



Financial Statements
June 30, 2021

Shasta County Office of Education

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Independent Auditor's Report

To the Governing Board and
Superintendents of Schools
Shasta County Office of Education
Redding, 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 Shasta County Office of Education (the County) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the County'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 Shasta County Office of Education, 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 on pages 4 through 12, budgetary comparison information on pages 57 through 59, schedule of changes in the County's net OPEB liability and related ratios on page 60, schedule of the County's proportionate share of the net OPEB liability – MPP program on page 61, schedule of the County's proportionate share of the net pension liability on pages 62 and 63, and the schedule of County contributions on pages 64 and 65, 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 Shasta County Office of Education's financial statements. The combining non-major 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 funds 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 funds 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 January 14, 2022 on our consideration of Shasta County Office of Education’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 Shasta County Office of Education’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 Shasta County Office of Education’s internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Rancho Cucamonga, California
January 14, 2022



SHASTA COUNTY OFFICE OF EDUCATION

To be leaders in educational excellence, offering support to schools and community to ensure Shasta County students receive a quality education preparing them for high school graduation and success in career and college.

Superintendent
Judy Flores

Board of Education
Kathy Barry
Robert Brown
Rhonda Hull
Steve MacFarland
Laura Manuel
Denny Mills
Nick Webb

This section of Shasta County Office of Education's (the County's) annual financial report presents our discussion and analysis of the County's financial performance during the fiscal year that ended on June 30, 2021, with comparative information for the year ended June 30, 2020. Please read it in conjunction with the County'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 County using the integrated approach as prescribed by Governmental Accounting Standards Board (GASB) Statement No. 34.

The *Government-Wide Financial Statements* present the financial picture of the County from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities. These statements include all assets of the County (including capital assets), deferred outflows of resources, as well as all liabilities (including long-term liabilities), and deferred inflows of resources. 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 following categories of activities: governmental and fiduciary.

- The *Governmental Funds* are prepared using the current financial resources measurement focus and modified accrual basis of accounting.
- The *Fiduciary Funds* are prepared using the economic resources measurement focus and the 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 Shasta County Office of Education.

REPORTING THE COUNTY 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 County as a whole and about its activities. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the County 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 County's Net Position and changes in them. Net Position is the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources, which is one way to measure the County's financial health, or financial position. Over time, increases or decreases in the County's Net Position will serve as a useful indicator of whether the financial position of the County is improving or deteriorating. Other factors to consider are changes in the County's property tax base and the condition of the County's facilities.

The relationship between revenues and expenses is the County's *operating results*. Since the County's governing board's responsibility is to provide services to our students and districts, and not to generate profit as commercial entities do, one must consider other factors when evaluating the overall health of the County. 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*, we separate the County activities as follows:

Governmental Activities - Most of the County's services are reported in this category. This includes the education of students, the operation of child development activities, and the coordination of the educational programs among school districts within Shasta County. Property taxes, State income taxes, user fees, interest income, and Federal, State, and local grants finance these activities.

REPORTING THE COUNTY'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the County as a whole. Some funds are required to be established by State law. 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 - Most of the County'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 County'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 County'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 COUNTY AS A TRUSTEE

Reporting the County's Fiduciary Responsibilities

The County is the trustee, or *fiduciary*, for funds held on behalf of others, like our funds for payroll and vendor revolving activity. The County's fiduciary activities are reported in the *Fiduciary Statement of Net Position and Fiduciary Statement of Changes in Net Position*. We exclude these activities from the County's other financial statements because the County cannot use these assets to finance its operations. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

FINANCIAL HIGHLIGHTS

Overall revenues were \$73,494,607. Revenues exceeded expenses by \$3,116,434. Total net position in for governmental activities was \$17,410,692.

The County School Services Fund reported a total fund balance of \$21,376,593 at June 30, 2021.

The County operates a county court school, an independent study school, and special education programs. The County also operates preschool programs throughout Shasta County, and provides a variety of early education and other instructional services for the region.

In addition to these student programs, the County continues to operate a variety of programs to serve students and districts in the county and region - such as programs for homeless and foster children, after school programs, special education transportation, mental health services, and professional development opportunities for teachers and administrators.

THE COUNTY AS A WHOLE

Net Position

The County's Net Position was \$17,410,692 for the fiscal year ended June 30, 2021. Of this amount, \$(9,567,738) was unrestricted (deficit). Restricted Net Position is reported separately to show legal constraints from enabling legislation that limit the governing board's ability to use Net Position for day-to-day operations. Our analysis below, in summary form, focuses on the Net Position (Table 1) and change in Net Position (Table 2) of the County's governmental activities.

Table 1

| | Governmental Activities | |
|---|----------------------------|----------------------|
| | 2021 | 2020 |
| Assets | | |
| Current and other assets | \$ 53,505,699 | \$ 36,711,638 |
| Net other postemployment benefits (OPEB) asset | 606,362 | 20,605 |
| Capital assets | <u>15,777,690</u> | <u>16,380,142</u> |
| Total assets | <u>69,889,751</u> | <u>53,112,385</u> |
| Deferred outflows of resources | <u>6,566,616</u> | <u>7,394,486</u> |
| Liabilities | | |
| Current liabilities | 23,417,369 | 12,521,143 |
| Long-term liabilities | | |
| Long-term liabilities other than OPEB and pensions due in more than one year | 631,128 | 646,906 |
| Other postemployment benefits (OPEB) liability | 70,417 | 63,457 |
| Aggregate net pension liability | <u>33,025,155</u> | <u>31,141,622</u> |
| Total liabilities | <u>57,144,069</u> | <u>44,373,128</u> |
| Deferred inflows of resources | <u>1,901,606</u> | <u>1,839,485</u> |
| Net Position | | |
| Net investment in capital assets | 15,777,690 | 16,380,142 |
| Restricted | 11,200,740 | 7,924,141 |
| Unrestricted (deficit) | <u>(9,567,738)</u> | <u>(10,010,025)</u> |
| Total net position | <u>\$ 17,410,692</u> | <u>\$ 14,294,258</u> |

The \$(9,567,738) in unrestricted (deficit) Net Position of governmental activities represents the accumulated results of all past years' operations.

Changes in Net Position

The results of this year's operations for the County as a whole are reported in the *Statement of Activities* on page 14. Table 2 below summarizes the change in net position for the County.

Table 2

| | Governmental Activities | |
|--------------------------------------|----------------------------|--------------|
| | 2021 | 2020 |
| Revenues | | |
| Program revenues | | |
| Charges for services and sales | \$ 4,140,377 | \$ 3,650,817 |
| Operating grants and contributions | 50,407,915 | 46,800,362 |
| General revenues | | |
| Federal and State aid not restricted | 6,463,949 | 7,056,754 |
| Property taxes | 6,056,943 | 5,747,714 |
| Other general revenues | 6,425,423 | 6,415,933 |
| Total revenues | 73,494,607 | 69,671,580 |
| Expenses | | |
| Instruction | 16,247,866 | 15,384,007 |
| Pupil services | 6,978,022 | 7,044,643 |
| Administration | 8,020,396 | 7,772,522 |
| Plant services | 2,629,390 | 2,516,224 |
| All other services | 36,502,499 | 35,070,630 |
| Total expenses | 70,378,173 | 67,788,026 |
| Change in net position | \$ 3,116,434 | \$ 1,883,554 |

Governmental Activities

As reported in the *Statement of Activities* on page 14, the cost of all of our governmental activities this year was \$70,378,173. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$6,056,943 because the cost was paid by those who benefited from the programs (\$4,140,377) or by other governments and organizations who subsidized certain programs with grants and contributions (\$50,407,915). We paid for the remaining "public benefit" portion of our governmental activities with \$12,889,372 in Federal and State funds, and with other revenues, like interest and general entitlements.

In Table 3, we have presented the cost and net cost of each of the County'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 County'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 | \$ 16,247,866 | \$ 15,384,007 | \$ (3,911,202) | \$ (4,380,815) |
| Pupil services | 6,978,022 | 7,044,643 | (3,112,373) | (3,431,585) |
| Administration | 8,020,396 | 7,772,522 | (5,555,974) | (5,490,308) |
| Plant services | 2,629,390 | 2,516,224 | (2,051,578) | (2,063,542) |
| All other services | 36,502,499 | 35,070,630 | (1,198,754) | (1,970,597) |
| Total | \$ 70,378,173 | \$ 67,788,026 | \$ (15,829,881) | \$ (17,336,847) |

THE COUNTY'S FUNDS

As the County completed this year, our governmental funds reported a combined fund balance of \$30,088,330, which is an increase of \$5,897,835, or 24.4% from last year (Table 4).

Table 4

| Governmental Fund | Balances and Activity | | | |
|--------------------------------|-----------------------|--|---|----------------------|
| | June 30, 2020 | Revenues and Other Financing Sources | Expenditures and Other Financing Uses | June 30, 2021 |
| County School Service | \$ 17,646,912 | \$ 28,786,360 | \$ 25,056,679 | \$ 21,376,593 |
| Special Education Pass-Through | 5,074,563 | 21,391,513 | 19,545,587 | 6,920,489 |
| Child Development | 713,649 | 22,581,553 | 22,396,269 | 898,933 |
| Pupil Transportation Equipment | 135,252 | 122 | - | 135,374 |
| Forest Reserve | - | 552,935 | 552,935 | - |
| Capital Facilities | 620,119 | 136,822 | - | 756,941 |
| Total | \$ 24,190,495 | \$ 73,449,305 | \$ 67,551,470 | \$ 30,088,330 |

The increase to the County School Services Fund ending fund balance is primarily due to reduced spending by many departments and programs; as well as some planned spending delayed until 2021-2022. In addition, some grant funds were received in 2020-2021 to be used in 2021-2022 and are included in the restricted ending fund balance.

The increase in the Special Education Pass-Through Fund resulted primarily from reduced spending needed for out-of-home student placements and services.

The increase in the Child Development Fund resulted mostly from program budgets not fully expending available funds due to continued cautious spending and delays as a result of the pandemic.

The increase in the Pupil Transportation Equipment Fund is the result of annual interest earnings.

The increase to the Capital Facilities Fund ending fund balance is due to the collection of property taxes from redevelopment projects and annual interest earnings.

County School Service Fund Budgetary Highlights

Over the course of the year, the County revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The final amendment to the budget (unaudited actual report) was adopted June 24, 2021. (A schedule showing the County's original and final budget amounts compared with amounts actually paid and received is provided in our annual report on page 57.)

Budgeted revenues and other financing sources increased \$8,779,499, and budgeted expenditures and other uses decreased by \$221,110. The significant budget amendments fell into the following categories:

- Budget revisions to reflect funding levels approved in the state budget.
- Budget revisions to update revenues and expenditures for fluctuations in enrollment and average daily attendance (ADA) data.
- Budget revisions to update salaries and benefits to actual staffing plans.
- Adjustments to program revenues and expenditures related to unexpended balances carried forward from the prior year.
- Other budget revisions including new grants and capital outlay purchases. The significant swing in revenues was due primarily to stimulus funds included in the revised budget.

The County budgeted County School Services Fund revenues and other financing sources to exceed expenditures and other financing uses by \$9,397,620. However, actual revenues and other financing sources exceeded expenditures and other financing uses by \$3,729,681.

- Actual revenues and other financing sources were \$7,077,564 less than the final budgeted amounts. As mentioned, the revised budget included stimulus funds, but final accounting guidance required reflecting the revenues as unearned income to be used as earned in subsequent fiscal years when eligible expenditures are incurred.
- Actual expenditures and other financing uses were \$1,409,625 less than the final budgeted amounts. The County Office commonly has savings as our program managers carefully avoid overspending their program budgets. Savings were greater than normal due to supply issues from vendors as a result of the pandemic and savings from vacant positions. Most notably, an electric bus purchase budgeted at \$394,309 was delayed and is expected in 2021-2022.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2021, the County had \$15,777,690 in a broad range of capital assets (net of depreciation), including land, buildings, furniture, and equipment. This amount represents a net decrease (including additions, deductions, and depreciation) of \$602,452, or 3.7%.

