

HAMILTON UNIFIED SCHOOL DISTRICT

AUDIT REPORT
JUNE 30, 2018

San Diego

Los Angeles

San Francisco
Bay Area

christy  white
A PROFESSIONAL
ACCOUNTANCY CORPORATION *associates*

HAMILTON UNIFIED SCHOOL DISTRICT
TABLE OF CONTENTS
JUNE 30, 2018

FINANCIAL SECTION

Independent Auditors' Report	1
Management's Discussion and Analysis.....	4
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position	11
Statement of Activities	12
Fund Financial Statements	
Governmental Funds – Balance Sheet	13
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	14
Governmental Funds – Statement of Revenues, Expenditures, and Changes in Fund Balances.....	15
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	16
Fiduciary Funds – Statement of Net Position.....	18
Fiduciary Funds – Statement of changes in Net Position	19
Notes to Financial Statements	20

REQUIRED SUPPLEMENTARY INFORMATION

General Fund – Budgetary Comparison Schedule	55
Schedule of Changes in Total OPEB Liability and Related Ratios.....	56
Schedule of the District's Proportionate Share of the Net Pension Liability - CalSTRS	57
Schedule of the District's Proportionate Share of the Net Pension Liability - CalPERS.....	58
Schedule of District Contributions - CalSTRS	59
Schedule of District Contributions - CalPERS.....	60
Notes to Required Supplementary Information.....	61

SUPPLEMENTARY INFORMATION

Schedule of Average Daily Attendance (ADA).....	63
Schedule of Instructional Time	64
Schedule of Financial Trends and Analysis	65
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements.....	66
Combining Statements – Non-Major Governmental Funds	
Combining Balance Sheet	67
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	68
Local Education Agency Organization Structure	69
Notes to Supplementary Information.....	70

HAMILTON UNIFIED SCHOOL DISTRICT
TABLE OF CONTENTS
JUNE 30, 2018

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* 71
Report on State Compliance..... 73

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Summary of Auditors' Results 76
Financial Statement Findings..... 77
State Award Findings and Questioned Costs..... 78
Summary Schedule of Prior Audit Findings 79

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, the major fund, and the aggregate remaining fund information of the Hamilton Unified School District, as of and for the year ended June 30, 2018, 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.

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State Board of Accountancy

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Hamilton Unified School District, as of June 30, 2018, 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

As discussed in Notes 1 and 9 to the financial statements, in 2018 Hamilton Unified School District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. 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 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2018 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 Associates

San Diego, California
December 10, 2018

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

INTRODUCTION

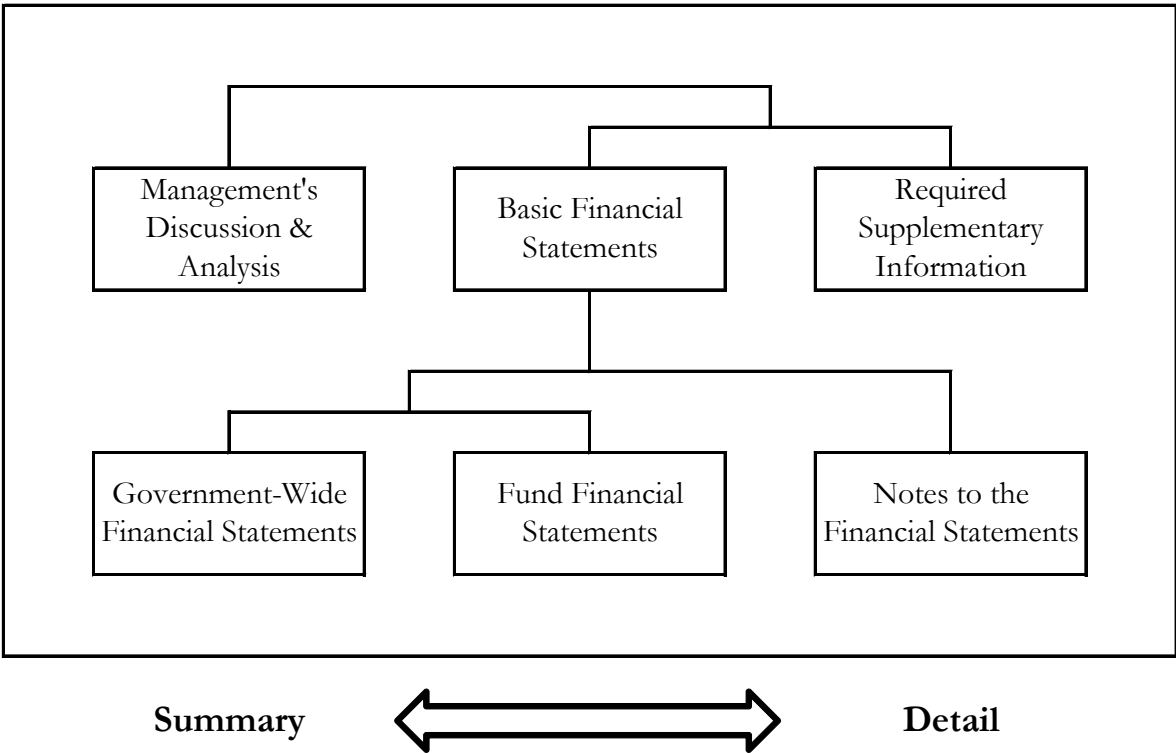
Our discussion and analysis of Hamilton Unified School District's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2018. It should be read in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's total net position was \$1,588,288 at June 30, 2018. This was a decrease of \$533,963 from the prior year after restatement.
- Overall revenues were \$9,080,650 which was less than expenses of \$9,614,613.

OVERVIEW OF FINANCIAL STATEMENTS

Components of the Financials Section



**HAMILTON UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2018**

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

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

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

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

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

Government-Wide Statements

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

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

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

**HAMILTON UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2018**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

Net Position

The District's net position was \$1,588,288 at June 30, 2018, as reflected in the table below. Of this amount, \$(5,196,028) 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		
	2018	2017	Net Change
ASSETS			
Current and other assets	\$ 3,704,928	\$ 4,234,623	\$ (529,695)
Capital assets	5,951,927	5,810,531	141,396
Total Assets	9,656,855	10,045,154	(388,299)
DEFERRED OUTFLOWS OF RESOURCES	2,609,278	1,591,614	1,017,664
LIABILITIES			
Current liabilities	701,972	519,302	182,670
Long-term liabilities	9,472,809	7,655,504	1,817,305
Total Liabilities	10,174,781	8,174,806	1,999,975
DEFERRED INFLOWS OF RESOURCES	503,064	361,159	141,905
NET POSITION			
Net investment in capital assets	5,454,727	5,240,731	213,996
Restricted	1,329,589	1,368,668	(39,079)
Unrestricted	(5,196,028)	(3,508,596)	(1,687,432)
Total Net Position	\$ 1,588,288	\$ 3,100,803	\$ (1,512,515)

**HAMILTON UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2018**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

Changes in Net Position

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

	Governmental Activities		
	2018	2017	Net Change
REVENUES			
Program revenues			
Charges for services	\$ 32,677	\$ 37,577	\$ (4,900)
Operating grants and contributions	1,175,415	1,747,334	(571,919)
General revenues			
Property taxes	1,561,966	1,490,547	71,419
Unrestricted federal and state aid	5,926,227	6,357,681	(431,454)
Other	384,365	219,840	164,525
Total Revenues	9,080,650	9,852,979	(772,329)
EXPENSES			
Instruction	5,062,754	5,148,292	(85,538)
Instruction-related services	1,245,189	1,324,141	(78,952)
Pupil services	961,545	861,522	100,023
General administration	743,046	632,710	110,336
Plant services	938,943	1,743,213	(804,270)
Debt service	21,639	25,160	(3,521)
Other outgo	641,497	597,451	44,046
Total Expenses	9,614,613	10,332,489	(717,876)
Change in net position	(533,963)	(479,510)	(54,453)
Net Position - Beginning, as Restated*	2,122,251	3,580,313	(1,458,062)
Net Position - Ending	\$ 1,588,288	\$ 3,100,803	\$ (1,512,515)

* Beginning Net Position was restated for the 2018 year only

**HAMILTON UNIFIED SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2018**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

Changes in Net Position (continued)

The total cost of all our governmental activities this year was \$9,614,613, while net cost of services was only \$8,406,521 (refer to the table below). The amount that our taxpayers ultimately financed for these activities through taxes was only \$1,561,966 because the cost was paid by other governments and organizations who subsidized certain programs with grants and contributions.

