

MOUNT SHASTA UNION ELEMENTARY
SCHOOL DISTRICT

COUNTY OF SISKIYOU
MOUNT SHASTA, CALIFORNIA

ANNUAL FINANCIAL REPORT
JUNE 30, 2020

ROBERTSON & ASSOCIATES, CPAs
A Professional Corporation

MOUNT SHASTA UNION ELEMENTARY SCHOOL DISTRICT
ORGANIZATION
JUNE 30, 2020

The Mount Shasta Union Elementary School District (District) was originally formed as early as 1887, and was officially established on April 7, 1925. The District comprises an area located in Siskiyou County. There were no changes in the boundaries of the District during the current year. The District currently operates two elementary schools.

BOARD OF TRUSTEES

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Ms. Kay Scovill	President	December 2020
Mr. Robert Winston	Clerk	December 2020
Ms. Nancy Swift	Trustee	December 2022
Mr. John Duncan	Trustee	December 2022
Ms. Mona Gutierrez	Trustee	December 2022

ADMINISTRATION

<u>Name</u>	<u>Title</u>	<u>Tenure</u>
Mr. Barry Barnhart	Superintendent/Principal	4 Years
Mr. Kale Riccomini	Principal	9 Years
Ms. Amanda Bonivert	Business Manager	2 Years

ADDRESS OF DISTRICT OFFICE

595 East Alma Street
Mount Shasta, CA 96067

MOUNT SHASTA UNION ELEMENTARY SCHOOL DISTRICT
JUNE 30, 2020

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MOUNT SHASTA UNION ELEMENTARY SCHOOL DISTRICT
JUNE 30, 2020

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Mount Shasta Union Elementary School District
Mount Shasta, 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 the Mount Shasta Union Elementary School District (District), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal controls 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; and the *2019-20 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel as regulations. 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 District'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 District'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 the Mount Shasta Union Elementary School District, as of June 30, 2020, 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 14, budgetary comparison schedule on page 57, schedule of the District's proportionate share of the net pension liability on page 58, the schedule of District contributions on page 59, schedule of changes in the net OPEB liability and related ratios on page 60, and schedule of contributions – OPEB on page 61, 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 the Mount Shasta Union Elementary School District's basic financial statements. The accompanying supplementary information includes the introductory section, the combining and individual non-major fund financial statements, and the other supplementary information, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 25, 2021 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 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 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.

Robertson & Associates, CPAs

Lakeport, California
February 25, 2021

**Mount Shasta Union Elementary School District
Management's Discussion and Analysis
June 30, 2020**

INTRODUCTION

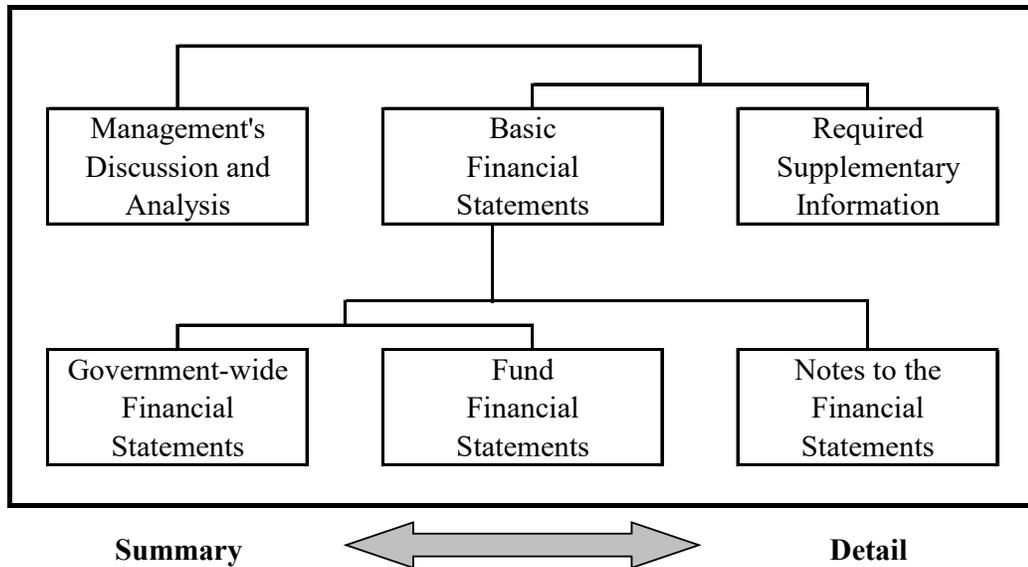
Our discussion and analysis of Mount Shasta Union Elementary School District (District's) financial performance provides an overview of the District's financial activities for the year ended June 30, 2020. It should be read in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- Total net position was \$2,633,683 at June 30, 2020. This was an decrease of \$118,458 from the prior year.
- Overall revenues were \$6,543,839, overall expenses were \$6,662,297.

OVERVIEW OF FINANCIAL STATEMENTS

Components of the Financials Section



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

- ❑ **Government-wide financial statements**, which comprise the first two statements, provide both short-term and long-term information about the District’s overall financial position.
- ❑ **Fund financial statements** focus on reporting the individual parts of District operations in more detail. The fund financial statements comprise the remaining statements.
 - **Governmental fund** statements tell how general government services were financed in the short term as well as what remains for future spending.

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

Government-Wide Statements

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

The two government-wide statements report the District’s net position and how they have changed. Net position, the difference between assets and liabilities, is one way to measure the District’s financial health or position.

- Over time, increases or decreases in the District’s net position are an indicator of whether its financial health is improving or deteriorating, respectively. The net position of the District has decreased by 4% in the past year. The 2018/2019 included a one year grant and LCFF funding that included ADA from county school students.
- To assess the overall health of the District, one needs to consider additional non-financial factors such as changes in enrollment, changes in the property tax base, and changes in program funding by the Federal and State governments, and condition of facilities. The District’s average daily attendance has decreased by 9.03 ADA in the past year. The 2018/2019 ADA included county school students. The District also saw a decline of 4 students in 2019/2020.

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

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant governmental funds, not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular programs.

- Some funds are required to be established by State law and by bond covenants.
- The governing board establishes other funds to control and manage money for particular purposes or to show that the District is meeting legal responsibilities for using certain revenues.

The District has one type of fund:

- Governmental funds – All of the District's basic services are included in governmental funds, which generally focus on: (1) how cash and other financial assets that can readily be converted to cash flow in and out, and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds' statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources than previously to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information following the governmental funds' statements that explains the relationship (or differences) between them.

The financial performance of the District is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported a combined fund balance of \$2,681,106 as compared to the prior year's ending fund balance of \$3,050,941.

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

Net Position

The District's combined net position was \$2,633,683 at June 30, 2020.

	Governmental Activities		Net Change
	2020	2019	
ASSETS			
Cash and Equivalents	\$ 1,972,126	\$ 2,541,339	\$ (569,213)
Investments	6,344	6,198	146
Other Current Assets	868,609	829,249	39,360
Capital Assets, Net of Accumulated Depreciation	4,840,024	4,913,697	(73,673)
TOTAL ASSETS	<u>\$ 7,687,103</u>	<u>\$ 8,290,483</u>	<u>\$ (603,380)</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflow of Resources	\$ 2,510,734	\$ 2,724,149	\$ (213,415)
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 2,510,734</u>	<u>\$ 2,724,149</u>	<u>\$ (213,415)</u>
LIABILITIES			
Current Liabilities	\$ 165,973	\$ 325,845	\$ (159,872)
Long-Term Liabilities	6,782,230	6,990,214	(207,984)
TOTAL LIABILITIES	<u>\$ 6,948,203</u>	<u>\$ 7,316,059</u>	<u>\$ (367,856)</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows of Resources	\$ 615,951	\$ 946,432	\$ (330,481)
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>\$ 615,951</u>	<u>\$ 946,432</u>	<u>\$ (330,481)</u>
NET POSITION			
Invested in Capital Assets, Net of Related Debt	\$ 4,103,364	\$ 3,987,748	\$ 115,616
Restricted	770,969	887,486	(116,517)
Unrestricted	(2,240,650)	(2,123,093)	(117,557)
TOTAL NET POSITION	<u>\$ 2,633,683</u>	<u>\$ 2,752,141</u>	<u>\$ (118,458)</u>

Changes in Net Position

	Governmental Activities		Net Change
	2020	2019	
REVENUES			
Program Revenues:			
Charges for Services	\$ 123,731	\$ 35,056	\$ 88,675
Operating Grants and Contributions	1,129,314	1,368,114	(238,800)
General Revenues:			
Property Taxes	2,115,992	2,077,136	38,856
Unrestricted Federal and State Aid	2,912,393	2,955,480	(43,087)
Miscellaneous and Other Local	262,409	311,545	(49,136)
TOTAL REVENUES	<u>6,543,839</u>	<u>6,747,331</u>	<u>(203,492)</u>
EXPENSES			
Instruction	4,246,498	3,616,547	629,951
Instruction-Related Services	546,295	468,054	78,241
Pupil Services	372,441	391,906	(19,465)
General Administration	497,113	541,575	(44,462)
Plant Services	789,636	850,888	(61,252)
Ancillary Services	39,802	40,391	(589)
Enterprise Services	25,110	31,762	(6,652)
Transfers Between Agencies	103,337	127,290	(23,953)
Interest on Long-Term Debt	35,518	52,707	(17,189)
Other Outgo	6,547	-	6,547
TOTAL EXPENSES	<u>6,662,297</u>	<u>6,121,120</u>	<u>541,177</u>
INCREASE (DECREASE) IN NET POSITION	(118,458)	626,211	(744,669)
NET POSITION - BEGINNING	<u>2,752,141</u>	<u>2,125,930</u>	<u>626,211</u>
NET POSITION - ENDING	<u>\$ 2,633,683</u>	<u>\$ 2,752,141</u>	<u>\$ (118,458)</u>

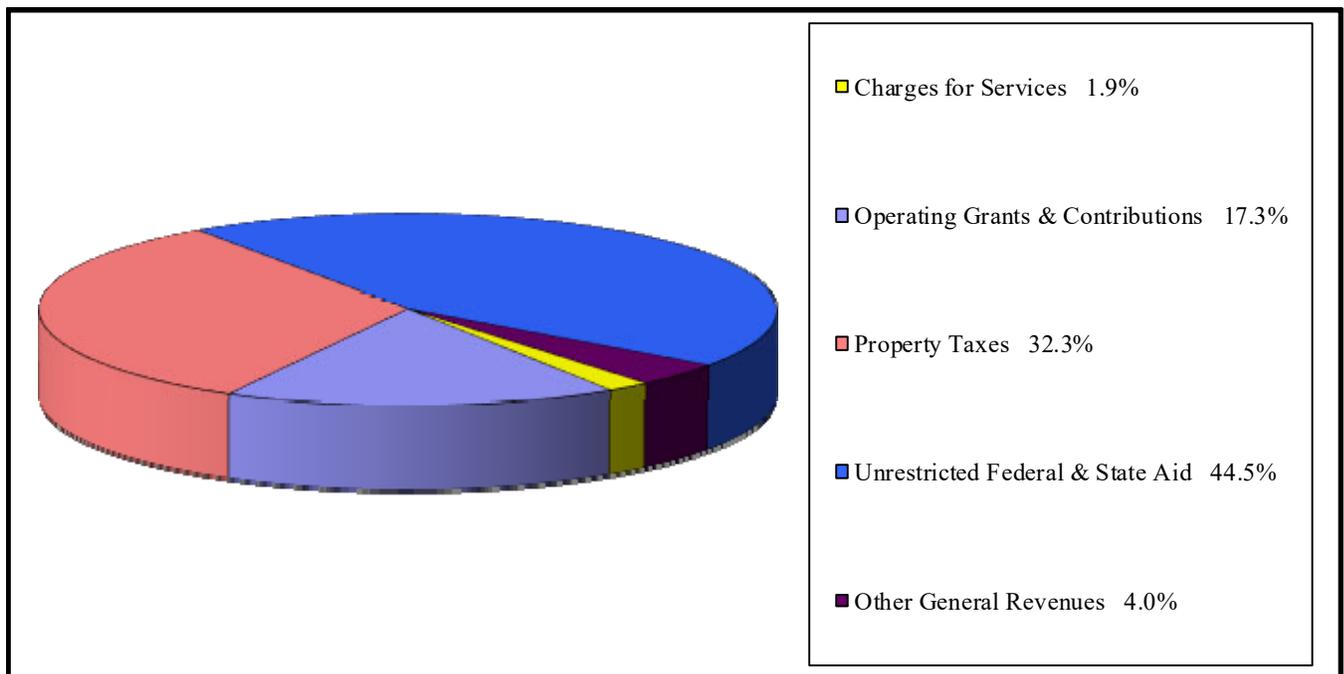
Governmental Activities

Net cost is total cost less fees generated by the related activity. The net cost reflects amounts funded by charges for services, operating grants and capital grants and contributions.

