as a percentage of its covered payroll	212.6%	210.6%	201.7%	186.7%	164.3%	134.0%	108.1%
Plan fiduciary net position as a percentage of the total pension liability	70.0%	70.0%	70.8%	71.9%	73.9%	79.4%	83.4%

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

**HAMILTON UNIFIED SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS - CALSTRS
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 533,532	\$ 597,873	\$ 568,939	\$ 480,098	\$ 400,723	\$ 327,759	\$ 262,013
Contributions in relation to the contractually required contribution*	(533,532)	(597,873)	(568,939)	(480,098)	(400,723)	(327,759)	(262,013)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 3,293,589	\$ 3,520,694	\$ 3,394,579	\$ 3,327,082	\$ 3,193,611	\$ 3,041,124	\$ 2,952,115
Contributions as a percentage of covered payroll	16.20%	16.98%	16.76%	14.43%	12.55%	10.78%	8.88%

*Amounts do not include on-behalf contributions

**HAMILTON UNIFIED SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS - CALPERS
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 255,411	\$ 268,410	\$ 273,239	\$ 216,394	\$ 167,570	\$ 131,477	\$ 121,898
Contributions in relation to the contractually required contribution*	(255,411)	(268,410)	(273,239)	(216,394)	(167,570)	(131,477)	(121,898)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 1,233,857	\$ 1,363,897	\$ 1,512,968	\$ 1,393,304	\$ 1,207,955	\$ 1,113,685	\$ 1,030,826
Contributions as a percentage of covered payroll	20.70%	19.68%	18.06%	15.53%	13.87%	11.81%	11.83%

*Amounts do not include on-behalf contributions

**HAMILTON UNIFIED SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 1 – PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

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

Schedule of Changes in Total OPEB Liability and Related Ratios

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

Changes in Benefit Terms

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

Changes in Assumptions

There discount rate changed from 3.13% to 2.45% since the previous valuation for OPEB. The healthcare trend rate changed from 6.00% to 5.90 since the previous measurement for OPEB.

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

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

Changes in Benefit Terms

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

Changes in Assumptions

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

Schedule of District Contributions

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

**HAMILTON UNIFIED SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION, continued
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2021, the District incurred an excess of expenditures over appropriations in individual major funds presented in the Budgetary Comparison Schedule by major object code, as follows:

	Expenditures and Other Uses		
	Budget	Actual	Excess
General Fund			
Certificated salaries	\$ 3,115,770	\$ 3,304,404	\$ 188,634
Classified salaries	\$ 1,046,639	\$ 1,095,169	\$ 48,530
Capital outlay	\$ 410,340	\$ 466,698	\$ 56,358
Other outgo			
Transfers of indirect costs	\$ (17,786)	\$ (8,756)	\$ 9,030

SUPPLEMENTARY INFORMATION

**HAMILTON UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021**

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster</u>	<u>AL Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
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	84.010	14329	\$ 153,211
Adult Education: Adult Basic Education & ESL	84.002A	14508	9,573
Adult Education: Adult Secondary Education	84.002	13978	3,372
Subtotal Adult Education			<u>12,945</u>
Title II, Part A, Supporting Effective Instruction Local Grants	84.367	14341	6,195
Title III			
Title III, English Learner Student Program	84.365	14346	21,475
Title III, Immigrant Education Program	84.365	15146	2,438
Subtotal Title III			<u>23,913</u>
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424	15396	10,054
Title VI, Part B, Rural & Low Income School Program	84.358B	14356	11,047
Vocational Programs: Voc & Appl Tech Secondary II C, Sec 131 (Carl Perkins Act)	84.048	14894	5,963
COVID-19 Emergency Acts Funding/Education Stabilization Fund Discretionary Grants [1]:			
Governor's Emergency Education Relief (GEER) Fund	84.425C	15517	45,541
Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D	15536	143,651
Elementary and Secondary School Emergency Relief II (ESSER II) Fund	84.425D	15547	277,993
Subtotal Education Stabilization Fund Discretionary Grants			<u>467,185</u>
Total U. S. Department of Education			<u>690,513</u>
U. S. DEPARTMENT OF AGRICULTURE:			
<i>Passed through California Department of Education:</i>			
COVID-19 Emergency Acts Funding/Extending Summer Food Service Program and SSO:			
Child Nutrition Cluster			
School Breakfast Program - Needy	10.553	13526	76,752
National School Lunch Program	10.555	13391	144,518
USDA Commodities [2]	10.555	*	14,853
Subtotal Child Nutrition Cluster			<u>236,123</u>
CACFP Claims - Centers and Family Day Care	10.558	13393	40,511
Forest Reserve Funds	10.665	10044	1,875
Total U. S. Department of Agriculture			<u>278,509</u>
U. S. DEPARTMENT OF THE TREASURY:			
<i>Passed through California Department of Education:</i>			
COVID-19 Emergency Acts Funding:			
Coronavirus Relief Fund (CRF): Learning Loss Mitigation [1]	21.019	25516	702,693
Total U. S. Department of the Treasury			<u>702,693</u>
Total Federal Expenditures			<u>\$ 1,671,715</u>

