

**SHASTA COUNTY
AIR QUALITY MANAGEMENT DISTRICT**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021



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**SHASTA COUNTY
AIR QUALITY MANAGEMENT DISTRICT**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Shasta County Air Quality Management District
Redding, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the general fund of the Shasta County Air Quality Management District, a component unit of the County of Shasta, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the entity'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.

Auditors' 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 auditors' 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 and the general fund of the Shasta County Air Quality Management 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis and the budgetary comparison schedule, as listed in the table of contents, 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 3, 2022 on our consideration of the Shasta County Air Quality Management District’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 the District’s internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Roseville, California
March 3, 2022



SHASTA COUNTY

DEPARTMENT OF RESOURCE MANAGEMENT

1855 Placer Street
Redding, California 96001

Paul A. Hellman
Director/APCO

Dale J. Fletcher, CBO
Assistant Director

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis of the Shasta County Air Quality Management District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2021.

FINANCIAL HIGHLIGHTS

The Shasta County Air Quality Management District (the District) is primarily funded through State Department of Motor Vehicle fees and State grants.

The District's total net position has decreased by \$298,841 between 2020 and 2021. The adopted budget anticipated use of \$789,842 in fund balance for 20-21 to cover expenditures. The decrease in use of fund balance is attributed to Carl Moyer Timber Engine Change-out, Off-Road Vehicle, and Woodsmoke Reduction Programs expenditures that were budgeted and not spent.

The District's overall cash position decreased from \$1,946,038 in 2020, to \$1,837,278 in 2021, for a total decrease of \$108,760. This decrease was due to planned operations of expenses exceeding revenues.

USING THIS ANNUAL REPORT

The annual report consists of the following series of financial information: (1) Independent Auditor's Report, (2) Management's Discussion and Analysis, (3) Statement of Net Position and Governmental Funds Balance Sheet, (4) Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balance, (5) Notes to Financial Statements, (6) Required Supplementary Information: Governmental Fund Budgetary Comparison Schedule, (7) 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.

The financial statements include all assets and liabilities using accrual basis accounting, which is similar to the accounting used by most private-sector companies. Accrual basis accounting records all current year revenue and expenses regardless of when the cash is actually received or disbursed. Thus, revenues and

expenses are reported in these statements for some items that will impact cash flows in future fiscal periods.

All of the District's assets and liabilities are shown on the Statement of Net Position and Governmental Funds Balance Sheet, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balance describes the net income or deficit of the District for the fiscal year.

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the District's basic financial statements.

CONDENSED FINANCIAL INFORMATION

The difference between assets and liabilities is one way to measure the District's financial health. In the case of the Shasta County Air Quality Management District, net position decrease from \$2,029,180 in 2020, to \$1,730,341 in 2021, a decrease of \$298,841 all attributable to operations.

Table 1 displays a summary breakdown of the District's net position for the last two fiscal years.

**Table 1
Net Position**

	2021	2020
Current and Other Assets	\$ 1,933,565	\$ 2,064,614
Capital Assets	188,688	225,614
Total Assets	<u>2,122,253</u>	<u>2,290,228</u>
Long-Term Debt	-	-
Other Liabilities	391,913	261,049
Total Liabilities	<u>391,913</u>	<u>261,049</u>
Net Position:		
Investment in Capital Assets	188,688	225,614
Restricted	575,469	573,296
Unrestricted	966,184	1,230,270
Total Net Position	<u>\$ 1,730,341</u>	<u>\$ 2,029,180</u>

Within Net Position, Current and Other Assets decreased by \$131,049 between 2020 and 2021. Liabilities have increased by \$130,864. Asset decreases were due to operations, which included an increase in Woodsmoke Reduction Voucher redemptions over the prior year. Increase in liabilities are attributable to unearned grant revenue received.

Net Investment in Capital Assets are Capital Assets, less accumulated depreciation and any outstanding debt related to the acquisition, construction, or improvement of those assets. Capital Assets decreased (net) from \$225,614 in 2020, to \$188,688 in 2021. This decrease was due to current year depreciation. The change in Capital Assets is shown in more detail in Table 4. The District's Capital Assets do not have any outstanding debt related to the acquisition, construction, or improvement of those assets.

Table 2 provides a summary of the District's changes in net position for the last two fiscal years.