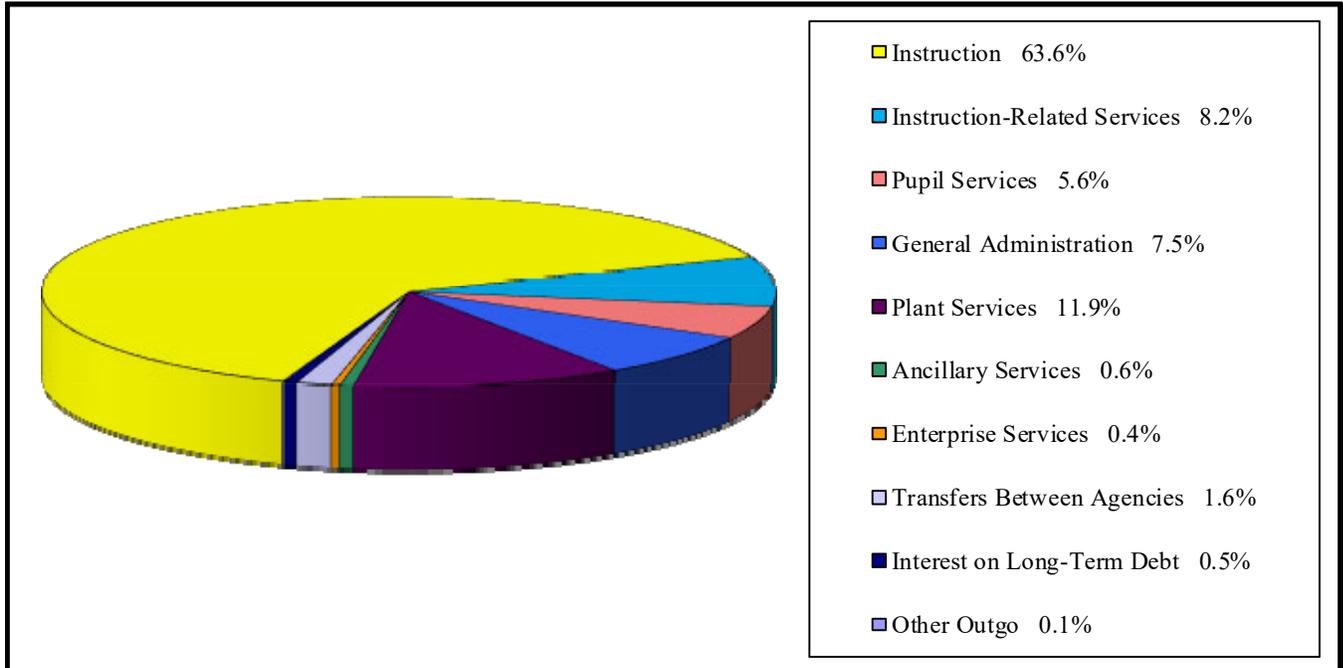
Net Cost of Services

	Net Cost of Services		Net Change
	2020	2019	
NET COST OF SERVICES			
Instruction	\$ 3,565,631	\$ 2,716,097	\$ 849,534
Instruction-Related Services	516,672	427,768	88,904
Pupil Services	232,676	246,933	(14,257)
General Administration	459,017	479,760	(20,743)
Plant Services	730,815	824,951	(94,136)
Ancillary Services	19,145	19,273	(128)
Enterprise Services	(3,432)	453	(3,885)
Transfers Between Agencies	(153,337)	127,290	(280,627)
Interest on Long-Term Debt	35,518	52,707	(17,189)
Other Outgo	6,547	(177,282)	183,829
TOTAL NET COSTS OF SERVICES	\$ 5,409,252	\$ 4,717,950	\$ 691,302

2019/2020 Summary of Revenues for Governmental Activities



2019/2020 Summary of Expenses for Governmental Activities



Fund Balance Comparison

The District currently maintains the following funds:

FUNDS	Ending Fund Balance		Net Change
	2020	2019	
Governmental:			
General	\$ 1,962,153	\$ 2,375,851	\$ (413,698)
Cafeteria Special Revenue	2,888	4,134	(1,246)
Capital Facilities	272,279	228,891	43,388
Debt Service	443,786	442,065	1,721
Total Governmental	<u>2,681,106</u>	<u>3,050,941</u>	<u>(369,835)</u>
TOTAL FUNDS	<u>\$ 2,681,106</u>	<u>\$ 3,050,941</u>	<u>\$ (369,835)</u>

General Fund

All staff received a 3.5% increase on the salary schedule for 2019/2020. Depreciation expense on capital assets, long-term debt interest, other postemployment benefit obligations, net pension liability, etc. also affect the General Fund.

Other Governmental Funds

Other governmental funds had the following activity and changes for the year ended June 30, 2020:

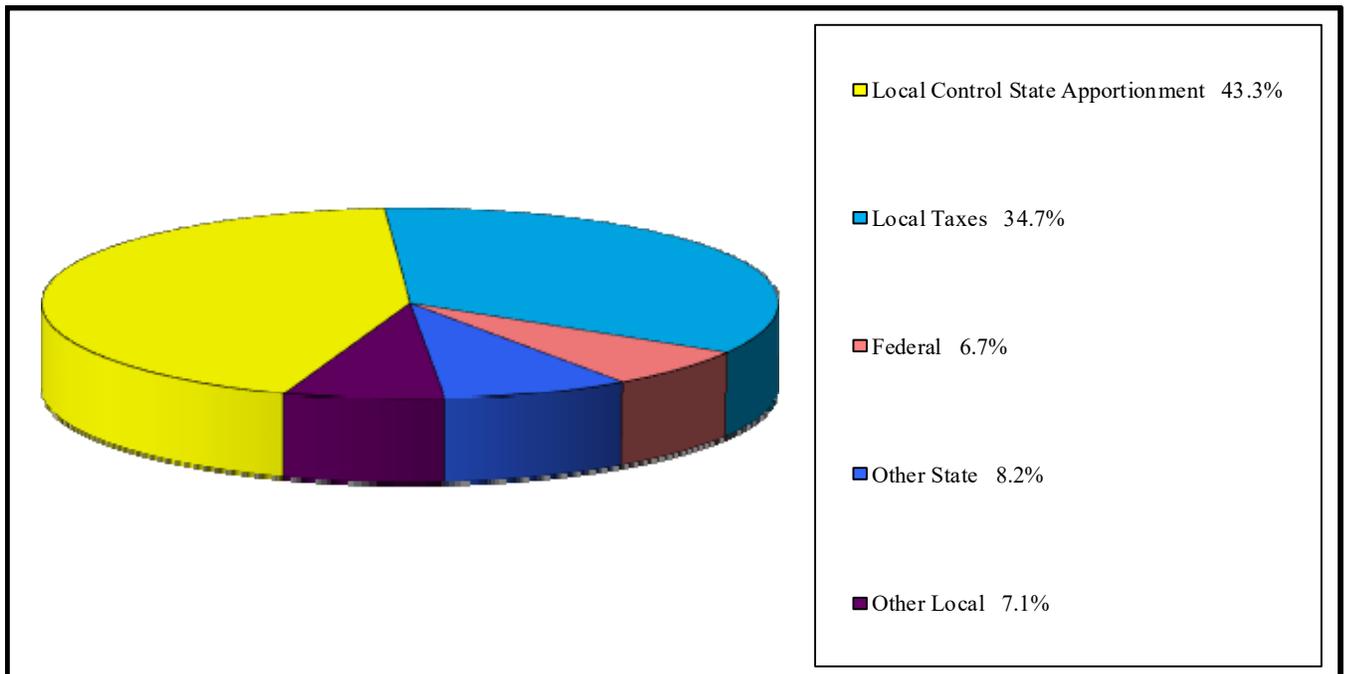
The Cafeteria Special Revenue Fund - No significant changes.

The Capital Facilities Fund - The District received \$105,907 revenue from developer fees and expended \$62,519 on modernization projects and long-term debt principal and interest.

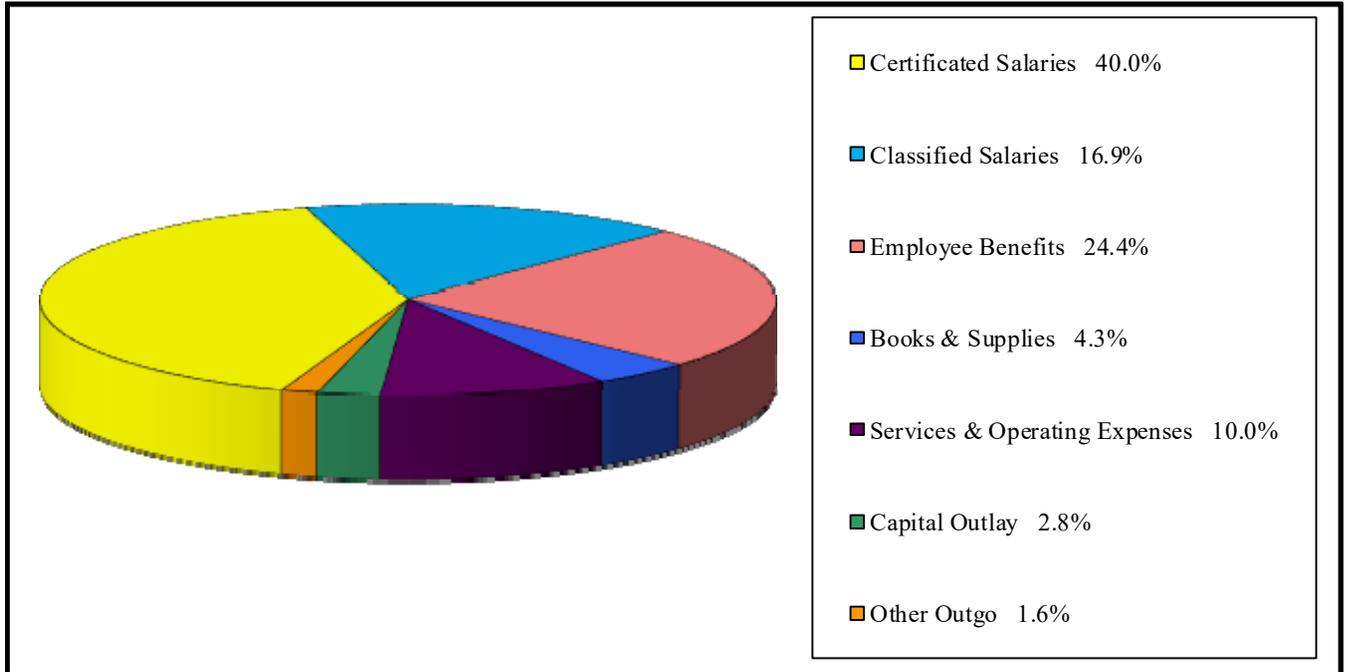
The Debt Service Fund - The fund is administered by the Siskiyou County Auditor's Office and represents the District's General obligation Bond.

The following charts graphically depict revenues and expenditures, both by major object as well as by function.

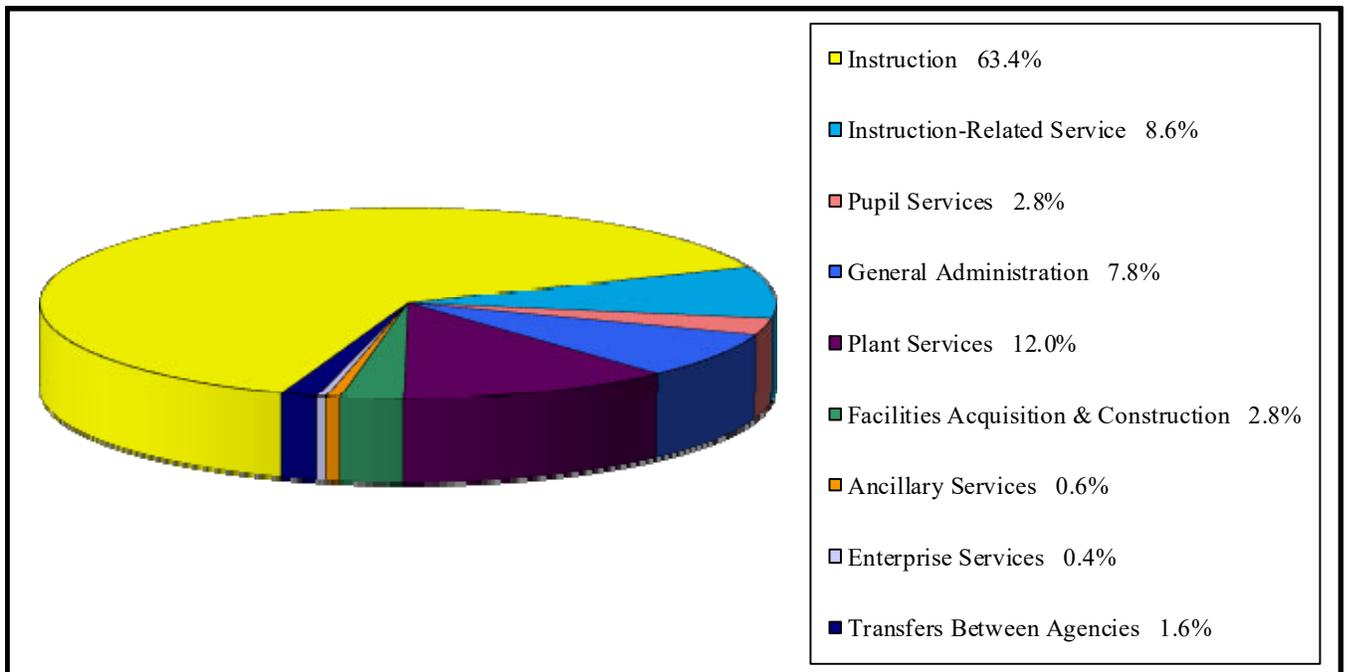
2019/2020 General Fund Revenues



2019/2020 General Fund Expenditures by Object



2019/2020 General Fund Expenditures by Function



CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2020, the District had \$4,840,024 invested, net of accumulated depreciation, in capital assets. Current year depreciation expense is \$252,300. The District completed a drainage project at Mount Shasta elementary School.