[1] - Major Program

[2] - In-Kind Contribution

* - Pass-Through Entity Identifying Number not available or not applicable

**HAMILTON UNIFIED SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2021**

Grade Level	2020-21 Number of Days	Status
Kindergarten	180	Complied
Grade 1	180	Complied
Grade 2	180	Complied
Grade 3	180	Complied
Grade 4	180	Complied
Grade 5	180	Complied
Grade 6	180	Complied
Grade 7	180	Complied
Grade 8	180	Complied
Grade 9	180	Complied
Grade 10	180	Complied
Grade 11	180	Complied
Grade 12	180	Complied

**HAMILTON UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2021**

	2022 (Budget)	2021	2020	2019
General Fund - Budgetary Basis**				
Revenues And Other Financing Sources	\$ 8,961,694	\$ 10,284,691	\$ 8,805,469	\$ 8,768,795
Expenditures And Other Financing Uses	9,833,349	9,445,980	9,176,691	9,457,335
Net change in Fund Balance	\$ (871,655)	\$ 838,711	\$ (371,222)	\$ (688,540)
Ending Fund Balance****	\$ 885,417	\$ 1,757,072	\$ 887,321	\$ 1,258,543
Available Reserves*	\$ 643,850	\$ 1,206,340	\$ 758,300	\$ 1,308,367
Available Reserves As A Percentage Of Outgo	6.55%	12.77%	8.26%	13.83%
Long-term Liabilities	\$ 14,354,878	\$ 14,719,490	\$ 14,542,022	\$ 13,002,591
Average Daily Attendance At P-2***	681	667	667	688

The General Fund ending fund balance has increased by \$498,529 over the past two years. The fiscal year 2021-22 budget projects a decrease of \$871,655. 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 an operating deficit in two of the past three years and anticipates incurring an operating deficit during the 2021-22 fiscal year. Total long-term obligations have increased by \$1,716,899 over the past two years.

Average daily attendance has decreased by 21 ADA over the past two years. An increase of 14 ADA is anticipated during the 2021-22 fiscal year.

*Available reserves consist of all unassigned fund balance within the General Fund.

**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 the Special Reserve Fund for Postemployment Benefits funds, in accordance with the fund type definitions promulgated by GASB Statement No. 54. Amounts also include the financial activity of the Scholarship fund, in accordance with the fund type definitions promulgated by GASB Statement No. 84.

On-behalf payments of \$366,415 are not included in the actual revenues and expenditures reported in this schedule.

***Due to the COVID-19 pandemic, Average Daily Attendance at P-2 was not reported in 2021. Funding was based on Average Daily Attendance at P-2 as reported in 2020.

****The actual amount reported for 2020-21 ending fund balance includes restatement promulgated by GASB Statement No. 84.

**HAMILTON UNIFIED SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL
STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

	General Fund	Special Reserve Fund for Other Than Capital Outlay Projects	Special Reserve Fund for Postemployment Benefits
June 30, 2021, annual financial and budget report fund balance	\$ 1,757,072	\$ 443,922	\$ 219,558
Adjustments and reclassifications:			
Increase (decrease) in total fund balances:			
Fund balance transfer (GASB 54)	663,480	(443,922)	(219,558)
Capital lease adjustment	8,880	-	-
Net adjustments and reclassifications	<u>672,360</u>	<u>(443,922)</u>	<u>(219,558)</u>
June 30, 2021, audited financial statement fund balance	<u>\$ 2,429,432</u>	<u>\$ -</u>	<u>\$ -</u>