Table 5

| | Governmental Activities | |
|-----------------------------------|----------------------------|---------------|
| | 2021 | 2020 |
| Land and construction in progress | \$ 1,301,222 | \$ 827,095 |
| Buildings and improvements | 12,341,638 | 12,822,962 |
| Equipment | 2,134,830 | 2,730,085 |
| Total | \$ 15,777,690 | \$ 16,380,142 |

Long-Term Liabilities Other than OPEB and Pensions

At the end of this year, the County had \$631,128 in long-term liability other than OPEB and pensions versus \$646,906 last year, a decrease of \$15,778, or 2.4%. This liability consists solely of compensated absences.

OPEB and Pension (Asset)/Liabilities

At year-end, the County had a total OPEB asset for the County Plan of \$606,362 versus \$20,605 last year, an increase of \$585,757, or 2,842.8%.

At year-end, the County had a total OPEB liability for the Medicare Premium Payment (MPP) Program of \$70,417 versus \$63,457 last year, an increase of \$6,960, or 11.0%.

At year-end, the County had \$33,025,155 in aggregate net pension liability versus \$31,141,622 last year, an increase of \$1,883,533, or 6.0%.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the County Budget for the 2021-2022 fiscal year, the governing board and management used the following criteria:

Funding for the County is dependent upon federal and state economic conditions providing direct support to the County as well as on districts that contract with the County for a variety of services.

The County has settled contracts with all bargaining groups for fiscal years 2020-2021 and 2021-2022.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact Adam Hillman, Associate Superintendent of Administrative Services, at Shasta County Office of Education, 1644 Magnolia Avenue, Redding, CA 96001 or 530-225-0317.

Shasta County Office of Education
Statement of Net Position
June 30, 2021

| | Governmental Activities |
|---|----------------------------|
| Assets | |
| Deposits and investments | \$ 28,387,275 |
| Restricted assets - pension trust | 504,854 |
| Receivables | 24,168,436 |
| Prepaid expense | 331,606 |
| Stores inventories | 113,528 |
| Net other postemployment benefits (OPEB) asset | 606,362 |
| Capital assets not depreciated | 1,301,222 |
| Capital assets, net of accumulated depreciation | 14,476,468 |
| Total assets | 69,889,751 |
| Deferred Outflows of Resources | |
| Deferred outflows of resources related to OPEB | 92,739 |
| Deferred outflows of resources related to pensions | 6,473,877 |
| Total deferred outflows of resources | 6,566,616 |
| Liabilities | |
| Accounts payable | 20,223,197 |
| Unearned revenue | 3,194,172 |
| Long-term liabilities other than OPEB and pensions due in more than one year | 631,128 |
| Net other postemployment benefits (OPEB) liability | 70,417 |
| Aggregate net pension liability | 33,025,155 |
| Total liabilities | 57,144,069 |
| Deferred Inflows of Resources | |
| Deferred inflows of resources related to OPEB | 425,432 |
| Deferred inflows of resources related to pensions | 1,476,174 |
| Total deferred inflows of resources | 1,901,606 |
| Net Position | |
| Net investment in capital assets | 15,777,690 |
| Restricted for | |
| Capital projects | 756,941 |
| Educational programs | 2,492,169 |
| Other activities | 7,446,776 |
| Other restrictions - pension trust | 504,854 |
| Unrestricted (deficit) | (9,567,738) |
| Total net position | \$ 17,410,692 |

Shasta County Office of Education
Statement of Activities
Year Ended June 30, 2021

| Functions/Programs | Expenses | Program Revenues | | Net (Expenses) |
|---|----------------------|--------------------------------|------------------------------------|--------------------------------------|
| | | Charges for Services and Sales | Operating Grants and Contributions | Revenues and Changes in Net Position |
| | | | | Governmental Activities |
| Governmental Activities | | | | |
| Instruction | \$ 8,473,068 | \$ 248,150 | \$ 6,962,488 | \$ (1,262,430) |
| Instruction-related activities | | | | |
| Supervision of instruction | 4,805,611 | 316,944 | 2,550,451 | (1,938,216) |
| Instructional library, media, and technology | 197,485 | - | - | (197,485) |
| School site administration | 2,771,702 | 78,685 | 2,179,946 | (513,071) |
| Pupil services | | | | |
| Home-to-school transportation | 2,902,809 | - | 75,581 | (2,827,228) |
| Food services | 237,082 | 326 | 215,931 | (20,825) |
| All other pupil services | 3,838,131 | 489,078 | 3,084,733 | (264,320) |
| Administration | | | | |
| Data processing | 2,431,743 | - | 52,166 | (2,379,577) |
| All other administration | 5,588,653 | 203,103 | 2,209,153 | (3,176,397) |
| Plant services | 2,629,390 | 28,710 | 549,102 | (2,051,578) |
| Ancillary services | 2,403,979 | 131,202 | 2,132,370 | (140,407) |
| Community services | 13,904,821 | 1,195,327 | 12,505,208 | (204,286) |
| Other outgo | 20,193,699 | 1,448,852 | 17,890,786 | (854,061) |
| | | | | |
| Total governmental activities | <u>\$ 70,378,173</u> | <u>\$ 4,140,377</u> | <u>\$ 50,407,915</u> | <u>(15,829,881)</u> |
| General Revenues and Subventions | | | | |
| Property taxes, levied for general purposes | | | | 5,921,492 |
| Taxes levied for other specific purposes | | | | 135,451 |
| Federal and State aid not restricted to specific purposes | | | | 6,463,949 |
| Interest and investment earnings | | | | 32,646 |
| Interagency revenues | | | | 3,824,913 |
| Miscellaneous | | | | 2,567,864 |
| | | | | |
| Subtotal, general revenues and subventions | | | | <u>18,946,315</u> |
| Change in Net Position | | | | 3,116,434 |
| Net Position - Beginning | | | | <u>14,294,258</u> |
| Net Position - Ending | | | | <u><u>\$ 17,410,692</u></u> |

Shasta County Office of Education
Balance Sheet – Governmental Funds
June 30, 2021

| | County School Service Fund | Special Education Pass-Through Fund | Child Development Fund | Non-Major Governmental Funds | Total Governmental Funds |
|--|----------------------------------|---|------------------------------|------------------------------------|--------------------------------|
| Assets | | | | | |
| Deposits and investments | \$ 16,220,514 | \$ 6,607,627 | \$ 4,666,819 | \$ 892,315 | \$ 28,387,275 |
| Restricted assets - pension trust | 504,854 | - | - | - | 504,854 |
| Receivables | 6,053,488 | 15,678,270 | 2,436,678 | - | 24,168,436 |
| Due from other funds | 3,419,132 | 2,447,001 | 2,766 | - | 5,868,899 |
| Prepaid expenditures | 331,606 | - | - | - | 331,606 |
| Stores inventories | 113,528 | - | - | - | 113,528 |
| Total assets | <u>\$ 26,643,122</u> | <u>\$ 24,732,898</u> | <u>\$ 7,106,263</u> | <u>\$ 892,315</u> | <u>\$ 59,374,598</u> |
| Liabilities and Fund Balances | | | | | |
| Liabilities | | | | | |
| Accounts payable | \$ 1,691,957 | \$ 15,707,511 | \$ 2,823,729 | \$ - | \$ 20,223,197 |
| Due to other funds | 2,449,767 | 2,104,898 | 1,314,234 | - | 5,868,899 |
| Unearned revenue | 1,124,805 | - | 2,069,367 | - | 3,194,172 |
| Total liabilities | <u>5,266,529</u> | <u>17,812,409</u> | <u>6,207,330</u> | <u>-</u> | <u>29,286,268</u> |
| Fund Balances | | | | | |
| Nonspendable | 464,559 | - | - | - | 464,559 |
| Restricted | 2,997,023 | 6,920,489 | 526,287 | 756,941 | 11,200,740 |
| Assigned | 16,099,011 | - | 372,646 | 135,374 | 16,607,031 |
| Unassigned | 1,816,000 | - | - | - | 1,816,000 |
| Total fund balances | <u>21,376,593</u> | <u>6,920,489</u> | <u>898,933</u> | <u>892,315</u> | <u>30,088,330</u> |
| Total liabilities and fund balances | <u>\$ 26,643,122</u> | <u>\$ 24,732,898</u> | <u>\$ 7,106,263</u> | <u>\$ 892,315</u> | <u>\$ 59,374,598</u> |

Shasta County Office of Education
 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
 June 30, 2021

| | | |
|--|---------------------|----------------------|
| Total Fund Balance - Governmental Funds | | \$ 30,088,330 |
| <p>Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because</p> <p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.</p> | | |
| The cost of capital assets is | \$ 26,673,438 | |
| Accumulated depreciation is | <u>(10,895,748)</u> | |
| Net capital assets | | 15,777,690 |
| <p>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</p> | | |
| Other postemployment benefits (OPEB) liability | 92,739 | |
| Aggregate net pension liability | <u>6,473,877</u> | |
| Total deferred outflows of resources | | 6,566,616 |
| <p>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</p> | | |
| Other postemployment benefits (OPEB) liability | (425,432) | |
| Aggregate net pension liability | <u>(1,476,174)</u> | |
| Total deferred inflows of resources | | (1,901,606) |
| <p>Aggregate net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.</p> | | |
| | | (33,025,155) |
| <p>The County's OPEB asset/(liability) is not due and payable in the current period, and is not reported as an asset/(liability) in the funds.</p> | | |
| Other postemployment benefits (OPEB) asset | 606,362 | |
| Other postemployment benefits (OPEB) liability | <u>(70,417)</u> | |
| Net OPEB asset/(liability) | | 535,945 |
| <p>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</p> | | |
| Compensated absences | | <u>(631,128)</u> |
| Total net position - governmental activities | | <u>\$ 17,410,692</u> |

Shasta County Office of Education
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2021

| | County School Service Fund | Special Education Pass-Through Fund | Child Development Fund | Non-Major Governmental Funds | Total Governmental Funds |
|---|----------------------------------|---|------------------------------|------------------------------------|--------------------------------|
| Revenues | | | | | |
| Local Control Funding Formula | \$ 9,359,898 | \$ 2,387,001 | \$ - | \$ - | \$ 11,746,899 |
| Federal sources | 2,571,178 | 5,325,914 | 7,892,577 | 552,935 | 16,342,604 |
| Other State sources | 8,091,464 | 13,655,766 | 12,077,723 | - | 33,824,953 |
| Other local sources | 8,680,880 | 22,832 | 2,611,253 | 136,944 | 11,451,909 |
| Total revenues | 28,703,420 | 21,391,513 | 22,581,553 | 689,879 | 73,366,365 |
| Expenditures | | | | | |
| Current | | | | | |
| Instruction | 4,511,961 | - | 3,482,818 | - | 7,994,779 |
| Instruction-related activities | | | | | |
| Supervision of instruction | 3,555,553 | - | 910,742 | - | 4,466,295 |
| School site administration | 1,165,401 | - | 1,360,760 | - | 2,526,161 |
| Pupil services | | | | | |
| Home-to-school transportation | 2,492,460 | - | - | - | 2,492,460 |
| Food services | 159,489 | - | 60,564 | - | 220,053 |
| All other pupil services | 3,057,162 | - | 618,668 | - | 3,675,830 |
| Administration | | | | | |
| Data processing | 2,154,226 | - | - | - | 2,154,226 |
| All other administration | 3,588,336 | - | 1,579,920 | - | 5,168,256 |
| Plant services | 1,792,566 | - | 264,444 | - | 2,057,010 |
| Ancillary services | 2,268,300 | - | - | - | 2,268,300 |
| Community services | 94,905 | - | 13,682,429 | - | 13,777,334 |
| Other outgo | 178,117 | 19,545,587 | - | 469,995 | 20,193,699 |
| Facility acquisition and construction | 38,203 | - | 435,924 | - | 474,127 |
| Total expenditures | 25,056,679 | 19,545,587 | 22,396,269 | 469,995 | 67,468,530 |
| Excess of Revenues Over Expenditures | 3,646,741 | 1,845,926 | 185,284 | 219,884 | 5,897,835 |
| Other Financing Sources (Uses) | | | | | |
| Transfers in | 82,940 | - | - | - | 82,940 |
| Transfers out | - | - | - | (82,940) | (82,940) |
| Net Financing Sources (Uses) | 82,940 | - | - | (82,940) | - |
| Net Change in Fund Balances | 3,729,681 | 1,845,926 | 185,284 | 136,944 | 5,897,835 |
| Fund Balance - Beginning | 17,646,912 | 5,074,563 | 713,649 | 755,371 | 24,190,495 |
| Fund Balance - Ending | \$ 21,376,593 | \$ 6,920,489 | \$ 898,933 | \$ 892,315 | \$ 30,088,330 |

Shasta County Office of Education

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 \$ 5,897,835

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 depreciation expense exceeds capital outlays in the period.

| | | |
|----------------------|----|----------------|
| Depreciation expense | \$ | (1,199,097) |
| Capital outlays | | <u>596,645</u> |

Net expense adjustment (602,452)

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.

