

**SHASTA COUNTY
AIR QUALITY MANAGEMENT DISTRICT

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024**



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**SHASTA COUNTY
AIR QUALITY MANAGEMENT DISTRICT**

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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and the general fund of Shasta County Air Quality Management District (District), a component unit of the County of Shasta, as of and for the year ended June 30, 2024 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of Shasta County Air Quality Management District as of June 30, 2024, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Shasta County Air Quality Management District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Shasta County Air Quality Management District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Shasta County Air Quality Management District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2024 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Roseville, California
December 27, 2024



SHASTA COUNTY

DEPARTMENT OF RESOURCE MANAGEMENT

1855 Placer Street
Redding, California 96001

Sean Ewing
Director/APCO

Adam Fieseler
Assistant Director

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis of the Shasta County Air Quality Management District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2024.

FINANCIAL HIGHLIGHTS

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

The District's total net position has increased by \$430,511 between 2023 and 2024. The final adopted budget anticipated use of \$890,042 in fund balance for 23-24 to cover expenditures. The decrease in anticipated use of fund balance is attributed to slowed participation related to the Carl Moyer and Woodsmoke Reduction programs.

The District's overall cash position increased from \$2,050,760 in 2023, to \$2,596,295 in 2024 for a total increase of \$545,535.

USING THIS ANNUAL REPORT

The annual report consists of the following series of financial information: (1) Independent Auditor's Report, (2) Management's Discussion and Analysis, (3) Statement of Net Position and Governmental Funds Balance Sheet, (4) Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balance, (5) Notes to Financial Statements, (6) Required Supplementary Information: Governmental Fund Budgetary Comparison Schedule, (7) Independent Auditor's Report on Internal Control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with Government Auditing Standards.

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

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

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

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

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

CONDENSED FINANCIAL INFORMATION

The difference between assets and liabilities is one way to measure the District's financial health. In the case of the Shasta County Air Quality Management District, net position increased from \$1,725,923 in 2023, to \$2,156,434 in 2024, an increase of \$430,511 are all attributable to operations.

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

Table 1
Net Position

	2024	2023
Current and Other Assets	\$ 2,686,802	\$ 2,152,904
Capital Assets	119,732	121,026
Total Assets	2,806,534	2,273,930
Other Liabilities	650,100	548,007
Total Liabilities	650,100	548,007
Net Position:		
Investment in Capital Assets	119,732	121,025
Restricted	1,962,842	1,218,167
Restricted - General Purpose	73,859	386,731
Total Net Position	\$ 2,156,434	\$ 1,725,923

Within Net Position, Current and Other Assets increased by \$533,898 and Total Liabilities increased by \$102,093 between 2023 and 2024. Asset increases were due to revenues received related to the funding of the Carl Moyer and Woodsmoke Reduction grant programs that were not expended. The increase in liabilities was due to received unearned grant funds for prescribed burns.

Net Investment in Capital Assets are Capital Assets, less accumulated depreciation/amortization and any outstanding debt related to the acquisition, construction, or improvement of those assets. Capital Assets decreased (net) from \$121,026 in 2023, to \$119,732 in 2024. This decrease was due to current year depreciation/amortization. The change in Capital Assets is shown in more detail in Table 4.

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

Table 2
Changes in Net Position

	2024	2023
Total Operating Revenue	\$ 2,627,240	\$ 4,130,580
Total Operating Expense	(2,284,784)	(3,718,716)
Net Program Change	342,456	411,864
Total Nonoperating Revenue	88,054	598
Increase (Decrease) in Net Position	\$ 430,511	\$ 412,462

The District's nonoperating revenues increased from \$598 in 2023, to \$88,054 in 2024, an increase of \$87,456. This increase was due to increased interest received on the District's pooled cash and equivalents held by the County and the Fair Market Value Investment adjustment.

BUDGETARY HIGHLIGHTS-Governmental Funds

The District's FY 2023/24 Preliminary Budget was reviewed at the Air Pollution Control Board meeting held on June 6, 2023 and considered for adoption at the final budget hearings on June 27, 2023.

Comparing actual revenue and expenses with the budgeted revenues and expenses shows a net favorable variance of \$1,351,526 as shown in Table 3.