Table 2
Changes in Net Position

	2021	2020
Total Operating Revenue	\$ 2,007,661	\$ 1,643,395
Total Operating Expense	(2,329,860)	(2,239,593)
Net Program Change	(322,200)	(596,198)
Total Nonoperating Revenue	23,359	43,246
Increase (Decrease) in Net Position	\$ (298,841)	\$ (552,953)

The District's nonoperating revenues decreased from \$43,246 in 2020, to \$23,359 in 2021, a decrease of \$19,887. This decrease was due to decreased interest on the District's pooled cash and equivalents held by the County.

BUDGETARY HIGHLIGHTS-Governmental Funds

The District's FY 2020/21 Preliminary Budget was reviewed at the Air Pollution Control Board meeting held on June 2, 2020 and considered for adoption at the final budget hearings on June 30, 2020.

Comparing actual revenue and expenses with the budgeted revenues and expenses shows a net favorable variance of \$441,269 as shown in Table 3.

Table 3
Budget to Actual-Governmental Funds

	<u>2021 Budget</u>	<u>2021 Actual</u>	<u>Variance</u>
Operating Revenues	\$ 2,016,403	\$ 2,007,661	\$ (8,742)
Operating Expenses	<u>(2,746,690)</u>	<u>(2,280,038)</u>	<u>466,652</u>
Net Operating Income (Loss)	(730,287)	(272,377)	457,910
Nonoperating Income (Expense)			
Interest	<u>40,000</u>	<u>23,359</u>	<u>(16,641)</u>
	40,000	23,359	(16,641)
Net Budgeted Income (Loss)	<u>\$ (690,287)</u>	<u>\$ (249,018)</u>	<u>\$ 441,269</u>

The changes in the Operating Expenses are due to the budgeted amount of Carl Moyer, Carl Moyer Timber Engine Change-out Program, and Woodsmoke Reduction Program expenses that were budgeted but not spent in FY 2020/21. The District's overall decrease in operating expenses was 17.5% between budget to actual.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2021, the District had \$188,688 invested in capital assets. This investment in capital assets includes vehicles, machinery, equipment, and software. Included in the District's net investment in Capital assets includes land for a parking lot. Capital assets at year-end are represented in Table 4.

Table 4
Changes in Capital Assets

	<u>Balance June 30, 2020</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Balance June 30, 2021</u>
Assets Being Depreciated					
Ozone Analyzer	\$ 7,187	\$ -	\$ -	\$ -	\$ 7,187
Calibrator S9100	11,849	-	-	-	11,849
Display Stand Interactive	8,280	-	-	-	8,280
Analyzer Ozone	7,107	-	-	-	7,107
Data Logger	6,703	-	-	-	6,703
Beta Atten Monitor	16,058	-	-	-	16,058
Data Logger	12,535	-	-	-	12,535
Scanners	3,943	-	-	-	3,943
Vehicles	215,096	-	-	-	215,096
Data Logger	6,092	-	-	-	6,092
Trakit Software	111,642	-	-	-	111,642
Particulate monitor	14,526	-	-	-	14,526
Ozone Analyzer	12,292	-	-	-	12,292
Ozone Air Analyzer	15,195	-	-	-	15,195
Ozone Air Analyzer	12,592	-	-	-	12,592
Toal Assets being Depreciated	<u>461,097</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>461,098</u>
Accumulated Depreciation	<u>(309,592)</u>	<u>(36,927)</u>	<u>-</u>	<u>-</u>	<u>(346,519)</u>
Net Assets Being Depreciated	<u>151,505</u>	<u>(36,927)</u>	<u>-</u>	<u>-</u>	<u>114,579</u>
Assets Not Being Depreciated					
Land-Portion of Parking Lot	74,109	-	-	-	74,109
Toal Assets Not Being Depreciated	<u>74,109</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>74,109</u>
Net Capital Assets	<u>\$ 225,614</u>	<u>\$ (36,927)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 188,688</u>

NEXT YEAR'S BUDGET

The District continues to apply for Carl Moyer and Woodstove Reduction Program Grant Funds and the impact on next year's budget is indeterminable.

CONTACTING THE DISTRICT

This financial report is designed to provide a general overview of the Shasta County Air Quality Management District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or to request any additional financial information, should be directed to the District office at 1855 Placer Street, Suite 200, Redding, CA 96001.

