



Financial Statements  
June 30, 2021

## Hollister School District

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## Independent Auditor's Report

To the Governing Board  
Hollister School District  
Hollister, California

### Report on the Financial Statements

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

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Hollister School District, as of June 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter – Change in Accounting Principle**

As discussed in Notes 1 and 15 to the financial statements, Hollister School District has adopted the provisions of GASB Statement No. 84, *Fiduciary Activities*, which has resulted in a restatement of the net position of governmental and fund balance of other governmental funds as of July 1, 2020. Our opinions are not modified with respect to this matter.

### **Emphasis of Matter – Restatement of Prior Period Net Position**

As discussed in Note 15 to the financial statements, an error resulting in overstatement amounts previously reported for capital assets and capital lease liabilities as of June 30, 2020 was discovered. Accordingly, amounts reported for beginning net position for governmental activities has been restated. Our opinions are 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 management's discussion and analysis, budgetary comparison information, schedule of changes in the District's total OPEB liability and related ratios, schedule of the District's proportionate share of the net pension liability, and the schedule of District contributions, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with 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.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Hollister School District's financial statements. The combining non-major governmental fund financial statements, Schedule of Expenditures of Federal Awards as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements.

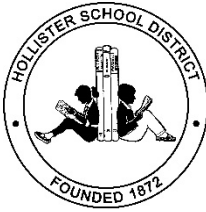
The combining non-major governmental fund financial statements, the schedule of expenditures of federal awards, and the other supplementary information listed in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other 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 combining non-major governmental fund financial statements, the schedule of expenditures of federal awards, and the other supplementary information listed in the table of contents are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated March 22, 2022 on our consideration of Hollister School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Hollister 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 Hollister School District's internal control over financial reporting and compliance.

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

Fresno, California  
March 22, 2022



# HOLLISTER SCHOOL DISTRICT

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This section of Hollister School District's annual comprehensive financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2021, with comparative information for the fiscal year ending June 30, 2020. Please read it in conjunction with the District's financial statements, which immediately follow this section.

## OVERVIEW OF THE FINANCIAL STATEMENTS

### The Financial Statements

The financial statements presented herein include all of the activities of the Hollister School District (the District) using the integrated approach as prescribed by Governmental Accounting Standards Board (GASB) Statement Number 34.

The *Government-Wide Financial Statements* present the financial picture of the District from the economic resources measurement focus using the accrual basis of accounting. These statements include all assets of the District (including capital assets), deferred outflows, as well as all liabilities (including long-term liabilities), and deferred inflows. Additionally, certain eliminations have occurred as prescribed by the statement in regards to interfund activity, payables and receivables.

The *Fund Financial Statements* include statements for the governmental activities.

The *Governmental Funds* are prepared using the current financial resources measurement focus and modified accrual basis of accounting.

*Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements* is provided to explain the differences created by the integrated approach.

The Primary unit of the government is the Hollister School District.

## REPORTING THE DISTRICT AS A WHOLE

### The Statement of Net Position and the Statement of Activities

The *Statement of Net Position* and the *Statement of Activities* report information about the District as a whole and about its activities. These statements include all assets, deferred outflows, liabilities, and deferred inflows of the District using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net position and changes in them. Net position is the difference between assets, deferred outflows, liabilities, and deferred inflows, which is one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position will serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Other factors to consider are changes in the District's property tax base and the condition of the District's facilities.

The relationship between revenues and expenses is the District's *operating results*. Since the governing board's responsibility is to provide services to our students and not to generate profit as commercial entities do, one must consider other factors when evaluating the overall health of the District. The quality of the education and the safety of our schools will likely be an important component in this evaluation.

In the *Statement of Net Position* and the *Statement of Activities*, the District activities are as follows:

**Governmental Activities** - The District reports all of its services in this category. This includes the education of kindergarten through grade eight students, the operation of child development activities, and the on-going effort to improve and maintain buildings and sites. Property taxes, state income taxes, user fees, interest income, federal, state and local grants, as well as general obligation bonds, finance these activities.

## REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

### Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the District as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money that it receives from the U.S. Department of Education.



**Governmental Funds** - All of the District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The differences of results in the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation following each governmental fund financial statement.

## THE DISTRICT AS A WHOLE

### Net Position

The District's net position was \$(4.2) million for the fiscal year ended June 30, 2021, and \$(9.7) million (as restated) for the fiscal year ended June 30, 2020; an increase of \$5.5 million. Of this amount, \$16.6 million was restricted by debt covenants and enabling legislation that limit the School Board's ability to use net position for day-to-day operations. The \$(4.2) million in net position of governmental activities represents the accumulated results of all past years' operations. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – increased by \$2.0 million. Our analysis below focuses on the net position (Table 1) and change in net position (Table 2) of the District's governmental activities for the past two fiscal years.

Table 1

		Governmental Activities	
		2021	2020 as Restated
Assets			
Current and other assets		\$ 37,711,641	\$ 39,930,543
Capital assets		94,069,494	84,072,158
Total assets		131,781,135	124,002,701
Deferred outflows of resources		19,354,559	17,508,962
Liabilities			
Current liabilities		5,912,753	8,111,459
Long-term liabilities		146,302,303	137,757,517
Total liabilities		152,215,056	145,868,976
Deferred inflows of resources		3,153,633	5,391,940
Net Position			
Net investment in capital assets		33,854,518	26,172,892
Restricted		16,560,694	16,715,234
Unrestricted (deficit)		(54,648,207)	(52,637,379)
Total net position		\$ (4,232,995)	\$ (9,749,253)

## Changes in Net Position

The results of this year's operations for the District as a whole are reported in the *Statement of Activities*. Table 2 takes the information from the Statement, rounds off the numbers, and rearranges them slightly so you can see our total revenues for the year.

Table 2

	Governmental Activities	
	2021	2020*
Revenues		
Program revenues		
Charges for services	\$ 3,969,744	\$ 3,081,744
Operating grants and contributions	23,929,440	13,663,376
Capital grants and contributions	2,191,195	-
General revenues		
Federal and State aid not restricted	36,020,886	36,105,638
Property taxes	18,317,615	21,350,232
Other general revenues	5,254,398	5,406,896
Total revenues	<u>89,683,278</u>	<u>79,607,886</u>
Expenses		
Instruction-related	58,189,128	55,232,558
Pupil services	8,657,587	10,970,918
Administration	6,062,307	4,534,841
Plant services	7,235,444	6,768,724
All other services	4,022,554	4,137,391
Total expenses	<u>84,167,020</u>	<u>81,644,432</u>
Change in net position	<u>\$ 5,516,258</u>	<u>\$ (2,036,546)</u>

\* The revenues and expenses for fiscal year 2020 was restated for the effect of the prior period adjustments related to capital assets and leases but not GASB 84.

## Governmental Activities

As reported in the *Statement of Activities*, the cost of all of our governmental activities this year was \$84.2 million as compared to \$82.0 million in the prior year. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$18.3 million because the cost was paid by those who benefited from the programs (\$4.0 million) or by other governments and organizations who subsidized certain programs with grants and contributions (\$26.1 million). We paid for the remaining "public benefit" portion of our governmental activities with \$36.0 million in Federal and State unrestricted funds and \$5.3 million in other revenues, like interest and general entitlements.

In Table 3, we have presented the net cost of each of the District's largest functions: instruction, pupil services, administration, plant services, and all other services. As discussed above, net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

Table 3

	Total Cost of Services		Net Cost of Services	
	2021	2020*	2021	2020*
Instruction-related	\$ 58,189,128	\$ 55,232,558	\$ (43,715,486)	\$ (49,001,641)
Pupil services	8,657,587	10,970,918	(2,722,900)	(5,497,839)
Administration	6,062,307	4,534,841	(3,516,480)	(4,123,072)
Plant services	7,235,444	6,768,724	(6,027,663)	(6,713,092)
All other services	4,022,554	4,137,391	1,905,888	(1,707,779)
Total	<u>\$ 84,167,020</u>	<u>\$ 81,644,432</u>	<u>\$ (54,076,641)</u>	<u>\$ (67,043,423)</u>

\* The total cost of services and net cost of services for fiscal year 2020 was restated for the effect of the prior period adjustments related to capital assets and leases but not GASB 84.

## THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$32.9 million which remained relatively the same from the prior year.

The primary reasons for this are:

- a. Our General Fund is our principal operating fund. The fund balance in the General Fund showed an increase of approximately \$4.6 million due primarily to the receipt of COVID-19 related funding.
- b. The Cafeteria Fund increased by approximately \$1.6 million as a result of decreased spending due to COVID-19.
- c. The Building Fund showed a decrease of approximately \$4.1 million from ongoing capital projects and the completion of Rancho Santana School.
- d. Developer fee revenues were also used in the completion of Rancho Santa School which resulted in a decrease of \$3.4 million in the Capital Facilities Fund.
- e. The Bond Interest and Redemption fund showed an increase of approximately \$0.7 million as current debt service payments exceeded revenues for debt service.
- f. The remaining District funds increased by approximately \$2.0 million primarily due to the receipt of school facilities construction apportionment.

### General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The final amendment to the budget was adopted on September 14, 2021. A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report.

The primary source of revenue for the District is from state aid and local property taxes. For the 2020-2021 fiscal year this represented 71.1 percent of the District's revenue or \$53.5 million. Included in the LCFF funds the District receives are supplemental and concentration grant funds which are calculated on our unduplicated student count. The District's percentage was 68.6 percent for the 2020-2021 fiscal year.

A large percentage of the District's budget is expended on salaries and benefits for the certificated and classified staff. The District spent \$56.9 million on salaries and benefits or 80.7 percent of total District expenditures.

The District budgeted a decrease of \$0.6 million in General Fund balance. However, revenues and transfers in were \$3.5 million less than what was budgeted, and expenditures and transfers out were approximately \$8.7 million less than budgeted, leaving the Fund to increase by \$4.6 million from the prior year.

### CAPITAL ASSET AND DEBT ADMINISTRATION

#### Capital Assets

At June 30, 2020, the District had \$84.1 million in a broad range of capital assets, including land, buildings, and furniture and equipment. At June 30, 2021, the net capital assets were \$94.1 million. This amount represents a net increase (including additions and deductions) of about \$10.0 million from last year. This increase is primarily due to the construction of the District's new school site, Rancho Santana School.

Table 4

	Governmental Activities	
	2021	2020 as Restated
Land and construction in progress	\$ 53,627,904	\$ 40,842,563
Buildings and improvements	38,172,970	41,026,034
Equipment	2,268,620	2,203,561
Total	<u>\$ 94,069,494</u>	<u>\$ 84,072,158</u>

We present more detailed information about our capital assets in the Notes to Financial Statements.