15,778

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 aggregate net pension liability during the year.

(2,497,386)

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.

302,659

Change in net position of governmental activities \$ 3,116,434

Shasta County Office of Education
Statement of Net Position – Fiduciary Funds
June 30, 2021

| | <u>Custodial Funds</u> |
|--------------------------|----------------------------|
| Assets | |
| Investments | \$ 3,917,264 |
| Receivables | <u>33</u> |
| Total assets | <u><u>\$ 3,917,297</u></u> |
| Liabilities | |
| Due to other governments | <u><u>\$ 3,917,297</u></u> |

Shasta County Office of Education
Statement of Changes in Net Position – Fiduciary Funds
Year Ended June 30, 2021

| | Custodial Funds |
|-----------------------------|--------------------|
| Additions | |
| Funds collected for others | \$ 265,554,198 |
| Investment income | 13,156 |
| Interest | 6,385 |
| Total additions | 265,573,739 |
| Deductions | |
| Funds distributed to others | 265,573,739 |
| Change in Net Position | - |
| Net Position - Beginning | - |
| Net Position - Ending | \$ - |

Note 1 - Summary of Significant Accounting Policies

Financial Reporting Entity

The Shasta County Office of Education (the County) was organized in 1866, under the laws of the State of California. There were no changes in the boundaries of the County Office during the current year.

The County Office coordinates the educational programs among school districts within Shasta County. The County Office provides professional and financial oversight assistance to school districts in the County.

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the County consists of all funds, departments, boards, and agencies that are not legally separate from the County.

Other Related Entities

Charter School The County has approved Charters for Chrysalis Charter School, Northern Summit Academy Shasta, and Redding STEM Academy pursuant to *Education Code* Section 47605. The Chrysalis Charter, Northern Summit Academy Shasta, and Redding STEM Academy are direct-funded and are not considered component units of the County. The Charter Schools are independent of the County, but subject to periodic charter renewal by the County.

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 County's funds are grouped into two broad fund categories: governmental and fiduciary.

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 County's major and non-major governmental funds:

Major Governmental Funds

County School Service Fund The County School Service Fund is the chief operating fund for all counties. It is used to account for the ordinary operations of the County. All transactions except those accounted for in another fund are accounted for in this fund.

One fund currently defined as special revenue fund in the California School Accounting Manual (CSAM) does not meet the GASB Statement No. 54 special revenue fund definition. Specifically, Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects, is not substantially composed of restricted or committed revenue sources. While this fund is authorized by statute and will remain open for internal reporting purposes, this fund functions effectively as extension of the County School Service Fund, and accordingly has been combined with the County School Service Fund for presentation in these audited financial statements.

As a result, the County School Service Fund reflects a decrease in revenues and other financing sources and expenditures and other financing uses of \$1,412 and \$200,000, and an increase in fund balance of \$401,348, respectively.

Special Education Pass-Through Fund The Special Education Pass-Through Fund is used by the Administrative Unit of a multi-district Special Education Local Plan Area (SELPA) to account for Special Education revenue passed through to other member districts.

Child Development Fund The Child Development Fund is used to account separately for Federal, State, and local revenues to operate child development programs and is to be used only for expenditures for the operation of child development programs.

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.

- **Pupil Transportation Fund** The Pupil Transportation Fund is used to account separately for state and local revenues specifically for the acquisition, rehabilitation, or replacement of equipment used to transport students.
- **Forest Reserve Fund** The Forest Reserve Fund exists to account separately for Federal forest reserve funds received by offices of county superintendents for distribution to school districts and community college districts (*Education Code* Section 2300; *Government Code* Section 29484).

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).

- **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 developers (*Government Code* Section 66006).

Fiduciary Funds Fiduciary funds are used to account for resources held for the benefit of parties outside the County and are not available to support the County's own programs. Fiduciary funds are split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and custodial funds. The three types of trust funds are distinguished from custodial funds by the existence of a trust agreement or equivalent arrangement that has certain characteristics.

The County's custodial funds are used to account for resources, not in a trust, that are held by the County for other local education agencies outside the County's reporting entity. The County's custodial fund accounts for payroll revolving activity. This fund is also used to receive federal and state apportionments that are distributed to Shasta County school districts.

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 used in 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 of the County and 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. 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 or business segment is self-financing or draws from the general revenues of the County. 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 County. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each 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.

- **Fiduciary Funds** Fiduciary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. Fiduciary funds are excluded from the government-wide financial statements because they do not represent resources of the County.

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 County 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 County receives value without directly giving equal value in return, include property taxes, certain grants, entitlements, 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 restrictions. 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 County 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 County has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and the revenue is recognized.

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 value of investments in the County investment pool, are determined by the program sponsor.

Restricted Assets – Pension Trust

The County has established an irrevocable trust with Public Agency Retirement Services (PARS) for the express purpose of accumulating resources to pay future CalPERS and CalSTRS employer contributions. As of June 30, 2021, the balance of the trust was \$504,854.

Prepaid Expenditures (Expenses)

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

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 funds when consumed rather than when purchased.

Capital Assets and Depreciation

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. Capital assets are long-lived assets of the County. The County maintains a capitalization threshold of \$50,000 for site and facility improvements and \$15,000 for equipment. 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.

Capital assets in the proprietary funds are capitalized in the fund in which they are utilized. The valuation basis for proprietary fund capital assets is the same as those used for the capital assets of governmental funds.

Depreciation is computed using 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, five to 50 years; equipment, two to 15 years.

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental and business-type activities columns of the Statement of Net Position, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

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. The compensated absence liability will be paid by the following funds: County School Service Fund and Child Development Fund.

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 County'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.

Accrued Liabilities and Long-Term Liabilities

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

However, claims and judgments, compensated absences, special termination benefits, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the governmental fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases, and other long-term liabilities are recognized as liabilities in the governmental fund financial statements when due.

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 County reports deferred outflows of resources for pension related items and for OPEB related items. The deferred amounts related to pension and OPEB relate to contributions subsequent to measurement date, difference between contributions and the County's proportionate share of contributions, differences between projected and actual earnings on investments, differences between expected and actual experience in the measurement of the OPEB and pension liability, and changes of assumptions.

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 County reports deferred inflows of resources for pension related items and for OPEB related items. The deferred amounts related to pension and OPEB relate to the differences between contributions and the County's proportionate share of contributions, differences between expected and actual experience in the measurement of the OPEB and pension liability, differences between projected and actual earnings on investments, and changes of assumptions.

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 net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the County Plan and the CalSTRS Medicare Premium Payment (MPP) Program and additions to/deductions from the County Plan and the MPP's fiduciary net position have been determined on the same basis as they are reported by the County Plan and the MPP. For this purpose, the County Plan and the MPP recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost. The total OPEB asset/(liability) attributable to the governmental activities will be paid primarily by the County School Service Fund.

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 County. Commitments may be established, modified, or rescinded only through resolutions or other action as approved by the governing board. The County currently does not have any committed funds.

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 County's adopted policy, only the governing board or chief business officer/assistant superintendent of business services 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 County considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the County 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 County School Service Fund in order to protect the county 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 three percent of County School Service Fund expenditures and other financing uses as required by education code plus an additional three percent.

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net Position investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. The County has no related debt outstanding as of June 30, 2021. Net Position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The County 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 \$11,200,740 of Net Position, restricted by enabling legislation.

Interfund Activity

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

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 Shasta bills and collects the taxes on behalf of the County. Local property tax revenues are recorded when received.

Change in Accounting Principles

As of July 1, 2020, the County 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 County resulted in a reclassification of the County's fiduciary activity from an agency fund to a custodial fund and required the County to include the Statement of Changes in Net Position.

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 County'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 | \$ 28,387,275 |
| Fiduciary funds | <u>3,917,264</u> |
| Total deposits and investments | <u><u>\$ 32,304,539</u></u> |

Deposits and investments as of June 30, 2021, consist of the following:

| | |
|--------------------------------|-----------------------------|
| Cash in revolving | \$ 19,425 |
| Investments | <u>32,285,114</u> |
| Total deposits and investments | <u><u>\$ 32,304,539</u></u> |

Policies and Practices

The County 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 County is considered to be an involuntary participant in an external investment pool as the County is required to deposit all receipts and collections of monies with their County Treasurer (*Education Code* Section 41001). The fair value of the County's investment in the pool is reported in the accounting financial statements at amounts based upon the County'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, credit risk, and concentration of credit 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 County does not have 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 County manages its exposure to interest rate risk by holding the majority of its investments in the Shasta County Investment Pool. The pool purchases shorter term investments and attempts to time 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 County maintains an investment of \$32,285,114 with the Shasta County Investment Pool. The average weighted maturity for this pool was 614 days.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The County's investments in the Shasta County Investment Pool are not required to be rated, nor has it been rated as of June 30, 2021.

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the County's deposits may not be returned to it. The County 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% 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% of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105% of the secured deposits. As of June 30, 2021, the County had no bank balances that were exposed to custodial credit risk.

Note 3 - Receivables

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

| | County School Service Fund | Special Education Pass-Through Fund | Child Development Fund | Total Governmental Activities | Fiduciary Funds |
|---------------------|----------------------------------|---|------------------------------|-------------------------------------|--------------------|
| Federal Government | | | | | |
| Categorical aid | \$ 1,129,311 | \$ 10,507,747 | \$ 1,069,943 | \$ 12,707,001 | \$ - |
| State Government | | | | | |
| LCFF apportionment | 2,700,729 | - | - | 2,700,729 | - |
| Categorical aid | 446,153 | 5,170,523 | 773,306 | 6,389,982 | - |
| Lottery | 27,399 | - | - | 27,399 | - |
| Local Government | | | | | |
| Due from other LEAs | 834,209 | - | - | 834,209 | - |
| Other local sources | 915,687 | - | 593,429 | 1,509,116 | 33 |
| | <u>\$ 6,053,488</u> | <u>\$ 15,678,270</u> | <u>\$ 2,436,678</u> | <u>\$ 24,168,436</u> | <u>\$ 33</u> |

Note 4 - Capital Assets

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

| | Balance July 1, 2020 | Additions | Deductions | Balance June 30, 2021 |
|---|-------------------------|--------------|------------|--------------------------|
| Governmental Activities | | | | |
| Capital assets not being depreciated | | | | |
| Land | \$ 827,095 | \$ 474,127 | \$ - | \$ 1,301,222 |
| Capital assets being depreciated | | | | |
| Land improvements | 2,694,112 | - | - | 2,694,112 |
| Buildings and improvements | 15,438,860 | - | - | 15,438,860 |
| Furniture and equipment | 7,257,765 | 122,518 | (141,039) | 7,239,244 |
| Total capital assets being depreciated | 25,390,737 | 122,518 | (141,039) | 25,372,216 |
| Total capital assets | 26,217,832 | 596,645 | (141,039) | 26,673,438 |
| Accumulated depreciation | | | | |
| Land improvements | (833,595) | (120,126) | - | (953,721) |
| Buildings and improvements | (4,476,415) | (361,198) | - | (4,837,613) |
| Furniture and equipment | (4,527,680) | (717,773) | 141,039 | (5,104,414) |
| Total accumulated depreciation | (9,837,690) | (1,199,097) | 141,039 | (10,895,748) |
| Governmental activities capital assets, net | \$ 16,380,142 | \$ (602,452) | \$ - | \$ 15,777,690 |

Depreciation expense was charged to governmental functions as follows:

| | |
|---|--------------|
| Governmental Activities | |
| Instruction | \$ 26,017 |
| Supervision of instruction | 20,337 |
| Instructional library, media, and technology | 197,485 |
| Home-to-school transportation | 204,519 |
| Food services | 3,743 |
| Data processing | 192,916 |
| All other administration | 11,095 |
| Plant services | 508,532 |
| Ancillary Services | 30,565 |
| Community Services | 3,888 |
| Total depreciation expenses governmental activities | \$ 1,199,097 |

Note 5 - Interfund Transactions

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances at June 30, 2021, between major funds are as follows:

| Due To | Due From | | | |
|-------------------------------------|----------------------------|-------------------------------------|------------------------|-------------------------------|
| | County School Service Fund | Special Education Pass-Through Fund | Child Development Fund | Total Governmental Activities |
| County School Service Fund | \$ - | \$ 2,104,898 | \$ 1,314,234 | \$ 3,419,132 |
| Special Education Pass-Through Fund | 2,447,001 | - | - | 2,447,001 |
| Child Development Fund | 2,766 | - | - | 2,766 |
| Total | <u>\$ 2,449,767</u> | <u>\$ 2,104,898</u> | <u>\$ 1,314,234</u> | <u>\$ 5,868,899</u> |

The balance of \$2,104,898 is due to the County School Service Fund from the Special Education Pass-Through Fund for the special education allocation.