SHASTA COUNTY AIR QUALITY MANAGEMENT DISTRICT
(A Component Unit of County of Shasta, California)

**STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
JUNE 30, 2021**

	General Fund	Adjustments	Statement of Net Position
ASSETS			
Cash & Investments	\$ 1,261,809	\$ -	\$ 1,261,809
Accounts receivable	6,595	-	6,595
Due from other govts	89,692	-	89,692
Cash & Investments - Restricted	575,469	-	575,469
Capital Assets, Net	-	188,688	188,688
TOTAL ASSETS	\$ 1,933,565	188,688	2,122,253
LIABILITIES			
Accounts payable	2,509	-	2,509
Salary/benefits pybl	27,195	-	27,195
Compensated Absences	-	76,580	76,580
Unearned revenue	285,629	-	285,629
TOTAL LIABILITIES	315,333	76,580	391,913
FUND BALANCE			
Restricted-Carl Moyer	575,469	(575,469)	-
Unassigned	1,042,764	(1,042,764)	-
TOTAL FUND BALANCE	1,618,233	(1,618,233)	-
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,933,566		
NET POSITION			
Investment in Capital Assets		188,688	188,688
Restricted		575,469	575,469
Unrestricted		966,184	966,184
TOTAL NET POSITION		\$ 1,730,341	\$ 1,730,341

The notes to the financial statements are an integral part of this statement.

**SHASTA COUNTY AIR QUALITY MANAGEMENT DISTRICT
(A Component Unit of County of Shasta, California)**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2021**

Total Fund Balances - Governmental Funds	\$	1,618,233
 Amounts reported for governmental activities in the Statement of Net Position are different because:		
 Capital assets net of accumulated depreciation have not been included as financial resources in governmental funds activity. These capital assets are reported in the Statement of Net Position as capital assets, net.		
		188,688
 Long-term liabilities are not due and payable in the current period and accordingly, are not reported as fund liabilities. All liabilities, both Current and long-term are reported in the Statement of Net Position.		
		<u>(76,580)</u>
 NET POSITION OF GOVERNMENTAL ACTIVITIES	 \$	 <u><u>1,730,341</u></u>

The notes to the financial statements are an integral part of this statement.

SHASTA COUNTY AIR QUALITY MANAGEMENT DISTRICT
(A Component Unit of County of Shasta, California)

**STATEMENT OF ACTIVITIES AND GOVERNMENTAL REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2021**

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
REVENUES:			
Licenses & permits	\$ 262,388	\$ -	\$ 262,388
Fines & forfeitures	11,275	-	11,275
Use of money/property	23,359	-	23,359
Intergovernmental	1,725,633	-	1,725,633
Charges for services	5,228	-	5,228
Miscellaneous	<u>3,137</u>	<u>-</u>	<u>3,137</u>
Total Revenues	<u>2,031,020</u>	<u>-</u>	<u>2,031,020</u>
EXPENDITURES/EXPENSES:			
Current			
Salaries and Benefits	850,623	12,895	863,518
Service and Supplies	1,371,997	-	1,371,997
Other Charges	57,417	-	57,417
Depreciation	<u>-</u>	<u>36,927</u>	<u>36,927</u>
Total Expenditures/Expenses	<u>2,280,038</u>	<u>49,822</u>	<u>2,329,860</u>
CHANGE IN FUND BALANCE/NET POSITION	(249,018)	(49,822)	(298,841)
FUND BALANCE/NET POSITION			
BEGINNING	<u>1,867,251</u>	<u>161,929</u>	<u>2,029,180</u>
FUND BALANCE/NET POSITION, ENDING	<u>\$ 1,618,233</u>	<u>\$ 112,108</u>	<u>\$ 1,730,341</u>

The notes to the financial statements are an integral part of this statement.

**SHASTA COUNTY AIR QUALITY MANAGEMENT DISTRICT
(A Component Unit of County of Shasta, California)**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021**

Net Change in Fund Balances - Total Governmental Funds	\$ (249,018)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Depreciation expense on capital assets is reported in the Government-wide Statement of Activities, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in governmental funds.	(36,927)
Long-term compensated absences are reported in the Government-wide Statement of Activities, but they do not require the use of current financial resources. Therefore, they are not reported as expenditures in governmental funds.	<u>(12,895)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ (298,841)</u>

SHASTA COUNTY AIR QUALITY MANAGEMENT DISTRICT
(A Component Unit of County of Shasta, California)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Shasta County Air Quality Management District (the District) as established by California Health & Safety Code Section 40000, is responsible for monitoring federal, state, and local air quality standards within Shasta County. The District issues permits and performs evaluations, inspections, and air quality tests. It also provides overall air quality planning efforts in the county, and as a result, District personnel work closely with various planning agencies. The District also has a responsibility for monitoring toxic and hazardous pollutants as required by state and federal statutes.