### Long-Term Liabilities

At the end of this year, the District had approximately \$146.3 million in obligations outstanding versus \$137.8 million last year, an increase of about \$8.5 million. These obligations consist of:

Table 5

	Governmental Activities	
	2021	2020 as Restated
Long-Term Liabilities		
General obligation bonds	\$ 61,370,000	\$ 63,015,000
Unamortized premiums	2,898,562	3,044,866
Compensated absences	671,895	549,408
Total OPEB liability	8,348,880	7,682,843
Aggregate net pension liability	73,012,966	63,465,400
 Total	 <u>\$ 146,302,303</u>	 <u>\$ 137,757,517</u>

The District's Moody's general obligation bond rating as of the most recent bond issuance was "Aa3".

At year-end, the District has a net pension liability of \$73.0 million versus \$63.5 million last year, an increase of \$9.5 million, or 15.0 percent. The District also reported deferred outflows of resources from pension activities of \$18.3 million, and deferred inflows of resources from pension activities of \$2.7 million. We present more detailed information regarding our long-term liabilities in the Notes to Financial Statements.

### **SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2020-2021 ARE NOTED BELOW:**

The District ended the 2020-2021 fiscal year with a combined General Fund ending fund balance of \$11.7 million. As of June 30, 2021, the District's General Fund did not exceed revenues as in prior years. The area of deficit spending has been discussed with the School District Board. Internal measures have been put into place to reduce deficit spending in 2021-2022 and forward. The District continued to maintain State required reserves of three percent, with \$4,046,103 million unassigned fund balance at year-end.

In November 2016, District voters approved General Obligation Bond Measure V, which provided \$36 million in funding to help pay for the building of a new school. Construction for the new school began in 2019-2020 and is expected to be completed and open in August 2021.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The 2021-2022 Adopted Budget was submitted to the San Benito County Office of Education with a positive certification that it would be able to meet its current fiscal year financial obligations. At the time the 2021-2022 Budget was adopted on June 30, 2021, the District was projecting a 5.1 percent reserve at the end of 2021-2022, 5.0 percent for 2022-2023 and 5.0 percent for 2023-2024.

There are many factors which affect the Hollister School District's finances either directly or indirectly. The District experienced a slight decline in ADA in 2019-2020 however, there is significant building taking place in many areas of Hollister which we anticipate to bring further growth.

Some specific District assumptions for the 2021-2022 Approved Budget and MYP are:

At the time of Budget Development the gap percent for LCFF was 100.00 percent, which is at its fully funded level. LCFF expected entitlement is \$55,198,086 or \$10,405 per ADA.

ADA estimates: 2021-2022: 5305, 2022-2023: 5335 and 2023-2024: 5407. The District is projecting increases in enrollment due to new housing developments. The district hopes to experience growth which will help offset the loss of students for those families having to relocate due to COVID-19.

COLA Factor estimates: 2021-2022: 5.07 percent, 2022-2023: 2.48 percent, 2023-2024: 3.11 percent.

The 2021-2022 school year is the seventh year that California Districts must align their budget with the Local Control Accountability Plan (LCAP). The District met with stakeholders (parents, teachers, staff and outside groups) over the course of the 2019-2020 school year in order to receive input on the new plan. The 2021-2022 budget is linked directly to the LCAP plan. The District receives additional funding based on the number of English Learners, Free and Reduced Students and Foster Youth. The use of these funds is targeted toward the groups that generate them and must be accounted for in the LCAP plan. The 2021-2022 Budget was submitted to the San Benito County Office of Education for final review by the June 30, 2021, deadline.

There is no such thing as a good budget without reasonable reserves. The state minimum level reserve is three percent for a district this size. Three percent of the 2021-2022 budget is about \$2,090,000 which equates to about 2.5 weeks of payroll expense. At the October 8, 2013, Board meeting, the Hollister School Board voted to increase the reserve level beginning in budget year 2014-2015 to a minimum of 5-6 percent in the 2016-2017 year and a minimum of 8-9 percent in the 2017-2018 year. At a board meeting on October 31, 2017, the Board of Trustees set a goal for the General Fund reserve to be 12 percent. This level of reserves will help the District should the state experience a downturn in revenue and decrease funding to the schools. Beginning with the 2015-2016 Budget year, any reserves over the minimum level must be explained or assigned in the budget documents. An explanation must accompany the budget as to why the district will need reserves over the minimum level. The District will continue to monitor the State's economy and the budget, exercise caution in its multi-year forecast, and remain conservative in budgeting new revenues.

#### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, students, 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 any questions about this report or need any additional financial information, please contact Lisa Wiggins, Fiscal Services Department, Hollister School District, 2690 Cienega Rd, Hollister, California, 95023.



Hollister School District  
Statement of Net Position  
June 30, 2021

	Governmental Activities
Assets	
Deposits and investments	\$ 23,861,897
Receivables	13,630,984
Stores inventories	218,760
Capital assets not depreciated	53,627,904
Capital assets, net of accumulated depreciation	40,441,590
Total assets	<u>131,781,135</u>
Deferred Outflows of Resources	
Deferred outflows of resources related to OPEB	1,020,706
Deferred outflows of resources related to pensions	18,333,853
Total deferred outflows of resources	<u>19,354,559</u>
Liabilities	
Accounts payable	4,657,933
Interest payable	1,047,125
Unearned revenue	207,695
Long-term liabilities	
Long-term liabilities other than OPEB and pensions due within one year	910,000
Long-term liabilities other than OPEB and pensions due in more than one year	64,030,457
Total other postemployment benefits liability (OPEB)	8,348,880
Aggregate net pension liabilities	73,012,966
Total liabilities	<u>152,215,056</u>
Deferred Inflows of Resources	
Deferred inflows of resources related to OPEB	462,801
Deferred inflows of resources related to pensions	2,690,832
Total deferred inflows of resources	<u>3,153,633</u>
Net Position	
Net investment in capital assets	33,854,518
Restricted for	
Debt service	2,803,678
Capital projects	8,059,539
Educational programs	2,148,490
Child nutrition	3,524,492
Student activities	24,495
Unrestricted (deficit)	(54,648,207)
Total net position	<u>\$ (4,232,995)</u>

Hollister School District  
Statement of Activities  
Year Ended June 30, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position Governmental Activities
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities					
Instruction	\$ 49,428,317	\$ 623,506	\$ 10,617,483	\$ 2,191,195	\$ (35,996,133)
Instruction-related activities					
Supervision of instruction	2,519,121	98,978	616,828	-	(1,803,315)
Instructional library, media, and technology	652,779	51	14,352	-	(638,376)
School site administration	5,588,911	16,817	294,432	-	(5,277,662)
Pupil services					
Home-to-school transportation	1,159,449	21,009	145,766	-	(992,674)
Food services	3,681,412	8,566	4,679,407	-	1,006,561
All other pupil services	3,816,726	212,444	867,495	-	(2,736,787)
Administration					
Data processing	2,915,132	-	1,910,014	-	(1,005,118)
All other administration	3,147,175	44,196	591,617	-	(2,511,362)
Plant services	7,235,444	33,875	1,173,906	-	(6,027,663)
Ancillary services	2,431	-	-	-	(2,431)
Community services	-	275	11	-	286
Interest on long-term liabilities	2,495,729	-	-	-	(2,495,729)
Other outgo	1,524,394	2,910,027	3,018,129	-	4,403,762
Total governmental activities	<u>\$ 84,167,020</u>	<u>\$ 3,969,744</u>	<u>\$ 23,929,440</u>	<u>\$ 2,191,195</u>	<u>(54,076,641)</u>
General Revenues and Subventions					
Property taxes, levied for general purposes					17,955,103
Taxes levied for other specific purposes					362,512
Federal and State aid not restricted to specific purposes					36,020,886
Interest and investment earnings					39,944
Miscellaneous					<u>5,214,454</u>
Subtotal, general revenues					<u>59,592,899</u>
Total general revenues and transfers					<u>59,592,899</u>
Change in Net Position					5,516,258
Net Position - Beginning, as Restated					<u>(9,749,253)</u>
Net Position - Ending					<u>\$ (4,232,995)</u>

Hollister School District  
Balance Sheet – Governmental Funds  
June 30, 2021

	General Fund	Cafeteria Fund	Building Fund	Capital Facilities Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>Assets</b>							
Deposits and investments	\$ 4,148,135	\$ 2,861,343	\$ 4,049,005	\$ 5,909,788	\$ 3,850,803	\$ 3,042,823	\$ 23,861,897
Receivables	12,862,155	758,216	4,581	3,686	-	2,346	13,630,984
Stores inventories	16,398	202,362	-	-	-	-	218,760
<b>Total assets</b>	<b>\$ 17,026,688</b>	<b>\$ 3,821,921</b>	<b>\$ 4,053,586</b>	<b>\$ 5,913,474</b>	<b>\$ 3,850,803</b>	<b>\$ 3,045,169</b>	<b>\$ 37,711,641</b>
<b>Liabilities and Fund Balances</b>							
<b>Liabilities</b>							
Accounts payable	\$ 4,510,343	\$ 95,067	\$ -	\$ 47,056	\$ -	\$ 5,467	\$ 4,657,933
Unearned revenue	207,695	-	-	-	-	-	207,695
<b>Total liabilities</b>	<b>4,718,038</b>	<b>95,067</b>	<b>-</b>	<b>47,056</b>	<b>-</b>	<b>5,467</b>	<b>4,865,628</b>
<b>Fund Balances</b>							
Nonspendable	21,425	202,362	-	-	-	-	223,787
Restricted	2,148,490	3,524,492	4,053,586	5,866,418	3,850,803	2,217,616	21,661,405
Assigned	-	-	-	-	-	822,086	822,086
Unassigned	10,138,735	-	-	-	-	-	10,138,735
<b>Total fund balances</b>	<b>12,308,650</b>	<b>3,726,854</b>	<b>4,053,586</b>	<b>5,866,418</b>	<b>3,850,803</b>	<b>3,039,702</b>	<b>32,846,013</b>
<b>Total liabilities and fund balances</b>	<b>\$ 17,026,688</b>	<b>\$ 3,821,921</b>	<b>\$ 4,053,586</b>	<b>\$ 5,913,474</b>	<b>\$ 3,850,803</b>	<b>\$ 3,045,169</b>	<b>\$ 37,711,641</b>

Hollister School District  
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position  
June 30, 2021