	Governmental Activities		Net Change
	2020	2019	
CAPITAL ASSETS			
Land Improvements	\$ 423,305	\$ 244,678	\$ 178,627
Buildings And Improvements	11,018,873	11,018,873	-
Equipment	269,060	269,060	-
Accumulated Depreciation	<u>(6,871,214)</u>	<u>(6,618,914)</u>	<u>(252,300)</u>
NET CAPITAL ASSETS	<u><u>\$ 4,840,024</u></u>	<u><u>\$ 4,913,697</u></u>	<u><u>\$ (73,673)</u></u>

Long-Term Debt

At June 30, 2020, the District had \$6,782,230 in long-term debt. The District's net pension liability had the most significant effect on long-term debt.

	Governmental Activities		Net Change
	2020	2019	
LONG-TERM DEBT			
General Obligation Bonds Payable	\$ 628,781	\$ 803,263	\$ (174,482)
Capital Lease Payable	107,879	122,686	(14,807)
Net Pension Liability	5,767,060	5,755,719	11,341
Net OPEB Obligation	273,680	291,466	(17,786)
Compensated Absences	<u>4,830</u>	<u>17,080</u>	<u>(12,250)</u>
TOTAL LONG-TERM DEBT	<u><u>\$ 6,782,230</u></u>	<u><u>\$ 6,990,214</u></u>	<u><u>\$ (207,984)</u></u>

GENERAL FUND BUDGETARY HIGHLIGHTS

The difference in the original versus final budget amounts and actual versus budget amounts is primarily due to the following:

- ❑ The Local Control Funding Formula originally included ADA from county schools.
- ❑ COIV -19 related revenue and expenditure changes.
- ❑ Depreciation expense on capital assets, long-term debt interest, other postemployment benefit obligations, net pension liability, etc. also affect the general fund.

Over the course of the year, the District revises its annual budget to reflect unexpected changes in revenues and expenditures. The final amendment to the budget was approved June 16, 2020. A schedule of the District's General Fund original and final budget amounts compared with actual revenues and expenditures is provided with the basic financial statements in the audited financial report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

At the time these financial statements were prepared and audited, the District was aware of several circumstances that could affect its future financial health:

- ❑ The District's 2020/2021 projected enrollment decreased by 85 students after budget adoption.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, parents, participants, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report, or need additional financial information, contact Amanda Bonivert, 595 East Alma Street, Mount Shasta, CA 96067, phone 530-926-6007.

FINANCIAL SECTION

MOUNT SHASTA UNION ELEMENTARY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2020

	Governmental Activities
ASSETS	
Cash and equivalents	\$ 1,972,126
Investments	6,344
Accounts receivable	866,368
Stores inventories	2,241
Capital assets:	
Depreciable, net of accumulated depreciation	4,840,024
Total Assets	\$ 7,687,103
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources - Pension	\$ 2,474,195
Deferred outflows of resources - OPEB	36,539
Total Deferred Outflows of Resources	\$ 2,510,734
LIABILITIES	
Accounts payable	\$ 165,973
Long-term debt:	
Due within one year	230,632
Due after one year	6,551,598
Total Liabilities	\$ 6,948,203
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources - Pension	\$ 608,764
Deferred inflows of resources - OPEB	7,187
Total Deferred Inflows of Resources	\$ 615,951
NET POSITION	
Net Investment in capital assets	\$ 4,103,364
Restricted for:	
Capital projects	272,279
Debt service	443,786
Educational programs	52,016
Other purposes (expendable)	2,888
Unrestricted	(2,240,650)
Total Net Position	\$ 2,633,683

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

MOUNT SHASTA UNION ELEMENTARY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

Functions	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Change in Net Position
				Governmental Activities
GOVERNMENTAL ACTIVITIES				
Instruction	\$ 4,246,498	\$ 475	\$ 680,392	\$ (3,565,631)
Instruction-related services:				
Supervision of instruction	8,800	-	6,479	(2,321)
Instructional library, media and technology	8,697	-	-	(8,697)
School site administration	528,798	-	23,144	(505,654)
Pupil services:				
Home-to-school transportation	92,612	-	-	(92,612)
Food services	184,609	21,312	98,201	(65,096)
All other pupil services	95,220	-	20,252	(74,968)
General administration:				
All other general administration	497,113	-	38,096	(459,017)
Plant services	789,636	13,273	45,548	(730,815)
Ancillary services	39,802	5,780	14,877	(19,145)
Enterprise services	25,110	8,295	20,247	3,432
Transfers between agencies	103,337	74,596	182,078	153,337
Interest on long-term debt	35,518	-	-	(35,518)
Other outgo	6,547	-	-	(6,547)
Total Governmental Activities	<u>\$ 6,662,297</u>	<u>\$ 123,731</u>	<u>\$ 1,129,314</u>	<u>(5,409,252)</u>
GENERAL REVENUES				
Taxes and subventions:				
Property taxes levied for general purposes				2,115,992
Federal and state aid not restricted to specific purposes				2,912,393
Interest and investment earnings				33,803
Interagency revenues				86,571
Miscellaneous				142,035
Total General Revenues				<u>5,290,794</u>
Change in Net Position				(118,458)
Net Position - Beginning				<u>2,752,141</u>
Net Position - Ending				<u>\$ 2,633,683</u>

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

MOUNT SHASTA UNION ELEMENTARY SCHOOL DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2020

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and equivalents	\$ 1,290,636	\$ 443,786	\$ 237,704	\$ 1,972,126
Investments	6,344	-	-	6,344
Accounts receivable	801,355	-	65,013	866,368
Due from other funds	19,000	-	-	19,000
Stores inventories	-	-	2,241	2,241
Total Assets	\$ 2,117,335	\$ 443,786	\$ 304,958	\$ 2,866,079
LIABILITIES				
Accounts payable	\$ 155,182	\$ -	\$ 10,791	\$ 165,973
Due to other funds	-	-	19,000	19,000
Total Liabilities	155,182	-	29,791	184,973
FUND BALANCES				
Non spendable				
Cash in revolving fund	1,500	-	-	1,500
Stores inventories	-	-	2,241	2,241
Other non spendable assets	10,000	-	-	10,000
Restricted	52,016	443,786	272,926	768,728
Committed				
Other commitments	1,380,796	-	-	1,380,796
Unassigned				
Reserve for economic uncertainties	517,841	-	-	517,841
Total Fund Balance	1,962,153	443,786	275,167	2,681,106
Total Liabilities and Fund Balance	\$ 2,117,335	\$ 443,786	\$ 304,958	\$ 2,866,079

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

MOUNT SHASTA UNION ELEMENTARY SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2020

	Detail	Total
Total fund balances - governmental funds		\$ 2,681,106
<p>Amounts reported for governmental activities in the Statement of Net Position differ from amounts reported in governmental funds as follows:</p>		
<p>Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.</p>		
Historical cost of capital assets	\$ 11,711,238	
Accumulated depreciation	(6,871,214)	
		4,840,024
<p>Contributions to OPEB plans made subsequent to the measurement date are reported as expenditures in governmental funds, however, these contributions are reported as deferred outflows of resources in the statement of net position.</p>		
		36,539
<p>Contributions to pension plans made subsequent to the measurement date are reported as expenditures in governmental funds, however, these contributions are reported as deferred outflows of resources in the statement of net position.</p>		
		630,192
<p>Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities, net of unamortized premiums, discounts, and deferred charges, are included in the Statement of Net Position.</p>		
General obligation bonds payable	(628,781)	
Capital lease payable	(107,879)	
Net pension liability	(5,767,060)	
Net OPEB Liability	(273,680)	
Compensated absences	(4,830)	
		(6,782,230)

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

MOUNT SHASTA UNION ELEMENTARY SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2020

(Continued)	Detail	Total
The District's share of changes in assumptions are reported in the statement of net position as deferred inflows of resources.		\$ (7,187)
The District's share of net differences between actual and expected experience are reported in the statement of net position as deferred outflows of resources.		224,556
The District's share of changes in assumptions are reported in the statement of net position as deferred outflows of resources.		1,059,865
The District's Change in employer's proportion and difference proportionate share contributions are reported in the statement of net position as deferred outflows of resources.		1,162
The District's share of net differences between projected and actual earnings on plan investments are reported in the statement of net position as deferred inflows and deferred outflows of resources.		<u>(50,344)</u>
Total net position, governmental activities		<u><u>\$ 2,633,683</u></u>

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

MOUNT SHASTA UNION ELEMENTARY SCHOOL DISTRICT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2020

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Local control sources:				
State apportionments	\$ 2,646,433	\$ -	\$ -	\$ 2,646,433
Local sources	2,115,992	-	-	2,115,992
Federal	408,119	-	87,919	496,038
Other state	503,486	-	5,841	509,327
Other local	432,667	211,721	131,661	776,049
Total Revenues	6,106,697	211,721	225,421	6,543,839
EXPENDITURES				
Instruction	4,093,189	-	-	4,093,189
Instruction related services:				
Supervision of instruction	8,800	-	-	8,800
Instructional library, media, and technology	8,697	-	-	8,697
School site administration	539,185	-	-	539,185
Pupil services:				
Home-to-school transportation	81,384	-	-	81,384
Food services	695	-	186,760	187,455
All other pupil services	97,240	-	-	97,240
General administration:				
All other general administration	503,267	-	-	503,267
Plant services	774,206	-	41,165	815,371
Facility acquisition and construction	178,627	-	-	178,627
Ancillary services	40,041	-	-	40,041
Enterprise services	25,727	-	-	25,727
Transfers between agencies	103,337	-	-	103,337
Principal on long-term debt	-	58,300	14,807	73,107
Interest on long-term debt	-	151,700	-	151,700
Other outgo	-	-	6,547	6,547
Total Expenditures	6,454,395	210,000	249,279	6,913,674
Excess (deficiency) of revenues over (under) expenditures	(347,698)	1,721	(23,858)	(369,835)
OTHER FINANCING SOURCES (USES)				
Operating transfers in	-	-	66,000	66,000
Operating transfers out	(66,000)	-	-	(66,000)
Total Other Financing Sources (Uses)	(66,000)	-	66,000	-
Excess of revenues and other financing sources over (under) expenditures and other financing sources (uses)	(413,698)	1,721	42,142	(369,835)
Fund Balance - Beginning	2,375,851	442,065	233,025	3,050,941
Fund Balance - Ending	<u>\$ 1,962,153</u>	<u>\$ 443,786</u>	<u>\$ 275,167</u>	<u>\$ 2,681,106</u>

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

MOUNT SHASTA UNION ELEMENTARY SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT
OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

	Detail	Total
Total change in fund balances - governmental funds		\$ (369,835)
<p>Amounts reported for governmental activities differ from amounts reported in governmental funds as follows:</p>		
<p>Capital Outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.</p>		
Capital outlay	\$ 178,627	
Depreciation expense	(252,300)	
		(73,673)
<p>Repayment of the principal of long-term debt is reported as an expenditure in governmental funds. However, the repayment reduces long-term liabilities in the statement of net position.</p>		
General obligation bonds payable	174,482	
Capital lease payable	14,807	
		189,289
<p>Increases in the liability for compensated absences are not recorded as expenditures in governmental funds because they are not expected to be liquidated with current financial resources. In the statement of activities, compensated absences are recognized as expenses when earned.</p>		
Decreases to compensated absences		12,250
<p>Contributions to OPEB plans made subsequent to the measurement date are reported as expenditures in governmental funds, however, these contributions are reported as deferred outflows of resources in the statement of net position.</p>		
		36,539
<p>Changes in the net OPEB liability, deferred outflows of resources and deferred inflows of resources are reported as OPEB expenses in the statement of activities.</p>		
		(23,944)
<p>Contributions to pension plans made subsequent to the measurement date are reported as expenditures in governmental funds, however, these contributions are reported as deferred outflows of resources in the statement of net position.</p>		
		630,192
<p>Changes in the net pension liability, deferred outflows of and deferred inflows of resources are reported as pension expenses in the statement of activities.</p>		
		(519,276)
Change in net position of governmental activities		\$ (118,458)

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

MOUNT SHASTA UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

A. General Statement

The Mount Shasta Union Elementary School District (District) is a public educational agency operating under the applicable laws and regulations of the State of California. It is governed by a five-member Board of Trustees (Board) elected by registered voters of the District, which comprises an area in Southern Siskiyou County. The District was established in 1925 and serves students in kindergarten through eighth grade.