The balance of \$1,314,234 is due to the County School Service Fund from the Child Development Fund for indirect costs and reimbursement of operating costs.

The balance of \$2,447,001 is due to the Special Education Pass-Through Fund from the County School Service Fund for the SELPA's share of property taxes.

The balance of \$2,766 is due to the Child Development Fund from the County School Service Fund for reimbursement of operating costs.

Operating Transfers

Interfund transfers for the year ended June 30, 2021, consisted of the following:

The Forest Reserve Non-Major Governmental Fund transferred to the County School Service Fund the Forest Reserve allocation.

\$ 82,940

Note 6 - Accounts Payable

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

| | County School Service Fund | Special Education Pass-Through Fund | Child Development Fund | Total Governmental Activities | Custodial Funds |
|------------------------|----------------------------------|---|------------------------------|-------------------------------------|---------------------|
| Salaries and benefits | \$ 525,427 | \$ - | \$ 27,927 | \$ 553,354 | \$ - |
| Supplies and materials | 86,972 | - | 65,280 | 152,252 | - |
| Services | 504,309 | - | 2,111,425 | 2,615,734 | - |
| Capital outlay | - | - | 136,273 | 136,273 | - |
| Due to other LEAs | - | 15,707,511 | - | 15,707,511 | - |
| Other vendor payables | 575,249 | - | 482,824 | 1,058,073 | 3,917,297 |
| Total | \$ 1,691,957 | \$ 15,707,511 | \$ 2,823,729 | \$ 20,223,197 | \$ 3,917,297 |

Note 7 - Unearned Revenue

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

| | County School Service Fund | Child Development Fund | Total Governmental Activities |
|------------------------------|----------------------------------|------------------------------|-------------------------------------|
| Federal financial assistance | \$ 463,413 | \$ 773,722 | \$ 1,237,135 |
| State categorical aid | 516,357 | 1,294,827 | 1,811,184 |
| Other local | 145,035 | 818 | 145,853 |
| Total | \$ 1,124,805 | \$ 2,069,367 | \$ 3,194,172 |

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

Compensated Absences

The compensated absences (unpaid employee vacation) for the County as of June 30, 2021, amounted to \$631,128, a net decrease of \$15,778 from \$646,906 reported in previous year. The compensated absences will be paid by the County School Service Fund and the Child Development Fund.

Note 9 - Net Other Postemployment Benefits (OPEB) (Asset)/Liability

For the fiscal year ended June 30, 2021, the County reported net OPEB (asset)/liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense for the following plans:

| OPEB Plan | Net OPEB (Asset)/Liability | Deferred Outflows of Resources | Deferred Inflows of Resources | OPEB Expense |
|---|-------------------------------|-----------------------------------|----------------------------------|--------------------|
| County Plan | \$ (606,362) | \$ 92,739 | \$ 425,432 | \$ (17,957) |
| Medicare Premium Payment (MPP) Program | 70,417 | - | - | 6,960 |
| Total | <u>\$ (535,945)</u> | <u>\$ 92,739</u> | <u>\$ 425,432</u> | <u>\$ (10,997)</u> |

The details of each plan are as follows:

County Plan

Plan Administration

The California Public Employees' Retirement System (CalPERS) administers the Shasta County Office of Education's Postemployment Benefits Plan through the California Employers' Retiree Benefit Trust (CERBT) Fund (the Trust) – an agent multiple-employer defined benefit plan that is used to provide other postemployment benefits other than pensions (OPEB) for all eligible employees of the County. Financial information for CalPERS can be found on the CalPERS website at: <https://www.calpers.ca.gov/page/forms-publications>.

Plan Membership

At June 30, 2021, the valuation date, the Plan membership consisted of the following:

| | |
|---|-------------------|
| Inactive employees or beneficiaries currently receiving benefits payments | 133 |
| Active employees | <u>239</u> |
| Total | <u><u>372</u></u> |

Benefits Provided

The Plan provides medical, dental, and vision benefits to eligible retirees. The benefits are provided through CERBT. Certificated employees may retiree with the County paid benefits after attaining age of 55 and completing at least five years of service. Employees hired on or after January 1, 1997 are eligible for \$300 per month until Medicare age of 65. Employees hired prior to the January 1, 1997 are eligible for either \$150 per month for life, or \$300 per month until Medicare age of 65. Classified employees have benefits similar to certificated employees except that the cutoff hire date for the lifetime benefit option is July 1, 1996. The County Superintendent has the authority to establish and amend the benefit terms as contained within the negotiated labor agreements.

Contributions

The contribution requirements of the Plan members and the County are established and may be amended by the County Superintendent, the Shasta County Certificated Employee Association (SCCEA), the local California Service Employees Association (CSEA), Child Development Educators Association (CDEA), and unrepresented groups. Voluntary contributions are based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by the County Superintendent. For the measurement period of June 30, 2021, the County contributed \$291,662 to the Plan, the entire amount was used for current premiums.

Net OPEB Asset of the County

The County's Net OPEB asset of \$606,362 was measured as of June 30, 2021. The net OPEB asset was determined by an actuarial valuation as June 30, 2021. The components of the net OPEB asset of the County at June 30, 2021, were as follows:

| | |
|---|--------------------------------|
| Total OPEB liability | \$ 2,912,630 |
| Plan fiduciary net position | <u>(3,518,992)</u> |
| Net OPEB asset | <u><u>\$ (606,362)</u></u> |
| Plan fiduciary net position as a percentage of the total OPEB liability | <u><u>120.82%</u></u> |

Actuarial Assumptions

The net OPEB asset in the June 30, 2021 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

| | | |
|-----------------------------|------|--|
| Inflation | 2.50 | % |
| Salary increases | 2.75 | %, average, including inflation |
| Investment rate of return | 5.75 | %, net of OPEB plan investment expense, including inflation |
| Healthcare cost trend rates | 4.00 | % |

The discount rate was based on expected long-term rate of return for CERBT strategy 3.

Mortality rates were based on the 2020 CalSTRS Mortality tables and 2017 CalPERS Mortality for Miscellaneous and School Employees tables. Mortality rates varying by age and sex (and sometimes retirement or disability status). If employees die prior to retirement, past contributions are available to fund benefits for employees who live to retirement. After retirement, death results in benefit termination or reduction. Although higher mortality rates reduce service costs, the mortality assumption is not likely to vary from employer to employer.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actual experience study through June 30, 2021.

Changes in the Net OPEB Asset

| | Increase (Decrease) | | |
|--|--|---------------------------------------|----------------------------------|
| | Total OPEB (Asset)/Liability (a) | Plan Fiduciary Net Position (b) | Net OPEB (Asset) (a) - (b) |
| Balance, June 30, 2020 | \$ 3,079,822 | \$ 3,100,427 | \$ (20,605) |
| Service cost | 67,041 | - | 67,041 |
| Interest | 178,561 | - | 178,561 |
| Employer contributions | - | 291,662 | (291,662) |
| Expected investment income | - | 185,941 | (185,941) |
| Difference between projected and actual earnings on OPEB plan investments | - | 235,440 | (235,440) |
| Difference between expected and actual experience in the measurement of the total OPEB liability | 102,446 | - | 102,446 |
| Changes of assumptions | (223,578) | - | (223,578) |
| Benefit payments | (291,662) | (291,662) | - |
| Administrative expense | - | (2,816) | 2,816 |
| Net change in total OPEB asset | <u>(167,192)</u> | <u>418,565</u> | <u>(585,757)</u> |
| Balance, June 30, 2021 | <u>\$ 2,912,630</u> | <u>\$ 3,518,992</u> | <u>\$ (606,362)</u> |

Changes of assumptions reflects a change in the investment rate of return from 6.00% in 2020 to 5.75% in 2021.

Sensitivity of the Net OPEB Asset to Changes in the Discount Rate

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

| Discount Rate | Net OPEB Asset |
|-------------------------------|-------------------|
| 1% decrease (5.75%) | \$ (399,161) |
| Current discount rate (5.75%) | (606,362) |
| 1% increase (6.75%) | (789,685) |

Sensitivity of the Net OPEB Asset to Changes in the Healthcare Cost Trend Rates

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

| Healthcare Cost Trend Rates | Net OPEB Asset |
|---|----------------|
| 1% decrease (3.00%)* | \$ (606,362) |
| Current healthcare cost trend rate (4.00%)* | (606,362) |
| 1% increase (5.00%)* | (606,362) |

* The Net OPEB Asset is not sensitive to changes in the trend rates because the projected benefit payments are frozen flat dollar amounts (i.e., caps) that are always less than projected claims costs, and there is no implicit subsidy.

OPEB Expense, Deferred Outflow of Resources, and Deferred Inflows of Resources related to OPEB

For the year ended June 30, 2021, the County recognized OPEB expense of \$(17,957). At June 30, 2021, the County 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 |
|--|-----------------------------------|----------------------------------|
| Difference between projected and actual earnings on OPEB plan investments | \$ 3,953 | \$ 201,949 |
| Difference between expected and actual experience in the measurement of the total OPEB liability | 88,786 | 29,716 |
| Changes of assumptions | - | 193,767 |
| Total | \$ 92,739 | \$ 425,432 |

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| Year Ended June 30, | Deferred Outflows/(Inflows) of Resources |
|------------------------|--|
| 2022 | \$ (80,432) |
| 2023 | (81,493) |
| 2024 | (67,152) |
| 2025 | (63,239) |
| 2026 | (16,151) |
| Thereafter | (24,226) |
| Total | \$ (332,693) |

Medicare Premium Payment (MPP) Program

Plan Description

The Medicare Premium Payment (MPP) Program is administered by the California State Teachers' Retirement System (CalSTRS). The MPP Program is a cost-sharing multiple-employer other postemployment benefit plan (OPEB) established pursuant to Chapter 1032, Statutes 2000 (SB 1435). CalSTRS administers the MPP Program through the Teachers' Health Benefits Fund (THBF).

A full description of the MPP Program regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2019 annual actuarial valuation report, Medicare Premium Payment 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 MPP Program pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible members of the State Teachers Retirement Plan (STRP) Defined Benefit (DB) Program who were retired or began receiving a disability allowance prior to July 1, 2012 and were not eligible for premium free Medicare Part A. The payments are made directly to the Centers for Medicare and Medicaid Services (CMS) on a monthly basis.

The MPP Program is closed to new entrants as members who retire after July 1, 2012, are not eligible for coverage under the MPP Program.

The MPP Program is funded on a pay-as-you go basis from a portion of monthly County benefit payments. In accordance with California *Education Code* Section 25930, contributions that would otherwise be credited to the DB Program each month are instead credited to the MPP Program to fund monthly program and administrative costs. Total redirections to the MPP Program are monitored to ensure that total incurred costs do not exceed the amount initially identified as the cost of the program.