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Total Fund Balance - Governmental Funds		\$ 32,846,013
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is	\$ 150,490,411	
Accumulated depreciation is	<u>(56,420,917)</u>	
Net capital assets		94,069,494
In governmental funds, unmatured interest on long-term liabilities is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term liabilities is recognized when it is incurred.		
		(1,047,125)
Deferred outflows of resources represent a consumption of net position in a future period and is not reported in the governmental funds. Deferred outflows of resources amounted to and related to		
Other postemployment benefits (OPEB)	1,020,706	
Net pension liability	<u>18,333,853</u>	
Total deferred outflows of resources		19,354,559
Deferred inflows of resources represent an acquisition of net position that applies to a future period and is not reported in the governmental funds. Deferred inflows of resources amount to and related to		
Other postemployment benefits (OPEB)	(462,801)	
Net pension liability	<u>(2,690,832)</u>	
Total deferred inflows of resources		(3,153,633)
Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.		
		(73,012,966)
The District's OPEB liability is not due and payable in the current period, and is not reported as a liability in the funds.		
		(8,348,880)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Long-term liabilities at year-end consist of		
General obligation bonds	(64,268,562)	
Compensated absences (vacations)	<u>(671,895)</u>	
Total long-term liabilities		<u>(64,940,457)</u>
Total net position - governmental activities		<u>\$ (4,232,995)</u>

Hollister School District

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds

Year Ended June 30, 2021

	General Fund	Cafeteria Fund	Building Fund	Capital Facilities Fund
Revenues				
Local control funding formula	\$ 53,491,932	\$ -	\$ -	\$ -
Federal sources	8,979,559	4,653,306	-	-
Other State sources	8,430,961	324,775	-	-
Other local sources	4,305,769	18,523	(37,421)	5,737,714
Total revenues	75,208,221	4,996,604	(37,421)	5,737,714
Expenditures				
Current				
Instruction	44,690,320	-	-	-
Instruction-related activities				
Supervision of instruction	2,381,513	-	-	-
Instructional library, media, and technology	522,775	-	-	-
School site administration	5,220,532	-	-	-
Pupil services				
Home-to-school transportation	607,086	-	-	-
Food services	225,565	3,264,172	-	-
All other pupil services	3,525,195	-	-	-
Administration				
Data processing	2,852,873	-	-	-
All other administration	2,664,990	141,742	-	-
Plant services	6,275,628	-	-	132,066
Ancillary services	1,481	-	-	-
Other outgo	1,524,394	-	-	-
Facility acquisition and construction	-	-	4,060,816	8,979,244
Debt service				
Principal	87,650	-	-	-
Interest and other	-	-	8,777	-
Total expenditures	70,580,002	3,405,914	4,069,593	9,111,310
Excess (Deficiency) of Revenues Over Expenditures	4,628,219	1,590,690	(4,107,014)	(3,373,596)
Other Financing Sources (Uses)				
Transfers in	-	-	-	-
Transfers out	(30,000)	-	-	-
Net Financing Sources (Uses)	(30,000)	-	-	-
Net Change in Fund Balances	4,598,219	1,590,690	(4,107,014)	(3,373,596)
Fund Balance - Beginning, as Restated	7,710,431	2,136,164	8,160,600	9,240,014
Fund Balance - Ending	\$ 12,308,650	\$ 3,726,854	\$ 4,053,586	\$ 5,866,418

Hollister School District

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds

Year Ended June 30, 2021

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	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues			
Local control funding formula	\$ -	\$ -	\$ 53,491,932
Federal sources	-	-	13,632,865
Other State sources	23,711	2,191,195	10,970,642
Other local sources	3,479,821	34,889	13,539,295
Total revenues	3,503,532	2,226,084	91,634,734
Expenditures			
Current			
Instruction	-	-	44,690,320
Instruction-related activities			
Supervision of instruction	-	-	2,381,513
Instructional library, media, and technology	-	-	522,775
School site administration	-	-	5,220,532
Pupil services			
Home-to-school transportation	-	-	607,086
Food services	-	-	3,489,737
All other pupil services	-	-	3,525,195
Administration			
Data processing	-	-	2,852,873
All other administration	-	-	2,806,732
Plant services	-	50,220	6,457,914
Ancillary services	-	950	2,431
Other outgo	-	-	1,524,394
Facility acquisition and construction	-	246,335	13,286,395
Debt service			
Principal	1,645,000	-	1,732,650
Interest and other	2,568,825	-	2,577,602
Total expenditures	4,213,825	297,505	91,678,149
Excess (Deficiency) of Revenues Over Expenditures	(710,293)	1,928,579	(43,415)
Other Financing Sources (Uses)			
Transfers in	-	30,000	30,000
Transfers out	-	-	(30,000)
Net Financing Sources (Uses)	-	30,000	-
Net Change in Fund Balances	(710,293)	1,958,579	(43,415)
Fund Balance - Beginning, as Restated	4,561,096	1,081,123	32,889,428
Fund Balance - Ending	\$ 3,850,803	\$ 3,039,702	\$ 32,846,013

# Hollister School District

## Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2021

Total Net Change in Fund Balances - Governmental Funds	\$ (43,415)
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Amounts Reported for Governmental Activities in the Statement of Activities are Different Because

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

This is the amount by which capital outlays exceed depreciation in the period.

Depreciation expense	\$ (3,345,986)
Capital outlays	<u>13,343,322</u>

Net expense adjustment	9,997,336
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In the Statement of Activities, certain operating expenses, such as compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This amount is the difference between vacation earned and used.

(122,487)

In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the Statement of Activities, pension expense is the net effect of all changes in the deferred outflows, deferred inflows and net pension liability during the year.

(5,690,508)

In the governmental funds, OPEB costs are based on employer contributions made to OPEB plans during the year. However, in the Statement of Activities, OPEB expense is the net effect of all changes in the deferred outflows, deferred inflows, and net OPEB liability during the year.

(439,191)

Governmental funds report the effect of premiums, discounts, and the deferred charge on refunding when the debt is first issued, whereas the amounts are deferred and amortized in the Statement of Activities.

Premium amortization	146,304
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Payment of principal on long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.

General obligation bonds	1,645,000
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Hollister School District

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental  
Funds to the Statement of Activities  
Year Ended June 30, 2021

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Interest on long-term liabilities is recorded as an expenditure in the funds when it is due; however, in the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

23,219

Change in net position of governmental activities

\$ 5,516,258



## **Note 1 - Summary of Significant Accounting Policies**

### **Financial Reporting Entity**

The Hollister School District (the District) was organized in 1872, under the laws of the State of California. The District operates under a locally-elected five-member Board form of government and provides educational services to grades K - 8 as mandated by the State and/or Federal agencies. The District operates eight elementary and two middle schools.

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

### **Basis of Presentation - Fund Accounting**

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

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

### **Major Governmental Funds**

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

**Cafeteria Fund** The Cafeteria Fund is used to account separately for Federal, State, and local resources to operate the food service program (Education Code Sections 38090-38093) and is used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (Education Code Sections 38091 and 38100).

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

**Capital Facilities Fund** The Capital Facilities Fund is used primarily to account separately for monies received from fees levied on developers or other agencies as a condition of approval (*Education Code* Sections 17620-17626 and *Government Code* Section 65995 et seq.). Expenditures are restricted to the purposes specified in *Government Code* Sections 65970-65981 or to the items specified in agreements with the developer (*Government Code* Section 66006).

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

#### **Non-Major Governmental Funds**

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

- **Student Activities Fund** The Student Activities Fund is used to account separately for the operating activities of the associated student body accounts that are not fiduciary in nature, including student clubs, general operations, athletics, and other student body activities.

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

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

#### **Basis of Accounting - Measurement Focus**

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

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

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

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

- **Governmental Funds** All governmental funds are accounted for using the flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting, and the governmental fund financial statements, prepared using the flow of current financial resources measurement focus and the modified accrual basis of accounting.

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

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

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

Certain grants received before the eligibility requirements are met 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 they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred. Principal and interest on long-term liabilities, which has not matured, are recognized when paid in the governmental funds as expenditures. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds but are recognized in the entity-wide statements.

### **Investments**

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

### **Stores Inventories**

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

### **Capital Assets and Depreciation**

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the District. The District maintains a capitalization threshold of \$5,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized, but are expensed as incurred.

When purchased, such assets are recorded as expenditures in the governmental funds and capitalized in the government-wide statement of net position. The valuation basis for capital assets is historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets are capitalized at acquisition value on the date donated.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 20 to 50 years; improvements/infrastructure, 5 to 50 years; equipment, 2 to 15 years.

### **Compensated Absences**

Compensated absences are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide statement of net position. 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 resources. These amounts are reported in the fund from which the employees who have accumulated leave are paid.

Sick leave is accumulated without limit for each employee at the rate of one day for each month worked. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave. Credit for unused sick leave is applicable to all certificated employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full-time.

### **Accounts Payable and Long-Term Liabilities**

Accounts payable and long-term liabilities are reported in the government-wide financial statements. In general, governmental fund accounts payable that are paid in a timely manner and in full from current financial resources are reported as liabilities of the funds.

### **Premiums**

In the government-wide financial statements, long-term liabilities are reported as liabilities in the applicable governmental activities, statement of net position. Debt premiums are amortized over the life of the bonds using the straight-line method, which approximates the effective interest method.

In governmental fund financial statements, bond premiums are recognized in the current period. The face amount of the debt is reported as other financing sources. Premiums received on debt issuance are also reported as other financing sources.

### **Deferred Outflows/Inflows of Resources**

In addition to assets, the Statement of Net Position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The District reports deferred outflows of resources for pension related items, and for OPEB related items. The deferred amounts related to pension and OPEB relate to differences between expected and actual earnings on investments, changes of assumptions, and other pension and OPEB related changes.

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

### **Pensions**

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the California State Teachers Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) plan for schools (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same

basis as they are reported by CalSTRS and CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Member contributions are recognized in the period in which they are earned. Investments are reported at fair value. The net pension liability attributable to the governmental activities will be paid by the fund in which the employee worked.

#### **Postemployment Benefits Other Than Pensions (OPEB)**

For purposes of measuring the OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, where applicable, and OPEB expense, information about additions to/deductions from the District Plan have been determined on the same basis as they are reported by the District Plan. For this purpose, the District Plan recognizes benefit payments when due and payable in accordance with the benefit terms.

#### **Fund Balances - Governmental Funds**

As of June 30, 2021, fund balances of the governmental funds are classified as follows:

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

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

**Committed** - amounts that can be used only for specific purposes determined by a formal action of the governing board. The governing board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through resolutions or other action as approved by the governing board. The District had no committed fund balances.

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

**Unassigned** - all other spendable amounts.

#### **Spending Order Policy**

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

### **Minimum Fund Balance Policy**

The governing board adopted a minimum fund balance policy for the General Fund in order to protect the district against revenue shortfalls or unpredicted one-time expenditures. The policy requires a Reserve for Economic Uncertainties consisting of unassigned amounts equal to no less than 3.0 percent of General Fund expenditures and other financing uses.

### **Net Position**

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net position net of 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. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report \$16,560,694 of restricted net position.