B. Accounting Policies

The District prepares its basic financial statements in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA) and complies with the policies and procedures of the Department of Education's *California School Accounting Manual*.

C. Reporting Entity

The Board is elected by the public and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. The District is therefore a financial reporting entity as defined by the GASB in its Statement No. 14, *The Financial Reporting Entity*, as amended by GASB 39, *Determining Whether Certain Organizations Are Component Units*.

The District has reviewed criteria to determine whether other entities with activities that benefit the District should be included within its financial reporting entity. The criteria include, but are not limited to: whether the District exercises oversight responsibility (which includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters), the scope of public service, and a special financing relationship.

The District has determined that no outside entity meets the above criteria, and therefore, no agency has been included as a component unit in the District's general-purpose financial statements. In addition, the District is not aware of any entity that would exercise such oversight responsibility that would result in the District being considered a component unit of that entity.

D. Governmental Accounting Standards Board Statements Issued, Not Yet Effective

The Governmental Accounting Standards Board (GASB) has issued pronouncements prior to June 30, 2020, that have effective dates that may impact future financial presentations; however, the impact of the implementation of each of the statements below to the District's financial statements has not been assessed at this time.

Statement No. 87, *Leases*

In June 2017, GASB issued Statement No. 87, *Leases*. This Statement is intended to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

MOUNT SHASTA UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period

In June of 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This Statement intends to (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period, and (2) to simplify accounting for interest cost incurred before the end of a construction period.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged.

Statement No. 91, Conduit Debt Obligations

In May 2019, GASB issued Statement No. 91 *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2021. Earlier application is encouraged.

Statement No. 92, Omnibus 2020

In January 2020, GASB issued Statement No. 92, *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged and is permitted by topic.

Statement No. 96, Subscription-Based Information Technology Arrangements

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

Assets and liabilities resulting from SBITAs should be recognized and measured using the facts and circumstances that existed at the beginning of the fiscal year in which this Statement is implemented. Governments are permitted, but are not required, to include in the measurement of the subscription asset capitalizable outlays associated with the initial implementation stage and the operation and additional implementation stage incurred prior to the implementation of this Statement.

MOUNT SHASTA UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*

In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021. Earlier application of those requirements is encouraged and permitted by requirement as specified within this Statement.

The Board considered the effective dates for the requirements of this Statement in light of the COVID-19 pandemic and in concert with Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*.

The District will analyze the impact of these new Statements prior to the effective dates listed above.

The provisions of these Statements are generally required to be applied retroactively for all periods presented. Early application, if allowable, was not adopted.

E. Basis of Presentation

1. Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District and its component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

MOUNT SHASTA UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the statement of activities. Program revenues include charges paid by the recipients of goods or services offered by a program, as well as grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

2. Fund Financial Statements

The financial transactions of the District are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures or expenses, as appropriate.

The emphasis in fund financial statements is on the major funds in the governmental activities categories. Non-major funds by category are summarized in to a single column. GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise funds combined) for the determination of major funds. The non-major funds are combined in a column in the fund financial statements.

The District's accounts are organized into major and non-major governmental funds as follows:

a. Major Governmental Funds

The *General Fund* is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

The *Debt Service Fund* is used for the accumulation of resources for and retirement of principal and interest on the District's General Obligation Bonds Payable as described later in the Notes to Financial Statements. *Debt Service Funds* are used to account for the accumulation of resources for, and the debt service payments related to, the District's debt issuances.

b. Non-major Governmental Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The District maintains the following non-major special revenue fund:

The *Cafeteria Fund* is used to account for revenues and expenditures associated with the District's food service program.

MOUNT SHASTA UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Projects Funds are used to account for the acquisition and construction of all major governmental capital assets. The District maintains the following non-major capital projects fund:

The *Capital Facilities Fund* is used to account for resources received from developer impact fees assessed under provisions of the California Environmental Quality Act (CEQA).

F. Basis of Accounting

Basis of accounting refers to when transactions are recorded in the financial records and reported in the financial statements. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting.

1. Revenues - Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. Under the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, "available" means collectable within the current period or with 45, 60, 90 days after year-end, depending on the revenue source. However, to achieve comparability of reporting among California Districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to state aid apportionments, the California Department of Education has defined available as collectible within one year.

Non-exchange transactions are those in which the District receives value without directly giving equal value in return; include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

MOUNT SHASTA UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Unearned Revenue

Unearned revenue arises when assets are received before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as unearned revenue. On governmental fund financial statements, receivables associated with non-exchange transactions that will not be collected within the availability period have also been recorded as unearned revenue.

3. Expenses/Expenditures

Under the accrual basis of accounting, expenses are recognized at the time they are incurred. However, the measurement focus of governmental fund accounting is on decreases in the net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized on governmental fund financial statements.

G. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds. By state law, the District's governing board must adopt a final budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption. The District's governing board satisfied these requirements.

These budgets are revised by the District's governing board and District superintendent during the year to give consideration to unanticipated revenue and expenditures. The original and final revised budgets for the General Fund are presented as required supplementary information in these financial statements.

Formal budgetary integration was employed as a management control device during the year for all budgeted funds. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

H. Encumbrances

Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid. All encumbrances are liquidated on June 30.

I. Assets, Liabilities, and Equity

1. Cash and 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.

2. Receivables

Accounts receivable in governmental fund types consist primarily of receivables from federal, state and local governments for various programs.

MOUNT SHASTA UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Stores Inventories

Inventories are recorded using the purchases method, in that inventory acquisitions are initially charged as expenditures when acquired. The inventory (asset) account is adjusted to the physical count at year-end. Reported inventories are equally offset by a fund balance reserve, which indicates that these amounts are not “available for appropriation and expenditure” even though they are a component of net current assets.

4. Prepaid Expenditures

The District has the option of reporting expenditures for prepaid items in governmental funds either when paid or during the benefiting period. The District has chosen to report the expenditure when paid and, therefore, no asset is reported.

5. Capital Assets

Capital assets are those purchased or acquired with an original cost of \$20,000 for equipment and \$50,000 buildings or more and are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the asset’s lives are not capitalized but are expensed as incurred. Depreciation on all capital assets is computed using a straight-line basis and an annual convention over the following estimated useful lives:

Land improvements	20
Buildings and improvements	25 - 50
Equipment	20
Vehicles	20

6. 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 the 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. Investments are reported at fair value.

MOUNT SHASTA UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following time frames are used:

Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
Measurement Period	July 1, 2018 to June 30, 2019

Accumulated sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expense in the period taken, since such benefits do not vest, nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

7. Other Postemployment Benefits

As provided in applicable negotiated contracts, employees meeting the established criteria may participate in the District's postemployment group health and insurance program as described later in the Notes to Financial Statements. Accounting principles provide that the cost of retiree benefits should be "accrued" over employees' working lifetime. For this reason, the Governmental Accounting Standards Board (GASB) issued in June of 2015 Accounting Standards 74 and 75 for retiree health benefits. The calculation method mandated by GASB 75 is the "entry age actuarial cost method".

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 fiduciary net position of the District's plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following time frames are used:

Valuation Date	June 30, 2019
Measurement Date	June 30, 2019
Measurement Period	July 1, 2018 to June 30, 2019

8. Compensated Absences

All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

MOUNT SHASTA UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

9. Accrued Liabilities and Long-Term Obligations

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

In the fund financial statements, governmental funds recognize bond premiums and discounts as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources.

10. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

11. Fund Balance Classifications

The governmental fund financial statements present fund balances based on a classification hierarchy that depicts the extent to which the District is bound by spending constraints imposed on the use of its resources. The classifications used in the governmental fund financial statements are as follows:

a. Nonspendable Fund Balance

The nonspendable fund balance classification reflects amounts that are not in spendable form. Examples include inventory and prepaid items. This classification also reflects amounts that are in spendable form but that are legally or contractually required to remain intact.

b. Restricted Fund Balance

The restricted fund balance classification reflects amounts subject to externally imposed and legally enforceable constraints. Such constraints may be imposed by creditors, grantors, contributors, or laws or regulations of other governments, or may be imposed by law through constitutional provisions or enabling legislation. These are the same restrictions used to determine restricted net position as reported in the government-wide statements.

MOUNT SHASTA UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

c. Committed Fund Balance

The committed fund balance classification reflects amounts subject to internal constraints self-imposed by formal action of the highest level of decision-making authority. The governing board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through resolutions or other action as approved by the governing board.

d. Assigned Fund Balance

The assigned fund balance classification reflects amounts that the District intends to be used for specific purposes. Assignments may be established either by the Board of Trustees or by a designee of the Board of Trustees, and are subject to neither the restricted nor committed levels of constraint.

Constraints giving rise to assigned fund balance are not required to be imposed, modified, or removed by formal action of the highest level of decision-making authority. The action may be delegated to another body or official.

e. Unassigned Fund Balance and Minimum Fund Balance Policy

In the General Fund only, the unassigned fund balance classification reflects the residual balance that has not been assigned to other funds and that is not restricted, committed, or assigned to specific purposes.

The Reserve for Economic Uncertainties maintained by the District pursuant to the Criteria and Standards for fiscal solvency adopted by the State Board of Education is a stabilization-like arrangement of the "minimum fund balance policy" type. The Reserve for Economic Uncertainties does not meet the criteria to be reported as either restricted or committed because it is not an externally enforceable legal requirement, and because even where the Reserve for Economic Uncertainties is established by formal action of the District's highest level of decision-making authority, the circumstances in which the Reserve for Economic Uncertainties might be spent are by their nature neither specific nor non-routine. For this reason, the Reserve for Economic Uncertainties is reported as unassigned fund balance.

The District is committed to maintaining a prudent level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unpredicted expenditures. The Board intends to maintain a minimum fund balance of 8% of the District's General Fund annual operating expenditures. If a fund balance drops below 8%, it shall be recovered as a rate of 1% minimally, each year.

The District's policy regarding the order in which spendable fund balances are spent when more than one classification is available for a specific purpose is that they are spent in restricted, committed, assigned, and then unassigned order.

MOUNT SHASTA UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

12. Local Control Funding Formula / Property Taxes

The District's local control funding formula revenue is received from a combination of local property taxes, state apportionments, and other local sources.

The county is responsible for assessing, collecting, and apportioning property taxes. Taxes are levied for each fiscal year on taxable real and personal property in the county. The levy is based on the assessed values as of the preceding January 1, which is also the lien date. Property taxes on the secured roll are due on November 1 and February 1, and taxes become delinquent after December 10 and April 10, respectively. Property taxes on the unsecured roll are due on the lien date (January 1), and become delinquent if unpaid by August 31.

Secured property taxes are recorded as revenue when apportioned, in the fiscal year of the levy. The county apportions secured property tax revenue in accordance with the alternate method of distribution prescribed by Section 4705 of the California Revenue and Taxation Code. This alternate method provides for crediting each applicable fund with its total secured taxes upon completion of the secured tax roll - approximately October 1 of each year.

The County Auditor reports the amount of the District's allocated property tax revenue to the California Department of Education. Property taxes are recorded as local control funding formula sources by the District.

The California Department of Education reduces the District's entitlement by the District local property tax revenue. The balance is paid from the state General Fund and is known as the State Apportionment.

The District's Base Local Control Funding Formula Revenue is the amount of general-purpose tax revenue, per average daily attendance (ADA), that the District is entitled to by law. This amount is multiplied by the second period ADA to derive the District's total entitlement.

J. Investment Valuation

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District does not have any investments that are measured using Level 2 or 3 inputs.

Cash in County Treasury pools are measured at fair value using level 1 inputs. Fair market value adjustments have not been recorded as they are determined immaterial to the District.

K. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenditures during the reporting period. Actual amounts could differ from those estimates.

MOUNT SHASTA UNION ELEMENTARY SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2020

NOTE 2. CASH, EQUIVALENTS AND INVESTMENTS

Cash, Equivalents and Investments at June 30, 2020 are classified in the accompanying financial statements as follows:

	Governmental Activities
Cash and Equivalents	
Pooled Funds:	
Cash in county treasury	\$ 1,953,269
Deposits:	
Cash on hand and in banks	17,357
Cash in revolving fund	1,500
Total Cash and Equivalents	\$ 1,972,126
Investments:	
Local Agency Investment Fund	\$ 6,344
Total Investments	\$ 6,344

A. Cash in County Treasury

In accordance with *Education Code* 41001, the District maintains substantially all of its cash in the Siskiyou County Treasury (the Treasury). The Treasury pools these funds with those of other districts in the County and invests the cash. The share of each fund in the pooled cash account is separately accounted for and interest earned is apportioned quarterly to funds that are legally required to receive interest based on the relationship of a fund's daily balance to the total of pooled cash and investments.

Participants' equity in the investment pool is determined by the dollar amount of the participant deposits, adjusted for withdrawals and distributed income. This method differs from the fair value method used to value investments in these financial statements in that unrealized gains or losses are not distributed to pool participants.