Net OPEB Liability and OPEB Expense

At June 30, 2021, the County reported a liability of \$70,417 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2019. The County's proportion of the net OPEB liability was based on a projection of the County's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating school districts, actuarially determined. The County's proportionate share for the measurement period June 30, 2020 and June 30, 2019, respectively, was 0.0166%, and 0.0170%, resulting in a net decrease in the proportionate share of 0.0004%.

For the year ended June 30, 2021, the County recognized OPEB expense of \$6,960.

Actuarial Methods and Assumptions

The June 30, 2020 total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2019, and rolling forward the total OPEB liability to June 30, 2020, using the assumptions listed in the following table:

| | | |
|---|--|---------------------------------------|
| Measurement Date | June 30, 2020 | June 30, 2019 |
| Valuation Date | June 30, 2019 | June 30, 2018 |
| Experience Study | June 30, 2014 through June 30, 2018 | July 1, 2010 through June 30, 2015 |
| Actuarial Cost Method | Entry age normal | Entry age normal |
| Investment Rate of Return | 2.21% | 3.50% |
| Medicare Part A Premium Cost Trend Rate | 4.50% | 3.70% |
| Medicare Part B Premium Cost Trend Rate | 5.40% | 4.10% |

For the valuation as of June 30, 2019, 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 our members. The projection scale was set equal to 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2019) table, issued by the Society of Actuaries.

Assumptions were made about future participation (enrollment) into the MPP Program because CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members' age increases. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility and are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 294 or an average of 0.18% of the potentially eligible population (159,339).

The MPP Program is funded on a pay-as-you-go basis with contributions generally being made at the same time and in the same amount as benefit payments and expenses coming due. Any funds within the MPP Program as of June 30, 2020, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund, which is a pooled investment program administered by the State Treasurer.

Discount Rate

The discount rate used to measure the total OPEB liability as of June 30, 2020, is 2.21%. As the MPP Program is funded on a pay-as-you-go basis as previously noted, the OPEB Plan’s fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 2.21%, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2020, was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate decreased 1.29% from 3.50% as of June 30, 2019.

Sensitivity of the County's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

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

| <u>Discount Rate</u> | <u>Net OPEB Liability</u> |
|-------------------------------|---------------------------|
| 1% decrease (1.21%) | \$ 77,865 |
| Current discount rate (2.21%) | 70,417 |
| 1% increase (3.21%) | 64,079 |

Sensitivity of the County's Proportionate Share of the Net OPEB Liability to Changes in the Medicare Costs Trend Rates

The following presents the County's proportionate share of the net OPEB liability calculated using the Medicare costs trend rates, as well as what the net OPEB liability would be if it were calculated using Medicare costs trend rates that are one percent lower or higher than the current rates:

| <u>Medicare Costs Trend Rate</u> | <u>Net OPEB Liability</u> |
|---|---------------------------|
| 1% decrease (3.50% Part A and 4.40% Part B) | \$ 63,849 |
| Current Medicare costs trend rate (4.50% Part A and 5.40% Part B) | 70,417 |
| 1% increase (5.50% Part A and 6.40% Part B) | 77,977 |

Note 10 - Fund Balances

Fund balances are composed of the following elements:

| | County School Service Fund | Special Education Pass-Through Fund | Child Development Fund | Non-Major Governmental Funds | Total |
|------------------------------------|----------------------------------|---|------------------------------|------------------------------------|----------------------|
| Nonspendable | | | | | |
| Revolving cash | \$ 19,425 | \$ - | \$ - | \$ - | \$ 19,425 |
| Stores inventories | 113,528 | - | - | - | 113,528 |
| Prepaid expenditures | 331,606 | - | - | - | 331,606 |
| Total nonspendable | <u>464,559</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>464,559</u> |
| Restricted | | | | | |
| Legally restricted programs | 2,492,169 | 6,920,489 | 526,287 | - | 9,938,945 |
| Other restrictions - pension trust | 504,854 | - | - | - | 504,854 |
| Capital projects | - | - | - | 756,941 | 756,941 |
| Total restricted | <u>2,997,023</u> | <u>6,920,489</u> | <u>526,287</u> | <u>756,941</u> | <u>11,200,740</u> |
| Assigned | | | | | |
| Board priorities | 16,099,011 | - | - | - | 16,099,011 |
| Transportation program | - | - | - | 135,374 | 135,374 |
| Child development program | - | - | 372,646 | - | 372,646 |
| Total assigned | <u>16,099,011</u> | <u>-</u> | <u>372,646</u> | <u>135,374</u> | <u>16,607,031</u> |
| Unassigned | | | | | |
| Reserve for economic uncertainties | 1,516,000 | - | - | - | 1,516,000 |
| Remaining unassigned | 300,000 | - | - | - | 300,000 |
| Total unassigned | <u>1,816,000</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,816,000</u> |
| Total | <u>\$ 21,376,593</u> | <u>\$ 6,920,489</u> | <u>\$ 898,933</u> | <u>\$ 892,315</u> | <u>\$ 30,088,330</u> |

Note 11 - Risk Management

Property and Liability

The County is exposed to various risks of loss related to torts; theft, damage, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2021, the County contracted with Northern California Schools Insurance Group (NCSIG) for property and liability insurance coverage. Settled claims have not exceeded this commercial 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 County participated in the Shasta-Trinity Schools Insurance Group (STSIG), an insurance purchasing pool. The intent of STSIG is to achieve the benefit of a reduced premium for the County by virtue of its grouping and representation with other participants in STSIG. The workers' compensation experience of the participating local educational agencies is calculated as one experience and a common premium rate is applied to all local educational agencies in STSIG. Each participant pays its workers' compensation premium based on its individual rate. Participation in STSIG is limited to local educational agencies that can meet STSIG's selection criteria.

Employee Medical Benefits

The County has contracted with the Shasta-Trinity Schools Insurance Group (STSIG) to provide employee health benefits. STSIG is a shared risk pool comprised of several local education agencies. Rates are set through an annual calculation process. The County pays a monthly contribution, which is placed in a common fund from which claim payments are made for all participating local educational agencies. Claims are paid for all participants regardless of claims flow. The Board of Directors has a right to return monies to a local educational agency subsequent to the settlement of all expenses and claims if a local educational agency 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. Certificated instructional 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 County 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 | \$ 9,241,301 | \$ 2,371,744 | \$ 1,042,789 | \$ 1,070,493 |
| CalPERS | 23,783,854 | 4,102,133 | 433,385 | 4,631,115 |
| Total | \$ 33,025,155 | \$ 6,473,877 | \$ 1,476,174 | \$ 5,701,608 |

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

The County 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% 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 County 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, County, 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% 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 County's total contributions were \$873,853.

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

At June 30, 2021, the County reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the County. The amount recognized by the County 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 County were as follows:

| | |
|--|-----------------------------|
| Total net pension liability, including State share | |
| County's Proportionate share of net pension liability | \$ 9,241,301 |
| State's proportionate share of the net pension liability | <u>4,763,892</u> |
| Total | <u><u>\$ 14,005,193</u></u> |

The net pension liability was measured as of June 30, 2020. The County's proportion of the net pension liability was based on a projection of the County's long-term share of contributions to the pension plan relative to the projected contributions of all participating local educational agencies and the State, actuarially determined. The County's proportionate share for the measurement period June 30, 2020 and June 30, 2019, respectively, was 0.0095% and 0.0096%, resulting in a net decrease in the proportionate share of 0.0001%.

For the year ended June 30, 2021, the County recognized pension expense of \$1,070,493. In addition, the County recognized pension expense and revenue of \$667,374 for support provided by the State. At June 30, 2021, the County 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 | \$ 873,853 | \$ - |
| Change in proportion and differences between contributions made and County's proportionate share of contributions | 360,906 | 782,168 |
| Differences between projected and actual earnings on pension plan investments | 219,520 | - |
| Differences between expected and actual experience in the measurement of the total pension liability | 16,307 | 260,621 |
| Changes of assumptions | 901,158 | - |
| Total | \$ 2,371,744 | \$ 1,042,789 |

The deferred outflows of resources related to pensions resulting from County 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/(inflows) 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/(Inflows) of Resources |
|------------------------|--|
| 2022 | \$ (133,950) |
| 2023 | 74,794 |
| 2024 | 149,224 |
| 2025 | 129,452 |
| Total | \$ 219,520 |

The deferred outflows/(inflows) of resources related to the change in proportion and differences between contributions made and County’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 | \$ 65,746 |
| 2023 | 93,216 |
| 2024 | 143,084 |
| 2025 | (80,804) |
| 2026 | 30,681 |
| Thereafter | (16,341) |
| Total | <u>\$ 235,582</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% 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%. 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%) 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 County'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%) | \$ 13,962,318 |
| Current discount rate (7.10%) | 9,241,301 |
| 1% increase (8.10%) | 5,343,436 |

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 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 County 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 County contributions were \$2,330,369.

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

As of June 30, 2021, the County reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$23,783,854. The net pension liability was measured as of June 30, 2020. The County's proportion of the net pension liability was based on a projection of the County's long-term share of contributions to the pension plan relative to the projected contributions of all participating local educational agencies, actuarially determined. The County's proportionate share for the measurement period June 30, 2020 and June 30, 2019, respectively, was 0.0775% and 0.0770%, resulting in a net increase in the proportionate share of 0.0005%.

For the year ended June 30, 2021, the County recognized pension expense of \$4,631,115. At June 30, 2021, the County 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 | \$ 2,330,369 | \$ - |
| Change in proportion and differences between contributions made and County's proportionate share of contributions | 9,838 | 433,385 |
| Differences between projected and actual earnings on pension plan investments | 495,104 | - |
| Differences between expected and actual experience in the measurement of the total pension liability | 1,179,606 | - |
| Changes of assumptions | 87,216 | - |
| Total | \$ 4,102,133 | \$ 433,385 |

The deferred outflows of resources related to pensions resulting from County 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/(inflows) 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:

| <u>Year Ended June 30,</u> | <u>Deferred Outflows/(Inflows) of Resources</u> |
|--------------------------------|---|
| 2022 | \$ (185,279) |
| 2023 | 165,262 |
| 2024 | 287,252 |
| 2025 | <u>227,869</u> |
| Total | <u>\$ 495,104</u> |

The deferred outflows/(inflows) of resources related to the change in proportion and differences between contributions made and County’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:

| <u>Year Ended June 30,</u> | <u>Deferred Outflows/(Inflows) of Resources</u> |
|--------------------------------|---|
| 2022 | \$ 663,805 |
| 2023 | 207,684 |
| 2024 | (23,315) |
| 2025 | <u>(4,899)</u> |
| Total | <u>\$ 843,275</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% 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%. 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 County'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%) | \$ 34,193,628 |
| Current discount rate (7.15%) | 23,783,854 |
| 1% increase (8.15%) | 15,144,265 |

Alternative Retirement Plan

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 County has elected to use the MidAmerica Administrative & Retirement Solutions as its alternative plan. Contributions made by the County and an employee vest immediately. The County contributes between 3.631 to 6.650% of an employee's gross earnings. An employee is required to contribute 6.650% of his or her gross earnings to the pension plan. The County's contributions to MidAmerica Administrative & Retirement Solutions for fiscal year ending June 30, 2021 were \$754,616.

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the County. These payments consist of State General Fund contributions to CalSTRS in the amount of \$539,132 (10.328% 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.

Note 13 - Commitments and Contingencies

Grants

The County 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 County School Service 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 County at June 30, 2021.

Litigation

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

Operating Leases

The County has entered into various operating leases for buildings and equipment with lease terms in excess of one year. None of these agreements contain purchase options. Future minimum lease payments under these agreements are as follows:

| Year Ending June 30, | Lease Payment |
|-------------------------|------------------|
| 2022 | \$ 252,044 |
| 2023 | 166,850 |
| 2024 | 129,278 |
| 2025 | 82,088 |
| 2026 | 45,809 |
| Thereafter | 246,000 |
| Total | \$ 922,069 |

Lease payments for the year ended June 30, 2021, were approximately \$305,544.