	Net Cost of Services	
	2018	2017
Instruction	\$ 4,634,749	\$ 4,140,739
Instruction-related services	1,061,306	1,170,037
Pupil services	477,497	416,766
General administration	711,259	609,950
Plant services	858,574	1,587,646
Debt service	21,639	25,160
Transfers to other agencies	641,497	597,280
Total Expenses	\$ 8,406,521	\$ 8,547,578

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 \$3,128,176, which is less than last year’s ending fund balance of \$3,842,342. The District’s General Fund had \$665,777 less in operating revenues than expenditures for the year ended June 30, 2018.

CURRENT YEAR BUDGET 2017-2018

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

**HAMILTON UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2018**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2017-2018 the District had invested \$5,951,927 in capital assets, net of accumulated depreciation.

	Governmental Activities		
	2018	2017	Net Change
CAPITAL ASSETS			
Land	\$ 293,887	\$ 293,887	\$ -
Construction in progress	439,471	-	439,471
Land improvements	604,362	604,362	-
Buildings & improvements	9,278,697	9,278,697	-
Furniture & equipment	1,629,370	1,600,215	29,155
Accumulated depreciation	(6,293,860)	(5,966,630)	(327,230)
Total Capital Assets	\$ 5,951,927	\$ 5,810,531	\$ 141,396

Long-Term Liabilities

At year-end, the District had \$9,472,809 in long-term liabilities, a 9.71% increase from last year – as shown in the table below. (More detailed information about the District's long-term liabilities is presented in footnotes to the financial statements.)

	Governmental Activities		
	2018	2017	Net Change
LONG-TERM LIABILITIES			
Total general obligation bonds	\$ 497,200	\$ 569,800	\$ (72,600)
Early retirement incentive	141,220	185,432	(44,212)
Compensated absences	30,882	18,910	11,972
Total OPEB liability*	1,147,101	1,217,672	(70,571)
Net pension liability	7,772,718	6,759,054	1,013,664
Less: current portion of long-term debt	(116,312)	(116,812)	500
Total Long-term Liabilities	\$ 9,472,809	\$ 8,634,056	\$ 838,753

**Total OPEB liability for 2017 was restated in order to record the District's total OPEB liability in accordance with GASB Statement No. 75 which supersedes GASB Statement No. 45 for the year ended June 30, 2018.*

**HAMILTON UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2018**

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.

The State's economy continues to be strong but a new governor could change the fiscal policy for the funding of public education, within the boundaries of Proposition 98. Past fiscal allocations had included higher than expected funding but on-going funding may not be as strong. The UCLA Anderson Forecast (June 2018) noted that the "era of ultra-low interest rates has passed and the economy is at full employment," which creates difficulty sustaining continued growth at the rate recently experienced. And, according to the California Legislative Analyst's Office, there are concerns about a possible mild recession.

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. The 2018-19 adopted State Budget fully funded the LCFF funding gap two years ahead of schedule.

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

The District participates in state employee pensions plans, PERS and STRS, and both are underfunded. The District's proportionate share of the liability is reported in the Statement of Net Position as of June 30, 2018. The amount of the liability is material to the financial position of the District. To address the underfunding issues, the pension plans continue to raise employer rates in future years and the increased costs are significant.

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 2018-19 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, 2018

	Governmental Activities
ASSETS	
Cash and investments	\$ 3,444,863
Accounts receivable	253,677
Inventory	6,388
Capital assets, not depreciated	733,358
Capital assets, net of accumulated depreciation	5,218,569
Total Assets	9,656,855
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	2,494,861
Deferred outflows related to OPEB	114,417
Total Deferred Outflows of Resources	2,609,278
LIABILITIES	
Accrued liabilities	585,660
Long-term liabilities, current portion	116,312
Long-term liabilities, non-current portion	9,472,809
Total Liabilities	10,174,781
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	503,064
Total Deferred Inflows of Resources	503,064
NET POSITION	
Net investment in capital assets	5,454,727
Restricted:	
Capital projects	103,436
Debt service	147,080
Educational programs	923,437
All others	155,636
Unrestricted	(5,196,028)
Total Net Position	\$ 1,588,288

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

**HAMILTON UNIFIED SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018**

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	\$ 5,062,754	\$ 421	\$ 427,584	\$ (4,634,749)
Instruction-related services				
Instructional supervision and administration	299	-	-	(299)
Instructional library, media, and technology	219,168	745	-	(218,423)
School site administration	1,025,722	398	182,740	(842,584)
Pupil services				
Home-to-school transportation	167,852	-	-	(167,852)
Food services	592,717	30,352	451,678	(110,687)
All other pupil services	200,976	-	2,018	(198,958)
General administration				
All other general administration	743,046	-	31,787	(711,259)
Plant services	938,943	761	79,608	(858,574)
Interest on long-term debt	21,639	-	-	(21,639)
Other outgo	641,497	-	-	(641,497)
Total Governmental Activities	\$ 9,614,613	\$ 32,677	\$ 1,175,415	(8,406,521)
General revenues				
Taxes and subventions				
Property taxes, levied for general purposes				1,488,371
Property taxes, levied for debt service				73,595
Federal and state aid not restricted for specific purposes				5,926,227
Interest and investment earnings				33,683
Miscellaneous				350,682
Subtotal, General Revenue				7,872,558
CHANGE IN NET POSITION				(533,963)
Net Position - Beginning, as Restated				2,122,251
Net Position - Ending				\$ 1,588,288

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

HAMILTON UNIFIED SCHOOL DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2018

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS			
Cash and investments	\$ 2,921,308	\$ 523,555	\$ 3,444,863
Accounts receivable	186,055	67,622	253,677
Due from other funds	42,719	7,830	50,549
Stores inventory	-	6,388	6,388
Total Assets	\$ 3,150,082	\$ 605,395	\$ 3,755,477
LIABILITIES			
Accrued liabilities	\$ 567,415	\$ 9,337	\$ 576,752
Due to other funds	7,830	42,719	50,549
Total Liabilities	575,245	52,056	627,301
FUND BALANCES			
Nonspendable	10,000	6,388	16,388
Restricted	825,070	513,427	1,338,497
Committed	-	33,524	33,524
Assigned	207,735	-	207,735
Unassigned	1,532,032	-	1,532,032
Total Fund Balances	2,574,837	553,339	3,128,176
Total Liabilities and Fund Balances	\$ 3,150,082	\$ 605,395	\$ 3,755,477

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, 2018**

Total Fund Balance - Governmental Funds \$ 3,128,176

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

Capital assets	\$ 12,245,787	
Accumulated depreciation	(6,293,860)	5,951,927

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:

(8,908)

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	\$ 497,200	
Early retirement incentive	141,220	
Compensated absences	30,882	
Total OPEB liability	1,147,101	
Net pension liability	7,772,718	(9,589,121)

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

Deferred outflows of resources related to pensions	\$ 2,494,861	
Deferred inflows of resources related to pensions	(503,064)	1,991,797

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

Deferred outflows of resources related to OPEB	\$ 114,417	
Deferred inflows of resources related to OPEB	-	114,417