Table 3
Budget to Actual-Governmental Funds

	2024 Budget	2024 Actual	Variance
Operating Revenues	\$ 3,231,709	\$ 2,627,241	\$ (604,468)
Operating Expenses	<u>(4,165,252)</u>	<u>(2,285,311)</u>	<u>1,879,941</u>
Net Operating Income (Loss)	(933,543)	341,930	1,275,473
Nonoperating Income (Expense)			
Interest	12,000	88,054	76,054
Inception of Lease	<u>31,501</u>	<u>31,500</u>	<u>(1)</u>
	43,501	119,555	76,054
Net Budgeted Income (Loss)	<u>\$ (890,042)</u>	<u>\$ 461,484</u>	<u>\$ 1,351,526</u>

The changes in the Operating Expenses are due to the budgeted amounts of expenditures for the Carl Moyer Engine, infrastructure and equipment changeout projects, and Woodsmoke Reduction Program expenses that were budgeted but not spent in FY 2023/24. The District's overall decrease in operating expenses was 45.13% between budget to actual.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2024, the District had \$119,732 invested in capital assets. This investment in capital assets includes vehicles, machinery, equipment, software, and right-to-use lease assets. Included in the District's net investment in Capital assets includes land for a parking lot. Capital assets at year-end are represented in Table 4.

Table 4
Changes in Capital Assets

	Balance June 30, 2023	Additions	Disposals	Balance June 30, 2024
Assets Being Depreciated/Amortized				
Calibrator S9100	11,849	-	-	11,849
Beta Atten Monitor	16,058	-	-	16,058
Data Logger	12,535	-	-	12,535
Scanners	3,943	-	-	3,943
Vehicles	215,096	-	-	215,096
Data Logger	6,092	-	-	6,092
Trakit Software	111,642	-	-	111,642
Particulate monitor	14,526	-	-	14,526
Ozone Analyzer	12,292	-	-	12,292
Ozone Air Analyzer	15,195	-	-	15,195
Ozone Air Analyzer	12,592	-	-	12,592
Right-to-Use Lease Building	-	31,500	-	31,500
Total Assets being Depreciated/Amortized	<u>431,820</u>	<u>31,500</u>	<u>-</u>	<u>463,320</u>
Accumulated Depreciation/Amortization	<u>(384,903)</u>	<u>(32,794)</u>	<u>-</u>	<u>(417,697)</u>
Net Assets Being Depreciated/Amortized	<u>46,917</u>	<u>(1,294)</u>	<u>-</u>	<u>45,623</u>
Assets Not Being Depreciated/Amortized				
Land-Portion of Parking Lot	<u>74,109</u>	<u>-</u>	<u>-</u>	<u>74,109</u>
Total Assets Not Being Depreciated/Amortized	<u>74,109</u>	<u>-</u>	<u>-</u>	<u>74,109</u>
Net Capital Assets	<u>\$ 121,026</u>	<u>\$ (1,294)</u>	<u>\$ -</u>	<u>\$ 119,732</u>

NEXT YEAR'S BUDGET

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

CONTACTING THE DISTRICT

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

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

**STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
JUNE 30, 2024**

	General Fund	Adjustments	Statement of Net Position
ASSETS			
Cash & Investments	\$ 1,066,928	\$ -	\$ 1,066,928
Due from other govts	90,507	-	90,507
Cash & Investments - Restricted	1,529,367	-	1,529,367
Capital Assets:			
Nondepreciable/Amortizable	-	74,109	74,109
Depreciable/Amortizable, Net	-	17,273	17,273
Lease Assets, Net	-	28,350	28,350
TOTAL ASSETS	<u>2,686,802</u>	<u>119,732</u>	<u>2,806,534</u>
LIABILITIES			
Accounts payable	23,143	-	23,143
Salary/benefits payable	27,588	-	27,588
Due to other govts	105,119	-	105,119
Compensated Absences	-	50,749	50,749
Unearned revenue	414,841	-	414,841
Lease Liability	-	28,660	28,660
TOTAL LIABILITIES	<u>570,691</u>	<u>79,409</u>	<u>650,100</u>
FUND BALANCE			
Restricted-Carl Moyer	1,529,367	(1,529,367)	-
Restricted-Woodsmoke Reduction	433,475	(433,475)	-
Restricted - General Purpose	153,269	(153,269)	-
TOTAL FUND BALANCE	<u>2,116,111</u>	<u>(2,116,111)</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,686,802</u>		
NET POSITION			
Investment in Capital Assets		119,732	119,732
Restricted		1,962,842	1,962,842
Restricted - General Purpose		73,859	73,859
TOTAL NET POSITION		<u>\$ 2,156,434</u>	<u>\$ 2,156,434</u>