Construction Commitments

As of June 30, 2021, the County had the following commitments with respect to the unfinished capital projects:

| Capital Project | Remaining Construction Commitment | Expected Date of Completion |
|---------------------------------------|---|-----------------------------------|
| ESC building | \$ 217,856 | June 2022 |
| Landscape for outdoor learning center | 38,203 | August 2021 |
| Total | \$ 256,059 | |

Note 14 - Participation in Public Entity Risk Pools and Joint Power Authorities

The County is a member of the Shasta-Trinity Schools Insurance Group and the Northern California Schools Insurance Group public entity risk pools. The County pays an annual premium to the applicable entity for its health, workers' compensation, and property liability coverage. The relationships between the County, the pools, and the JPA's are such that they are not component units of the County 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 County are included in these statements. Audited financial statements are generally available from the respective entities.

During the year ended June 30, 2021, the County made payments of \$3,155,251, \$431,042, and \$79,847 to Shasta-Trinity Schools Insurance Group and the Northern California Schools Insurance Group, respectively for annual premiums payment for health and welfare, workers' compensation benefits coverage, and property liability.



Required Supplementary Information
June 30, 2021

Shasta County Office of Education

Shasta County Office of Education
 Budgetary Comparison Schedule – County School Service Fund
 Year Ended June 30, 2021

| | Budgeted Amounts | | Actual | Variances - Positive (Negative) |
|--|----------------------|----------------------|----------------------|---------------------------------------|
| | Original | Final | | Final to Actual |
| Revenues | | | | |
| Local Control Funding Formula | \$ 8,410,085 | \$ 9,357,813 | \$ 9,359,898 | \$ 2,085 |
| Federal sources | 2,399,768 | 8,877,660 | 2,571,178 | (6,306,482) |
| Other State sources | 7,387,695 | 8,483,229 | 8,091,464 | (391,765) |
| Other local sources | 8,792,717 | 9,062,282 | 8,680,880 | (381,402) |
| Total revenues | <u>26,990,265</u> | <u>35,780,984</u> | <u>28,703,420</u> | <u>(7,077,564)</u> |
| Expenditures | | | | |
| Current | | | | |
| Certificated salaries | 4,497,052 | 4,690,473 | 4,619,508 | 70,965 |
| Classified salaries | 9,507,545 | 9,479,065 | 9,268,902 | 210,163 |
| Employee benefits | 6,410,509 | 5,965,930 | 5,813,970 | 151,960 |
| Books and supplies | 1,151,875 | 1,649,254 | 1,437,085 | 212,169 |
| Services and operating expenditures | 6,088,200 | 5,461,204 | 5,158,296 | 302,908 |
| Other outgo | (1,231,248) | (1,310,316) | (1,401,803) | 91,487 |
| Capital outlay | 70,000 | 530,694 | 160,721 | 369,973 |
| Total expenditures | <u>26,493,933</u> | <u>26,466,304</u> | <u>25,056,679</u> | <u>1,409,625</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>496,332</u> | <u>9,314,680</u> | <u>3,646,741</u> | <u>(5,667,939)</u> |
| Other Financing Sources | | | | |
| Transfers in | 94,160 | 82,940 | 82,940 | - |
| Transfers out | (193,481) | - | - | - |
| Net financing sources (uses) | <u>(99,321)</u> | <u>82,940</u> | <u>82,940</u> | <u>-</u> |
| Net Change in Fund Balances | 397,011 | 9,397,620 | 3,729,681 | (5,667,939) |
| Fund Balance - Beginning | <u>17,646,912</u> | <u>17,646,912</u> | <u>17,646,912</u> | <u>-</u> |
| Fund Balance - Ending | <u>\$ 18,043,923</u> | <u>\$ 27,044,532</u> | <u>\$ 21,376,593</u> | <u>\$ (5,667,939)</u> |

Shasta County Office of Education
 Budgetary Comparison Schedule – Special Education Pass-Through Fund
 Year Ended June 30, 2021

| | Budgeted Amounts | | Actual | Variances - Positive (Negative) |
|-------------------------------|----------------------------|----------------------------|----------------------------|---------------------------------------|
| | Original | Final | | Final to Actual |
| Revenues | | | | |
| Local Control Funding Formula | \$ 2,218,786 | \$ 2,369,809 | \$ 2,387,001 | \$ 17,192 |
| Federal sources | 5,326,026 | 5,328,860 | 5,325,914 | (2,946) |
| Other State sources | 11,354,622 | 13,532,620 | 13,655,766 | 123,146 |
| Other local sources | 95,000 | 95,000 | 22,832 | (72,168) |
| Total revenues | <u>18,994,434</u> | <u>21,326,289</u> | <u>21,391,513</u> | <u>65,224</u> |
| Expenditures | | | | |
| Current | | | | |
| Other outgo | <u>18,861,000</u> | <u>20,113,045</u> | <u>19,545,587</u> | <u>567,458</u> |
| Net Change in Fund Balances | 133,434 | 1,213,244 | 1,845,926 | 632,682 |
| Fund Balance - Beginning | <u>5,074,563</u> | <u>5,074,563</u> | <u>5,074,563</u> | <u>-</u> |
| Fund Balance - Ending | <u><u>\$ 5,207,997</u></u> | <u><u>\$ 6,287,807</u></u> | <u><u>\$ 6,920,489</u></u> | <u><u>\$ 632,682</u></u> |

Shasta County Office of Education
 Budgetary Comparison Schedule – Child Development Fund
 Year Ended June 30, 2021

| | Budgeted Amounts | | Actual | Variances - Positive (Negative) |
|--|-------------------|-------------------|-------------------|---------------------------------------|
| | Original | Final | | Final to Actual |
| Revenues | | | | |
| Federal sources | \$ 5,675,809 | \$ 7,955,896 | \$ 7,892,577 | \$ (63,319) |
| Other State sources | 13,176,295 | 12,071,874 | 12,077,723 | 5,849 |
| Other local sources | 2,532,363 | 2,438,276 | 2,611,253 | 172,977 |
| Total revenues | <u>21,384,467</u> | <u>22,466,046</u> | <u>22,581,553</u> | <u>115,507</u> |
| Expenditures | | | | |
| Current | | | | |
| Certificated salaries | 1,366,730 | 1,355,030 | 1,369,751 | (14,721) |
| Classified salaries | 3,044,383 | 2,686,446 | 2,696,564 | (10,118) |
| Employee benefits | 1,954,094 | 1,727,850 | 1,731,097 | (3,247) |
| Books and supplies | 274,859 | 436,492 | 393,190 | 43,302 |
| Services and operating expenditures | 11,416,951 | 14,375,768 | 14,192,023 | 183,745 |
| Other outgo | 1,331,248 | 1,512,433 | 1,579,920 | (67,487) |
| Capital Outlay | 2,337,047 | 365,000 | 433,724 | (68,724) |
| Total expenditures | <u>21,725,312</u> | <u>22,459,019</u> | <u>22,396,269</u> | <u>62,750</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>(340,845)</u> | <u>7,027</u> | <u>185,284</u> | <u>178,257</u> |
| Other Financing Sources (Uses) | | | | |
| Transfers in | <u>193,481</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net Change in Fund Balances | (147,364) | 7,027 | 185,284 | 178,257 |
| Fund Balance - Beginning | <u>713,649</u> | <u>713,649</u> | <u>713,649</u> | <u>-</u> |
| Fund Balance - Ending | <u>\$ 566,285</u> | <u>\$ 720,676</u> | <u>\$ 898,933</u> | <u>\$ 178,257</u> |

Shasta County Office of Education
Schedule of Changes in the County's Net OPEB Liability and Related Ratios
Year Ended June 30, 2021

| | 2021 | 2020 | 2019 | 2018 |
|---|---------------------|---------------------|---------------------|---------------------|
| Total OPEB Liability | | | | |
| Service cost | \$ 67,041 | \$ 65,088 | \$ 68,843 | \$ 66,838 |
| Interest | 178,561 | 182,511 | 187,132 | 189,124 |
| Difference between expected and actual experience in the measurement of the total OPEB liability | 102,446 | (14,421) | (45,434) | (14,450) |
| Changes of assumptions | (223,578) | - | - | - |
| Benefit payments | (291,662) | (274,650) | (278,550) | (289,310) |
| Net change in total OPEB liability | (167,192) | (41,472) | (68,009) | (47,798) |
| Total OPEB Liability - Beginning | 3,079,822 | 3,121,294 | 3,189,303 | 3,237,101 |
| Total OPEB Liability - Ending (a) | <u>\$ 2,912,630</u> | <u>\$ 3,079,822</u> | <u>\$ 3,121,294</u> | <u>\$ 3,189,303</u> |
| Plan Fiduciary Net Position | | | | |
| Contributions - employer | \$ 291,662 | \$ 474,650 | \$ 478,550 | \$ 1,189,310 |
| Expected investment income | 185,941 | 169,613 | 147,328 | 66,655 |
| Difference between projected and actual earnings on OPEB plan investments | 235,440 | 5,132 | 26,294 | - |
| Benefit payments | (291,662) | (274,650) | (278,550) | (289,310) |
| Administrative expense | (2,816) | (2,386) | (2,027) | (736) |
| Net change in plan fiduciary net position | 418,565 | 372,359 | 371,595 | 965,919 |
| Plan Fiduciary Net Position - Beginning | 3,100,427 | 2,728,068 | 2,356,473 | 1,390,554 |
| Plan Fiduciary Net Position - Ending (b) | <u>\$ 3,518,992</u> | <u>\$ 3,100,427</u> | <u>\$ 2,728,068</u> | <u>\$ 2,356,473</u> |
| Net OPEB (Asset)/Liability - Ending (a) - (b) | <u>\$ (606,362)</u> | <u>\$ (20,605)</u> | <u>\$ 393,226</u> | <u>\$ 832,830</u> |
| Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability | 120.82% | 100.67% | 87.40% | 73.89% |
| Covered Payroll | N/A ¹ | N/A ¹ | N/A ¹ | N/A ¹ |
| Net OPEB Liability as a Percentage of Covered Payroll | N/A ¹ | N/A ¹ | N/A ¹ | N/A ¹ |
| Measurement Date | June 30, 2021 | June 30, 2020 | June 30, 2019 | June 30, 2018 |

¹ The County's OPEB Plan is administered through a trust, however, 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.

Shasta County Office of Education
Schedule of the County's Proportionate Share of the Net OPEB Liability – MPP Program
Year Ended June 30, 2021

| Year ended June 30, | 2021 | 2020 | 2019 |
|--|------------------|------------------|------------------|
| Proportion of the net OPEB liability | 0.0166% | 0.0170% | 0.0162% |
| Proportionate share of the net OPEB liability | \$ 70,417 | \$ 63,457 | \$ 62,004 |
| Covered payroll | N/A ¹ | N/A ¹ | N/A ¹ |
| Proportionate share of the net OPEB liability as a percentage of it's covered payroll | N/A ¹ | N/A ¹ | N/A ¹ |
| Plan fiduciary net position as a percentage of the total OPEB liability | -0.71% | -0.81% | -0.40% |
| Measurement Date | June 30, 2020 | June 30, 2019 | June 30, 2018 |

¹ As of June 30, 2012, active members are no longer eligible for future enrollment in the MPP Program; therefore, the covered payroll disclosure is not applicable.

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

Shasta County Office of Education
Schedule of the County'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> |
|--|----------------------|----------------------|----------------------|----------------------|
| CalSTRS | | | | |
| Proportion of the net pension liability | 0.0095% | 0.0096% | 0.0090% | 0.0098% |
| Proportionate share of the net pension liability | \$ 9,241,301 | \$ 8,699,780 | \$ 8,294,515 | \$ 9,248,000 |
| State's proportionate share of the net pension liability | 4,763,892 | 4,746,311 | 4,748,998 | 3,437,482 |
| Total | <u>\$ 14,005,193</u> | <u>\$ 13,446,091</u> | <u>\$ 13,043,513</u> | <u>\$ 12,685,482</u> |
| Covered payroll | <u>\$ 5,231,129</u> | <u>\$ 5,212,162</u> | <u>\$ 4,797,845</u> | <u>\$ 5,248,243</u> |
| Proportionate share of the net pension liability as a percentage of its covered payroll | <u>176.66%</u> | <u>166.91%</u> | <u>172.88%</u> | <u>176.21%</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 |
| CalPERS | | | | |
| Proportion of the net pension liability | 0.0775% | 0.0770% | 0.0772% | 0.0768% |
| Proportionate share of the net pension liability | \$ 23,783,854 | \$ 22,441,842 | \$ 20,578,378 | \$ 18,336,574 |
| Covered payroll | <u>\$ 11,249,531</u> | <u>\$ 10,704,058</u> | <u>\$ 10,252,514</u> | <u>\$ 9,761,578</u> |
| Proportionate share of the net pension liability as a percentage of its covered payroll | <u>211.42%</u> | <u>209.66%</u> | <u>200.72%</u> | <u>187.84%</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.