**HAMILTON UNIFIED SCHOOL DISTRICT
COMBINING BALANCE SHEET
JUNE 30, 2021**

	Student Activity Fund	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	Non-Major Governmental Funds
ASSETS							
Cash and investments	\$ 162,050	\$ 182,018	\$ -	\$ 2,500	\$ 90,856	\$ 189,466	\$ 626,890
Accounts receivable	-	13,798	18,498	46,178	185	530	79,189
Due from other funds	-	184	-	-	-	-	184
Stores inventory	-	-	-	3,145	-	-	3,145
Total Assets	\$ 162,050	\$ 196,000	\$ 18,498	\$ 51,823	\$ 91,041	\$ 189,996	\$ 709,408
LIABILITIES							
Deficit cash	\$ -	\$ -	\$ 13,559	\$ 10,642	\$ -	\$ -	\$ 24,201
Accrued liabilities	-	19,477	2,280	7,778	-	-	29,535
Due to other funds	-	8,756	-	-	-	-	8,756
Total Liabilities	-	28,233	15,839	18,420	-	-	62,492
FUND BALANCES							
Non-spendable	-	-	-	3,145	-	-	3,145
Restricted	162,050	167,767	2,659	30,258	-	189,996	552,730
Committed	-	-	-	-	91,041	-	91,041
Total Fund Balances	162,050	167,767	2,659	33,403	91,041	189,996	646,916
Total Liabilities and Fund Balance	\$ 162,050	\$ 196,000	\$ 18,498	\$ 51,823	\$ 91,041	\$ 189,996	\$ 709,408

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, 2021**

	Student Activity Fund	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	Non-Major Governmental Funds
REVENUES							
LCFF sources	\$ -	\$ -	\$ -	\$ -	\$ 25,000	\$ -	\$ 25,000
Federal sources	-	12,945	-	276,634	-	-	289,579
Other state sources	-	209,925	141,710	45,820	-	-	397,455
Other local sources	140,800	2,382	743	161	903	5,992	150,981
Total Revenues	140,800	225,252	142,453	322,615	25,903	5,992	863,015
EXPENDITURES							
Current							
Instruction	-	85,873	141,494	-	-	-	227,367
Instruction-related services							
School site administration	-	101,742	-	-	-	-	101,742
Pupil services							
Food services	-	-	-	377,615	-	-	377,615
General administration							
All other general administration	-	8,756	-	-	-	-	8,756
Plant services	-	459	459	-	2,120	-	3,038
Ancillary services	122,339	-	-	-	-	-	122,339
Total Expenditures	122,339	196,830	141,953	377,615	2,120	-	840,857
NET CHANGE IN FUND BALANCE	18,461	28,422	500	(55,000)	23,783	5,992	22,158
Fund Balance - Beginning, as Restated	143,589	139,345	2,159	88,403	67,258	184,004	624,758
Fund Balance - Ending	\$ 162,050	\$ 167,767	\$ 2,659	\$ 33,403	\$ 91,041	\$ 189,996	\$ 646,916

See accompanying note to supplementary information.

**HAMILTON UNIFIED SCHOOL DISTRICT
 LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
 JUNE 30, 2021**

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

GOVERNING BOARD

Member	Office	Term Expires
Hubert "Wendell" Lower	President	December 2024
Rod Boone	Clerk	December 2024
Gabriel Leal	Member	December 2024
Ray Odom	Member	December 2022
Genaro Reyes	Member	December 2022

DISTRICT ADMINISTRATORS

Jeremy Powell, Ed.D.
Superintendent

Kristen Hamman
Chief Business Official

**HAMILTON UNIFIED SCHOOL DISTRICT
 NOTES TO SUPPLEMENTARY INFORMATION
 JUNE 30, 2021**

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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

The following schedule provides reconciliation between revenues reported on the Statement of Revenue, Expenditures, and Changes in Fund Balance, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts represent Federal funds that have been recorded as revenues in a prior year that have been expended by June 30, 2021 or Federal funds that have been recorded as revenues in the current year and were not expended by June 30, 2021.

	AL	
	Number	Amount
Total Federal Revenues reported in the Statement of Revenues, Expenditures, and Changes in Fund Balance		\$ 1,683,054
Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D	(7,159)
Coronavirus Relief Fund (CRF): Learning Loss Mitigation	21.019	(4,180)
Total Expenditures reported in the Schedule of Expenditures of Federal Awards		<u>\$ 1,671,715</u>

The District has not elected to use the 10 percent de minimis indirect cost rate.

Schedule of Instructional Time

This schedule presents information on the amount of instructional time offered by the District and whether the District complied with article 8 (commencing with section 46200) of chapter 2 of part 26 of the *Education Code*.

Schedule of Financial Trends and Analysis

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

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

Combining Statements – Non-Major Funds

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

Local Education Agency Organization Structure

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

OTHER INDEPENDENT AUDITORS' REPORTS

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

Independent Auditors' Report

Governing Board
Hamilton Unified School District
Hamilton City, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hamilton Unified School District, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Hamilton Unified School District's basic financial statements, and have issued our report thereon dated January 24, 2022.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Christy White, Inc.

San Diego, California
January 24, 2022

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**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 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, 2021. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, 2021.

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 the Uniform Guidance, 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Christy White, Inc.