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

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

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2024

Total Fund Balances - Governmental Funds	\$	2,116,111
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets net of accumulated depreciation have not been included as financial resources in governmental funds activity. These capital assets are reported in the Statement of Net Position as Capital Assets, Net.		91,382
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Lease Assets are not financial resources and therefore, not reported in governmental funds activity. These lease assets are reported in the Statement of Net Position as Lease Assets, Net.		28,350
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Long-term liabilities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the Statement of Net Position.		<u>(79,409)</u>
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NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u><u>2,156,434</u></u>
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The notes to the financial statements are an integral part of this statement.

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

**STATEMENT OF ACTIVITIES AND GOVERNMENTAL REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2024**

	General Fund	Adjustments	Statement of Activities
REVENUES:			
Licenses & permits	\$ 295,289	\$ -	\$ 295,289
Fines & forfeitures	20,852	-	20,852
Use of money/property	88,054	-	88,054
Intergovernmental	<u>2,311,100</u>	<u>-</u>	<u>2,311,100</u>
Total Revenues	<u>2,715,295</u>	<u>-</u>	<u>2,715,295</u>
EXPENDITURES/EXPENSES:			
Current			
Salaries and Benefits	795,195	1,019	796,214
Service and Supplies	1,267,738	-	1,267,738
Other Charges	187,278	-	187,278
Capital Outlay	31,500	(31,500)	-
Depreciation/Amoritzation	-	32,794	32,794
Debt Service			
Principal	2,840	(2,840)	-
Interest	<u>760</u>	<u>-</u>	<u>760</u>
Total Expenditures/Expenses	<u>2,285,311</u>	<u>(527)</u>	<u>2,284,784</u>
EXCESS (DEFICIENCY) REVENUES OVER (UNDER) EXPENDITURES	429,984	527	430,511
OTHER FINANCING SOURCES (USES)			
Inception of Lease	31,500	(31,500)	-
Total Other Financing Sources (Uses)	<u>31,500</u>	<u>(31,500)</u>	<u>-</u>
CHANGE IN FUND BALANCE/NET POSITION	461,484	(30,973)	430,511
FUND BALANCE/NET POSITION BEGINNING	<u>1,654,627</u>	<u>71,296</u>	<u>1,725,923</u>
FUND BALANCE/NET POSITION, ENDING	<u>\$ 2,116,111</u>	<u>\$ 40,323</u>	<u>\$ 2,156,434</u>

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

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

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2024**

Net Change in Fund Balances - Total Governmental Funds	\$	461,484
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Amounts reported for governmental activities in the Statement of
Activities are different because:

Government funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital outlay recorded in the current period.	31,500
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Depreciation/Amortization expense on capital assets is reported in the Governmentwide Statement of Activities, but they do not require the use of current financial resources. Therefore, depreciation/amortization expense is not reported as expenditures in governmental funds.	(32,794)
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Lease Asset Principal Expense is reported in Governmental Funds and is not reported in the Statement of Activities.	2,840
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Issuance of new lease reported as an expenditure in the fund statements.	(31,500)
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Long-term compensated absences are reported in the Government-wide Statement of Activities, but they do not require the use of current financial resources. Therefore, they are not reported as expenditures in governmental funds.	<u>(1,019)</u>
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$</u>	<u>430,511</u>
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The notes to the financial statements are an integral part of this statement.