Total Net Position - Governmental Activities \$ 1,588,288

**HAMILTON UNIFIED SCHOOL DISTRICT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2018**

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES			
LCFF sources	\$ 7,117,478	\$ 53,000	\$ 7,170,478
Federal sources	275,214	467,503	742,717
Other state sources	760,177	351,443	1,111,620
Other local sources	110,634	116,814	227,448
Total Revenues	8,263,503	988,760	9,252,263
EXPENDITURES			
Current			
Instruction	4,920,948	239,520	5,160,468
Instruction-related services			
Instructional supervision and administration	299	-	299
Instructional library, media, and technology	204,769	-	204,769
School site administration	919,262	80,131	999,393
Pupil services			
Home-to-school transportation	102,676	-	102,676
Food services	5,613	543,900	549,513
All other pupil services	194,954	-	194,954
General administration			
All other general administration	696,353	-	696,353
Plant services	812,555	68,940	881,495
Facilities acquisition and maintenance	430,354	9,118	439,472
Transfers to other agencies	641,497	-	641,497
Debt service			
Principal	-	72,600	72,600
Interest and other	-	22,940	22,940
Total Expenditures	8,929,280	1,037,149	9,966,429
Excess (Deficiency) of Revenues			
Over Expenditures	(665,777)	(48,389)	(714,166)
Other Financing Sources (Uses)			
Transfers in	-	36	36
Transfers out	-	(36)	(36)
Net Financing Sources (Uses)	-	-	-
NET CHANGE IN FUND BALANCE	(665,777)	(48,389)	(714,166)
Fund Balance - Beginning	3,240,614	601,728	3,842,342
Fund Balance - Ending	\$ 2,574,837	\$ 553,339	\$ 3,128,176

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, 2018**

Net Change in Fund Balances - Governmental Funds \$ (714,166)

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

Expenditures for capital outlay:	\$ 475,035	
Depreciation expense:	<u>(333,639)</u>	141,396

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-

72,600

Unmatured interest on long-term debt:

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

1,301

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:

(11,972)

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:

184,988

(continued on next page)

**HAMILTON UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF
ACTIVITIES, continued
FOR THE YEAR ENDED JUNE 30, 2018**

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:

(252,322)

Other liabilities not normally liquidated with current financial resources:

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

44,212

Change in Net Position of Governmental Activities

\$ (533,963)

HAMILTON UNIFIED SCHOOL DISTRICT
 FIDUCIARY FUNDS
 STATEMENT OF NET POSITION
 JUNE 30, 2018

	<u>Trust Funds</u>	<u>Agency Funds</u>
	<u>Private-Purpose</u>	<u>Student Body</u>
	<u>Trust Fund</u>	<u>Fund</u>
ASSETS		
Cash and investments	\$ 32,636	\$ 163,671
Total Assets	<u>32,636</u>	<u>\$ 163,671</u>
LIABILITIES		
Due to student groups	-	\$ 163,671
Total Liabilities	<u>-</u>	<u>\$ 163,671</u>
NET POSITION		
Restricted	32,636	
Total Net Position	<u>\$ 32,636</u>	

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

**HAMILTON UNIFIED SCHOOL DISTRICT
 FIDUCIARY FUNDS
 STATEMENT OF CHANGES IN NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Trust Funds</u>
	<u>Private-Purpose</u>
	<u>Trust Fund</u>
ADDITIONS	
Contributions	\$ 10,409
Total Additions	<u>10,409</u>
 DEDUCTIONS	
Other trust activities	<u>9,424</u>
Total Deductions	<u>9,424</u>
 CHANGE IN NET POSITION	985
Net Position - Beginning	<u>31,651</u>
Net Position - Ending	<u>\$ 32,636</u>

HAMILTON UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

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

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

B. Component Units

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

C. Basis of Presentation

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

The statement of activities presents a comparison between direct expenses and program revenue for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reserved for the statement of activities. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting of operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the District.

HAMILTON UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, *continued*
JUNE 30, 2018

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

C. Basis of Presentation (*continued*)

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

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

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

Major Governmental Funds

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

Non-Major Governmental Funds

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

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*).

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]*).

HAMILTON UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, *continued*
JUNE 30, 2018

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

C. Basis of Presentation (*continued*)

Non-Major Governmental Funds (*continued*)

Special Revenue Funds (*continued*):

Cafeteria Special Revenue Fund: This fund is used to account separately for federal, state, and local resources to operate the food service program (*Education Code Sections 38090–38093*). The Cafeteria Special Revenue Fund shall be used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (*Education Code Sections 38091 and 38100*).

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

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

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

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

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

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

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

C. Basis of Presentation (*continued*)

Fiduciary Funds

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

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

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

D. Basis of Accounting – Measurement Focus

Government-Wide and Fiduciary Financial Statements

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

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

Governmental Funds

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

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, 2018

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.

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, 2017
Measurement Date	June 30, 2017
Measurement Period	July 1, 2016 to June 30, 2017

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.

HAMILTON UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, *continued*
JUNE 30, 2018

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*)

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.

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.

HAMILTON UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, *continued*
JUNE 30, 2018

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

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

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

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

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

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

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

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

HAMILTON UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Interfund Activity

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

G. Estimates

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

H. Budgetary Data

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

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

I. Property Tax

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

HAMILTON UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, *continued*
JUNE 30, 2018

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

J. New Accounting Pronouncements

GASB Statement No. 75 – In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This standard’s primary objective is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions. The Statement is effective for periods beginning after June 15, 2017. The District has implemented GASB Statement No. 75 for the year ended June 30, 2018.

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 is effective for periods beginning after December 15, 2018. The District has not yet determined the impact on the financial statements.

GASB Statement No. 85 – In March 2017, GASB issued Statement No. 85, *Omnibus 2017*. This standard’s primary objective is to address practice issues that have been identified during implementation and application of certain GASB Statements. This statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The statement is effective for periods beginning after June 15, 2017. The District has implemented GASB Statement No. 85 for the year ended June 30, 2018.

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 is effective for periods beginning after December 15, 2019. The District has not determined the impact on the financial statements.

GASB Statement No. 88 – In April 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This standard’s primary objective is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The statement is effective for periods beginning after June 15, 2018. The District has not determined the impact on the financial statements.

HAMILTON UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2018

NOTE 2 – CASH AND INVESTMENTS

A. Summary of Cash and Investments

	Total	
	Governmental	Fiduciary
	Activities	Funds
	<hr/>	<hr/>
Investment in county treasury	\$ 3,429,863	\$ -
Cash on hand and in banks	5,000	196,307
Cash in revolving fund	10,000	-
Total cash and investments	<hr/> \$ 3,444,863	<hr/> \$ 196,307

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, 2018

NOTE 2 – CASH AND INVESTMENTS (continued)

C. General Authorizations

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

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

D. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Treasury. The District maintains a pooled investment with the County Treasury with a fair value of approximately \$3,424,057 and an amortized book value of \$3,429,863.

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, 2018, the pooled investments in the County Treasury were not rated.