### **Interfund Activity**

Transfers between governmental activities in the government-wide financial statements are reported in the same manner as general revenues.

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 column of the statement of activities.

### **Estimates**

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

### **Property Tax**

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

## **Change in Accounting Principles**

### **Implementation of GASB Statement No. 84**

As of July 1, 2020, the District adopted GASB Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. Greater consistency and comparability enhance the value provided by the information reported in financial statements for assessing government accountability and stewardship. The impact to the District resulted in a reclassification of the District's student body activities from fiduciary to governmental. The effect of the implementation of this standard on beginning fund balance and net position is disclosed in Note 15.

### **New Accounting Pronouncements**

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The requirements of this Statement are effective for the reporting periods beginning after June 15, 2021. Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.



## Note 2 - Deposits and Investments

### Summary of Deposits and Investments

Deposits and investments as of June 30, 2021, are classified in the accompanying financial statements as follows:

Governmental funds	<u>\$ 23,861,897</u>
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Deposits and investments as of June 30, 2021, consist of the following:

Cash on hand and in banks	\$ 24,995
Cash in revolving	5,027
Investments	<u>23,831,875</u>
Total deposits and investments	<u>\$ 23,861,897</u>

### Policies and Practices

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

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

## General Authorizations

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

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

## Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District has a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by investing in the County Pool which purchases a combination of shorter term and longer term investments and which also times cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. The District maintains an investment of \$23,831,875 in the San Benito County Treasury Investment Pool that has an average weighted maturity of 92 days.

## Credit Risk- Investments

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

### Custodial Credit Risk – Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2021, none of the District's bank balance was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent.

### Note 3 - Receivables

Receivables at June 30, 2021, consisted of intergovernmental grants, entitlements, state apportionments, and local sources. All receivables are considered collectible in full.

	General Fund	Cafeteria Fund	Building Fund	Capital Facilities Fund	Non-Major Governmental Funds	Total
Federal Government						
Categorical aid	\$ 1,872,572	\$ 698,738	\$ -	\$ -	\$ -	\$ 2,571,310
State Government						
LCFF apportionment	8,969,656	-	-	-	-	8,969,656
Other State	1,715,478	59,478	-	-	-	1,774,956
Local Sources	304,449	-	4,581	3,686	2,346	315,062
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total	<u>\$ 12,862,155</u>	<u>\$ 758,216</u>	<u>\$ 4,581</u>	<u>\$ 3,686</u>	<u>\$ 2,346</u>	<u>\$ 13,630,984</u>

**Note 4 - Capital Assets**

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

	Balance as Restated July 1, 2020	Additions	Deductions	Balance June 30, 2021
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 8,096,897	\$ -	\$ -	\$ 8,096,897
Construction in progress	32,745,666	12,785,341	-	45,531,007
Total capital assets not being depreciated	40,842,563	12,785,341	-	53,627,904
Capital assets being depreciated				
Land improvements	10,161,342	13,170	-	10,174,512
Buildings and improvements	82,699,227	191,791	-	82,891,018
Furniture and equipment	3,443,957	353,020	-	3,796,977
Total capital assets being depreciated	96,304,526	557,981	-	96,862,507
Total capital assets	137,147,089	13,343,322	-	150,490,411
Accumulated depreciation				
Land improvements	(9,216,443)	(196,172)	-	(9,412,615)
Buildings and improvements	(42,618,092)	(2,861,853)	-	(45,479,945)
Furniture and equipment	(1,240,396)	(287,961)	-	(1,528,357)
Total accumulated depreciation	(53,074,931)	(3,345,986)	-	(56,420,917)
Governmental activities capital assets, net	<u>\$ 84,072,158</u>	<u>\$ 9,997,336</u>	<u>\$ -</u>	<u>\$ 94,069,494</u>

Depreciation expense was charged to functional expenses as follows:

Governmental Activities	
Instruction	\$ 1,840,292
Instructional library, media, and technology	100,380
Home-to-school transportation	535,358
Food services	133,839
All other pupil services	66,920
All other administration	167,299
Plant services	501,898
Total depreciation expenses governmental activities	<u>\$ 3,345,986</u>

## Note 5 - Interfund Transactions

### Operating Transfers

Interfund transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Interfund transfers for the year ended June 30, 2019, consisted of the following:

The General Fund transferred to the Special Reserve Non-Major Governmental Fund for Capital Outlay Projects for joint use with the City of Hollister.	<u>\$ 30,000</u>
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## Note 6 - Accounts Payable

Accounts payable at June 30, 2021, consists of the following:

	General Fund	Cafeteria Fund	Capital Facilities Fund	Non-Major Governmental Funds	Total
Vendor payables	\$ 1,857,945	\$ 12,699	\$ 47,056	\$ 5,467	\$ 1,923,167
State apportionment	2,200	-	-	-	2,200
Salaries and benefits	2,650,198	82,368	-	-	2,732,566
Total	<u>\$ 4,510,343</u>	<u>\$ 95,067</u>	<u>\$ 47,056</u>	<u>\$ 5,467</u>	<u>\$ 4,657,933</u>

## Note 7 - Unearned Revenue

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

	General Fund
Federal financial assistance	\$ 112,372
State categorical aid	95,323
Total	<u>\$ 207,695</u>

## Note 8 - Long-Term Liabilities Other than OPEB and Pensions

### Summary

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

	Balance as Restated July 1, 2020	Additions	Deductions	Balance June 30, 2021	Due in One Year
Long-Term Liabilities					
General obligation bonds	\$ 63,015,000	\$ -	\$ (1,645,000)	\$ 61,370,000	\$ 910,000
Unamortized debt premiums	3,044,866	-	(146,304)	2,898,562	-
Compensated absences	549,408	215,095	(92,608)	671,895	-
Total	<u>\$ 66,609,274</u>	<u>\$ 215,095</u>	<u>\$ (1,883,912)</u>	<u>\$ 64,940,457</u>	<u>\$ 910,000</u>

Payments on the general obligation bonds are made by the Bond Interest and Redemption Fund with local property tax revenues. The premiums will be amortized over the life of the related debt. The capital lease and compensated absences will be paid by the General Fund.

### General Obligation Bonds

The outstanding general obligation bonded debt is as follows:

Issuance Date	Final Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2020	Redeemed	Bonds Outstanding June 30, 2021
3/14/15	9/1/44	2.00-4.00	\$ 14,000,000	\$ 13,150,000	\$ -	\$ 13,150,000
3/16/17	9/1/46	3.625-5.00	14,500,000	14,325,000	(160,000)	14,165,000
3/16/17	9/1/46	4.00-5.00	12,000,000	10,615,000	-	10,615,000
3/21/19	9/1/46	4.00-5.00	24,000,000	24,000,000	(1,005,000)	22,995,000
3/16/17	9/1/21	4.00-5.00	1,825,000	925,000	(480,000)	445,000
Total				<u>\$ 63,015,000</u>	<u>\$ (1,645,000)</u>	<u>\$ 61,370,000</u>

### Debt Service Requirements to Maturity

The current interest bonds mature as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2022	\$ 910,000	\$ 2,533,525	\$ 3,443,525
2023	475,000	2,492,675	2,967,675
2024	605,000	2,470,525	3,075,525
2025	750,000	2,442,725	3,192,725
2026	905,000	2,405,225	3,310,225
2027-2031	6,735,000	11,201,675	17,936,675
2032-2036	10,510,000	9,431,988	19,941,988
2037-2041	15,055,000	6,901,325	21,956,325
2042-2046	20,525,000	3,450,800	23,975,800
2047	4,900,000	196,000	5,096,000
Total	<u>\$ 61,370,000</u>	<u>\$ 43,526,463</u>	<u>\$ 104,896,463</u>

### Compensated Absences

Compensated absences (unpaid employee vacation) for the District at June 30, 2021, amounted to \$671,895.

### Note 9 - Postemployment Benefit (OPEB) Liability

For the fiscal year ended June 30, 2021, the District reported total OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense for the following plan:

OPEB Plan	Total OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
Retiree Health Plan	<u>\$ 8,348,880</u>	<u>\$ 1,020,706</u>	<u>\$ 462,801</u>	<u>\$ 570,244</u>

The details of the plan are as follows:

#### District Plan

#### Plan Administration

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

## Plan Membership

At July 1, 2020, the valuation date, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	16
Active employees	269
	<hr/>
Total	285
	<hr/>

## Benefits Provided

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

## Contributions

The benefit payment requirements of the Plan members and the District are established and may be amended by the District, the Hollister Elementary School Teachers Association (HESTA) the local California Service Employees Association (CSEA), and unrepresented groups. The benefit payment is based on projected pay-as-you-go financing requirements as determined annually through the agreements with the District, HESTA, CSEA, and the unrepresented groups. For measurement period of June 30, 2020, the District paid \$248,543 in benefits, including implicit subsidy.

## Total OPEB Liability of the District

The District's total OPEB liability of \$8,348,880 was measured as of June 30, 2020, by applying certain roll-forward procedures to the valuation prepared as of June 30, 2019.

## Actuarial Assumptions

The total OPEB liability as of June 30, 2020 was determined by applying updated procedures to the financial reporting actuarial valuation as of June 30, 2019 and rolling forward the total OPEB liability to June 30, 2020. The following assumptions were applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.00 percent
Salary increases	3.00 percent, average, including inflation
Discount rate	2.45 percent
Healthcare cost trend rates	5.90 percent decreasing by 0.10 percent per year to 5.00 percent for 2029 and later years

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



Pre-retirement mortality rates were based on the active employees from CalSTRS Experience Analysis (2015-2018) and from the CalPERS Experience Study (1997-2015). Post-retirement mortality rates were based on retired members and beneficiaries from CalSTRS Experience Analysis (2015-2018) and rates for Healthy Recipients from CalPERS Experience Study (1997-2015).

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

### Changes in the Total OPEB Liability

	Total OPEB Liability
Balance, June 30, 2019	\$ 7,682,843
Service cost	257,410
Interest	244,670
Changes of assumptions or other inputs	412,500
Benefit payments	(248,543)
Net change in total OPEB liability	666,037
Balance, June 30, 2020	\$ 8,348,880

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

Changes of Assumptions - The plan discount rate assumption was changed from 3.13 percent to 2.45 percent since the previous measurement. The plan healthcare cost trend rate assumption was changed from 6.0 percent to 5.9 percent since the previous measurement.