The accounting policies of the District conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles in the United States. The following summary of the more significant accounting policies of the District is presented to assist the reader in interpreting these financial statements and should be viewed as an integral part of this report.

Reporting Entity

The District is a component unit of the County of Shasta (County), and, accordingly, is included in the basic financial statements of the County because the County's Board of Supervisors exercises oversight responsibility over the operation of the District and the District provides specific financial benefits to the County. Only the accounts of the District are included herein; therefore, these financial statements do not purport to represent the financial position or results of operations of the County. The financial information of the District is included in the County's annual financial report.

Financial Statement Presentation

Government-wide financial statements - The statement of net position and the statement of activities are the government-wide statements. The government-wide statements are prepared using the economic resources measurement focus. This differs from the manner in which governmental fund financial statements are prepared. Therefore, reconciliations, containing brief explanations to better identify the relationship between governmentwide statements and the statements for governmental funds, are included.

Fund Financial Statements - The fund financial statements report information about the District's funds. The District reports the following major governmental fund:

- *General Fund* - This is the District's operating fund; it accounts for all financial transactions not required to be accounted for in another fund.

Measurement Focus and Basis of Accounting

The government-wide financial statements use a flow of economic resources measurement focus to determine net income and financial position. The accounting principles used are similar to those applicable to businesses in the private sector and, thus, these funds are maintained on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Governmental fund financial statements use a current financial resources measurement focus and are maintained on the modified accrual basis of accounting. Revenues are recognized when they become susceptible to accrual; that is, when they become both "measurable" and "available to finance expenditures of the current period." The District considers amounts collected within 180 days after year-end to be available and thus recognizes them as revenues of the current year. Expenditures are recognized in the accounting period in which the related fund liability is incurred, if measurable.

Revenues of the District which are susceptible to accrual under the modified accrual basis include certain federal and state grants, interest revenue, and charges for services. In applying the "susceptible to accrual" concept to intergovernmental revenues (grants, entitlements, and shared revenues), the legal and contractual requirements of the numerous individual programs are used as guidance. There are essentially two types of these revenues. In one, moneys must be expended on the specific purpose or project before any amounts will be earned by the District; these revenues are recognized in accordance with Governmental Accounting Standards Board (GASB) Statement 33. In the other, moneys are essentially unrestricted as to purpose of expenditure and revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if they meet the criterion of availability.

Fund Balance Presentation

In accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definition*, the District is required to report fund balances in the following categories:

- *Nonspendable* - This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.
- *Restricted* - This classification includes 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* - This classification includes amounts that can be spent only for specific purposes pursuant to constraints imposed by formal action of the District. Such formal action may be in the form of an ordinance or resolution and may only be modified or rescinded by a subsequent formal action.
- *Assigned* - This classification includes amounts that are intended by the District to be used for specific purposes but are neither restricted nor committed. Assignments may be made only by the governing body or official.

- *Unassigned* –This classification represents the residual positive balance within the General Fund, which has not been restricted, committed, or assigned. In funds other than the General Fund, unassigned fund balances are limited to negative residual balances.

The District uses restricted amounts first when both restricted and unrestricted fund balances are available.

Budgets and Budgetary-Accounting

The approved budget for the District is balanced using the "Basic Budget Formula" as required by the State Controller and the California Government Code. This formula requires that total available financing sources, including use of fund balance if necessary, equal the estimated financing uses (appropriations).

Under Section 53065 of the California Government Code, districts whose governing body is the County Board of Supervisors, or for which the county fiscal officers are ex-officio officers of the District, are subject to the budget provisions of California Government Code Sections 29000-29143, which include a requirement that a budgetary accounting system be used. Since an annual budget is legally adopted, budgetary amounts are presented in conformity with Statement 1 of the National Council on Governmental Accounting. This sometimes results in substantial variances from budget when financial statements are presented in accordance with accounting principles generally accepted in the United States of America.

Cash and Cash Equivalents

The District considers all highly liquid investments with a maturity of three months or less at the time of purchase to be cash equivalents.

Accounts Receivable

Amounts due from individuals, organizations, or others which pertain to fines and penalties assessed by the District are reported as accounts receivable. Receivables are reviewed periodically to establish or update the provisions for uncollectible amounts. These provisions are estimated based on an analysis of the age of various accounts. For the year ended June 30, 2021, management expects to collect on all accounts receivable.