HAMILTON UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2018

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, 2018, 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, 2018 were as follows:

	<u>Uncategorized</u>
Investment in county treasury	\$ 3,424,057
Total fair market value of investments	<u>\$ 3,424,057</u>

HAMILTON UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2018

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2018 consisted of the following:

	General Fund	Non-Major Governmental Funds	Total Governmental Activities
Federal Government			
Categorical aid	\$ 17,109	\$ 54,938	\$ 72,047
State Government			
Categorical aid	-	6,703	6,703
Lottery	29,484	-	29,484
Local Government			
Other local sources	139,462	5,981	145,443
Total	\$ 186,055	\$ 67,622	\$ 253,677

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018 was as follows:

	Balance July 01, 2017	Additions	Deletions	Balance June 30, 2018
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 293,887	\$ -	\$ -	\$ 293,887
Construction in progress	-	439,471	-	439,471
Total Capital Assets not Being Depreciated	293,887	439,471	-	733,358
Capital assets being depreciated				
Land improvements	604,362	-	-	604,362
Buildings & improvements	9,278,697	-	-	9,278,697
Furniture & equipment	1,600,215	35,564	6,409	1,629,370
Total Capital Assets Being Depreciated	11,483,274	35,564	6,409	11,512,429
Less Accumulated Depreciation				
Land improvements	441,706	15,837	-	457,543
Buildings & improvements	4,433,228	243,372	-	4,676,600
Furniture & equipment	1,091,696	74,430	6,409	1,159,717
Total Accumulated Depreciation	5,966,630	333,639	6,409	6,293,860
Governmental Activities				
Capital Assets, net	\$ 5,810,531	\$ 141,396	\$ -	\$ 5,951,927

HAMILTON UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2018

NOTE 4 – CAPITAL ASSETS (continued)

Depreciation expense is allocated to governmental functions as follows:

Governmental Activities	
Instruction	\$ 206,022
Home-to-school transportation	60,911
Food services	23,933
All other pupil services	7,033
All other general administration	10,305
Plant services	25,435
Total depreciation expense	\$ 333,639

NOTE 5 – INTERFUND TRANSACTIONS

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

Individual interfund receivable and payable balances at June 30, 2018 were as follows:

<u>Due To Other Funds</u>	<u>Due From Other Funds</u>		
	General Fund	Non-Major Governmental Funds	Total
General Fund	\$ -	\$ 7,830	\$ 7,830
Non-Major Governmental Funds	42,719	-	42,719
Total Due From Other Funds	\$ 42,719	\$ 7,830	\$ 50,549

The General Fund owed the Non-Major Child Development Fund for expenditures related to CTE.	\$ 7,830
The Non-Major Adult Education Fund owed the General Fund for expenditures related to modular classroom.	32,719
The Non-Major Child Development Fund owed the General Fund for repayment of a temporary loan.	10,000
Total	\$ 50,549

B. Operating Transfers

Interfund transfers for the year ended June 30, 2018 consisted of the Non-Major Special Reserve Fund for Capital Outlay Projects transferring \$36 to the Non-Major Deferred Maintenance Fund to close out the fund.

HAMILTON UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2018

NOTE 6 – ACCRUED LIABILITIES

Accrued liabilities at June 30, 2018 consisted of the following:

	Non-Major Governmental			Total Governmental
	General Fund	Funds	District-Wide	Activities
Payroll	\$ 34,446	\$ 2,807	\$ -	\$ 37,253
Vendors payable	532,969	6,530	-	539,499
Unmatured interest	-	-	8,908	8,908
Total	\$ 567,415	\$ 9,337	\$ 8,908	\$ 585,660

NOTE 7 – LONG-TERM DEBT

A schedule of changes in long-term debt for the year ended June 30, 2018 consisted of the following:

	Restated Balance	Additions	Deductions	Balance	Balance Due
	July 01, 2017			June 30, 2018	In One Year
Governmental Activities					
General obligation bonds	\$ 569,800	\$ -	\$ 72,600	\$ 497,200	\$ 72,100
Early retirement incentive	185,432	-	44,212	141,220	44,212
Compensated absences	18,910	11,972	-	30,882	-
Total OPEB liability	1,217,672	-	70,571	1,147,101	-
Net pension liability	6,759,054	1,013,664	-	7,772,718	-
Total	\$ 8,750,868	\$ 1,025,636	\$ 187,383	\$ 9,589,121	\$ 116,312

- Payments for general obligation bonds are made in the Bond Interest and Redemption 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 Outstanding			Bonds Outstanding
					July 01, 2017	Additions	Deductions	June 30, 2018
2011 Refunding	August 30, 2011	August 1, 2023	4.30%	\$ 886,200	\$ 569,800	\$ -	\$ 72,600	\$ 497,200
					\$ 569,800	\$ -	\$ 72,600	\$ 497,200

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.

HAMILTON UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2018

NOTE 7 – LONG-TERM DEBT (continued)

A. Bonded Debt (continued)

Election 1998 (continued)

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, 2018 amounted to \$497,200.

B. Debt Service Requirements to Maturity – Bonds

The bonds mature through 2024 as follows:

Year Ended June 30,	Principal	Interest	Total
2019	\$ 72,100	\$ 19,829	\$ 91,929
2020	76,500	16,635	93,135
2021	80,800	13,253	94,053
2022	85,100	9,686	94,786
2023	89,300	5,936	95,236
2024	93,400	2,008	95,408
Total	\$ 497,200	\$ 67,347	\$ 564,547

HAMILTON UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2018

NOTE 7 – LONG-TERM DEBT (continued)

C. Early Retirement Incentives

The District entered into a supplementary retirement plan with the California State Teachers’ Retirement System (CalSTRS) whereby 8 employees (2 in the 2010-11 fiscal year, 2 in the 2011-12 fiscal year, and 4 in the 2014-15 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 1 employee (in the 2014-15 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>
2019	\$ 55,079
2020	42,786
2021	28,341
2022	22,475
2023	21,010
Total minimum lease payments	169,691
Less amount representing interest	(28,471)
Present value of minimum lease payments	<u>\$ 141,220</u>

D. Compensated Absences

Total unpaid employee compensated absences as of June 30, 2018 amounted to \$30,882. This amount is included as part of long-term liabilities in the government-wide financial statements.

E. Other Postemployment Benefits

The District’s restated beginning total OPEB liability was \$1,217,672 and decreased by \$70,571 during the year ended June 30, 2018. The ending total OPEB liability at June 30, 2018 was \$1,147,101. See Note 9 for additional information regarding the total OPEB liability.

F. Net Pension Liability

The District’s beginning net pension liability was \$6,759,054 and increased by \$1,013,664 during the year ended June 30, 2018. The ending net pension liability at June 30, 2018 was \$7,772,718. See Note 10 for additional information regarding the net pension liability.

HAMILTON UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2018

NOTE 8 – FUND BALANCES

Fund balances were composed of the following elements at June 30, 2018:

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
Non-spendable			
Revolving cash	\$ 10,000	\$ -	\$ 10,000
Stores inventory	-	6,388	6,388
Total non-spendable	10,000	6,388	16,388
Restricted			
Educational programs	825,070	98,367	923,437
Capital projects	-	103,436	103,436
Debt service	-	155,988	155,988
All others	-	155,636	155,636
Total restricted	825,070	513,427	1,338,497
Committed			
Deferred maintenance	-	33,524	33,524
Total committed	-	33,524	33,524
Assigned			
Postemployment benefits	207,735	-	207,735
Total assigned	207,735	-	207,735
Unassigned			
Reserve for economic uncertainties	354,070	-	354,070
Remaining unassigned	1,177,962	-	1,177,962
Total unassigned	1,532,032	-	1,532,032
Total	\$ 2,574,837	\$ 553,339	\$ 3,128,176

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

HAMILTON UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2018

NOTE 9 – 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.

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.

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

C. Contributions

The contribution requirements of Plan members and the Hamilton Unified School District are established and may be amended by the Hamilton Unified School District. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

D. Plan Membership

Membership of the Plan consisted of the following:

	Number of participants
Inactive employees receiving benefits	7
Inactive employees entitled to but not receiving benefits*	-
Participating active employees	64
Total number of participants**	71

*Information not provided

**As of the July 1, 2017 valuation date

HAMILTON UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, *continued*
JUNE 30, 2018

NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (*continued*)

E. Total OPEB Liability

The Hamilton Unified School District’s total OPEB liability of \$1,147,101 was measured as of June 30, 2017 and was determined by an actuarial valuation as of that date.

F. Actuarial Assumptions and Other Inputs

The total OPEB liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Assumptions:

Salary increases	3.00%
Medical cost trend rate	6.00% for 2017; 5.00% for 2018 and later
Dental, vision and other cost trend rate	4.00%
Employer cap adjustment	0.00%
Age adjustment factor	0.30%
Percent married	50.0%

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 June 30, 2017 valuation were based on a review of plan experience during the period July 1, 2016 to June 30, 2017.