SHASTA COUNTY AIR QUALITY MANAGEMENT DISTRICT
(A Component Unit of County of Shasta, California)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Reporting Entity

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

Financial Statement Presentation

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

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

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

Measurement Focus and Basis of Accounting

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

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

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

Fund Balance Presentation

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

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

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

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

Budgets and Budgetary-Accounting

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

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

Cash and Cash Equivalents

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

Accounts Receivable

Amounts due from individuals, organizations, or others which pertain to fines and penalties assessed by the District are reported as accounts receivable. Receivables are reviewed periodically to establish or update the provisions for uncollectible amounts. These provisions are estimated based on an analysis of the age of various accounts. For the year ended June 30, 2024, management expects to collect on all accounts receivable.

Due from Other Funds

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

Capital Assets

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

straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows:

Equipment – Other	3-10 years
Equipment – Vehicles	3-10 years
Equipment – Software	3-5 years
Structures and Improvements	40-50 years
Right-to-Use Leases and SBITAS	Shorter of contract term or useful life

Leases

GASB Statement No. 87, *Leases*, established a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The lease liability is measured at the present value of payments expected to be made during the lease term (less any lease incentives). The lease asset is measured at the amount of the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs. The District follows the same \$25,000 threshold as the County.

Subscription-Based Technology Arrangements (SBITAs)

GASB Statement No. 96, *Subscription-Based Technology Arrangements*, establishes a single model for subscription accounting based on the fundamental principle that subscriptions are financings of the right to use an underlying asset. The District follows the same \$25,000 threshold as the County. The District currently does not have any subscriptions that qualify.

Unearned Revenue

Under both the accrual and modified accrual basis of accounting, revenue may be recognized only when it is earned. In instances where grant funds have been received by the District and the District meets the eligibility requirements in GASB 33, the District recognizes the revenue upon receipt. At June 30, 2024, the makeup of unearned revenue is as follows:

	Balance June 30, 2023	Additions	Subtractions	Balance June 30, 2024
AB617 Grant	\$ 207,123	\$ 213,687	\$ 5,969	\$ 414,841
	<u>\$ 207,123</u>	<u>\$ 213,687</u>	<u>\$ 5,969</u>	<u>\$ 414,841</u>

Compensated Absences

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

The liability for compensated absences at June 30, 2024, is as follows:

Balance July 1, 2023	Additions	Deletions	Balance June 30, 2024
\$ 49,730	\$ 56,317	\$ 55,298	\$ 50,749

Use of Estimates

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

NOTE 2 - FAIR VALUE MEASUREMENTS

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

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

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

Level 2: Inputs to the valuation methodology include:

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

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

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The District has no investments subject to fair value disclosures.

NOTE 3 - DEPOSITS AND INVESTMENTS

As of June 30, 2024, the carrying value of the District's deposits and investments was as follows:

Cash and cash equivalents	\$	1,066,928
Restricted cash and cash equivalents		1,529,367
	\$	<u>2,596,295</u>

As of June 30, 2024, the composition of the District's investment return was as follows:

Interest	\$	43,685
Net Increase (decrease) in the fair value of investments		44,370
Total	\$	<u>88,054</u>

Cash Management

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

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

Fair Value of Investments

Accounting pronouncement GASB Statement 31 generally applies to investments in external investment pools (State of California LAIF and other governmental sponsored investment pools), investments purchased with maturities greater than one year, mutual funds, and certain investment agreements. Generally, governmental entities are required to report the "fair value" changes for these investments at year-end and record these gains or losses on their income statement. The County does not present realized and unrealized gains or losses on separate items on the face of its financial statements or in its note disclosures.

Methods and Assumptions Used to Estimate Fair Value

The County normally adjusts its investment accounting records to "fair value" at fiscal year-end. The County's investment custodian provides market values on each investment instrument on a monthly basis. The investments held by the County are widely traded, and trading values are readily available from

numerous published sources. Unrealized gains and losses are recorded at fiscal year end and the carrying values of its investments at fiscal year end are considered “fair value.”