The Treasury is authorized to deposit cash and invest excess funds by *California Government Code* Section 53648 et seq. The funds maintained by the Treasury are either secured by federal depository insurance or are collateralized.

The Treasury is restricted by *Government Code* Section 53635, pursuant to Section 53601, to invest in time deposits; U.S. government securities; state registered warrants, notes or bonds; the State Treasurer's investment pool; bankers' acceptances; commercial paper; negotiable certificates of deposit; and repurchase or reverse repurchase agreements.

MOUNT SHASTA UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 2. CASH, EQUIVALENTS AND INVESTMENTS (Continued)

B. Investments Authorized by the District's Investment Policy

The table below identifies the investment types authorized for the District by the *California Government Code* Section 53601. This table also identifies certain provisions of the *California Government Code* that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
State Obligations			
CA and Others	5 years	None	None
CA Local Agency Obligations	5 years	None	None
U.S. Agency Obligations	5 years	None	None
Bankers Acceptances	180 days	40%	None
Commercial Paper - Non-Pooled Funds	270 days or less	25% of the agency's money	Highest letter and number rating by an
Commercial Paper - Pooled Funds	270 days or less	40% of the agency's money	Highest letter and number rating by an
Negotiable Certificates of Deposit	5 years	30%	None
Non-negotiable Certificates of Deposit	5 years	None	None
Placement Service Deposits	5 years	50%	None
Placement Service Certificates of Deposit	5 years	50%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements and Securities Lending Agreements	92 days	20% of the base value of the portfolio	None
Medium-Term Notes	5 years or less	30%	"A" rating category or its equivalent or better
Mutual Funds and Money Market Mutual Funds	N/A	20%	Multiple
Collateralized Bank Deposits	5 years	None	None
Mortgage Pass-Through and Asset-Backed Securities	5 years or less	20%	"AA" rating category or its equivalent or better
County Pooled Investment Funds	N/A	None	None
Joint Power Authority Pools	N/A	None	Multiple
Local Agency Investment Funds (LAIF)	N/A	None	None
Voluntary Investment Program Fund	N/A	None	None
Supranational Obligations	5 years or less	30%	"AA" rating category or its equivalent or better
Public Bank Obligations	5 years	None	None

C. 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 values to changes in market interest rates. As of June 30, 2020, the weighted average maturity of the investments contained in the Treasury investment pool was unavailable.

MOUNT SHASTA UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 2. CASH, EQUIVALENTS AND INVESTMENTS (Continued)

D. Credit Risk

Generally, 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 Treasury investment pool does not have a rating provided by a nationally recognized statistical rating organization.

E. Custodial Credit Risk – Deposits

This is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. The District does not have a formal policy for custodial credit risk for deposits.

Cash balances in banks and revolving funds are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). As of June 30, 2020, the District’s bank balances were fully insured.

F. Custodial Credit Risk – Investments

This is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The *California Government Code* and the District’s investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments.

MOUNT SHASTA UNION ELEMENTARY SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2020

NOTE 3. INTERFUND TRANSACTIONS

Interfund transactions are reported as either loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables, as appropriate, and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers among governmental funds are netted as part of the reconciliation to the government wide financial statements.

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

As of June 30, 2020, interfund receivables and payables were as follows:

<u>Due from</u>	<u>Due to</u>	<u>Amount</u>	<u>Purpose</u>
Cafeteria Fund	General Fund	\$ 19,000	Reimburse overpayment of encroachment.
Total		<u>\$ 19,000</u>	

All interfund receivables and payables are scheduled to be paid within one year.

B. Interfund Transfers

Permanent reallocations of resources between funds of the reporting District are classified as interfund transfers. As of June 30, 2020, interfund transfers are as follows:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>	<u>Purpose</u>
Cafeteria Fund	General Fund	\$ 66,000	Encroachment.
Total		<u>\$ 66,000</u>	

MOUNT SHASTA UNION ELEMENTARY SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2020

NOTE 4. CAPITAL ASSETS

The changes in capital assets for the year ended June 30, 2020, are shown below:

	<u>Balance</u> <u>July 1, 2019</u>	<u>Additions</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2020</u>
Capital Assets Being Depreciated:				
Land improvements	\$ 244,678	\$ 178,627	\$ -	\$ 423,305
Buildings and improvements	11,018,873	-	-	11,018,873
Equipment	269,060	-	-	269,060
Total Capital Assets Being Depreciated	<u>11,532,611</u>	<u>178,627</u>	<u>-</u>	<u>11,711,238</u>
Less Accumulated Depreciation for:				
Land improvements	(176,962)	(18,411)	-	(195,373)
Buildings and improvements	(6,244,318)	(220,436)	-	(6,464,754)
Equipment	(197,634)	(13,453)	-	(211,087)
Total Accumulated Depreciation	<u>(6,618,914)</u>	<u>(252,300)</u>	<u>-</u>	<u>(6,871,214)</u>
Total Capital Assets Being Depreciated, Net	<u>4,913,697</u>	<u>(73,673)</u>	<u>-</u>	<u>4,840,024</u>
Total Governmental Activities Capital Assets, Net	<u>\$ 4,913,697</u>	<u>\$ (73,673)</u>	<u>\$ -</u>	<u>\$ 4,840,024</u>

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 238,847
Instruction related services:	
School site administration	1,290
Pupil services:	
Home-to-school transportation	<u>12,163</u>
Total Depreciation Expense	<u>\$ 252,300</u>

MOUNT SHASTA UNION ELEMENTARY SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2020

NOTE 5. GENERAL OBLIGATION BONDS

The District was authorized at an election of registered voters held on March 4, 1997 to issue general obligation bonds in the principal amount of \$2,198,229. The bonds issued included \$1,210,000 in current interest bonds and \$988,229 in capital appreciation bonds with a combined accreted value at maturity of \$2,770,000. The bonds were utilized to repair and construct school facilities within the District. The entire proceeds of this issue were received during the 1997/1998 year. Annual debt payments are due in February and August of each year. The outstanding bonded debt of District as of June 30, 2020 is as follows:

	Date of Issuance	Interest Rate %	Maturity Date July1	Amount of Original Issue
1997 Capital Appreciation - Series A	1997	5.60 - 5.90	2022	\$ 988,229
Accreted Interest				1,210,000
Totals				<u>\$ 2,198,229</u>

	Outstanding Principal and Accreted Interest June 30, 2019	Current Year Additions	Accreted Interest Current Year	Redeemed Current Year	Balance June 30, 2020
1997 Capital Appreciation - Series A	\$ 221,708	\$ -	\$ -	\$ 58,300	\$ 163,408
Accreted Interest	581,555	-	35,518	151,700	465,373
Totals	<u>\$ 803,263</u>	<u>\$ -</u>	<u>\$ 35,518</u>	<u>\$ 210,000</u>	<u>\$ 628,781</u>

Future debt service requirements related to this liability will continue to be accounted for in the District's bond redemption fund and are as follows:

For the Year Ended June 30:	Principal	Accreted Interest	Total
2021	\$ 56,317	\$ 158,683	\$ 215,000
2022	54,371	165,629	220,000
2023	52,720	172,280	225,000
Totals	<u>\$ 163,408</u>	<u>\$ 496,592</u>	<u>\$ 660,000</u>

MOUNT SHASTA UNION ELEMENTARY SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2020

NOTE 6. CAPITAL LEASE PAYABLE

The District entered into a lease purchase option for lighting upgrades at Mt. Shasta Elementary and Sisson Elementary valued at \$216,197 under agreements that provide for title to pass upon expiration of the lease period. Payments are due semi-annually; the interest rate is 5.50%.

Future minimum lease payments are as follows:

<u>For the Year Ended June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>
2021	\$ 15,632	\$ 5,721	\$ 21,353
2022	16,504	4,850	21,354
2023	17,424	3,930	21,354
2024	18,395	2,958	21,353
2025	19,421	1,932	21,353
2026	20,503	849	21,352
Totals	<u>\$ 107,879</u>	<u>\$ 20,240</u>	<u>\$ 149,473</u>

The District will receive no sublease rental revenues nor pay any contingent rentals for this equipment.

NOTE 7. PENSION PLANS

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

A. California State Teachers' Retirement System

1. Plan Description and Provisions

The District contributes to CalSTRS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS, which acts as a common investment and administrative agent for its participating member employers. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalSTRS website.

MOUNT SHASTA UNION ELEMENTARY SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2020

NOTE 7. PENSION PLANS (Continued)

2. Benefits Provided

The plan provides retirement, disability, and survivor benefits to beneficiaries. Beneficiaries of a retired member who elected an option receive a continuing lifetime benefit upon the member's death.

The Plans' provisions and benefits in effect at June 30, 2020, are summarized as follows:

Hire Date	After January 1, 2013	On Or Before December 31, 2012
Benefit Formula	2% @ age 62	2% @ age 60
Benefit Vesting Schedule	5 years of service	5 years of service
Benefit Payments	Payable upon retirement	Payable upon retirement
Retirement Age	Age 55 with at least 5 years service.	Age 55 with at least 5 years service, or age 50 with 30 years of service.
Monthly Benefits as a % of Eligible Compensation	Variable based on age factor 2.0% at age 62 to 2.4% maximum at age 65 or older.	Variable based on age factor 2.0% at age 60 to 2.4% maximum at age 63 or older.
Required Employee Contribution Rates	10.205%	10.250%
Required Employer Contribution Rates	18.13%	18.13%
Required State Contribution Rates	10.328%	10.328%

3. Contributions

Active plan members are required to contribute 10.21% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalSTRS Teachers' Retirement Board.

For the year ended June 30, 2020, the contributions recognized as part of pension expense for the Plan were as follows:

Contributions - employer	\$	399,268
Contributions - state on behalf		426,734

MOUNT SHASTA UNION ELEMENTARY SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2020

NOTE 7. PENSION PLANS (Continued)

4. Discount Rate

The discount rate used to measure the total pension liability was 7.10 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increase per Assembly Bill 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10 percent) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those assumptions, the State Teachers Retirement Plan's (STRP) fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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. Based on the model from CalSTRS consulting actuary's (Milliman) investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that annual returns are lognormally distributed and independent from year to year to develop expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation by PCA is based on board policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of 10-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

	Asset Allocation	Long-Term Expected Real Rate of Return (20-year average)
Global Equity	47.00%	4.80%
Fixed Income	12.00%	1.30%
Real Assets	13.00%	3.60%
Private Equity	13.00%	6.30%
Risk Mitigating Strategies	9.00%	1.80%
Inflation Sensitive	4.00%	3.30%
Liquidity (Cash)	2.00%	-0.40%
Total	100.00%	

MOUNT SHASTA UNION ELEMENTARY SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2020

NOTE 7. PENSION PLANS (Continued)

5. On Behalf Payment

The State of California makes contributions to STRS on behalf of the District. Under accounting principles generally accepted in the United States of America, these amounts have been recorded as revenue in the government-wide financial statements. For the year ended June 30, 2020 the District has recorded \$426,734 of State on behalf payments as revenue.

B. California Public Employees' Retirement System

1. Plan Description and Provisions

The District contributes to the School Employer Pool under the CalPERS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS, which acts as a common investment and administrative agent for its participating member employers. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

2. Benefits Provided

The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service.

The Plans' provisions and benefits in effect at June 30, 2020, are summarized as follows:

	<u>PEPRA</u>	<u>Classic</u>
	<u>After January 1, 2013</u>	<u>On Or Before December 31, 2012</u>
Hire Date		
Benefit Formula	2% @ age 62	2% @ age or 55
Benefit Vesting Schedule	5 years of service	5 years of service
Benefit Payments	Monthly	Monthly
Retirement Age	Age 52 with at least 5 years service	Age 50 with at least 5 years service
Monthly Benefits as a % of Eligible Compensation	Variable based on age factor 2.0% at age 62 to 2.4% maximum	Variable based on age factor 2.0% at age 55 to 2.5% maximum
Required Employee Contribution Rates	7.00%	7.00%
Required Employer Contribution Rates	18.06%	18.06%

MOUNT SHASTA UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 7. PENSION PLANS (Continued)

3. Contributions

Active plan members are required to contribute 6.50% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration.

For the year ended June 30, 2020, the contributions recognized as part of pension expense for the Plan were as follows:

Contributions - employer	\$	172,570
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4. Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. A projection of the expected benefit payments and contributions was performed to determine if assets would run out. The test revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Schools Pool. The results of the crossover testing for the Schools Pool are presented in a detailed report that can be obtained at CalPERS' website.

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.

MOUNT SHASTA UNION ELEMENTARY SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2020

NOTE 7. PENSION PLANS (Continued)

In determining the long-term expected rate of return, staff took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

	Asset Allocation	Real Return Years 1 - 10 (a)	Real Return Years 11+ (b)
Global Entity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Assets	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Assets	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%
Total	<u>100.00%</u>		

(a) an expected inflation of 2.00% used for this period

(b) an expected inflation of 2.92% used for this period

C. Social Security

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (STRS or PERS) must be covered by social security or an alternative plan. The District has elected to use Social Security.