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

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

Discount Rate	Total OPEB Liability
1% decrease (1.45%)	\$ 8,982,636
Current discount rate (2.45%)	8,348,880
1% increase (3.45%)	7,747,893

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

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

Healthcare Cost Trend Rate	Total OPEB Liability
1% decrease (4.90%)	\$ 7,487,771
Current healthcare cost trend rate (5.90%)	8,348,880
1% increase (6.90%)	9,329,972

### OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources related to OPEB

For the year ended June 30, 2021, the District recognized OPEB expense of \$570,244. At June 30, 2021, the District reported deferred outflows of resources and deferred inflow of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	\$ 148,891 *	\$ -
Differences between expected and actual experience	-	307,565
Changes of assumptions	871,815	155,236
Total	\$ 1,020,706	\$ 462,801

\* Includes implicit rate of 1.31%.

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

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

<u>Year Ended June 30,</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2022	\$ 179,634	\$ 111,470
2023	179,634	111,470
2024	179,634	111,470
2025	179,634	94,218
2026	121,551	34,173
Thereafter	31,728	-
Total	<u>\$ 871,815</u>	<u>\$ 462,801</u>

## Note 10 - Fund Balances

Fund balances are composed of the following elements:

	General Fund	Cafeteria Fund	Building Fund	Capital Facilities Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total
Nonspendable							
Revolving cash	\$ 5,027	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,027
Stores inventories	16,398	202,362	-	-	-	-	218,760
Total nonspendable	21,425	202,362	-	-	-	-	223,787
Restricted							
Legally restricted programs	2,148,490	-	-	-	-	-	2,148,490
Food service	-	3,524,492	-	-	-	-	3,524,492
Student activities	-	-	-	-	-	24,495	24,495
Capital projects	-	-	4,053,586	5,866,418	-	2,193,121	12,113,125
Debt services	-	-	-	-	3,850,803	-	3,850,803
Total restricted	2,148,490	3,524,492	4,053,586	5,866,418	3,850,803	2,217,616	21,661,405
Assigned							
Capital projects	-	-	-	-	-	822,086	822,086
Unassigned							
Reserve for economic uncertainties	2,197,000	-	-	-	-	-	2,197,000
Remaining unassigned	7,941,735	-	-	-	-	-	7,941,735
Total unassigned	10,138,735	-	-	-	-	-	10,138,735
Total	\$12,308,650	\$ 3,726,854	\$ 4,053,586	\$ 5,866,418	\$ 3,850,803	\$ 3,039,702	\$32,846,013

## Note 11 - Risk Management

### Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2021, the District contracted with Monterey and San Benito Counties Liability and Property Self-Insurance Authority for property and liability insurance coverage. Settled claims have not exceeded this coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

### Workers' Compensation

For fiscal year 2021, the District participated in the Santa Cruz-San Benito County Schools Insurance Group (SCSBCSIG), an insurance purchasing pool. The intent of SCSBCSIG is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in SCSBCSIG. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in the SCSBCSIG. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage. A participant will then either receive money from or be required to contribute to the "equity-pooling fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of SCSBCSIG. Participation in SCSBCSIG is limited to districts that can meet SCSBCSIG selection criteria. The firm of Keenan and Associates provides administrative, cost control, and actuarial services to the insurance group.

### Employee Medical Benefits

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

### Note 12 - Employee Retirement Systems

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

For the fiscal year ended June 30, 2021, the District reported its proportionate share of net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS	\$ 51,297,687	\$ 14,060,454	\$ 2,557,498	\$ 7,540,199
CalPERS	21,715,279	4,273,399	133,334	4,479,193
Total	<u>\$ 73,012,966</u>	<u>\$ 18,333,853</u>	<u>\$ 2,690,832</u>	<u>\$ 12,019,392</u>

The details of each plan are as follows:

### **California State Teachers' Retirement System (CalSTRS)**

#### **Plan Description**

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2019, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

#### **Benefits Provided**

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

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

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

The STRP provisions and benefits in effect at June 30, 2021, are summarized as follows:

	STRP Defined Benefit Program	
	On or before December 31, 2012	On or after January 1, 2013
Hire date	2% at 60	2% at 62
Benefit formula	5 years of service	5 years of service
Benefit vesting schedule	Monthly for life	Monthly for life
Benefit payments	60	62
Retirement age	2.0% - 2.4%	2.0% - 2.4%
Monthly benefits as a percentage of eligible compensation	10.25%	10.205%
Required employee contribution rate	16.15%	16.15%
Required employer contribution rate	10.328%	10.328%
Required state contribution rate		

### Contributions

Required member, District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2021, are presented above and the District's total contributions were \$4,237,004.

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

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

Total net pension liability, including State share	
Proportionate share of net pension liability	\$ 51,297,687
State's proportionate share of the net pension liability	26,443,964
Total	<u>\$ 77,741,651</u>

The net pension liability was measured as of June 30, 2020. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2020 and June 30, 2019, respectively was 0.0529 percent and 0.0489 percent, resulting in a net increase in the proportionate share of 0.0040 percent.

For the year ended June 30, 2021, the District recognized pension expense of \$7,540,199. In addition, the District recognized pension expense and revenue of \$3,704,540 for support provided by the State. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 4,237,004	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	3,512,144	1,110,815
Differences between projected and actual earnings on pension plan investments	1,218,538	-
Differences between expected and actual experience in the measurement of the total pension liability	90,517	1,446,683
Changes of assumptions	5,002,251	-
Total	<u>\$ 14,060,454</u>	<u>\$ 2,557,498</u>

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

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

Year Ended June 30,	Deferred Outflows of Resources
2022	\$ (743,544)
2023	415,178
2024	828,326
2025	718,578
Total	<u>\$ 1,218,538</u>



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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2022	\$ 1,962,918
2023	1,598,956
2024	1,596,032
2025	132,422
2026	358,637
2027	398,449
Total	<u>\$ 6,047,414</u>

#### Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2019, and rolling forward the total pension liability to June 30, 2020. The financial reporting actuarial valuation as of June 30, 2019, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2019
Measurement date	June 30, 2020
Experience study	July 1, 2015 through June 30, 2018
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2019) table, issued by the Society of Actuaries.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance-PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in January 2020 in conjunction with the most recent experience study. For each 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, 2020, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Public equity	42%	4.8%
Real estate	15%	3.6%
Private equity	13%	6.3%
Fixed income	12%	1.3%
Risk mitigating strategies	10%	1.8%
Inflation sensitive	6%	3.3%
Cash/liquidity	2%	(0.4%)

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

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

Discount Rate	Net Pension Liability
1% decrease (6.10%)	\$ 77,503,660
Current discount rate (7.10%)	51,297,687
1% increase (8.10%)	29,660,967

## California Public Employees Retirement System (CalPERS)

### Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2019, annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at:  
<https://www.calpers.ca.gov/page/forms-publications>.

### Benefits Provided

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

The CalPERS provisions and benefits in effect at June 30, 2021, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
Hire date		
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	7.00%
Required employer contribution rate	20.70%	20.70%

## Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2021, are presented above and the total District contributions were \$2,091,880.

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

As of June 30, 2021, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$21,715,279. The net pension liability was measured as of June 30, 2020. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2020 and June 30, 2019, respectively was 0.0708 percent and 0.0663 percent, resulting in a net increase in the proportionate share of 0.0045 percent.

For the year ended June 30, 2021, the District recognized pension expense of \$4,479,193. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 2,091,880	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	572,833	133,334
Differences between projected and actual earnings on pension plan investments	452,043	-
Differences between expected and actual experience in the measurement of the total pension liability	1,077,012	-
Changes of assumptions	79,631	-
	<u>\$ 4,273,399</u>	<u>\$ 133,334</u>
Total	<u>\$ 4,273,399</u>	<u>\$ 133,334</u>

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

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

Year Ended June 30,	Deferred Outflows of Resources
2022	\$ (169,165)
2023	150,888
2024	262,269
2025	208,051
Total	<u>\$ 452,043</u>

The deferred outflows/(inflows) of resources related to the change in proportion and differences between contributions made and District's proportionate share of contributions, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 4.1 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2022	\$ 806,450
2023	532,315
2024	236,961
2025	20,416
Total	<u>\$ 1,596,142</u>

### Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2019, and rolling forward the total pension liability to June 30, 2020. The financial reporting actuarial valuation as of June 30, 2019, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2019
Measurement date	June 30, 2020
Experience study	July 1, 1997 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.50%
Wage growth	Varies by entry age and service

The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries 90 percent of scale MP-2016.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first ten years) and the long-term (11+ 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 rounded 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 equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	50%	5.98%
Fixed income	28%	2.62%
Inflation assets	0%	1.81%
Private equity	8%	7.23%
Real assets	13%	4.93%
Liquidity	1%	(0.92%)

#### Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

Discount Rate	Net Pension Liability
1% decrease (6.15%)	\$ 31,219,674
Current discount rate (7.15%)	21,715,279
1% increase (8.15%)	13,827,109

## **Other Information**

Under CalSTRS law, certain early retirement incentives require the employer to pay the present value of the additional benefit which may be paid on either a current or deferred basis. The District has no obligations to CalSTRS.

## **Social Security**

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

## **On Behalf Payments**

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$2,992,672 (10.328 percent of annual payroll). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been included in the calculation of available reserves, but have not been included in the budgeted amounts reported in the *General Fund - Budgetary Comparison Schedule*.

## **Note 13 - Commitments and Contingencies**

### **Grants**

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

### **Litigation**

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

### **Operating Leases**

The District has entered into various operating leases for equipment. None of these agreements contain purchase options. All agreements contain a termination clause providing for cancellation after a specified number of days written notice to lessors, but it is unlikely that the District will cancel any of the agreements prior to the expiration date.

### **Note 14 - Participation in Public Entity Risk Pools**

The District is a member of the Self-Insured Schools of California III (SISC III), the Monterey and San Benito Counties Liability and Property Self-Insurance Authority (MSBCLP), and the Santa Cruz-San Benito County Schools Insurance Group (SCSBCSIG) public entity risk pools. The District pays an annual premium to each entity for its health, workers' compensation, and property liability coverage. The relationships between the District, the pools and the JPA's are such that they are not component units of the District for financial reporting purposes.

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

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

During the year ended June 30, 2021, the District made payment of \$7,191,097 to SISC III for health, medical, dental, vision and life coverage.

The District has one member appointed to the governing board of MSBCLP.

During the year ended June 30, 2021, the District made payment of \$446,623 to MSBCLP for liability and property damage insurance.

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

During the year ended June 30, 2021, the District made payment of \$708,014 to SCSBCSIG for workers' compensation insurance.