The discount rate was based on the Bond Buyer 20 Bond Index. The actuary assumed contributions would be sufficient to fully fund the obligation over a period not to exceed thirty years.

HAMILTON UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2018

NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

G. Changes in Total OPEB Liability

	<u>June 30, 2018</u>
Total OPEB Liability	
Service Cost	\$ 57,643
Interest on total OPEB liability	35,569
Benefits payments	<u>(163,783)</u>
Net change in total OPEB liability	(70,571)
Total OPEB liability - beginning	<u>1,217,672</u>
Total OPEB liability - ending	<u>\$ 1,147,101</u>
Covered payroll	\$ 4,720,386
District's total OPEB liability as a percentage of covered payroll	24.30%

The Hamilton Unified School District has invoked Paragraph 244 of GASB Statement 75 for the transition due to cost constraints. Consequently, in order to determine the beginning total OPEB liability, a “roll-back” technique has been used.

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

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

	1% Decrease	Valuation Discount Rate	1% Increase
	(2.13%)	(3.13%)	(4.13%)
Total OPEB liability	\$ 1,226,824	\$ 1,147,101	\$ 1,073,085

HAMILTON UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2018

NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

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 (5.00 percent) or one percentage point higher (7.00 percent) than the current healthcare cost trend rate:

	1% Decrease	Valuation Trend	1% Increase
	(5.00%)	Rate	(7.00%)
	(5.00%)	(6.00%)	(7.00%)
Total OPEB liability	\$ 1,050,716	\$ 1,147,101	\$ 1,257,581

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

For the fiscal year ended June 30, 2018, the Hamilton Unified School District recognized OPEB expense of \$(184,988). At June 30, 2018, the Hamilton Unified School District reported no deferred inflows of resources related to OPEB and deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows
	of Resources

District contributions subsequent to the measurement date	\$ 114,417

	\$ 114,417

The \$114,417 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, 2019.

Prior periods of deferred outflows and deferred inflows of resources were not restated due to the fact that prior valuations were not rerun in accordance with Paragraph 244 of GASB Statement 75. It was determined the time and expense necessary to rerun prior valuations and to restate prior financial statements was not justified. In the future, gains and losses related to changes in total OPEB liability will be 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.

HAMILTON UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2018

NOTE 10 – PENSION PLANS

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

	<u>Net pension liability</u>	<u>Deferred outflows related to pensions</u>	<u>Deferred inflows related to pensions</u>	<u>Pension expense</u>
STRS Pension	\$ 5,517,090	\$ 1,714,422	\$ 468,081	\$ 560,983
PERS Pension	2,255,628	780,439	34,983	387,831
Total	\$ 7,772,718	\$ 2,494,861	\$ 503,064	\$ 948,814

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.

HAMILTON UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2018

NOTE 10 – PENSION PLANS (continued)

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

Contributions

Active plan CalSTRS 2% at 60 and 2% at 62 members are required to contribute 10.25% and 9.205% of their salary for fiscal year 2018, 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 2018 was 14.43% of annual payroll. The contribution requirements of the plan members are established by state statute. Contributions to the plan from the District were \$480,098 for the year ended June 30, 2018.

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 \$265,422 to CalSTRS.

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

At June 30, 2018, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net pension liability	\$ 5,517,090
State's proportionate share of the net pension liability associated with the District	3,263,891
Total	\$ 8,780,981

The net pension liability was measured as of June 30, 2017, 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, 2016 and rolling forward the total pension liability to June 30, 2017. 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, 2017, the District’s proportion was 0.006 percent, which did not change from its proportion measured as of June 30, 2016.

HAMILTON UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2018

NOTE 10 – 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)

For the year ended June 30, 2018, the District recognized pension expense of \$560,983. In addition, the District recognized pension expense and revenue of \$93,809 for support provided by the State. At June 30, 2018, 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	\$ -	\$ 146,935
Differences between expected and actual experience	20,403	96,226
Changes in assumptions	1,022,105	-
Changes in proportion and differences between District contributions and proportionate share of contributions	191,816	224,920
District contributions subsequent to the measurement date	480,098	-
	<u>\$ 1,714,422</u>	<u>\$ 468,081</u>

The \$480,098 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, 2019. 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>
2019	\$ 221,705	\$ 185,953
2020	221,705	(28,764)
2021	221,705	50,494
2022	221,705	194,453
2023	173,751	52,452
2024	173,753	13,493
	<u>\$ 1,234,324</u>	<u>\$ 468,081</u>

HAMILTON UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2018

NOTE 10 – PENSION PLANS (continued)

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

Actuarial Assumptions

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2016, and rolling forward the total pension liability to June 30, 2017 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, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2010–June 30, 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. The best-estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance–PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2017, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return*
Global Equity	47%	6.30%
Fixed Income	12%	0.30%
Real Estate	13%	5.20%
Private Equity	13%	9.30%
Absolute Return/Risk Mitigating Strategies	9%	2.90%
Inflation Sensitive	4%	3.80%
Cash/Liquidity	2%	-1.00%
	100%	

*20-year geometric average

HAMILTON UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2018

NOTE 10 – PENSION PLANS (continued)

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

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%)
	<hr/>	<hr/>	<hr/>
District's proportionate share of the net pension liability	\$ 8,100,840	\$ 5,517,090	\$ 3,420,202

Pension Plan Fiduciary Net Position

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

NOTE 10 – PENSION PLANS (continued)

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 6.5% 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 2018 was 15.531% of annual payroll. Contributions to the plan from the District were \$216,394 for the year ended June 30, 2018.

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

At June 30, 2018, the District reported a liability of \$2,255,628 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2016 and rolling forward the total pension liability to June 30, 2017. 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, 2017, the District’s proportion was 0.009 percent, which did not change from its proportion measured as of June 30, 2016.

HAMILTON UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2018

NOTE 10 – 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, 2018, the District recognized pension expense of \$387,831. At June 30, 2018, 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	\$ 78,029	\$ -
Differences between expected and actual experience	80,810	-
Changes in assumptions	329,470	26,557
Changes in proportion and differences between District contributions and proportionate share of contributions	75,736	8,426
District contributions subsequent to the measurement date	216,394	-
	<u>\$ 780,439</u>	<u>\$ 34,983</u>

The \$216,394 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, 2019. 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>
2019	\$ 190,300	\$ 31,265
2020	242,246	3,718
2021	174,229	-
2022	(42,730)	-
	<u>\$ 564,045</u>	<u>\$ 34,983</u>

HAMILTON UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2018

NOTE 10 – PENSION PLANS (continued)

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

Actuarial Assumptions

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2016, and rolling forward the total pension liability to June 30, 2017 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
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 20 years of mortality improvements using Society of Actuaries Scale BB.

The actuarial assumptions used in the June 30, 2016, valuation were based on the results of an actuarial experience study for the period from 1997 to 2011.

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.

HAMILTON UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2018

NOTE 10 – PENSION PLANS (continued)

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

Actuarial Assumptions (continued)

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	47.0%	4.90%	5.38%
Fixed Income	19.0%	0.80%	2.27%
Inflation Assets	6.0%	0.60%	1.39%
Private Equity	12.0%	6.60%	6.63%
Real Estate	11.0%	2.80%	5.21%
Infrastructure and Forestland	3.0%	3.90%	5.36%
Liquidity	2.0%	-0.40%	-0.90%
	100.0%		

*An expected inflation of 2.50% used for this period.
 **An expected inflation of 3.00% 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.

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	\$ 3,318,752	\$ 2,255,628	\$ 1,373,678

HAMILTON UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2018

NOTE 10 – PENSION PLANS (continued)

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

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 11 – 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, 2018.