MOUNT SHASTA UNION ELEMENTARY SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2020

NOTE 7. PENSION PLANS (Continued)

D. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

1. Pension Liability

As of June 30, 2020, the District reported net pension liabilities for its proportionate shares of the net pension liability of each Plan as follows:

CalSTRS	\$	3,936,801
CalPERS		<u>1,830,259</u>
Total District net pension liability		5,767,060
State's proportionate share of the CalSTRS net pension liability associated with the District		<u>2,147,788</u>
Total	\$	<u><u>7,914,848</u></u>

The District's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2019, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018 rolled forward to June 30, 2019 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for each Plan as of June 30, 2018 and 2019 was as follows:

	<u>CalSTRS</u>	<u>CalPERS</u>
District Proportion - June 30, 2018	0.0044%	0.0064%
District Proportion - June 30, 2019	0.0044%	0.0063%
Change - Increase (Decrease)	0.0000%	-0.0002%

MOUNT SHASTA UNION ELEMENTARY SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2020

NOTE 7. PENSION PLANS (Continued)

2. Pension Expenses and Deferred Outflows/Inflows of Resources

For the year ended June 30, 2020, the District recognized pension expense of \$519,276. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 630,192	\$ -
Differences between actual and expected experience	186,757	37,799
Changes in assumptions	1,064,320	(4,455)
Change in employer's proportion and difference between the employer's contributions and the employer's proportionate share contributions	512,330	(511,168)
Net differences between projected and actual earnings on plan investments	80,596	(130,940)
Total	\$ 2,474,195	\$ (608,764)

The \$630,192 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized as pension expense as follows:

For the Year Ended June 30:

2021	\$ 582,447
2022	414,784
2023	207,634
2024	26,176
2025	(759)
Thereafter	4,957
Totals	\$ 1,235,239

MOUNT SHASTA UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 7. PENSION PLANS (Continued)

3. Actuarial Assumptions.

Total pension liabilities were determined by applying update procedures to a financing actuarial valuation as of June 30, 2018, and rolling forward the total pension liability to June 30, 2019.

	<u>CalSTRS</u>	<u>CalPERS</u>
Valuation Date	June 30, 2018	June 30, 2018
Measurement Date	June 30, 2019	June 30, 2019
Measurement Period	July 1, 2018 through June 30, 2019	July 1, 2018 through June 30, 2019
Actuarial Cost Method	Individual Entry Age Normal	Individual Entry Age Normal
Actuarial Assumptions:		
Discount Rate	7.10%	7.15%
Inflation Rate	2.75%	2.50%
Payroll Growth	3.50%	Varies by Entry Age and Service
Investment Rate of Return	7.10%	7.15%
Experience Study / Period Upon Which Actuarial Experience Survey Assumptions Were Based	2010-2015	1997-2015
Mortality Rate	(Custom CalSTRS rates) See June 30, 2016 DB Program funding valuation for details.	Derived using CalPERS' Membership Data for all Funds
Post-retirement Benefit Increases	2.00% simple for DB (Annually) Maintain 85% purchasing power level DB, Not applicable for DBS/CBB	2.00% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% thereafter

MOUNT SHASTA UNION ELEMENTARY SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2020

NOTE 7. PENSION PLANS (Continued)

4. Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	CalSTRS		CalPERS
1% Decrease	6.10%		6.15%
Net Pension Liability	\$ 5,862,223		\$ 2,638,198
Current Discount Rate	7.10%		7.15%
Net Pension Liability	\$ 3,936,801		\$ 1,830,259
1% Increase	8.10%		8.15%
Net Pension Liability	\$ 2,340,260		\$ 1,160,018

5. Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in the separately issued financial reports.

MOUNT SHASTA UNION ELEMENTARY SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2020

NOTE 8. POSTEMPLOYMENT BENEFIT PLAN

A. Plan Description

The Postemployment Benefit Plan (Plan) is a single-employer defined benefit healthcare plan administered by the District.

B. Benefits Provided

The Plan provides medical, dental, vision, and life insurance benefits to eligible retirees and their dependents. Following is a description of the current retiree benefit plan: non-represented employees are entitled to benefits on the appropriate classification below:

	Certificated	Classified
Benefit Types Provided	Medical, dental, vision and life	Medical, dental, vision and life
Duration of Benefits	At employee's option: \$500 per month to age 65; or \$300 per month to age 67; or \$250 per month to age 70; but not more than 10 years	At employee's option: \$600 per month for 12 months; \$300 per month for 24 months; \$200 per month for 36 months; \$150 per month for 48 months; \$120 per month for 60 months; or \$100 per month for 72 months*
Required Service	10 years*	10 years
Minimum Age	55*	50
Dependent Coverage	Yes	Yes
District Contribution %	100% to applicable cap	100.00%
District Cap	See above	See above

*20 years prior to age 55

C. Covered Employees

As of the actuarial valuation, the following current and former employees were covered by the benefit terms provided under the Plan:

Inactive plan members or beneficiaries currently receiving benefit payments	9
Inactive plan members entitled to but not yet receiving benefit payments	-
Active plan members	37
Total plan members	46

MOUNT SHASTA UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 8. POSTEMPLOYMENT BENEFIT PLAN (Continued)

D. Contribution Information

The District currently finances benefits on a pay-as-you-go basis. Actuarially determined contribution amounts have not been calculated for the District and the District is not currently funding the plan on an actuarial basis. Under the transitional approach provided in GASB 75, Paragraph 244, a preliminary OPEB expense of \$23,946 was calculated for fiscal year ending June 30, 2020. The District paid \$38,312 in premium payments during the current fiscal year.

Currently, the District is not funding the Plan in an irrevocable trust fund; however, the District has committed \$591,509 for the Plan in the General Fund.

E. Total OPEB Liability and NET OPEB Liability

The District 's net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date, based on the following actuarial methods and assumptions:

Actuarial Assumptions:

Discount Rate / Investment Rate	3.50%
Inflation Rate	2.75%
Salary Increases	2.75%
Healthcare Cost Trend Rate	4.00%
Pre-Retirement Turnover	2009 CalSTRS Termination Rate for Certificated 2009 CalPRES Termination Rate for Classified
Mortality Rates	2009 CalSTRS Retirement Plans for Certificated 2014 CalPERS Active Mortality for Miscellaneous Employees
Retirement Rates	2009 CalSTRS Retirement Rates for Certificated Hired before 1/1/2013: 2009 CalPERS Retirement Rates for School Employees Hired after 12/31/2012: 2009 CalPERS Retirement Rates for Miscellaneous Employees 2%@60 adjusted to minimum retirement age of 52

MOUNT SHASTA UNION ELEMENTARY SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2020

NOTE 8. POSTEMPLOYMENT BENEFIT PLAN (Continued)

F. Discount Rate

The discount rate used to measure the total OPEB liability was 3.5% per year net of expenses. This is based on the Bond Buyer 20 Bond Index. Based on the actuarial assumptions, contributions would be sufficient to fully fund the liability over a period not to exceed 30 years.

G. Changes in the OPEB Liability

The changes in the Net OPEB Liability for the Plan are as follows:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability (Asset)
Balance June 30, 2019	\$ 291,466	\$ -	\$ 291,466
Changes recognized for the measurement period:			
Service Cost	14,578	-	14,578
Interest on Total OPEB Liability	10,648	-	10,648
Employer Contributions as Benefit Payments	-	38,312	(38,312)
Actual Benefit Payments from Employer	(38,312)	(38,312)	-
Expected Minus Actual Benfit Payment	1,249	-	1,249
Experience (Gains)/Losses	(10,568)	-	(10,568)
Assumption Changes	4,619	-	4,619
Net Changes	(17,786)	-	(17,786)
Balance June 30, 2020	<u>\$ 273,680</u>	<u>\$ -</u>	<u>\$ 273,680</u>

MOUNT SHASTA UNION ELEMENTARY SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2020

NOTE 8. POSTEMPLOYMENT BENEFIT PLAN (Continued)

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

The following presents the Net OPEB liability of the District if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for the measurement period ended June 30, 2020:

1% Decrease		2.50%
Net OPEB Liability	\$	290,047
Current Discount Rate		3.50%
Net OPEB Liability	\$	273,680
1% Increase		4.50%
Net OPEB Liability	\$	258,754

I. Sensitivity of the OPEB Liability to Changes in the Health Care Cost Trend Rates

The following presents the Net OPEB Liability of the District if it were calculated using alternative trend assumptions that are one percentage point lower and one percentage point higher than the current rate, for the measurement period ended June 30, 2020:

1% Decrease		3.00%
Net OPEB Liability	\$	273,680
Current Trend Rate		4.00%
Net OPEB Liability	\$	273,680
1% Increase		5.00%
Net OPEB Liability	\$	273,680

MOUNT SHASTA UNION ELEMENTARY SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2020

NOTE 8. POSTEMPLOYMENT BENEFIT PLAN (Continued)

J. Recognition of Deferred Outflows and Deferred Inflows of Resources

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time. Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources relate to OPEB and are to be recognized in future OPEB expense.

The recognition period differs depending on the source of the gain or loss:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions made subsequent to measurement date are reported as Deferred Outflows of resources under GASB 75.	\$ 36,539	\$ -
Changes in Assumptions are reported as Deferred Inflows of resources under GASB 75.	-	7,187
Total	\$ 36,539	\$ 7,187

K. OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2020, the District recognized OPEB expense of \$23,946. The District did not have any deferred outflows or inflows of resources related to OPEB as the Measurement Date is the same as the Reporting Date.

L. Actuarial Methods and Assumptions

Actuarial Cost Method: GASB 74/75 require use of the entry age actuarial cost method. Entry age is based on the age at hire for eligible employees. The attribution period is determined as the difference between the expected retirement age and the age at hire. The Actuarial Present Value of Projected Benefit Payments (APVPBP) and present value of future service costs are determined on an employee by employee basis and then aggregated.

To the extent that different benefit formulas apply to different employees of the same class, the service cost is based on the benefit plan applicable to the most recently hired employees (including future hires if a new benefit formula has been agreed to and communicated to employees). This greatly simplifies administration and accounting; as well as resulting in the correct service cost for new hires.

As required under GASB 74 and 75, the valuation is based on the substantive plan. The formulation of the substantive plan was based on a review of written plan documents as well as historical information provided by Mount Shasta Union Elementary School District regarding practices with respect to employer and employee contributions and other relevant factors.

MOUNT SHASTA UNION ELEMENTARY SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2020

NOTE 9. COMPENSATED ABSENCES

Accumulated vacation is not accrued in governmental funds. It must be paid to an employee upon termination, but it is generally applied in the year earned or a succeeding year. The District has reported an estimated liability in the amount of \$4,830 relative to compensated absences earned but not used at June 30, 2020. Expenditures related to this liability are accounted for in the fund in which the related salaries are recorded.

NOTE 10. GENERAL LONG-TERM DEBT – SCHEDULE OF CHANGES

A schedule of changes in long-term debt for the year ended June 30, 2020 is shown below:

	Balance July 1, 2019	Additions	Reductions	Balance June 30, 2020	Due within One Year
General obligation bonds payable	\$ 803,263	\$ -	\$ 174,482	\$ 628,781	\$ 215,000
Capital lease payable	122,686	-	14,807	107,879	15,632
Net pension liability	5,755,719	11,341	-	5,767,060	-
Net OPEB obligation	291,466	-	17,786	273,680	-
Compensated absences	17,080	-	12,250	4,830	-
Totals	<u>\$ 6,990,214</u>	<u>\$ 11,341</u>	<u>\$ 219,325</u>	<u>\$ 6,782,230</u>	<u>\$ 230,632</u>

The net pension liability is liquidated from the funds for which the related employees are compensated. General obligation bonds issued for governmental activity purposes are liquidated by the Debt Service Fund. The capital lease payable is liquidated by the Capital Facilities Fund. Other postemployment benefit premiums and Compensated absences are paid from the General Fund.

NOTE 11. RESTRICTED NET POSITION

The government-wide statement of net position reports \$770,969 of restricted net position, of which \$443,786 is restricted by enabling legislation.

NOTE 12. ASSOCIATED STUDENT BODY

The activities of the District’s Associated Student Body (ASB) are reported within the General Fund as ancillary services and in the restricted ending fund balance. A standalone accounting system is maintained at the school site level and monitored by the District’s business office. Lower grades operate on an unorganized basis, while upper grades are organized.

MOUNT SHASTA UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 13. JOINT POWERS AGREEMENTS

The District is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During the fiscal year ending June 30, 2020, the District participated in several joint powers agreements (JPAs) to manage these risks. There were no significant reductions in coverage during the year. Settled claims have not exceeded coverage in any of the past three years.