**Note 15 - Restatement of Prior Year Net Position and Fund Balance**

As of July 1, 2020, the Hollister School District adopted GASB Statement No. 84, *Fiduciary Activities* (GASB 84). As a result of the implementation of GASB 84, the District has reclassified its associated student body activity previously reported as fiduciary funds to a governmental fund – Student Activity Fund. In the current year, it was determined that amounts previously reported for capital assets were understated due to an understatement in the cost basis of furniture and equipment and overstatement of accumulated depreciation. Additionally, it was determined that a lease liability that had been recorded as a capital lease should be eliminated as the lease was determined to be an operating lease. The net position contained in the previously issued financial statements has been restated to appropriately reflect the June 30, 2020 misstatement. The change in net position for the year ended June 30, 2020 decreased by \$395,818 as a result of the correction of amounts related to capital assets and leases. The following table reflects the changes for the implementation of GASB Statement No. 84 and the correction of the error in the accompanying financial statements:

	Non-Major Governmental Funds	Total Governmental Funds
Beginning Fund Balance previously reported at June 30, 2020	\$ 1,055,678	\$ 32,863,983
Reclassification of student activity funds from agency funds to a special revenue fund	25,445	25,445
Fund Balance - Beginning as Restated July 1, 2020	<u>\$ 1,081,123</u>	<u>\$ 32,889,428</u>
Governmental Activities Financial Statements		
Beginning Governmental Activities Net Position previously reported at June 30, 2020		\$ (12,724,834)
Reclassification of student activity funds from agency funds to a special revenue fund		25,445
Revaluation of capital assets		2,554,318
Software service lease incorrectly reported as capital lease		395,818
Net Position - Beginning as Restated July 1, 2020		<u>\$ (9,749,253)</u>



Required Supplementary Information  
June 30, 2021

## Hollister School District

Hollister School District  
 Budgetary Comparison Schedule – General Fund  
 Year Ended June 30, 2021

	Budgeted Amounts		Actual	Variances - Positive (Negative) Final to Actual
	Original	Final		
Revenues				
Local control funding formula	\$ 47,530,266	\$ 52,959,548	\$ 53,491,932	\$ 532,384
Federal sources	3,556,784	11,509,453	8,979,559	(2,529,894)
Other State sources	1,933,631	10,516,455	8,430,961	(2,085,494)
Other local sources	3,288,536	3,748,975	4,305,769	556,794
Total revenues	<u>56,309,217</u>	<u>78,734,431</u>	<u>75,208,221</u>	<u>(3,526,210)</u>
Expenditures				
Current				
Certificated salaries	25,885,931	28,288,573	28,305,562	(16,989)
Classified salaries	8,537,566	10,401,304	10,145,701	255,603
Employee benefits	14,570,074	18,976,821	18,490,144	486,677
Books and supplies	1,343,288	12,218,608	5,638,856	6,579,752
Services and operating expenditures	5,940,272	8,244,379	6,510,765	1,733,614
Other outgo	1,000,000	1,207,393	1,382,652	(175,259)
Capital outlay	-	12,000	18,672	(6,672)
Debt service				
Debt service - principal	-	-	87,650	(87,650)
Total expenditures	<u>57,277,131</u>	<u>79,349,078</u>	<u>70,580,002</u>	<u>8,769,076</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(967,914)</u>	<u>(614,647)</u>	<u>4,628,219</u>	<u>5,242,866</u>
Other Financing Sources (Uses)				
Transfers out	<u>(30,000)</u>	<u>(30,000)</u>	<u>(30,000)</u>	<u>-</u>
Net Change in Fund Balances	(997,914)	(644,647)	4,598,219	5,242,866
Fund Balance - Beginning	<u>7,710,431</u>	<u>7,710,431</u>	<u>7,710,431</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 6,712,517</u>	<u>\$ 7,065,784</u>	<u>\$ 12,308,650</u>	<u>\$ 5,242,866</u>

Hollister School District  
 Budgetary Comparison Schedule – Cafeteria Fund  
 Year Ended June 30, 2021

	Budgeted Amounts		Actual	Variances - Positive (Negative)
	Original	Final		Final to Actual
Revenues				
Federal sources	\$ 3,695,583	\$ 4,251,280	\$ 4,653,306	402,026
Other State sources	269,180	269,180	324,775	55,595
Other local sources	126,430	93,366	18,523	(74,843)
Total revenues	4,091,193	4,613,826	4,996,604	382,778
Expenditures				
Current				
Classified salaries	992,477	932,290	984,161	(51,871)
Employee benefits	468,824	476,946	392,433	84,513
Books and supplies	2,385,990	2,905,263	1,677,171	1,228,092
Services and operating expenditures	93,902	190,905	169,261	21,644
Other outgo	150,000	152,607	141,742	10,865
Capital Outlay	-	82,293	41,146	41,147
Total expenditures	4,091,193	4,740,304	3,405,914	1,334,390
Net Change in Fund Balances	-	(126,478)	1,590,690	1,717,168
Fund Balance - Beginning	2,136,164	2,136,164	2,136,164	-
Fund Balance - Ending	<u>\$ 2,136,164</u>	<u>\$ 2,009,686</u>	<u>\$ 3,726,854</u>	<u>\$ 1,717,168</u>

Hollister School District  
Schedule of Changes in the District's Total OPEB Liability and Related Ratios  
Year Ended June 30, 2021

	2021	2020	2019	2018
Total OPEB Liability				
Service cost	\$ 257,410	\$ 213,110	\$ 280,053	\$ 271,896
Interest	244,670	264,117	226,138	221,118
Difference between expected and actual experience	-	(444,261)	-	-
Changes of assumptions	412,500	755,121	(284,602)	-
Benefit payments	(248,543)	(373,025)	(354,592)	(310,972)
Net change in total OPEB liability	666,037	415,062	(133,003)	182,042
Total OPEB Liability - Beginning	7,682,843	7,267,781	7,400,784	7,218,742
Total OPEB Liability - Ending	<u>\$ 8,348,880</u>	<u>\$ 7,682,843</u>	<u>\$ 7,267,781</u>	<u>\$ 7,400,784</u>
Covered Payroll	<u>N/A <sup>1</sup></u>	<u>N/A <sup>1</sup></u>	<u>N/A <sup>1</sup></u>	<u>N/A <sup>1</sup></u>
Total OPEB Liability as a Percentage of Covered Payroll	<u>N/A <sup>1</sup></u>	<u>N/A <sup>1</sup></u>	<u>N/A <sup>1</sup></u>	<u>N/A <sup>1</sup></u>
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017

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

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

**Hollister School District**  
Schedule of the District's Proportionate Share of the Net Pension Liability  
Year Ended June 30, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>CalSTRS</b>				
Proportion of the net pension liability	<u>0.0529%</u>	<u>0.0489%</u>	<u>0.0478%</u>	<u>0.0497%</u>
Proportionate share of the net pension liability	\$ 51,297,687	\$ 44,137,107	\$ 43,894,109	\$ 45,960,018
State's proportionate share of the net pension liability	<u>26,443,964</u>	<u>24,079,739</u>	<u>25,131,430</u>	<u>27,189,588</u>
Total	<u>\$ 77,741,651</u>	<u>\$ 68,216,846</u>	<u>\$ 69,025,539</u>	<u>\$ 73,149,606</u>
Covered payroll	<u>\$ 26,279,585</u>	<u>\$ 24,952,506</u>	<u>\$ 24,713,271</u>	<u>\$ 25,505,016</u>
Proportionate share of the net pension liability as a percentage of its covered payroll	<u>195.20%</u>	<u>176.88%</u>	<u>177.61%</u>	<u>180.20%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>72%</u>	<u>73%</u>	<u>71%</u>	<u>69%</u>
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
<b>CalPERS</b>				
Proportion of the net pension liability	<u>0.0708%</u>	<u>0.0663%</u>	<u>0.0649%</u>	<u>0.0677%</u>
Proportionate share of the net pension liability	<u>\$ 21,715,279</u>	<u>\$ 19,328,293</u>	<u>\$ 17,308,759</u>	<u>\$ 16,167,885</u>
Covered payroll	<u>\$ 10,208,098</u>	<u>\$ 9,442,714</u>	<u>\$ 8,638,059</u>	<u>\$ 8,655,451</u>
Proportionate share of the net pension liability as a percentage of its covered payroll	<u>212.73%</u>	<u>204.69%</u>	<u>200.38%</u>	<u>186.79%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>70%</u>	<u>70%</u>	<u>71%</u>	<u>72%</u>
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017

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

**Hollister School District**  
Schedule of the District's Proportionate Share of the Net Pension Liability  
Year Ended June 30, 2021

	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>CalSTRS</b>			
Proportion of the net pension liability	<u>0.0504%</u>	<u>0.0495%</u>	<u>0.0451%</u>
Proportionate share of the net pension liability	\$ 40,776,142	\$ 33,342,406	\$ 26,331,846
State's proportionate share of the net pension liability	<u>23,213,130</u>	<u>17,634,457</u>	<u>15,900,306</u>
Total	<u>\$ 63,989,272</u>	<u>\$ 50,976,863</u>	<u>\$ 42,232,152</u>
Covered payroll	<u>\$ 24,221,090</u>	<u>\$ 23,095,721</u>	<u>\$ 20,686,448</u>
Proportionate share of the net pension liability as a percentage of its covered payroll	<u>168.35%</u>	<u>144.37%</u>	<u>127.29%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>70%</u>	<u>74%</u>	<u>77%</u>
Measurement Date	June 30, 2016	June 30, 2015	June 30, 2014
<b>CalPERS</b>			
Proportion of the net pension liability	<u>0.0682%</u>	<u>0.0658%</u>	<u>0.0580%</u>
Proportionate share of the net pension liability	<u>\$ 13,471,448</u>	<u>\$ 9,699,115</u>	<u>\$ 6,579,390</u>
Covered payroll	<u>\$ 8,844,070</u>	<u>\$ 7,262,764</u>	<u>\$ 6,082,416</u>
Proportionate share of the net pension liability as a percentage of its covered payroll	<u>152.32%</u>	<u>133.55%</u>	<u>108.17%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>74%</u>	<u>79%</u>	<u>83%</u>
Measurement Date	June 30, 2016	June 30, 2015	June 30, 2014

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

Hollister School District  
Schedule of the District Contributions  
Year Ended June 30, 2021

	2021	2020	2019	2018
<b>CalSTRS</b>				
Contractually required contribution	\$ 4,237,004	\$ 4,493,809	\$ 4,062,268	\$ 3,566,125
Less contributions in relation to the contractually required contribution	<u>4,237,004</u>	<u>4,493,809</u>	<u>4,062,268</u>	<u>3,566,125</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 26,235,319</u>	<u>\$ 26,279,585</u>	<u>\$ 24,952,506</u>	<u>\$ 24,713,271</u>
Contributions as a percentage of covered payroll	<u>16.15%</u>	<u>17.10%</u>	<u>16.28%</u>	<u>14.43%</u>
<b>CalPERS</b>				
Contractually required contribution	\$ 2,091,880	\$ 2,013,139	\$ 1,705,543	\$ 1,341,577
Less contributions in relation to the contractually required contribution	<u>2,091,880</u>	<u>2,013,139</u>	<u>1,705,543</u>	<u>1,341,577</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 10,105,700</u>	<u>\$ 10,208,098</u>	<u>\$ 9,442,714</u>	<u>\$ 8,638,059</u>
Contributions as a percentage of covered payroll	<u>20.700%</u>	<u>19.721%</u>	<u>18.0620%</u>	<u>15.5310%</u>