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, 2018.

NOTE 12 – 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, 2018

NOTE 13 – 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 10. At June 30, 2018, total deferred outflows related to pensions was \$2,494,861 and total deferred inflows related to pensions was \$503,064.

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 9. At June 30, 2018, total deferred outflows related to other postemployment benefits was \$114,417.

NOTE 14 – RESTATEMENT OF NET POSITION

The beginning net position of Governmental Activities has been restated in order to record the District’s total OPEB liability in accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The effect on beginning net position is presented as follows:

	Governmental Activities
Net Position - Beginning, as Previously Reported	\$ 3,100,803
Restatement	(978,552)
Net Position - Beginning, as Restated	<u>\$ 2,122,251</u>

**REQUIRED SUPPLEMENTARY
INFORMATION**

**HAMILTON UNIFIED SCHOOL DISTRICT
GENERAL FUND – BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2018**

	Budgeted Amounts		Actual* (Budgetary Basis)	Variances - Final to Actual
	Original	Final		
REVENUES				
LCFF sources	\$ 7,067,046	\$ 7,185,902	\$ 7,117,478	\$ (68,424)
Federal sources	358,913	269,967	275,214	5,247
Other state sources	787,132	681,660	494,755	(186,905)
Other local sources	29,500	29,500	104,217	74,717
Total Revenues	8,242,591	8,167,029	7,991,664	(175,365)
EXPENDITURES				
Certificated salaries	3,541,054	3,478,295	3,417,974	60,321
Classified salaries	1,004,103	1,019,877	1,108,197	(88,320)
Employee benefits	1,761,703	1,738,796	1,738,294	502
Books and supplies	412,016	570,669	453,724	116,945
Services and other operating expenditures	888,247	1,023,959	909,672	114,287
Capital outlay	310,300	351,530	394,500	(42,970)
Other outgo				
Excluding transfers of indirect costs	418,978	565,616	641,497	(75,881)
Total Expenditures	8,336,401	8,748,742	8,663,858	84,884
Excess (Deficiency) of Revenues Over Expenditures	(93,810)	(581,713)	(672,194)	(90,481)
Other Financing Sources (Uses)				
Transfers out	(103,000)	(103,000)	(50,000)	53,000
Net Financing Sources (Uses)	(103,000)	(103,000)	(50,000)	53,000
NET CHANGE IN FUND BALANCE	(196,810)	(684,713)	(722,194)	(37,481)
Fund Balance - Beginning	2,669,277	2,669,277	2,669,277	-
Fund Balance - Ending	\$ 2,472,467	\$ 1,984,564	\$ 1,947,083	\$ (37,481)

* 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 \$265,422 are not included in the actual revenues and expenditures reported in this schedule.
- Actual amounts reported in this schedule are for the General Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include the financial activity of the Special Reserve Fund for Other Than Capital Outlay Projects and the Special Reserve Fund for Postemployment Benefits, in accordance with the fund type definitions promulgated by GASB Statement No. 54.

**HAMILTON UNIFIED SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
 FOR THE YEAR ENDED JUNE 30, 2018**

	<u>June 30, 2018</u>
Total OPEB Liability	
Service Cost	\$ 57,643
Interest on total OPEB liability	35,569
Benefits payments	<u>(163,783)</u>
Net change in total OPEB liability	(70,571)
Total OPEB liability - beginning	<u>1,217,672</u>
Total OPEB liability - ending	<u>\$ 1,147,101</u>
Covered payroll	\$ 4,720,386
District's total OPEB liability as a percentage of covered payroll	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, 2018**

	<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%
District's proportionate share of the net pension liability	\$ 5,517,090	\$ 4,929,244	\$ 4,289,136	\$ 3,454,068
State's proportionate share of the net pension liability associated with the District	3,263,891	2,806,545	2,268,474	2,085,715
Total	<u>\$ 8,780,981</u>	<u>\$ 7,735,789</u>	<u>\$ 6,557,610</u>	<u>\$ 5,539,783</u>
District's covered payroll	\$ 3,193,611	\$ 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	172.8%	162.1%	145.3%	131.2%
Plan fiduciary net position as a percentage of the total pension liability	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, 2018

	<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%	0.009%	0.009%	0.009%
District's proportionate share of the net pension liability	\$ 2,255,628	\$ 1,829,810	\$ 1,380,963	\$ 1,064,892
District's covered payroll	\$ 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	186.7%	164.3%	134.0%	108.1%
Plan fiduciary net position as a percentage of the total pension liability	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, 2018**

	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 480,098	\$ 400,723	\$ 327,759	\$ 262,013
Contributions in relation to the contractually required contribution*	(480,098)	(400,723)	(327,759)	(262,013)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 3,327,082	\$ 3,193,611	\$ 3,041,124	\$ 2,952,115
Contributions as a percentage of covered payroll	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, 2018**

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

See accompanying note to required supplementary information.

**HAMILTON UNIFIED SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2018**

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.

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

The CalSTRS plan rate of investment return assumption was changed from 7.60 percent to 7.10 percent since the previous valuation. The CalPERS plan rate of investment return assumption was changed from 7.65 percent to 7.15 percent since the previous valuation.

HAMILTON UNIFIED SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION, continued
FOR THE YEAR ENDED JUNE 30, 2018

NOTE 1 – PURPOSE OF SCHEDULES (continued)

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.

NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2018, 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			
Classified salaries	\$ 1,019,877	\$ 1,108,197	\$ 88,320
Capital outlay	\$ 351,530	\$ 394,500	\$ 42,970
Other outgo			
Excluding transfers of indirect costs	\$ 565,616	\$ 641,497	\$ 75,881

**SUPPLEMENTARY
INFORMATION**

**HAMILTON UNIFIED SCHOOL DISTRICT
 SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)
 FOR THE YEAR ENDED JUNE 30, 2018**

	Second Period Report <9B4E3860>	Annual Report <A31DF83D>
SCHOOL DISTRICT		
TK/K through Third		
Regular ADA	172.77	174.24
Fourth through Sixth		
Regular ADA	139.62	141.58
Seventh through Eighth		
Regular ADA	79.02	79.64
Ninth through Twelfth		
Regular ADA	280.80	282.07
TOTAL SCHOOL DISTRICT	672.21	677.53

**HAMILTON UNIFIED SCHOOL DISTRICT
 SCHEDULE OF INSTRUCTIONAL TIME
 FOR THE YEAR ENDED JUNE 30, 2018**

Grade Level	Minutes Requirement	2017-18 Actual Minutes	Number of Days	Status
Kindergarten	36,000	58,900	180	Complied
Grade 1	50,400	52,100	180	Complied
Grade 2	50,400	52,300	180	Complied
Grade 3	50,400	52,300	180	Complied
Grade 4	54,000	57,300	180	Complied
Grade 5	54,000	57,300	180	Complied
Grade 6	54,000	61,368	180	Complied
Grade 7	54,000	61,368	180	Complied
Grade 8	54,000	61,368	180	Complied
Grade 9	64,800	65,640	180	Complied
Grade 10	64,800	65,640	180	Complied
Grade 11	64,800	65,640	180	Complied
Grade 12	64,800	65,640	180	Complied

**HAMILTON UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018**

	2019 (Budget)	2018	2017	2016
General Fund - Budgetary Basis**				
Revenues And Other Financing Sources	\$ 8,338,953	\$ 7,991,664	\$ 7,982,174	\$ 8,411,378
Expenditures And Other Financing Uses	8,542,143	8,713,858	8,052,990	7,844,043
Net change in Fund Balance	\$ (203,190)	\$ (722,194)	\$ (70,816)	\$ 567,335
Ending Fund Balance	\$ 1,743,893	\$ 1,947,083	\$ 2,669,277	\$ 2,740,093
Available Reserves*	\$ 1,389,042	\$ 1,532,032	\$ 2,231,952	\$ 2,449,535
Available Reserves As A Percentage Of Outgo	16.26%	17.58%	27.72%	31.23%
Long-term Debt	\$ 9,472,809	\$ 9,589,121	\$ 7,772,316	\$ 6,825,197
Average Daily Attendance At P-2	663	672	669	712

The General Fund balance has decreased by \$793,010 over the past two years. The fiscal year 2018-19 budget projects a decrease of \$203,190. For a District this size, the State recommends available reserves of at least 4% of General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating deficits in two of the past three years and anticipates incurring an operating deficit during the 2018-19 fiscal year. Total long-term obligations have increased by \$2,763,924 over the past two years.