Due from Other Funds

"Due from other funds" represents certain transactions between the District and other funds of Shasta County. To the extent that funds have not been received as of the end of the fiscal year, balances of interfund amounts receivable have been presented.

Capital Assets

Capital assets purchased by governmental funds are recorded at historical cost or estimated historical cost when original cost is not available. The District follows the same capitalization policy as the County; set at \$5,000 for equipment (which includes software), \$25,000 for structures and improvements, and all land acquisitions regardless of amount. Depreciation of capital assets is computed and recorded using the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows:

Equipment – Other	3-10 years
Equipment – Vehicles	3-10 years
Equipment – Software	3-5 years
Structures and Improvements	40-50 years

Unearned Revenue

Under both the accrual and modified accrual basis of accounting, revenue may be recognized only when it is earned. In instances where grant funds have been received by the District and the District meets the eligibility requirements in GASB 33, the District recognizes the revenue upon receipt. At June 30, 2021, the makeup of unearned revenue is as follows:

	Balance June 30, 2020	Additions	Subtractions	Balance June 30, 2021
AB617 Grant	\$ 173,753	\$ 111,876	\$ -	\$ 285,629
	<u>\$ 173,753</u>	<u>\$ 111,876</u>	<u>\$ -</u>	<u>\$ 285,629</u>

Compensated Absences

It is the policy of the District to permit employees to accumulate a limited amount of earned but unused leave benefits which will be paid to employees upon separation from service. For governmental funds, there is no legal requirement to accumulate expendable available financial resources to liquidate the obligation; thus, expenditures are recognized in the governmental funds when payments are made to employees. The valuation of accrued leave benefits is calculated in accordance with GASB Statement No. 16, *Accounting for Compensated Absences*.

The liability for compensated absences at June 30, 2021, is as follows:

	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021
	\$ 63,685	\$ 69,066	\$ 56,171	\$ 76,580

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 - IMPACT OF RECENTLY ISSUED ACCOUNTING STANDARDS

Adopted in fiscal year 2021

GASB Statement No. 84, *Fiduciary Activities*, has been evaluated and has no impact on the District's financial reporting or notes.

GASB Statement No. 87, *Leases*, has been evaluated and has no impact on the District's financial reporting or notes.

GASB Statement No. 91, *Conduit Debt Obligations*, has been evaluated and has no impact on the District's financial reporting or notes.

GASB Statement No. 92, *Omnibus 2020*, has been evaluated and has no impact on the District's financial reporting or notes.

GASB Statement No. 93, *Replacement of Interbank Offered Rates*, has been evaluated and has no impact on the District's financial reporting or notes.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, has been evaluated and has no impact on the District's financial reporting or notes.

Effective in Future Fiscal Years

GASB Statement No. 96 - In May of 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. The Statement is effective for reporting periods beginning after June 15, 2022 (the District's financial statements for the fiscal year ending June 30, 2023). The District has not determined the effect, if any, on the financial statements.

NOTE 3 - FAIR VALUE MEASUREMENTS

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset or liability. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the District can access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; or
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3: Inputs to the valuation methodology are unobservable inputs for an asset or liability. Unobservable inputs should be used to measure fair value to the extent that relevant observable inputs are not available. Unobservable inputs are developed using the best information available about the assumptions that market participants would use when pricing an asset or liability.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

The District measures fair value using Level I inputs because they generally provide the most reliable evidence of fair value.

NOTE 4 - DEPOSITS AND INVESTMENTS

As of June 30, 2021, the carrying value of the District's deposits and investments was as follows:

Cash in County Treasury	<u>\$ 1,837,278</u>
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As of June 30, 2021, the composition of the District's investment return was as follows:

Interest	<u>\$ 23,359</u>
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Cash Management

As provided for by the California Government Code, cash balances of substantially all District funds are pooled and invested by the County Treasurer to increase interest earnings through investment activities. The investment pool is not registered with the Securities and Exchange Commission (SEC) and as required by the California Government Code, a treasury oversight committee provides oversight to the management of the pool to ensure that investments comply with the approved investment policy. The District's share of the total pool is included in the accompanying combined balance sheet under the caption "Cash and cash equivalents". These investments are stated at fair value. Interest earned on these investments is allocated quarterly to certain participating funds based on their daily cash-in-treasury balances.

The County Treasury determines the fair value of investments once a year at fiscal year-end for financial reporting. Participants may withdraw their investment from the pool on a dollar per dollar basis.