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



Hollister School District  
Schedule of the District Contributions  
Year Ended June 30, 2021

	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>CalSTRS</b>			
Contractually required contribution	\$ 3,208,531	\$ 2,598,923	\$ 2,050,900
Less contributions in relation to the contractually required contribution	<u>3,208,531</u>	<u>2,598,923</u>	<u>2,050,900</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 25,505,016</u>	<u>\$ 24,221,090</u>	<u>\$ 23,095,721</u>
Contributions as a percentage of covered payroll	<u>12.58%</u>	<u>10.73%</u>	<u>8.88%</u>
<b>CalPERS</b>			
Contractually required contribution	\$ 1,202,069	\$ 1,047,757	\$ 854,900
Less contributions in relation to the contractually required contribution	<u>1,202,069</u>	<u>1,047,757</u>	<u>854,900</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 8,655,451</u>	<u>\$ 8,844,070</u>	<u>\$ 7,262,764</u>
Contributions as a percentage of covered payroll	<u>13.8880%</u>	<u>11.8470%</u>	<u>11.7710%</u>

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

## **Note 1 - Purpose of Schedules**

### **Budgetary Comparison Schedules**

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

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

These schedules present information for the original and final budgets and actual results of operations, as well as the variances from the final budget to actual results of operations.

### **Schedule of Changes in the District's Total OPEB Liability and Related Ratios**

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

- *Changes in Benefit Terms* - There were no changes in the benefit terms since the previous valuation.
- *Changes of Assumptions* - The plan discount rate assumption was changed from 3.13 percent to 2.45 percent since the previous measurement. The plan healthcare cost trend rate assumption was changed from 6.0 percent to 5.9 percent since the previous measurement.

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

This schedule presents information on the District's proportionate share of the net pension liability (NPL), the plans' fiduciary net position and, when applicable, the State's proportionate share of the NPL associated with the District. In the future, as data becomes available, ten years of information will be presented.

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

**Schedule of District Contributions**

This schedule presents information on the District's required contribution, the amounts actually contributed, and any excess or deficiency related to the required contribution. In the future, as data becomes available, ten years of information will be presented.



Supplementary Information  
June 30, 2021

## Hollister School District

Hollister School District  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing/Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Education			
Passed Through California Department of Education (CDE)			
Special Education Cluster			
Special Education Grants to States - Basic			
Local Assistance	84.027	13379	\$ 945,337
Special Education Supporting Inclusive Practices	84.027A	13693	34,788
Total Special Education Cluster			980,125
Migrant Education State Grant Program	84.011	14326	594,218
Title I - Part C, Migrant Education, Summer	84.011	10005	160,641
Subtotal of CFDA 84.011			754,859
COVID-19, Supplemental Meal Reimbursement	84.425	15535	555,697
COVID-19, Governor's Emergency Education Relief Fund	84.425C	15517	368,929
COVID-19, Elementary and Secondary School			
Emergency Relief Fund I	84.425D	15536	703,384
COVID-19, Elementary and Secondary School			
Emergency Relief Fund II	84.425D	15547	712,003
Subtotal of CFDA 84.425			2,340,013
Title I Grants to Local Educational Agencies	84.010	14329	829,534
ESSA School Improvement (CSI) Funding for LEAs	84.010	15438	211,286
Subtotal of CFDA 84.010			1,040,820
Title III - English Language Acquisition - IEP	84.365	15146	11,931
English Language Acquisition State Grants - LEP	84.365	14346	107,402
Subtotal of CFDA 84.365			119,333
Supporting Effective Instruction State Grants -			
Teacher Quality	84.367	14341	151,051
Student Support and Academic Enrichment Program	84.424	15396	63,149
Total U.S. Department of Education			5,449,350

Hollister School District  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing/Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture			
Passed Through California Department of Education			
Child Nutrition Cluster			
National School Lunch Program	10.555	13391	166,448
National School Lunch Program - Commodity Supplemental Food	10.555	13391	<u>287,644</u>
Subtotal of CFDA 10.555			454,092
School Breakfast Program - Especially Needy Breakfast	10.553	13526	105,224
National School Lunch Program - Summer Food Program	10.559	13004	<u>3,371,495</u>
Total Child Nutrition Cluster			<u>3,930,811</u>
Child and Adult Care Food Program	10.558	13393	<u>166,798</u>
Total U.S. Department of Agriculture			<u>4,097,609</u>
U.S. Department of Treasury			
Passed Through California Department of Education (CDE)			
COVID-19, Coronavirus Relief Fund	21.019	25516	<u>4,085,906</u>
Total Federal Financial Assistance			<u><u>\$ 13,632,865</u></u>

## Organization

The Hollister School District was established in 1862 and consists of an area comprising approximately 37.49 square miles. The District operates eight elementary and two middle schools. There were no boundary changes during the year.

## Governing Board

Member	Office	Term Expires
Stephen Kain	Member	2022
Elizabeth Martinez	Member	2022
Lisa Marks	Member	2022
Jan Grist	President	2022
Carla Torres-DeLuna	Clerk	2022

## Administration

Diego Ochoa	Superintendent
Erika Sanchez	Assistant Superintendent of Administration & Human Resources
Gwen Baquiran	Director of Special Education
Aaron Buzzetta	Director of Facilities
Caroline Calero	Director of Educational Services
Sarah Medal	Director of Business Services
Kip Ward	Director of Student Services

Hollister School District  
Schedule of Instructional Time  
Year Ended June 30, 2021

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Grade Level	Number of Actual Days		Total Days Offered	Status
	Traditional Calendar	Multitrack Calendar		
Kindergarten	180	N/A	180	Complied
Grades 1 - 3				
Grade 1	180	N/A	180	Complied
Grade 2	180	N/A	180	Complied
Grade 3	180	N/A	180	Complied
Grades 4 - 8				
Grade 4	180	N/A	180	Complied
Grade 5	180	N/A	180	Complied
Grade 6	180	N/A	180	Complied
Grade 7	180	N/A	180	Complied
Grade 8	180	N/A	180	Complied



Hollister School District

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

Year Ended June 30, 2021

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Summarized below are the fund balance reconciliations between the Unaudited Actual Financial Report and the audited financial statements.

	General Fund	Cafeteria Fund	Bond Interest and Redemption Fund
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Fund Balance			
Balance, June 30, 2021, Unaudited Actuals	\$ 11,678,320	\$ 3,786,193	\$ 4,561,096
Decrease in			
Cash in county treasury	-	-	(710,293)
Stores inventory	-	(59,339)	-
Increase in			
Accounts receivable	632,530	-	-
Accounts payable	(2,200)	-	-
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Balance, June 30, 2021, Audited Financial Statements	<u>\$ 12,308,650</u>	<u>\$ 3,726,854</u>	<u>\$ 3,850,803</u>

Hollister School District  
Schedule of Financial Trends and Analysis  
Year Ended June 30, 2021

	(Budget) 2022 <sup>1</sup>	2021	2020	2019
General Fund Revenues	\$ 71,642,714	\$ 75,208,223	\$ 67,047,589	\$ 66,034,437
Expenditures	73,120,852	70,580,002	67,853,522	65,802,039
Other uses and transfers out	-	30,000	65,726	-
Total Expenditures and Other Uses	73,120,852	70,610,002	67,919,248	65,802,039
Increase/(Decrease) in Fund Balance	(1,478,138)	4,598,221	(871,659)	232,398
Ending Fund Balance	\$ 10,830,512	\$ 12,308,650	\$ 7,710,429	\$ 8,582,088
Available Reserves <sup>2</sup>	\$ 6,305,699	\$ 10,138,735	\$ 6,678,763	\$ 6,726,348
Available Reserves as a Percentage of Total Outgo	8.62%	14.36%	9.83%	10.59%
Long-Term Liabilities	Not Available	\$ 146,302,303	\$ 138,153,335	\$ 136,406,449
Average Daily Attendance at P-2	5,305	5,305	5,305	5,313

The General Fund balance has increased by \$3,726,562 over the past two years. The fiscal year 2021-2022 budget projects a decrease of \$1,478,138 (12.01 percent). For a district this size, the State recommends available reserves of at least 3.0 percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surplus in two of the past three years but anticipates incurring an operating deficit during the 2021-2022 fiscal year. Total long-term liabilities have increased by \$9,895,854 over the past two years due to the implementation of GASB Statement No. 75 and the issuances of bonds.

Average daily attendance has decreased by eight over the past two years. No change in ADA is anticipated during fiscal year 2021-2022.

<sup>1</sup> Budget 2022 is included for analytical purposes only and has not been subjected to audit.

<sup>2</sup> Available reserves consist of all unassigned fund balances including all amounts reserved for economic uncertainties contained with the General Fund. Additionally, assigned fund balances to "maintain board approved goal" have been reflected as Unassigned-Reserve for Economic Uncertainties.

Hollister School District  
Schedule of Charter Schools  
Year Ended June 30, 2021

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Name of Charter School	Charter Number	Included in Audit Report
Hollister Prep School	1507	No

Hollister School District  
Combining Balance Sheet – Non-Major Governmental Funds  
June 30, 2021

	Student Activities Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Total Non-Major Governmental Funds
Assets				
Deposits and investments	\$ 24,495	\$ 2,191,458	\$ 826,870	\$ 3,042,823
Receivables	-	1,663	683	2,346
Total assets	<u>\$ 24,495</u>	<u>\$ 2,193,121</u>	<u>\$ 827,553</u>	<u>\$ 3,045,169</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,467</u>	<u>\$ 5,467</u>
Fund Balances				
Restricted	24,495	2,193,121	-	2,217,616
Assigned	<u>-</u>	<u>-</u>	<u>822,086</u>	<u>822,086</u>
Total fund balances	<u>24,495</u>	<u>2,193,121</u>	<u>822,086</u>	<u>3,039,702</u>
Total liabilities and fund balances	<u>\$ 24,495</u>	<u>\$ 2,193,121</u>	<u>\$ 827,553</u>	<u>\$ 3,045,169</u>

# Hollister School District

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

Year Ended June 30, 2021

	Student Activities Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Total Non-Major Governmental Funds
Revenues				
Other State sources	\$ -	\$ 2,191,195	\$ -	\$ 2,191,195
Other local sources	-	1,926	32,963	34,889
Total revenues	-	2,193,121	32,963	2,226,084
Expenditures				
Plant services	-	-	50,220	50,220
Ancillary services	950	-	-	950
Facility acquisition and construction	-	-	246,335	246,335
Total expenditures	950	-	296,555	297,505
Deficiency of Revenues Over Expenditures	(950)	2,193,121	(263,592)	1,928,579
Other Financing Sources				
Transfers in	-	-	30,000	30,000
Net Change in Fund Balances	(950)	2,193,121	(233,592)	1,958,579
Fund Balance - Beginning, as Restated	25,445	-	1,055,678	1,081,123
Fund Balance - Ending	<u>\$ 24,495</u>	<u>\$ 2,193,121</u>	<u>\$ 822,086</u>	<u>\$ 3,039,702</u>

## **Note 1 - Purpose of Schedules**

### **Schedule of Expenditures of Federal Awards (SEFA)**

#### Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the Hollister School District (the District) under programs of the federal government for the year ended June 30, 2021. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the net position or fund balance nor changes thereof for the District.