Shasta County Office of Education
Schedule of the County's Proportionate Share of the Net Pension Liability
Year Ended June 30, 2021

| | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|-----------------------------|----------------------------|----------------------------|
| CalSTRS | | | |
| Proportion of the net pension liability | <u>0.0100%</u> | <u>0.0110%</u> | <u>0.0110%</u> |
| Proportionate share of the net pension liability | <u>\$ 8,088,100</u> | <u>\$ 7,405,640</u> | <u>\$ 6,428,070</u> |
| State's proportionate share of the net pension liability | <u>2,934,363</u> | <u>2,561,833</u> | <u>2,420,168</u> |
| Total | <u><u>\$ 11,022,463</u></u> | <u><u>\$ 9,967,473</u></u> | <u><u>\$ 8,848,238</u></u> |
| Covered payroll | <u>\$ 5,104,529</u> | <u>\$ 5,073,649</u> | <u>4,859,821</u> |
| Proportionate share of the net pension liability as a percentage of its covered payroll | <u>158.45%</u> | <u>145.96%</u> | <u>132.27%</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 |
| CalPERS | | | |
| Proportion of the net pension liability | <u>0.0787%</u> | <u>0.0805%</u> | <u>0.0829%</u> |
| Proportionate share of the net pension liability | <u>\$ 15,543,299</u> | <u>\$ 11,865,779</u> | <u>\$ 9,411,168</u> |
| Covered payroll | <u>\$ 9,429,662</u> | <u>\$ 8,853,283</u> | <u>8,572,661</u> |
| Proportionate share of the net pension liability as a percentage of its covered payroll | <u>164.83%</u> | <u>134.03%</u> | <u>109.78%</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.

Shasta County Office of Education
Schedule of County Contributions
Year Ended June 30, 2021

| | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|---|----------------------|----------------------|----------------------|----------------------|
| CaISTRS | | | | |
| Contractually required contribution | \$ 873,853 | \$ 894,523 | \$ 848,540 | \$ 692,329 |
| Less contributions in relation to the contractually required contribution | <u>873,853</u> | <u>894,523</u> | <u>848,540</u> | <u>692,329</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered payroll | <u>\$ 5,410,854</u> | <u>\$ 5,231,129</u> | <u>\$ 5,212,162</u> | <u>\$ 4,797,845</u> |
| Contributions as a percentage of covered payroll | <u>16.15%</u> | <u>17.10%</u> | <u>16.28%</u> | <u>14.43%</u> |
| CaIPERS | | | | |
| Contractually required contribution | \$ 2,330,369 | \$ 2,218,520 | \$ 1,933,367 | \$ 1,592,318 |
| Less contributions in relation to the contractually required contribution | <u>2,330,369</u> | <u>2,218,520</u> | <u>1,933,367</u> | <u>1,592,318</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered payroll | <u>\$ 11,257,821</u> | <u>\$ 11,249,531</u> | <u>\$ 10,704,058</u> | <u>\$ 10,252,514</u> |
| Contributions as a percentage of covered payroll | <u>20.700%</u> | <u>19.721%</u> | <u>18.062%</u> | <u>15.531%</u> |

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

Shasta County Office of Education
 Schedule of County Contributions
 Year Ended June 30, 2021

| | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|---|---------------------|---------------------|---------------------|
| CaISTRS | | | |
| Contractually required contribution | \$ 660,229 | \$ 547,716 | \$ 450,540 |
| Less contributions in relation to the contractually required contribution | <u>660,229</u> | <u>547,716</u> | <u>450,540</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered payroll | <u>\$ 5,248,243</u> | <u>\$ 5,104,529</u> | <u>\$ 5,073,649</u> |
| Contributions as a percentage of covered payroll | <u>12.58%</u> | <u>10.73%</u> | <u>8.88%</u> |
| CaIPERS | | | |
| Contractually required contribution | \$ 1,355,688 | \$ 1,117,132 | \$ 1,042,120 |
| Less contributions in relation to the contractually required contribution | <u>1,355,688</u> | <u>1,117,132</u> | <u>1,042,120</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered payroll | <u>\$ 9,761,578</u> | <u>\$ 9,429,662</u> | <u>\$ 8,853,283</u> |
| Contributions as a percentage of covered payroll | <u>13.888%</u> | <u>11.847%</u> | <u>11.771%</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 County 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 County's Net OPEB Asset and Related Ratios

This schedule presents information on the County's changes in the total OPEB liability, including beginning and ending balances, the plan's fiduciary net position, and the net OPEB asset. 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 valuation.
- *Changes of Assumptions* – The investment rate of return changed from 6.00% in 2020 to 5.75% in 2021.

Schedule of the County's Proportionate Share of the Net OPEB Liability - MPP Program

This schedule presents information on the County's proportionate share of the net OPEB Liability – MPP Program and the plans' fiduciary net position. 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 rate of investment return assumption was changed from 3.50% to 2.21% since the previous valuation.

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

This schedule presents information on the County'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 County. 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 County Contributions

This schedule presents information on the County'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

Shasta County Office of Education

Shasta County Office of Education
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 | Program Expenditures | Amounts Passed Through to Subrecipients |
|---|---|---|-------------------------|--|
| U.S. Department of Education | | | | |
| Passed through California Department of Education (CDE): | | | | |
| Special Education (IDEA) Cluster: | | | | |
| Basic Local Assistance Entitlement, Part B, Sec 611 | 84.027 | 13379 | \$ 5,181,833 | \$ 5,181,833 |
| Preschool Grants, Part B, Sec 619 | 84.173 | 13430 | 144,081 | 144,081 |
| Mental Health Allocation Plan, Part B, Sec 611 | 84.027A | 15197 | 279,759 | - |
| Preschool Staff Development, Part B, Sec 619 | 84.173A | 13431 | 3,526 | - |
| Subtotal Special Education (IDEA) Cluster | | | <u>5,609,199</u> | <u>5,325,914</u> |
| Title I, Part A, Basic Grants Low-Income and Neglected | 84.010 | 14329 | 345,073 | - |
| Title I, Part D, Local Delinquent Programs | 84.010 | 14357 | 165,023 | - |
| School Improvement Funding for LEAs | 84.010 | 15438 | 369,502 | - |
| School Improvement Funding for COEs | 84.010 | 15439 | 93,219 | - |
| Subtotal | | | <u>972,817</u> | <u>-</u> |
| COVID-19: Elementary and Secondary School Emergency Relief (ESSER) Fund | 84.425D | 15536 | 265,515 | - |
| COVID-19: Elementary and Secondary School Emergency Relief II (ESSER II) Fund | 84.425D | 15547 | 80,313 | - |
| COVID-19: Governor's Emergency Education Relief Fund Learning Loss Mitigation | 84.425C | 15517 | 18,482 | - |
| COVID-19: ESSER - California Community Schools Partnership Program | 84.425D | 15537 | 26,160 | - |
| Subtotal | | | <u>390,470</u> | <u>-</u> |
| Early Intervention Grants | 84.181 | 23761 | 113,027 | - |
| Title II, Part A, Supporting Effective Instruction | 84.367 | 14341 | 5,913 | - |
| Title IV, Part B, 21st Century Community Learning Centers Program | 84.287 | 14535 | 211,818 | - |
| Title IV, Part A, Student Support and Academic Enrichment Grants | 84.424 | 15396 | 7,836 | - |
| Title IX, Part A, McKinney-Vento Homeless Assistance Grants | 84.196 | 14332 | 100,045 | - |
| Total U.S. Department of Education | | | <u>7,411,125</u> | <u>5,325,914</u> |
| U.S. Department of Agriculture | | | | |
| Passed through CDE: | | | | |
| CACFP Claims - Centers and Family Day Care Homes | 10.558 | 13529 | 1,134,810 | - |
| CCFP Family Day Care Sponsor Admin | 10.558 | 13665 | 144,527 | - |
| CCFP Cash in Lieu of Commodities | 10.558 | 13534 | 14,148 | - |
| Subtotal | | | <u>1,293,485</u> | <u>-</u> |
| Forest Service Schools and Roads Cluster: | | | | |
| Forest Reserve Funds | 10.665 | 10044 | 552,935 | 469,995 |
| Subtotal Forest Service Schools and Roads Cluster | | | <u>552,935</u> | <u>469,995</u> |

Shasta County Office of Education
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 | Program Expenditures | Amounts Passed Through to Subrecipients |
|---|---|---|-------------------------|--|
| Passed Through California State University, Chico Research Foundation Supplemental Nutrition Assistance Program | 10.561 | Sub18-016 | \$ 46,274 | \$ - |
| Total U.S. Department of Agriculture | | | <u>1,892,694</u> | <u>469,995</u> |
| U.S. Department of Health and Human Services | | | | |
| Passed through CDE | | | | |
| Child Care and Development Fund Cluster | | | | |
| Federal Child Care, Center-based | 93.596 | 13609 | 147,551 | - |
| Federal Alternative Payment | 93.596 | 13694 | 147,531 | - |
| Federal Alternative Payment, Stage 3 | 93.575 | 13881 | 1,533,235 | - |
| Local Planning Councils | 93.575 | 13946 | 53,117 | - |
| Quality Improvement Activities | 93.575 | 14092 | 197,914 | - |
| Quality Improvement Activities | 93.575 | 14130 | 257,138 | - |
| Quality Improvement Activities | 93.575 | 14140 | 6,656 | - |
| Federal Alternative Payment | 93.596 | 14153 | 383,564 | - |
| Federal Alternative Payment, Stage 2 | 93.575 | 14178 | 529,634 | - |
| Federal Alternative Payment, Stage 3 | 93.575 | 14984 | 271,502 | - |
| Federal Alternative Payment, Stage 3 | 93.596 | 14985 | 9,913 | - |
| Federal Child Care, Center-based | 93.575 | 15136 | 67,828 | - |
| Federal Alternative Payment | 93.575 | 15400 | 309,311 | - |
| Federal Alternative Payment, Stage 3 | 93.596 | 15452 | 169,616 | - |
| COVID-19: CARES Act Federal Alternative Payment | 93.575 | 15511 | 927,179 | - |
| COVID-19: CARES Act Federal Alternative Payment, Stage 2 | 93.575 | 15512 | 186,555 | - |
| COVID-19: CARES Act Federal Alternative Payment, Stage 3 | 93.575 | 15513 | 248,215 | - |
| COVID-19: CARES Act Federal Alternative Payment - Stage 1 Stipends | 93.575 | 15531 | 23,948 | - |
| COVID-19: Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act - One-time Stipend | 93.575 | 15555 | <u>902,994</u> | <u>-</u> |
| Subtotal Child Care and Development Fund Cluster | | | <u>6,373,401</u> | <u>-</u> |
| Passed through County of Shasta: | | | | |
| Foster Care-Title IV-E | 93.658 | 2018-290 | 234,477 | - |
| Passed through Tehama County Social Services: | | | | |
| Foster Care-Title IV-E | 93.658 | 2019-339 | <u>92,251</u> | <u>-</u> |
| Subtotal | | | <u>326,728</u> | <u>-</u> |
| Total U.S. Department of Health and Human Services | | | <u>6,700,129</u> | <u>-</u> |
| U.S. Department of the Treasury | | | | |
| Passed through CDE: | | | | |
| COVID-19: Coronavirus Relief Fund: Learning Loss Mitigation | 21.019 | 25516 | <u>338,656</u> | <u>-</u> |
| Total U.S. Department of the Treasury | | | <u>338,656</u> | <u>-</u> |
| Total Federal Financial Assistance | | | <u>\$ 16,342,604</u> | <u>\$ 5,795,909</u> |

Organization

The Shasta County Office of Education was established in 1866. There were no changes in the boundaries of the County during the current year.