Average daily attendance has decreased by 40 ADA over the past two years. A decrease of 9 ADA is anticipated during the 2018-19 fiscal year.

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

**The actual amounts reported in this schedule are for the General Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include the financial activity of the Special Reserve Fund for Other Than Capital Outlay Projects and Special Reserve Fund for Postemployment Benefits, in accordance with the fund type definitions promulgated by GASB Statement No. 54. On-behalf payments of \$265,422 are not included in the actual revenues and expenditures reported in this schedule.

**HAMILTON UNIFIED SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

	General Fund	Special Reserve Fund for Other Than Capital Outlay Projects	Special Reserve Fund for Postemployment Benefits
June 30, 2018, annual financial and budget report fund balance	\$ 1,947,083	\$ 420,019	\$ 207,735
Adjustments and reclassifications:			
Increase (decrease) in total fund balances:			
Fund balance transfer (GASB 54)	627,754	(420,019)	(207,735)
Net adjustments and reclassifications	627,754	(420,019)	(207,735)
June 30, 2018, audited financial statement fund balance	<u>\$ 2,574,837</u>	<u>\$ -</u>	<u>\$ -</u>

**HAMILTON UNIFIED SCHOOL DISTRICT
COMBINING BALANCE SHEET
JUNE 30, 2018**

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest & Redemption Fund	Non-Major Governmental Funds
ASSETS								
Cash and investments	\$ 88,524	\$ 1,543	\$ 145,791	\$ 33,340	\$ 102,936	\$ -	\$ 151,421	\$ 523,555
Accounts receivable	45,792	3,535	13,044	184	500	-	4,567	67,622
Due from other funds	-	7,830	-	-	-	-	-	7,830
Stores inventory	-	-	6,388	-	-	-	-	6,388
Total Assets	\$ 134,316	\$ 12,908	\$ 165,223	\$ 33,524	\$ 103,436	\$ -	\$ 155,988	\$ 605,395
LIABILITIES								
Accrued liabilities	\$ 5,622	\$ 516	\$ 3,199	\$ -	\$ -	\$ -	\$ -	\$ 9,337
Due to other funds	32,719	10,000	-	-	-	-	-	42,719
Total Liabilities	38,341	10,516	3,199	-	-	-	-	52,056
FUND BALANCES								
Non-spendable	-	-	6,388	-	-	-	-	6,388
Restricted	95,975	2,392	155,636	-	103,436	-	155,988	513,427
Committed	-	-	-	33,524	-	-	-	33,524
Total Fund Balances	95,975	2,392	162,024	33,524	103,436	-	155,988	553,339
Total Liabilities and Fund Balance	\$ 134,316	\$ 12,908	\$ 165,223	\$ 33,524	\$ 103,436	\$ -	\$ 155,988	\$ 605,395

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, 2018**

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest & Redemption Fund	Non-Major Governmental Funds
REVENUES								
LCCF sources	\$ -	\$ -	\$ -	\$ 53,000	\$ -	\$ -	\$ -	\$ 53,000
Federal sources	45,682	-	421,821	-	-	-	-	467,503
Other state sources	194,225	129,462	28,283	-	-	-	(527)	351,443
Other local sources	2,766	129	31,925	296	6,060	-	75,638	116,814
Total Revenues	242,673	129,591	482,029	53,296	6,060	-	75,111	988,760
EXPENDITURES								
Current								
Instruction	110,059	129,461	-	-	-	-	-	239,520
Instruction-related services								
School site administration	80,131	-	-	-	-	-	-	80,131
Pupil services								
Food services	-	-	543,900	-	-	-	-	543,900
Plant services	41,200	-	-	27,740	-	-	-	68,940
Facilities acquisition and maintenance	9,118	-	-	-	-	-	-	9,118
Debt service								
Principal	-	-	-	-	-	-	72,600	72,600
Interest and other	-	-	-	-	-	-	22,940	22,940
Total Expenditures	240,508	129,461	543,900	27,740	-	-	95,540	1,037,149
Excess (Deficiency) of Revenues								
Over Expenditures	2,165	130	(61,871)	25,556	6,060	-	(20,429)	(48,389)
Other Financing Sources (Uses)								
Transfers in	-	-	-	36	-	-	-	36
Transfers out	-	-	-	-	-	(36)	-	(36)
Net Financing Sources (Uses)	-	-	-	36	-	(36)	-	-
NET CHANGE IN FUND BALANCE	2,165	130	(61,871)	25,592	6,060	(36)	(20,429)	(48,389)
Fund Balance - Beginning	93,810	2,262	223,895	7,932	97,376	36	176,417	601,728
Fund Balance - Ending	\$ 95,975	\$ 2,392	\$ 162,024	\$ 33,524	\$ 103,436	\$ -	\$ 155,988	\$ 553,339

See accompanying note to supplementary information.

**HAMILTON UNIFIED SCHOOL DISTRICT
 LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
 JUNE 30, 2018**

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

GOVERNING BOARD

Member	Office	Term Expires
Gabriel Leal	President	December 2020
Hubert "Wendall" Lower	Clerk	December 2020
Rod Boone	Member	December 2020
Tomas Loera	Member	December 2018
Rosalinda Sanchez	Member	December 2018

DISTRICT ADMINISTRATORS

Charles Tracy
Superintendent

Diane Holliman
Chief Business Official

HAMILTON UNIFIED SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
JUNE 30, 2018

NOTE 1 – PURPOSE OF SCHEDULES

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *Education Code Sections 46200 through 46208*. During the year ended June 30, 2018, the District participated in the Longer Day incentive funding program. As of June 30, 2018, the District had not yet met its target funding.

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**

Christy White, CPA

Michael D. Ash, CPA

John Whitehouse, CPA

Heather Daud Rubio

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*Licensed by the California
State Board of Accountancy*

Independent Auditors' Report

Governing Board
Hamilton Unified School District
Hamilton City, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Hamilton Unified School District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Hamilton Unified School District's basic financial statements, and have issued our report thereon dated December 10, 2018.

Internal Control over Financial Reporting

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

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

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

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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 Associates

San Diego, California
December 10, 2018

REPORT ON STATE COMPLIANCE

Independent Auditors' Report

Christy White, CPA

Michael D. Ash, CPA

John Whitehouse, CPA

Heather Daud Rubio

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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 *2017-2018 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, 2018, 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 *2017-2018 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, 2018.

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
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	Not Applicable
Continuation Education	No, see below
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	Not Applicable
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes

(Continued on the next page)

Procedures Performed (continued)

<u>PROGRAM NAME</u>	<u>PROCEDURES PERFORMED</u>
After/Before School Education and Safety Program	Not Applicable
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	Not Applicable
Attendance; for charter schools	Not Applicable
Mode of Instruction; for charter schools	Not Applicable
Nonclassroom-Based Instruction/Independent Study; for charter schools	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction; for charter schools	Not Applicable
Annual Instructional Minutes – Classroom Based; for charter schools	Not Applicable
Charter School Facility Grant Program	Not Applicable

We did not perform testing for Continuation Education because it was not material for the year ended June 30, 2018.