#### Summary of Significant Accounting Policies

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

#### Indirect Cost Rate

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

#### Food Donation

Nonmonetary assistance is reported in this schedule at the fair market value of the commodities received and disbursed. At June 30, 2021, the District had food commodities totaling \$287,644 in inventory.

### **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.

### **Schedule of Instructional Time**

This schedule presents information on the number of instructional days offered by the District and whether the District complied with the provisions of *Education Code* Section 43504.

### **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.

### **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.

### **Schedule of Charter Schools**

This schedule lists all charter schools chartered by the District, and displays information for each charter school on whether or not the charter school is included in the District audit.

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

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



Independent Auditor's Reports  
June 30, 2021

# Hollister School District





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

To the Governing Board  
Hollister School District  
Hollister, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hollister School District, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Hollister School District's basic financial statements and have issued our report thereon dated March 22, 2022.

**Emphasis of Matter – Change in Accounting Principle**

As discussed in Notes 1 and 15 to the financial statements, Hollister School District has adopted the provisions of GASB Statement No. 84, *Fiduciary Activities*, which has resulted in a restatement of the net position and fund balance as of July 1, 2020. Our opinions are not modified with respect to this matter.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Hollister School District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Hollister School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Hollister 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of financial statement findings as item 2021-001 that we consider to be a material weakness.

#### **Compliance and Other Matters**

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

#### **Response to Finding**

The Hollister School District's response to the finding identified in our audit is described in the accompanying schedule of financial statement findings. Hollister School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

#### **Purpose of this Report**

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

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

Fresno, California  
March 22, 2022



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

To the Governing Board  
Hollister School District  
Hollister, California

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

We have audited Hollister School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Hollister School District's major federal programs for the year ended June 30, 2021. Hollister School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### **Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Hollister School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Hollister School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Hollister School District's compliance.

### **Opinion on Each Major Federal Program**

In our opinion, Hollister School District's complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

### **Report on Internal Control over Compliance**

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

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

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

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

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

Fresno, California  
March 22, 2022



## Independent Auditor's Report on State Compliance

To the Governing Board  
Hollister School District  
Hollister, California

### Report on State Compliance

We have audited Hollister School District's (the District) compliance with the types of compliance requirements described in the *2020-2021 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, applicable to the state laws and regulations listed in the table below for the year ended June 30, 2021.

### Management's Responsibility

Management is responsible for compliance with the state laws and regulations as identified in the table below.

### Auditor's Responsibility

Our responsibility is to express an opinion on the District's compliance with state laws and regulations based on our audit of the types of compliance requirements referred to below. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of the *2020-2021 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements listed below has occurred. An audit includes examining, on a test basis, evidence about the 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 state compliance. However, our audit does not provide a legal determination of the District's compliance.

**Compliance Requirements Tested**

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

	<u>Procedures Performed</u>
<b>LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS</b>	
Attendance and Distance Learning	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No (see below)
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
K-3 Grade Span Adjustment	Yes
Apprenticeship: Related and Supplemental Instruction	No (see below)
Comprehensive School Safety Plan	Yes
District of Choice	No (see below)
<b>SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS</b>	
California Clean Energy Jobs Act	No (see below)
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Independent Study - Course Based	No (see below)
<b>CHARTER SCHOOLS</b>	
Attendance	No (see below)
Mode of Instruction	No (see below)
Nonclassroom-Based Instruction/Independent Study	No (see below)
Determination of Funding for Nonclassroom-Based Instruction	No (see below)
Charter School Facility Grant Program	No (see below)

The District did not offer an Early Retirement Incentive Program during the current year; therefore, we did not perform procedures related to the Early Retirement Incentive Program.

We did not perform Apprenticeship: Related and Supplemental Instruction procedures because the program is not offered by the District.

We did not perform District of Choice procedures because the program is not offered by the District.

We did not perform California Clean Energy Jobs Act procedures because the related procedures were performed in a previous year.

The District does not offer an Independent Study - Course Based Program; therefore, we did not perform any procedures related to the Independent Study - Course Based Program.

Additionally, the District does not operate any Charter Schools; therefore, we did not perform procedures for Charter School Programs.

***Unmodified Opinion***

In our opinion, Hollister School District complied, in all material respects, with the laws and regulations of the state programs referred to above for the year ended June 30, 2021.

The purpose of this report on state compliance is solely to describe the results of our testing based on the requirements of the *2020-2021 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

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

Fresno, California  
March 22, 2022



Schedule of Findings and Questioned Costs  
June 30, 2021

## Hollister School District



**Financial Statements**

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

**Federal Awards**

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

**Identification of major programs**

<u>Name of Federal Program or Cluster</u>	<u>Federal Financial Assistance Listing/ Federal CFDA Number</u>
COVID-19, Coronavirus Relief Fund	21.019
COVID-19, Supplemental Meal Reimbursement	84.425
COVID-19, Governor's Emergency Education Relief Fund	84.425C
COVID-19, Elementary and Secondary School Emergency Relief Fund I	84.425D
COVID-19, Elementary and Secondary School Emergency Relief Fund II	84.425D
Child Nutrition Cluster	10.553, 10.555, 10.559
Dollar threshold used to distinguish between type A and type B programs	\$ 750,000
Auditee qualified as low-risk auditee?	Yes

**State Compliance**

Type of auditor's report issued on compliance for programs	Unmodified
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The following finding represents a material weakness related to the financial statements that is required to be reported in accordance with *Government Auditing Standards*. The finding has been coded as follows:

Five Digit Code	AB 3627 Finding Type
30000	Internal Control

**2021-001      30000**

**Internal Control Over Financial Reporting**

**Criteria**

School districts are responsible for maintaining accurate financial statement information including properly recording and reporting all financial transactions and balances. Additionally, management of the District is responsible for the preparation and fair presentation of the financial statements in accordance with generally accepted accounting principles (GAAP). This includes design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements.

**Condition**

During our testing of the District's year end account balances, we noted the District does not have adequate year end closing procedures in place to ensure the financial statements are free from material misstatements.

- Miscalculation of the state general apportionment and related year end accruals were discovered.
- The year-end adjusting entry for stores inventory was not posted to accurately to reflect the inventory balance as of June 30, 2021.
- A software license service lease was incorrectly recorded as a capital lease and capital asset.
- The CalSTRS On-behalf contribution was posted twice by the District.
- The current year activities for the Bond Interest and Redemption Fund were not reported in SACs.
- The District does not have an internal control system designed to provide for the timely preparation of the financial statements and related financial statement disclosures. Further, there were material entries recorded that were detected as a result of audit procedures, including restatement to net position.

### **Effect**

The effects of these conditions resulted in the following:

- The state general apportionment revenues for the General Fund were materially understated by \$630,330, requiring an audit adjustment.
- The stores inventory balance for the Cafeteria Fund was overstated by \$59,339, which was material and an audit adjustment necessary.
- The incorrect recording of the software license service lease resulted in a prior period adjustment for the Government-Wide Financial Statements.
- The double posting of the Cal-STRS On-behalf contributions required an audit adjustment to correctly report the pension liabilities in the Government-Wide Financial Statements.
- An audit adjustment was necessary to correctly report the Bond Interest and Redemption Fund, which was understated by \$710,293 in SACs.
- The condition may result in financial statements and related information included in financial statement disclosures not being available as timely and accurately as it would be if the financial statements were prepared by the District and proper controls were in place and may affect management decisions during the course of the year.

### **Cause**

These oversights are mainly due to a turnover in management.

### **Recommendation**

The District should provide training and implement procedures to ensure that all accounts and year end accruals are accounted for or closed out properly.

### **Repeat Finding (Yes or No)**

No

### **Corrective Action Plan and Views of Responsible Officials**

District Management will review all adjusting entries, reclassifying entries and conversion entries for accuracy prior to final year-end financial statements being published along with the provided significant auditors workbooks and calculations supporting those entries.

Additionally, District staff will involve the external consultant Michael Bishop and Associates to provide training and implementation procedures to ensure all accounts and year end accruals are accounted for or closed out properly.

None reported.

None reported.

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

## State Compliance Findings

**2020-001      40000**

### Ratio of Administrative Employees to Teacher

#### Criteria

School districts are limited to the number of administrators that may be employed in comparison to teachers. *Education Code* 41402 sets that limit to nine administrators allowed per 100 teachers for an elementary school district.

#### Condition

During our audit of the District's Administrator to Teacher Ratio, we found that the District exceeded the allowable number of administrators per 100 teachers by one administrator.

#### Questioned Costs

The penalty for the excess number of administrators was calculated to be \$105,789.

#### Effect

The District exceeded the number of administrators allowed per 100 teachers; therefore, the District is out of compliance with *Education Code* Section 41402.

#### Cause

Due to employee turnover, the District's administrator to teacher ratio was not monitored, resulting in the excess number of administrators.

#### Repeat Finding (Yes or No)

No

#### Recommendation

We recommend the District comply with the state requirements for Administrator to Teacher Ratio and reduce the number of administrators per 100 teachers.

**Current Status**

Implemented

2020-002 40000

***Comprehensive School Safety Plan***

**Criteria**

*Education Code* Section 32282 requires that LEAs will verify each school has adopted its comprehensive school safety plan and be reviewed and updated by March 1.

**Condition**

Rancho San Justo Middle School did not review and update their comprehensive school safety plans for fiscal year 2019-2020.

**Questioned Costs**

There are no questioned costs associated with this finding.

**Effect**

The District did not review and update the comprehensive school safety plan therefore, the District is out of compliance with *Education Code* Section 32282.

**Cause**

With employee turnover in both the District office and site Administration, comprehensive school safety plans were missed and was not updated.

**Repeat Finding (Yes or No)**

No

**Recommendation**

We recommend the District have a process is in place to ensure all schools update their comprehensive school safety plan by March 1.

**Current Status**

Implemented