San Diego, California
January 24, 2022

REPORT ON STATE COMPLIANCEIndependent Auditors' Report

Governing Board
Hamilton Unified School District
Hamilton City, California

Report on State Compliance

We have audited Hamilton Unified School District's compliance with the types of compliance requirements described in the *2020-2021 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, California Code of Regulations, section 19810, that could have a direct and material effect on each of Hamilton Unified School District's state programs for the fiscal year ended June 30, 2021, 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 *2020-2021 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, California Code of Regulations, section 19810. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the state programs noted below occurred. An audit includes examining, on a test basis, evidence about Hamilton Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on State Compliance

In our opinion, Hamilton Unified School District complied, in all material respects, with the types of compliance requirements referred to above that are applicable to the state programs noted in the table below for the year ended June 30, 2021.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are described in the accompanying schedule of findings and questioned costs as Finding #2021-001. Our opinion on state compliance is not modified with respect to these matters.

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

Procedures Performed

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

PROGRAM NAME	PROCEDURES PERFORMED
Local Education Agencies Other Than Charter Schools	
Attendance and Distance Learning	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
K-3 Grade Span Adjustment	Yes
Apprenticeship: Related and Supplemental Instruction	Not Applicable
Comprehensive School Safety Plan	Yes
District of Choice	Not Applicable
School Districts, County Offices of Education, and Charter Schools	
California Clean Energy Jobs Act	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Charter Schools	
Independent Study-Course Based; for charter schools	Not Applicable
Attendance; for charter schools	Not Applicable
Mode of Instruction; for charter schools	Not Applicable
Nonclassroom-Based Instruction/Independent Study; for charter schools	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction; for charter schools	Not Applicable
Charter School Facility Grant Program	Not Applicable

Christy White, Inc.

San Diego, California
January 24, 2022

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**HAMILTON UNIFIED SCHOOL DISTRICT
SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2021**

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>None Reported</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 Uniform Guidance 2 CFR 200.516(a)?	<u>No</u>
Identification of major programs:	

<u>AL Number(s)</u>	<u>Name of Federal Program or Cluster</u>
	COVID-19 Emergency Acts
	Funding/Education Stabilization Fund
	Discretionary Grants
<u>84.425C, 84.425D</u>	<u>Coronavirus Relief Fund (CRF):</u>
<u>21.019</u>	<u>Learning Loss Mitigation</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 750,000</u>
Auditee qualified as low-risk auditee?	<u>No</u>

STATE AWARDS

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

**HAMILTON UNIFIED SCHOOL DISTRICT
FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2021**

FIVE DIGIT CODE

20000
30000

AB 3627 FINDING TYPE

Inventory of Equipment
Internal Control

There were no financial statement findings for the year ended June 30, 2021.

**HAMILTON UNIFIED SCHOOL DISTRICT
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021**

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, 2021.

**HAMILTON UNIFIED SCHOOL DISTRICT
STATE AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021**

FIVE DIGIT CODE

10000
40000
42000
43000
60000
61000
62000
70000
71000
72000

AB 3627 FINDING TYPE

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

FINDING #2021-001: CLASSROOM TEACHER SALARIES (61000)

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

Condition: In the 2020-21 fiscal year, the District did not meet the minimum percentage requirement of 55% for a unified school district. The District only spent 49.81% on classroom teacher salaries resulting in a shortfall of 5.19%.

Effect: The District's current expense of education for the year ended June 30, 2021 was \$7,536,923 and the total salaries and benefits for classroom teachers was \$3,753,888. The District was below the minimum required percentage of 55% by 5.19% which calculates out to a deficiency of \$391,166.

Cause: The deficiency was mainly due to increases in non-personnel expenditures related to the pandemic not included in the reduction column (4b), which is part of the calculation of the percent of current cost of education expended for classroom compensation. This creates an understatement of the percent spent by the district.

Questioned Costs: The questioned costs are the deficiency of \$391,166.

Repeat Finding: Yes, this is a repeat finding. Refer to Finding #2020-002.

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

Corrective Action Plan: The County approved the District's application for exemption. The District is working with the County to determine and identify what expenditures can be included in the reduction column (4b) to more properly calculate the percent of current cost of education expended for classroom compensation and meet the minimum percentage requirement in future years.

**HAMILTON UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2021**

FINDING #2020-001: INTERFUND ACTIVITY (30000)

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

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

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

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

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

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

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

Current Status: Implemented.

**HAMILTON UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, continued
FOR THE YEAR ENDED JUNE 30, 2021**

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

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

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

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

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

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

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

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

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

Current Status: Not implemented. Refer to Finding #2021-001.

**HAMILTON UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, continued
FOR THE YEAR ENDED JUNE 30, 2021**

FINDING #2020-003: INSTRUCTIONAL MATERIALS (70000)

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

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

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

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

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

Repeat Finding: No, this not a repeat finding.

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

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

Current Status: Implemented.