The various JPAs and the services they provide the District are as follows:

- Northern California Schools Insurance Group (NCSIG)
- Northeastern Joint Powers Authority (NEJPA)
- Self-Insured Schools of California (SISC)
- Schools Excess Liability Fund (SELF)
- North Coast Schools Medical Insurance Group (NCSMIG)

The JPAs arrange for and provide property, liability, workers' compensation, medical, dental, and vision insurance and excess liability coverage for its members. The relationship between the District and the JPAs is such that the JPAs are not component units of the District for financial reporting purposes. Each joint venture is governed by a board consisting of a representative from each member District. Each member district pays premiums commensurate with the level of coverage or service requested, and shares surpluses and deficits proportionate to its participation in the JPA. The District's share of year-end assets, liabilities, or fund equity is not calculated by the JPAs. The boards control the operations of the JPAs, including selection of management and approval of operating budgets, independent of any influence by the member agencies beyond their representation on the board. Separately issued financial statements can be requested from each JPA.

NOTE 14. STATE TEACHERS' RETIREMENT SYSTEM EARLY RETIREMENT INCENTIVE PROGRAM

The District did not enter into any early retirement incentive agreements during 2019/2020, pursuant to California Education Code, Sections 22714 and 44929, whereby the service credit to eligible employees is increased by two years.

MOUNT SHASTA UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 15. COMMITMENTS AND CONTINGENCIES

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2020.

B. Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2020.

C. Commitments

As of June 30, 2020 the District had no material commitments outstanding.

NOTE 16. SUBSEQUENT EVENTS

Events that occur after the balance sheet date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the balance sheet date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the balance sheet date, require disclosure in the accompanying notes. Management evaluated the activity of the District through February 25, 2021 and concluded that the following subsequent event(s) have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

The Coronavirus Disease 2019 (COVID-19) has recently affected global markets, supply chains, employees of companies, and our communities. Specifically for Mount Shasta Union Elementary School District, COVID-19 may have impacted various parts of its 2021 operations and financial results. The full impact of COVID-19 is unknown and cannot be reasonably estimated.

REQUIRED SUPPLEMENTARY INFORMATION SECTION

MOUNT SHASTA UNION ELEMENTARY SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Favorable (Unfavorable)
REVENUES				
Local control sources:				
State apportionments	\$ 2,893,734	\$ 2,748,212	\$ 2,646,433	\$ (101,779)
Local sources	2,046,281	2,077,136	2,115,992	38,856
Federal	420,199	401,233	408,119	6,886
Other state	323,393	408,795	503,486	94,691
Other local	232,658	369,254	432,667	63,413
Total Revenues	5,916,265	6,004,630	6,106,697	102,067
EXPENDITURES				
Certificated salaries	2,569,773	2,562,027	2,581,204	(19,177)
Classified salaries	1,099,641	1,062,054	1,090,045	(27,991)
Employee benefits	1,485,910	1,534,496	1,574,617	(40,121)
Books and supplies	271,997	279,053	280,291	(1,238)
Services and other operating expenditures	597,206	597,361	646,274	(48,913)
Capital outlay	-	174,002	178,627	(4,625)
Other outgo	108,465	113,214	103,337	9,877
Total Expenditures	6,132,992	6,322,207	6,454,395	(132,188)
Excess (deficiency) of revenues over expenditures before other financing Sources (uses)	<u>(216,727)</u>	<u>(317,577)</u>	<u>(347,698)</u>	<u>(30,121)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	(74,592)	(74,882)	(66,000)	8,882
Total Other Financing Sources (Uses)	(74,592)	(74,882)	(66,000)	8,882
Net Increase (Decrease) in Fund Balance	(291,319)	(392,459)	(413,698)	(21,239)
Fund Balance - Beginning	2,375,851	2,375,851	2,375,851	-
Fund Balance - Ending	\$ 2,084,532	\$ 1,983,392	\$ 1,962,153	\$ (21,239)

See accompanying notes to required supplementary information.

MOUNT SHASTA UNION ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2020

	2015	2016	2017	2018	2019	2020
CALSTRS						
District's proportion as percentage of the net pension liability	0.004323%	0.004258%	0.004419%	0.003995%	0.004392%	0.004359%
District's proportionate share of the net pension liability	\$2,512,791	\$2,894,932	\$3,556,268	\$ 3,689,690	\$ 4,036,144	\$ 3,936,801
State's proportionate share of the net pension liability associated with the District	1,517,349	1,530,963	2,024,521	2,182,790	2,310,881	2,147,788
Total	<u>\$ 4,030,140</u>	<u>\$ 4,425,895</u>	<u>\$ 5,580,789</u>	<u>\$ 5,872,480</u>	<u>\$ 6,347,025</u>	<u>\$ 6,084,589</u>
District's covered payroll	1,217,371	1,407,141	1,386,407	1,409,923	1,304,797	1,487,582
District's proportionate share of the net pension liability as a percentage of covered payroll	206%	206%	257%	262%	309%	265%
Plan fiduciary net position as a percentage of the total pension liability	77%	74%	70%	70%	71%	73%
CALPERS						
District's proportion as percentage of the net pension liability	0.007110%	0.006932%	0.006437%	0.006344%	0.006449%	0.006280%
District's proportionate share of the net pension liability	\$806,023	\$1,017,067	\$1,264,004	\$ 1,513,525	\$ 1,719,574	1,830,259
District's covered payroll	723,983	761,336	755,744	802,900	953,425	852,355
District's proportionate share of the net pension liability as a percentage of covered payroll	111%	134%	167%	189%	180%	215%
Plan fiduciary net position as a percentage of the total pension liability	84%	79%	74%	72%	71%	70%

See accompanying notes to required supplementary information.

MOUNT SHASTA UNION ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF CONTRIBUTIONS - PENSION
FOR THE YEAR ENDED JUNE 30, 2020

	2015	2016	2017	2018	2019	2020
CALSTRS						
Contractually required contribution (actuarially determined)	\$ 158,857	\$ 175,481	\$ 236,322	\$ 266,331	\$ 337,328	\$ 381,412
Contributions in relation to the actuarially determined contributions	160,693	180,114	231,530	274,935	327,268	399,268
Contribution deficiency (excess)	<u>\$ (1,836)</u>	<u>\$ (4,633)</u>	<u>\$ 4,792</u>	<u>\$ (8,604)</u>	<u>\$ 10,060</u>	<u>\$ (17,856)</u>
Covered Payroll	\$ 1,217,371	\$ 1,407,141	\$ 1,386,407	\$ 1,409,923	\$ 1,487,582	\$ 1,304,797
Contributions as a percentage of covered payroll*	13%	13%	17%	20%	22%	31%
CALPERS						
Contractually required contribution (actuarially determined)	\$ 85,403	\$ 90,339	\$ 91,493	\$ 112,353	\$ 132,115	\$ 157,123
Contributions in relation to the actuarially determined contributions	85,430	90,599	91,445	112,406	132,115	172,570
Contribution deficiency (excess)	<u>\$ (27)</u>	<u>\$ (260)</u>	<u>\$ 48</u>	<u>\$ (53)</u>	<u>\$ -</u>	<u>\$ (15,447)</u>
Covered Payroll	\$ 723,983	\$ 761,336	\$ 755,744	\$ 802,900	\$ 852,355	\$ 953,425
Contributions as a percentage of covered payroll*	12%	12%	12%	14%	16%	18%

* Statements 67 and 68 required presentation of covered-employee payroll, which is the payroll of employees that are provided with pensions through the pension plan, and ratios that use the measure in schedules of required supplementary information. Statement No. 82 amends Statements 67 and 68 to instead require the presentation of covered payroll, defined as the payroll on which contributions to a pension plan are based, and ratios that use that measure.

See accompanying notes to required supplementary information.

MOUNT SHASTA UNION ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN THE NET OPEB
LIABILITY AND RELATED RATIOS
JUNE 30, 2020

Measurement Period	2018	2019	2020
Total OPEB Liability			
Service Cost	\$ 14,398	\$ 14,794	\$ 14,578
Interest on Total OPEB Liability	11,223	11,436	10,648
Actual and expected experience difference	-	-	1,249
Experience (Gains)/Losses	-	-	(10,568)
Changes in assumptions	-	(5,003)	4,619
Benefit Payments	<u>(44,830)</u>	<u>(46,623)</u>	<u>(38,312)</u>
Net Change in Total OPEB liability	(19,209)	(25,396)	(17,786)
Total OPEB liability - beginning	336,071	316,862	291,466
Total OPEB liability - ending	<u>\$ 316,862</u>	<u>\$ 291,466</u>	<u>\$ 273,680</u>
Plan Fiduciary Net Position			
Contribution - employer	\$ 44,830	46,623	38,312
Benefit payments	(44,830)	(46,623)	(38,312)
Net Change in Total OPEB liability	-	-	-
Plan fiduciary net position - beginning	<u>-</u>	<u>-</u>	<u>-</u>
Plan fiduciary net position - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net OPEB Liability	<u>\$ 316,862</u>	<u>\$ 291,466</u>	<u>\$ 273,680</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
Covered payroll	<u>\$ 2,368,787</u>	<u>\$ 2,504,320</u>	<u>\$ 2,626,119</u>
Net OPEB liability as a percentage of covered payroll	<u>13.38%</u>	<u>11.64%</u>	<u>10.42%</u>

See accompanying notes to required supplementary information.

MOUNT SHASTA UNION ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF CONTRIBUTIONS - OPEB
JUNE 30, 2020

Fiscal Year Ended June 30:	<u>2018</u>	<u>2019</u>	<u>2020</u>
Actuarially Determined Contribution (ADC)	\$ 44,830	\$ 46,623	\$ 38,312
Contributions in relation to ADC	<u>46,623</u>	<u>38,312</u>	<u>35,578</u>
Contribution deficiency (excess)	<u>\$ (1,793)</u>	<u>\$ 8,311</u>	<u>\$ 2,734</u>
Covered payroll	<u>\$ 2,368,787</u>	<u>\$ 2,504,320</u>	<u>\$ 2,626,119</u>
Contributions as a percentage of covered payroll	<u>(0.08%)</u>	<u>0.33%</u>	<u>0.10%</u>

See accompanying notes to required supplementary information.

MOUNT SHASTA UNION ELEMENTARY SCHOOL DISTRICT
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE YEAR ENDED JUNE 30, 2020

NOTE 1. PURPOSE OF REQUIRED SUPPLEMENTARY INFORMATION

A. Budgetary Comparison Schedule

Budgetary comparison schedules are required to be presented for the General Fund and each major special revenue fund that has a legally adopted budget. The originally adopted and final revised budgets are presented for such funds. The District employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as prescribed by Governmental Accounting Standards Board. The budgets are revised during the year by the Board of Trustees to provide for revised priorities. Expenditures cannot legally exceed appropriations by major object code.

B. Schedule of the District's Proportionate Share of the Net Pension Liability

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

C. Schedule of the District's Plan Contributions

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

D. Changes in Benefits Terms

There were no changes in benefit terms since the previous valuations for both CalSTRS and CalPERS.

E. Changes in Assumptions

The following are the assumptions for State Teachers Retirement Plan and Public Employer's Retirement Fund B:

CalSTRS Assumptions	Measurement Period				
	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Consumer price inflation	2.75%	2.75%	3.00%	3.00%	3.00%
Investment rate of return	7.10%	7.10%	7.10%	7.60%	7.60%
Wage growth	3.50%	3.50%	3.50%	3.75%	3.75%

CalPERS Assumptions	Measurement Period				
	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Discount Rate	7.15%	7.15%	7.15%	7.15%	7.65%

MOUNT SHASTA UNION ELEMENTARY SCHOOL DISTRICT
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE YEAR ENDED JUNE 30, 2020

NOTE 1. PURPOSE OF REQUIRED SUPPLEMENTARY INFORMATION (Continued)

F. Schedule of Changes in the Net OPEB Liability and Related Ratios

The Schedule of Changes in Net OPEB Liability presents multi-year information which illustrates the changes in the net OPEB liability for each year presented. In the future, as data becomes available, ten years of information will be presented.

G. Schedule of Contributions - OPEB

The Schedule of District Contributions is presented to illustrate the District's recommended pay-as-you-go contributions relating to the OPEB. There is a requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

H. Schedule of Money-Weighted Rate of Return on OPEB Plan Investments

This Schedule has not been included since the District has no plan investments. The District has elected to make contributions on a Pay-As-You-Go basis.

NOTE 2. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2020, expenditures exceeded appropriations by the following amounts:

<u>Appropriations Category</u>	<u>Excess Expenditures</u>
General Fund:	
Certificated salaries	\$ 19,177
Classified salaries	27,991
Employee benefits	40,121
Books and supplies	1,238
Services, other operating expenses	48,913
Capital outlay	4,625

These excess expenditures were offset by unexpended appropriations in other categories.

SUPPLEMENTARY INFORMATION SECTION

MOUNT SHASTA UNION ELEMENTARY SCHOOL DISTRICT
OTHER GOVERNMENTAL FUNDS FINANCIAL STATEMENT
COMBINING BALANCE SHEET
JUNE 30, 2020

	Cafeteria Fund	Capital Facilities Fund	Total Other Governmental Funds
ASSETS			
Cash and equivalents	\$ 8,004	\$ 229,700	\$ 237,704
Accounts receivable	11,643	53,370	65,013
Stores inventories	2,241	-	2,241
Total Assets	\$ 21,888	\$ 283,070	\$ 304,958
LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts payable	\$ -	\$ 10,791	\$ 10,791
Due to other funds	19,000	-	19,000
Total Liabilities	19,000	10,791	29,791
Fund Balance:			
Non spendable			
Stores inventories	2,241	-	2,241
Restricted	647	272,279	272,926
Total Fund Balance	2,888	272,279	275,167
Total Liabilities and Fund Balance	\$ 21,888	\$ 283,070	\$ 304,958

See accompanying notes to supplementary information.