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

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

NOTE 4 - CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2024, are as follows:

	Balance at June 30, 2023	Additions	Disposals	Balance at June 30, 2024
Capital assets not being depreciated/amortized:				
Land - Parking Lot	\$ 74,109	\$ -	\$ -	\$ 74,109
Total Capital Assets Not Being Depreciated/Amortized	74,109	-	-	74,109
Capital assets being depreciated/amortized:				
Equipment	105,082	-	-	105,082
Vehicles	215,096	-	-	215,096
Software	111,642	-	-	111,642
Right-to-Use Lease Building	-	31,500	-	31,500
Total Capital Assets Being Depreciated/Amortized	431,820	31,500	-	463,320
Less Accumulated Depreciation/Amortization For:				
Equipment	(104,122)	(1,944)	-	(106,066)
Vehicles	(191,470)	(5,372)	-	(196,842)
Software	(89,311)	(22,328)	-	(111,639)
Right-to-Use Building	-	(3,150)	-	(3,150)
Total Accumulated Depreciation/Amortization	(384,903)	(32,794)	-	(417,697)
Net Capital Assets Being Depreciated/Amortized	46,917	(1,294)	-	45,623
Total Capital Assets	\$ 121,026	\$ (1,294)	\$ -	\$ 119,732

Depreciation/Amortization expense for the year ended June 30, 2024 was \$ 32,794.

NOTE 5 – LEASES

Air Quality is currently entered into one noncancelable lease with a third party. Current lease activity is the right-to-use office space. The lease term includes the noncancelable period of the lease and extensions that

are reasonably certain to be exercised. The incremental borrowing rate is 2.76 percent calculated at time of inception. Lease liability at June 30, 2024 was \$28,660.

Annual principal and interest payment requirements for the lease are as follows:

Governmental Activities		
Fiscal Year Ended June 30	Principal	Interest
2025	\$ 2,845	\$ 755
2026	2,924	676
2027	3,006	594
2028	3,090	510
2029	3,176	424
2030-2034	13,619	781
Total	<u>\$ 28,660</u>	<u>\$ 3,740</u>

Changes in Lease liability for the year consisted of the following:

Governmental Activities	Balance at June 30, 2023	Additions	Deletions	Balance at June 30, 2024
Lease Liability	\$ -	\$ 31,500	\$ (2,840)	\$ 28,660
Total Lease Liability	<u>\$ -</u>	<u>\$ 31,500</u>	<u>\$ (2,840)</u>	<u>\$ 28,660</u>

NOTE 6 – NEW ACCOUNTING STANDARDS

Adopted in Fiscal Year 2023-2024

GASB Statement No. 99 - In April of 2022, the GASB issued Statement No. 99, *Omnibus 2022*. The objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing: (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees.

GASB Statement No. 100 - In June of 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections*. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. It also requires the display of note disclosures and quantitative effects in tabular format of the accounting change and error corrections.

REQUIRED SUPPLEMENTARY INFORMATION

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

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2024

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenue				
License and Permits	\$ 286,350	\$ 286,350	\$ 295,289	\$ 8,939
Fines and Penalties	5,000	5,000	20,852	15,852
Aid From Other Governmental Agencies	2,612,179	2,940,339	2,311,100	(629,239)
Charges For Services	20	20	-	(20)
Interest	12,000	12,000	88,054	76,054
Total Revenues	<u>2,915,549</u>	<u>3,243,709</u>	<u>2,715,296</u>	<u>(528,413)</u>
Expenditures				
Salaries and Benefits	960,700	960,700	795,195	165,505
Service and Supplies	2,757,137	2,985,697	1,267,738	1,717,959
Other Charges	87,754	183,754	187,278	(3,524)
Capital Outlay	-	31,501	31,500	1
Debt Service:				
Principal	-	2,840	2,840	-
Interest	-	760	760	-
Total Expenditures	<u>3,805,591</u>	<u>4,165,252</u>	<u>2,285,311</u>	<u>1,879,941</u>
Revenues Over (Under) Expenditures	(890,042)	(921,543)	429,985	1,351,528
Other Financing Sources (Uses)				
Inception of Lease	-	31,501	31,500	(1)
Total Other Financing Sources (Uses)	<u>-</u>	<u>31,501</u>	<u>31,500</u>	<u>(1)</u>
Net Change in Fund Balance	<u>\$ (890,042)</u>	<u>\$ (890,042)</u>	<u>\$ 461,485</u>	<u>\$ 1,351,527</u>

See Note 1 for basis of budgeting.



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the general fund of the Shasta County Air Quality Management District (District), a component unit of the County of Shasta, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 27, 2024.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

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

CliftonLarsonAllen LLP

Roseville, California
December 27, 2024