The County provides a wide range of services to local school districts and operates a variety of programs for area youth and adults. Available to Shasta County’s 25 school districts are business and information technology services, personnel, administrative, and curricular assistance. The County is currently operating one juvenile court school, one independent study school, and one special education school. The County is the sponsoring local educational agency for three charter schools.

| <u>NAME</u> | <u>OFFICE</u> | <u>TERM EXPIRES</u> |
|-------------|---------------------------|---------------------|
| Judy Flores | Superintendent of Schools | 2022 |

Governing Board

| <u>MEMBER</u> | <u>OFFICE</u> | <u>TERM EXPIRES</u> |
|------------------|----------------|---------------------|
| Denny Mills | President | 2024 |
| Kathy Barry | Vice President | 2024 |
| Robert Brown | Member | 2022 |
| Rhonda Hull | Member | 2022 |
| Steve MacFarland | Member | 2022 |
| Laura Manuel | Member | 2022 |
| Nick Webb | Member | 2022 |

Administration

| <u>NAME</u> | <u>TITLE</u> |
|--------------|---|
| Adam Hillman | Associate Superintendent, Administrative Services (CBO) |
| Mike Freeman | Associate Superintendent, Instructional Services |

Shasta County Office of Education
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements
Year Ended June 30, 2021

There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2021.

Shasta County Office of Education
Schedule of Financial Trends and Analysis
Year Ended June 30, 2021

| | (Budget) 2022 ¹ | 2021 | 2020 | 2019 |
|--|-------------------------------|----------------------|----------------------|----------------------|
| County School Service Fund ³ | | | | |
| Revenues | \$ 28,018,889 | \$ 28,704,832 | \$ 28,495,382 | \$ 28,352,076 |
| Other sources | 82,940 | 82,940 | 752,699 | 90,576 |
| Total revenues and other sources | <u>28,101,829</u> | <u>28,787,772</u> | <u>29,248,081</u> | <u>28,442,652</u> |
| Expenditures | 29,960,953 | 25,056,679 | 25,203,756 | 25,634,953 |
| Other uses | 200,000 | 200,000 | 200,000 | 107,191 |
| Total expenditures and other uses | <u>30,160,953</u> | <u>25,256,679</u> | <u>25,403,756</u> | <u>25,742,144</u> |
| Increase/(Decrease) in Fund Balance | <u>(2,059,124)</u> | <u>3,531,093</u> | <u>3,844,325</u> | <u>2,700,508</u> |
| Ending Fund Balance | <u>\$ 18,916,121</u> | <u>\$ 20,975,245</u> | <u>\$ 17,444,152</u> | <u>\$ 13,599,827</u> |
| Available Reserves ² | <u>\$ 2,110,000</u> | <u>\$ 1,816,000</u> | <u>\$ 1,768,066</u> | <u>\$ 1,508,660</u> |
| Available Reserves as a Percentage of Total Outgo ⁴ | <u>7.00%</u> | <u>7.19%</u> | <u>6.96%</u> | <u>5.86%</u> |
| Long-Term Liabilities including OPEB and Pensions | <u>N/A</u> | <u>\$ 33,726,700</u> | <u>\$ 31,851,985</u> | <u>\$ 29,914,142</u> |
| K-12 Average Daily Attendance at annual | <u>32</u> | <u>52</u> | <u>52</u> | <u>30</u> |

The County Service Fund balance has increased by \$7,375,418 over the past two years; however, the fiscal year 2021-2022 budget projects a decrease of \$2,059,124 (9.8%). For a county this size, the State recommends available reserves of at least three percent of total County School Service Fund expenditures, transfers out, and other uses (total outgo).

The County has incurred operating surpluses in the past three years; however, the County anticipates incurring an operating deficit during the 2021-2022 fiscal year. Total long-term liabilities have increased by \$3,812,558 over the past two years.

Average daily attendance has increased by 22 over the past two years; however, a decline of 20 ADA is anticipated during fiscal year 2021-2022.

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

² Available reserves consist of all unassigned fund balances including all amounts reserved for economic uncertainties contained with the County School Service Fund.

³ County School Service Fund amounts do not include activity related to the consolidation of the Special Reserve Fund for Other Than Capital Outlay Projects as required by GASB Statement No. 54.

⁴ On behalf payments of \$1,016,522 relating to Senate Bill 90 have been excluded from the calculation of available reserves for the fiscal year ending June 30, 2019.

Shasta County Office of Education

Schedule of Charter Schools

Year Ended June 30, 2021

| <u>Name of Charter School</u> | <u>Charter Number</u> | <u>Included in Audit Report</u> |
|--------------------------------|---------------------------|-------------------------------------|
| Chrysalis Charter School | 0778 | No |
| Northern Summit Academy Shasta | 2076 | No |
| Redding STEM Academy | 1770 | No |

Shasta County Office of Education
Combining Balance Sheet – Non-Major Governmental Funds
June 30, 2021

| | <u>Pupil Transportation Equipment Fund</u> | <u>Forest Reserve Fund</u> | <u>Capital Facilities Fund</u> | <u>Total Non-Major Governmental Funds</u> |
|--------------------------|--|------------------------------------|--|---|
| Assets | | | | |
| Deposits and investments | <u>\$ 135,374</u> | <u>\$ -</u> | <u>\$ 756,941</u> | <u>\$ 892,315</u> |
| Fund Balances | | | | |
| Restricted | \$ - | \$ - | \$ 756,941 | \$ 756,941 |
| Assigned | <u>135,374</u> | <u>-</u> | <u>-</u> | <u>135,374</u> |
| Total fund balances | <u>\$ 135,374</u> | <u>\$ -</u> | <u>\$ 756,941</u> | <u>\$ 892,315</u> |

Shasta County Office of Education

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Non-Major Governmental Funds
Year Ended June 30, 2021

| | Pupil Transportation Equipment Fund | Forest Reserve Fund | Capital Facilities Fund | Total Non-Major Governmental Funds |
|---|--|---------------------------|-------------------------------|---|
| Revenues | | | | |
| Federal sources | \$ - | \$ 552,935 | \$ - | \$ 552,935 |
| Other local sources | 122 | - | 136,822 | 136,944 |
| Total revenues | <u>122</u> | <u>552,935</u> | <u>136,822</u> | <u>689,879</u> |
| Expenditures | | | | |
| Current | | | | |
| Other outgo | - | 469,995 | - | 469,995 |
| Excess of Revenues Over Expenditures | <u>122</u> | <u>82,940</u> | <u>136,822</u> | <u>219,884</u> |
| Other Financing Uses | | | | |
| Transfers out | - | (82,940) | - | (82,940) |
| Net Change in Fund Balances | 122 | - | 136,822 | 136,944 |
| Fund Balance - Beginning | <u>135,252</u> | <u>-</u> | <u>620,119</u> | <u>755,371</u> |
| Fund Balance - Ending | <u>\$ 135,374</u> | <u>\$ -</u> | <u>\$ 756,941</u> | <u>\$ 892,315</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 Shasta County Office of Education (the County) 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 Shasta County Office of Education, it is not intended to and does not present the financial position of the County.

Summary of Significant Accounting Policies

Expenditures reported in the schedule are reported on the modified accrual basis of accounting except for subrecipient expenditures, which are recorded on the cash basis. 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.

Indirect Cost Rate

The County 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 County did not report any commodities in inventory.

Local Education Agency Organization Structure

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

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 Unaudited Actual Financial Report to the audited financial statements.

Schedule of Financial Trends and Analysis

This schedule discloses the County's financial trends by displaying past years' data along with current year budget information. These financial trend disclosures are used to evaluate the County'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 County and displays information for each Charter School on whether or not the Charter School is included in the County audit.

Non-Major Governmental Funds - Balance Sheet and 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

Shasta County Office of Education



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 and
Superintendent of Schools
Shasta County Office of Education
Redding, 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 Shasta County Office of Education, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Shasta County Office of Education’s basic financial statements and have issued our report thereon dated January 14, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Shasta County Office of Education’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 Shasta County Office of Education’s internal control. Accordingly, we do not express an opinion on the effectiveness of Shasta County Office of Education’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 Shasta County Office of Education's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

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

Rancho Cucamonga, California
January 14, 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 and
Superintendent of Schools
Shasta County Office of Education
Redding, California

Report on Compliance for Each Major Federal Program

We have audited Shasta County Office of Education’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 Shasta County Office of Education’s major federal programs for the year ended June 30, 2021. Shasta County Office of Education’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 Shasta County Office of Education’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 Shasta County Office of Education’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 Shasta County Office of Education’s compliance.

Opinion on Each Major Federal Program

In our opinion, Shasta County Office of Education'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 Shasta County Office of Education 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 Shasta County Office of Education'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 Shasta County Office of Education'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.



Rancho Cucamonga, California
January 14, 2022



Independent Auditor's Report on State Compliance

To the Governing Board and
Superintendent of Schools
Shasta County Office of Education
Redding, California

Report on State Compliance

We have audited Shasta County Office of Education's (the County) 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 County'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 County'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 County's compliance.

Compliance Requirements Tested

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

| | Procedures Performed |
|---|-------------------------|
| LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS | |
| Attendance and Distance Learning | Yes |
| Teacher Certification and Misassignments | Yes |
| Kindergarten Continuance | No, see below |
| Instructional Time | No, see below |
| Instructional Materials | Yes |
| Ratios of Administrative Employees to Teachers | No, see below |
| Classroom Teacher Salaries | No, see below |
| Early Retirement Incentive | No, see below |
| Gann Limit Calculation | Yes |
| School Accountability Report Card | Yes |
| K-3 Grade Span Adjustment | No, see below |
| Apprenticeship: Related and Supplemental Instruction | No, see below |
| Comprehensive School Safety Plan | Yes |
| District of Choice | No, see below |
| SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS | |
| 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 |
| CHARTER SCHOOLS | |
| 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 County's kindergarten students are retained using an Individualized Education Program based on the identified special needs; therefore, we did not perform procedures related to Kindergarten Continuance.

The County was not required to meet the Instructional Time requirements; therefore, we did not perform procedures related to the Instructional Time.

The County was not required to meet the Ratio of Administrative Employees to Teachers requirement; therefore, we did not perform procedures related to the Ratio of Administrative Employees to Teachers.

The County was not required to meet the Classroom Teacher Salaries requirement; therefore, we did not perform procedures related to the Classroom Teacher Salaries.

The County 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.

The County was not required to meet the K-3 Grade Span Adjustment requirement; therefore, we did not perform procedures related to the K-3 Grade Span Adjustment.

The County received funds for the Apprenticeship Program; however, the funds are passed-through to the Shasta-Trinity Regional Occupational Program; therefore, we did not perform any procedures related to the Apprenticeship Program.

The County did not offer a District of Choice Program; therefore, we did not perform any procedures related to the District of Choice Program.

The County did not have any expenditures related to California Clean Energy Jobs Act Program nor was the County required to complete a final project completion report during the fiscal year; therefore, we did not perform any procedures related to the California Clean Energy Jobs Act Program.

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

The County does not operate any Charter Schools; therefore, we did not perform procedures for Charter School Programs.

Unmodified Opinion

In our opinion, Shasta County Office of Education 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.



Rancho Cucamonga, California

January 14, 2022



Schedule of Findings and Questioned Costs
June 30, 2021

Shasta County Office of Education

Financial Statements

| | |
|--|---------------|
| Type of auditor's report issued | Unmodified |
| Internal control over financial reporting | |
| Material weaknesses identified | No |
| 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

| Name of Federal Program or Cluster | Federal Financial Assistance Listing/ Federal CFDA Number |
|---|--|
| Special Education (IDEA) Cluster | 84.027, 84.027A, 84.173, 84.173A |
| Title I, Part A, Basic Grants Low-Income and Neglected | 84.010 |
| Title I, Part D, Local Delinquent Programs | 84.010 |
| School Improvement Funding for LEAs | 84.010 |
| School Improvement Funding for COEs | 84.010 |
| 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 |
|--|------------|

None reported.

None reported.

None reported.

There were no audit findings reported in the prior year's Schedule of Findings and Questioned Costs.