Fair Value of Investments

Accounting pronouncement GASB Statement 31 generally applies to investments in external investment pools (State of California LAIF and other governmental sponsored investment pools), investments purchased with maturities greater than one year, mutual funds, and certain investment agreements. Generally, governmental entities are required to report the "fair value" changes for these investments at year-end and record these gains or losses on their income statement. As noted below, the District's investment carrying values at June 30, 2021, are considered "fair value" and, therefore, no realized and unrealized gains or losses have been presented as separate items on the face of its financial statements or in its note disclosures. All investments in the pool as of the year ended June 30, 2021, were considered to be Level 1 assets.

Methods and Assumptions Used to Estimate Fair Value

The County normally adjusts its investment accounting records to "fair value" at fiscal year-end. The County's investment custodian provides market values on each investment instrument on a monthly basis. The investments held by the County are widely traded, and trading values are readily available from numerous published sources. For the year ending June 30, 2021, an adjustment was not made to include the unrealized gains and losses as the amount was determined by the Shasta County Auditor-Controller's office to not be materially different from the stated value.

Credit Risk, Bank Balance, and Carrying Amount of Cash Deposits

Investments are required to be categorized to give an indication of risk assumed by the District at fiscal year-end. The amount of the investments are classified into three categories of risk: (1) Insured or collateralized with securities held by the entity or by its agent in the entity's name; (2) Collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name; and (3) Uncollateralized (this includes any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent, but not in the entity's name). All the District's cash and investments are pooled with Shasta County and, therefore, have not been categorized.

NOTE 5 - CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2021, are as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Capital assets not being depreciated:					
Land - Parking Lot	\$ 74,109	\$ -	\$ -	\$ -	\$ 74,109
Total Capital Assets Not Being Depreciated	<u>74,109</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>74,109</u>
Capital assets being depreciated:					
Equipment	134,359	-	-	-	134,359
Vehicles	215,096	-	-	-	215,096
Software	111,642	-	-	-	111,642
Total Capital Assets Being Depreciated	<u>461,097</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>461,097</u>
Less Accumulated Depreciation For:					
Equipment	(106,538)	(9,227)	-	-	(115,765)
Vehicles	(180,726)	(5,372)	-	-	(186,098)
Software	(22,328)	(22,328)	-	-	(44,657)
Total Accumulated Depreciation	<u>(309,592)</u>	<u>(36,927)</u>	<u>-</u>	<u>-</u>	<u>(346,519)</u>
Net Capital Assets Being Depreciated	<u>151,505</u>	<u>(36,927)</u>	<u>-</u>	<u>-</u>	<u>114,579</u>
Total Capital Assets	<u>\$ 225,614</u>	<u>\$ (36,927)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 188,688</u>

Depreciation expense for the year ended June 30, 2021 was \$ 36,927.

REQUIRED SUPPLEMENTARY INFORMATION

SHASTA COUNTY AIR QUALITY MANAGEMENT DISTRICT
(A Component Unit of County of Shasta, California)

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2021

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Variance Positive (Negative)
Revenue				
License and Permits	\$ 239,800	\$ 259,800	\$ 262,388	\$ 2,588
Fines and Penalties	2,000	2,000	11,275	9,275
Aid From Other Governmental Agencies	1,248,766	1,753,380	1,725,633	(27,747)
Charges For Services	1,223	1,223	5,228	4,005
Interest	40,000	40,000	23,359	(16,641)
Other	-	-	3,137	3,137
Total Revenues	<u>1,531,789</u>	<u>2,056,403</u>	<u>2,031,020</u>	<u>(25,383)</u>
Expenditures				
Salaries and Benefits	864,700	854,700	850,623	4,077
Service and Supplies	1,389,068	1,834,481	1,359,053	475,428
Other Charges	54,919	57,509	57,417	92
Total Expenditures	<u>2,308,687</u>	<u>2,746,690</u>	<u>2,267,094</u>	<u>479,596</u>
Revenues Over (Under) Expenditures	(776,898)	(690,287)	(236,074)	454,213
Transfers Out	(12,944)	(12,944)	(12,944)	-
Net Change in Fund Balance	<u>\$ (789,842)</u>	<u>\$ (703,231)</u>	<u>\$ (249,018)</u>	<u>\$ 454,213</u>



INDEPENDENT AUDITORS' 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

Board of Directors
Shasta County Air Quality Management District
Redding, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the general fund of the Shasta County Air Quality Management District (District), a component unit of the County of Shasta, 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, and have issued our report thereon dated March 3, 2022.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Roseville, California
March 3, 2022

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