MOUNT SHASTA UNION ELEMENTARY SCHOOL DISTRICT
OTHER GOVERNMENTAL FUNDS FINANCIAL STATEMENT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2020

	Cafeteria Fund	Capital Facilities Fund	Total Other Governmental Funds
REVENUES			
Federal	\$ 87,919	\$ -	\$ 87,919
Other state	5,841	-	5,841
Other local	25,754	105,907	131,661
Total Revenues	119,514	105,907	225,421
EXPENDITURES			
Classified salaries	74,903	-	74,903
Employee benefits	30,643	-	30,643
Books and supplies	69,079	-	69,079
Services and other operating expenditures	12,135	41,165	53,300
Debt Service:			
Principal	-	14,807	14,807
Interest	-	6,547	6,547
Total Expenditures	186,760	62,519	249,279
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	(67,246)	43,388	(23,858)
OTHER FINANCING SOURCES (USES)			
Transfers in	66,000	-	66,000
Total Other Financing Sources (Uses)	66,000	-	66,000
Net Increase (Decrease) in Fund Balance	(1,246)	43,388	42,142
Fund Balance - Beginning	4,134	228,891	233,025
Fund Balance - Ending	<u>\$ 2,888</u>	<u>\$ 272,279</u>	<u>\$ 275,167</u>

See accompanying notes to supplementary information.

MOUNT SHASTA UNION ELEMENTARY SCHOOL DISTRICT
 SCHEDULE OF AVERAGE DAILY ATTENDANCE
 FOR THE YEAR ENDED JUNE 30, 2020

	<u>Second Period Report</u>		<u>Annual Report</u>	
	<u>Original</u>	<u>Revised</u>	<u>Original</u>	<u>Revised</u>
Certification Numbers	<u>FEA01DD2</u>		<u>0BB28189</u>	
Grades TK / K-3:				
Regular Average Daily Attendance	<u>221.59</u>	<u>N/A</u>	<u>221.59</u>	<u>N/A</u>
Grades TK / K-3 Totals	<u>221.59</u>	<u>N/A</u>	<u>221.59</u>	<u>N/A</u>
Grades 4 - 6:				
Regular Average Daily Attendance	<u>176.00</u>	<u>N/A</u>	<u>176.00</u>	<u>N/A</u>
Grades 4 - 6 Totals	<u>176.00</u>	<u>N/A</u>	<u>176.00</u>	<u>N/A</u>
Grades 7 - 8:				
Regular Average Daily Attendance	<u>127.30</u>	<u>N/A</u>	<u>127.30</u>	<u>N/A</u>
Grades 7 - 8 Totals	<u>127.30</u>	<u>N/A</u>	<u>127.30</u>	<u>N/A</u>
Total ADA	<u><u>524.89</u></u>	<u><u>N/A</u></u>	<u><u>524.89</u></u>	<u><u>N/A</u></u>

N/A - There were no audit findings resulting in necessary revisions to attendance.

MOUNT SHASTA UNION ELEMENTARY SCHOOL DISTRICT
 SCHEDULE OF INSTRUCTIONAL TIME
 FOR THE YEAR ENDED JUNE 30, 2020

Grade Level	Required Minutes	Original		COVID-19			Status ²
		2019/2020 Annual Minutes	Traditional Number of Instructional Days Offered ¹	2019/2020 Annual Minutes	Approved Deficiency	School Closure Certification Days	
Kindergarten	36,000	50,700	180	35,630	(370)	53	In Compliance
Grade one	50,400	50,625	180	35,570	(14,830)	53	In Compliance
Grade two	50,400	50,700	180	35,630	(14,770)	53	In Compliance
Grade three	50,400	50,625	180	35,570	(14,830)	53	In Compliance
Grade four	54,000	54,810	180	38,493	(15,507)	53	In Compliance
Grade five	54,000	54,810	180	38,493	(15,507)	53	In Compliance
Grade six	54,000	54,810	180	38,493	(15,507)	53	In Compliance
Grade seven	54,000	54,810	180	38,493	(15,507)	53	In Compliance
Grade eight	54,000	54,810	180	38,493	(15,507)	53	In Compliance

¹ The District did not utilize a multitrack calendar during the 2019/2020 fiscal year.

² Meets requirements of Senate Bill 98 – Changes to Instructional Time.

MOUNT SHASTA UNION ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020

General Fund:	(Budgeted) * 2020/2021	2019/2020	2018/2019	2017/2018
Revenues and Other Financing Sources	\$ 5,666,045	\$ 6,106,697	\$ 6,292,166	\$ 5,735,863
Expenditures	5,643,201	6,454,395	6,282,746	5,548,496
Other Uses and Transfers Out	53,758	66,000	68,120	50,629
Total Outgo	5,696,959	6,520,395	6,350,866	5,599,125
Change in Fund Balance	(30,914)	(413,698)	(58,700)	136,738
Ending Fund Balance	\$ 1,931,239	\$ 1,962,153	\$ 2,375,851	\$ 2,434,551
Available Reserves ¹	\$ 455,422	\$ 517,841	\$ 496,607	\$ 461,941
Reserve for Economic Uncertainties	\$ 455,422	\$ 517,841	\$ 496,607	\$ 461,941
Unassigned Fund Balance	\$ -	\$ -	\$ -	\$ -
Available Reserves as a percentage of Total Outgo	8.0%	7.9%	7.8%	8.3%
Total Long-Term Debt	\$ 6,551,598	\$ 6,782,230	\$ 6,990,214	\$ 6,662,272
Average Daily Attendance at P-2	511	525	527	553

This schedule discloses the District's financial trends by displaying past years' data along with current year budget information. These financial trends are used to evaluate the District's ability to continue as a going concern for a reasonable period of time.

The General Fund balance has decreased by \$472,398 over the past two years. The District has incurred an operating deficit in two of the past three years. The 2020/2021 General Fund budget projects a decrease of \$30,914 (-1.6%).

For a District of this size, the state recommends available reserves of at least 4% of total General Fund expenditures, transfers out, and other uses (other outgo).

Total long-term debt has increased by \$119,958 over the past two years.

Average daily attendance has decreased by 28 ADA over the past two years. The ADA is anticipated to decrease 14 ADA during the fiscal year 2020/2021.

* The 2020/2021 budget is included for analytical purposes only and has not been subjected to audit.

¹ Available reserves consists of all unassigned fund balances and reserves for economic uncertainty that are contained within the governmental funds. Unassigned fund balances are typically only reported in the General Fund. However, other governmental funds may report negative unassigned fund balances and are included in the reported available reserves.

MOUNT SHASTA UNION ELEMENTARY SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND
BUDGET REPORT (SACS) WITH AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

	General Fund	Deferred Maintenance Fund *	Special Reserve Fund for Postemployment Benefits *
June 30, 2020 Annual Financial and Budget Report (SACS) Fund Balance	\$ 1,289,124	\$ 81,520	\$ 591,509
Adjustments and Reclassifications:			
Reclassification for financial statement presentation	673,029	(81,520)	(591,509)
June 30, 2020 Audited Financial Statement Fund Balance	\$ 1,962,153	\$ -	\$ -

* This audit reclassification is made for financial presentation purposes only, pursuant to GASB 54 which, when applied, does not recognize these funds as special revenue fund types. Therefore, the fund balances are consolidated with the General Fund. However, the District is permitted under current State law to account for these funds as a special revenue fund type for interim reporting and budgeting purposes.

	Capital Assets
June 30, 2020 Annual Financial and Budget Report (SACS) Capital Assets	\$ 4,852,603
Adjustments and Reclassifications:	
Depreciation:	
Land improvements	(4,096)
Buildings and improvements	(8,483)
June 30, 2020 Audited Financial Statement Balance	\$ 4,840,024

See accompanying notes to supplementary information.

MOUNT SHASTA UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 1. PURPOSE OF SUPPLEMENTARY INFORMATION

A. Other Governmental Funds Financial Statements

These statements provide information on the Mount Shasta Union Elementary School District's (District) Governmental non-major funds, by object.

B. Schedule of Average Daily Attendance

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

C. Schedule of Instructional Time

This schedule presents information on the amount of instructional time and number of days offered by the District and whether the District complied with the provisions of Education Code Sections 46201 through 46208. The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day.

D. Schedule of Financial Trends and Analysis

This schedule discloses the District's financial trends by displaying past years' data along with current year budget information. These financial trend disclosures are used to evaluate the District's ability to continue as a going concern for a reasonable period of time.

E. Reconciliation of Annual Financial and Budget Report (SACS) with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balances of all funds reported on the Unaudited Actual Financial Report to the audited financial statements.

F. Schedule of Charter School

This schedule represents a complete listing of all charter schools authorized by the District and indicates whether their financial activities and balances have been included in the District's annual audited financial statements for the year ended June 30, 2020. The District has not authorized any Charter Schools; therefore this schedule has not been included for 2019/2020.

OTHER INDEPENDENT AUDITOR'S REPORTS

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

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Mount Shasta Union Elementary School District
Mount Shasta, 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, each major fund, and the aggregate remaining fund information of Mount Shasta Union Elementary School District (District), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 25, 2021.

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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 District'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. We did identify certain deficiencies in internal control, described in the accompanying findings and responses that we consider to be significant deficiency, as item 2020-001.

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

District's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result 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.

Robinson & Associates, CPAs

Lakeport, California
February 25, 2021

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Board of Trustees
Mount Shasta Union Elementary School District
Mount Shasta, California

Compliance

We have audited Mount Shasta Union Elementary School District (District)'s compliance with the types of compliance requirements described in the *2019-20 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, that could have a material effect on each of the District's state programs for the year ended June 30, 2020.

Management's Responsibility

Compliance with the applicable compliance requirements is the responsibility of the District's management.

Auditor's Responsibility

Our responsibility is to express an opinion on the District's compliance with the applicable compliance requirements based on our compliance audit.

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 *2019-20 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 types of compliance requirements referred to above that could have a direct material effect on the programs identified in the below schedule occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

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

Description	Procedures Performed
Local Education Agencies Other Than Charter Schools:	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No, See Below
Continuation Education	Not Applicable
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No, See Below
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	Not Applicable
Comprehensive School Safety Plan	Yes
District of Choice	No, See Below
School Districts, County Office of Education and Charter Schools	
California Clean Energy Jobs Act	No, See Below
After School Education and Safety Program	Not Applicable
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	Not Applicable
Charter Schools	
Attendance	Not Applicable
Mode of Instruction	Not Applicable
Nonclassroom-Based Instruction/Independent Study For Charter Schools	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction	Not Applicable
Annual Instructional Minutes - Classroom Based	Not Applicable
Charter School Facility Grant Program	Not Applicable

The term "Not Applicable" used above is to mean either the District did not offer the program during the current fiscal year or the program applies to a different type of local education agency.

The District's reported ADA for Independent Study was below the materiality level that requires testing; therefore, we did not perform any procedures related to this program.

The District does not offer an Early Retirement Incentive Program; therefore, we did not perform any procedures related to this program.

The District did not apply to be a District of Choice; therefore, we did not perform any procedures related to this program.

We did not perform testing for California Clean Energy Jobs Act because there were no expenditures in 2019/2020.

Opinion on State Programs

In our opinion, the Mount Shasta Union Elementary School District complied, in all material respects, with the compliance requirements referred to above for the year ended June 30, 2020.

Robinson & Associates, CPAs

Lakeport, California
February 25, 2021

FINDINGS AND RESPONSES SECTION

MOUNT SHASTA UNION ELEMENTARY SCHOOL DISTRICT
FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2020

Financial Statement Findings

2020-001 Deficit Spending / State Code 30000 Internal Control

Criteria

Criteria and Standards for School Districts – Fiscal Solvency.

Condition

The District's General Fund has incurred deficit spending in two of the last three fiscal years and has budgeted to deficit spend in the next fiscal year. The General Fund available reserves are above the State recommended reserves for a district of this size.

Effect

Continued deficit spending or maintaining available reserves in the General Fund that are less than the State recommended levels, could affect the District's ability to meet its financial obligations in the future.

Cause

The District planned deficit spending in the current fiscal year which utilized restricted reserves carried over from the previous year.

Questioned Cost

None.

Recommendation

The District should continue to closely monitor its budget and available reserves.

District Response and Action Plan

The District will continue to closely monitor the budget and available reserves. The District will also adjust Multi Year Projection staffing levels to align with estimated enrollment.

Federal Award Findings and Questioned Costs

There were no findings or questioned costs relative to federal awards or programs.

State Award Findings and Questioned Costs

There were no findings or questioned costs relative to state awards or programs.

MOUNT SHASTA UNION ELEMENTARY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2020

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>District Explanation, If Not Implemented</u>
There were no prior year findings.		