Christy White Associates

San Diego, California
December 10, 2018

**SCHEDULE OF FINDINGS
AND QUESTIONED COSTS**

**HAMILTON UNIFIED SCHOOL DISTRICT
SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2018**

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

The District was not subject to Uniform Guidance Single Audit for the year ended June 30, 2018 because federal award expenditures did not exceed \$750,000.

STATE AWARDS

Internal control over state programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None Reported</u>
Type of auditors' report issued on compliance for state programs:	<u>Unmodified</u>

HAMILTON UNIFIED SCHOOL DISTRICT
FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

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, 2018.

**HAMILTON UNIFIED SCHOOL DISTRICT
STATE AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

FIVE DIGIT CODE

10000
40000
42000
60000
61000
62000
70000
71000
72000

AB 3627 FINDING TYPE

Attendance
State Compliance
Charter School Facilities Programs
Miscellaneous
Classroom Teacher Salaries
Local Control Accountability Plan
Instructional Materials
Teacher Misassignments
School Accountability Report Card

There were no state award findings or questioned costs for the year ended June 30, 2018.

**HAMILTON UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018**

FINDING #2017-001 – SCHOOL ACCOUNTABILITY REPORT CARDS (72000)

Criteria: School Accountability Report Cards (SARCs), prepared on annual basis for each school site within the District and posted in February, should contain information regarding school facilities conditions, as indicated in the most recently prepared facility inspection tool (FIT) form developed by the Office of Public School Construction and approved by the State Allocation Board, or local evaluation instruments that meet the same criteria, as per Education Code Sections 33126(b)(8) and 17002(d).

Condition: During testing of a representative sample of 2015-16 SARCs posted in 2016-17, the following issues were noted regarding facilities conditions:

At Hamilton Elementary School, Interior was noted as “Fair” on the FIT Form but “Good” on the SARC.

At Hamilton High School, Interior was noted as “Fair” on the FIT Form but “Good” on the SARC.

Cause: Clerical errors in posting the SARC.

Questioned Costs: Not applicable.

Effect: The SARCs were not accurate.

Recommendation: We recommend that the District implement a process to accurately compile information included in the most recently prepared FITs.

District Response: In the future, the District will do a more thorough review of the FIT forms and ensure accuracy when posting to the SARCs.

Current Status: Implemented.

**HAMILTON UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, continued
FOR THE YEAR ENDED JUNE 30, 2018**

FINDING #2017-002 – UNDUPLICATED PUPIL COUNT (40000)

Criteria: Students classified as free or reduced price meal eligible (FRPM) (who are not directly certified) or English learner (EL) on the CALPADS 1.18 FRPM/English Learner/Foster Youth – Student List Report must have supporting documentation that indicates the student was eligible for the determination. Auditors are required to verify compliance with Education Code Section 42238.02(b)(3)(b) in Section W of the *2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*.

Condition: 1 of 48 students tested from the CALPADS 1.18 FRPM/English Learner/Foster Youth – Student List Report who was classified as FRPM did not have proper supporting documentation to support their designation. When the error is extrapolated over the impacted population, 5 students were identified as ineligible. Additionally, 1 of 3 students tested from the CALPADS 1.18 FRPM/English Learner/Foster Youth – Student List Report who was classified as EL did not have proper supporting documentation to support their designation. When the error is extrapolated over the impacted population, 3 students were identified as ineligible. Combined for a total of 8 ineligible students.

Effect: The District is not in compliance with State requirements.

Cause: Clerical oversight.

Context: 8 of 1,798 (587 for 2016-17, 617 for 2015-16, and 594 for 2014-15) students reported in the District’s Unduplicated Pupil Count did not have proper supporting documentation to support their FRPM designation.

HAMILTON UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, continued
FOR THE YEAR ENDED JUNE 30, 2018

FINDING #2017-002 – UNDUPLICATED PUPIL COUNT (40000) (continued)

Questioned Costs: \$8,405, calculated as follows:

UPP Audit Adjustment					
1	Total Adjusted Enrollment from the UPP exhibit as of P-2			2,165	
2	Total Adjusted Unduplicated Pupil Count from the UPP exhibit as of P-2			1,798	
3	Audit Adjustment - Number of Enrollment				
4	Audit Adjustment - Number of Unduplicated Pupil Count			(8)	
5	Revised Adjusted Enrollment			2,165	
6	Revised Adjusted Unduplicated Pupil Count			1,790	
7	UPP calculated as of P-2			0.8305	
8	Revised UPP for audit finding			0.8268	
9	Charter Schools Only: Determinative School District Concentration Cap				
10	Revised UPP adjusted for Concentration Cap			0.8268	
LCFF Target Supplemental Grant Funding Audit Adjustment		TK/K-3	4-6	7-8	9-12
9	Supplemental and Concentration Grant ADA	188.69	136.55	78.20	312.59
10	Adjusted Base Grant per ADA	\$7,820	\$7,189	\$7,403	\$8,801
11	Target Supplemental Grant Funding calculated as of P-2				\$961,259
12	Revised Target Supplemental Grant Funding for audit finding				\$956,977
13	Target Supplemental Grant Funding audit adjustment				(\$4,282)
LCFF Target Concentration Grant Funding Audit Adjustment					
14	Target Concentration Grant Funding calculated as of P-2				\$811,660
15	Revised Target Concentration Grant Funding for audit finding				\$800,953
16	Target Concentration Grant Funding audit adjustment				(\$10,707)
Estimated Cost of Unduplicated Pupil Count Audit Adjustment for LEAs funded at LCFF Target					
18	Total Target Supplemental and Concentration audit adjustment				(\$14,989)
Estimated Cost of Unduplicated Pupil Count Audit Adjustment for LEAs funded on LCFF Floor and Gap					
19	Statewide Gap Funding Rate as of P-2				0.5607679980
20	Estimated Cost of Unduplicated Pupil Count audit adjustment				(\$8,405)

Recommendation: We recommend that the District ensure that all students listed as FRPM or EL in the CALPADS 1.18 FRPM/English Learner/Foster Youth – Student List Report have proper documentation to support their CALPADS designation.

**HAMILTON UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, continued
FOR THE YEAR ENDED JUNE 30, 2018**

FINDING #2017-002 – UNDUPLICATED PUPIL COUNT (40000) (continued)

District Response: During the 2016/17 school year, after certification of the CALPADS 1.18 report, it was learned that the district vendor, Nutrikids, had a software issue that went undiscovered prior to certification in CALPADS. The software issue that was discovered, was that Nutrikids was not uploading the district verification of students changes in the free and reduced lunch program, EL's, and homeless/foster youth. The problem was discovered and corrected after the submission to CALPADS for 1.18. The district is closely monitoring the uploads between Nutrikids and Aeries to ensure the proper documentation is recorded in the CALPADS 1.18 report as required for the 2017/18 school year. Staff is closely monitoring the free/reduced forms for accuracy as well.

Current Status: Implemented.

FINDING #2017-003 – 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 2016-17 fiscal year, the District did not meet the minimum percentage requirement.

Effect: The District's current expense of education for the year audited June 30, 2017 was \$6,780,347 and the total salaries and benefits for classroom teachers was \$3,590,496. The District was below the minimum required percentage of 55% by 2.05% which calculates out to a deficiency of \$138,997.

Cause: Due to recent budget cuts the District did not meet the minimum requirements.

Perspective/Context: The minimum percentage required by the State of California is 55% for a unified school district. The District only spent 52.95% on classroom teacher salaries in the 2016-17 fiscal year.

Questioned Costs: The questioned costs are the deficiency of \$138,997.

Recommendations: We recommend that in the future, the District monitor their expenses towards salaries of classroom teachers against their total expenses to be sure that they meet the 55% minimum requirement.

District Response: The District's Adopted 2017-18 Budget demonstrates the plan to meet the 55% minimum requirement of classroom teacher salaries to total expenses. In the meantime, the District has filed a waiver with the County Superintendent of Schools. We are still awaiting the signed approval.

Current Status: Implemented.