

CITY OF DUNSMUIR, CALIFORNIA
BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2019

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INDEPENDENT AUDITORS' REPORT

To the City Council and
Those Charged with Governance
City of Dunsmuir, California

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of City of Dunsmuir, California as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of City of Dunsmuir, California as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof 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 the *Management's Discussion and Analysis* (not presented), budgetary comparison information on pages 31 and 32 and cost-sharing multiple employer defined benefit pension plan information on pages 33 and 34 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management has omitted *Management's Discussion and Analysis* that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. My opinion on the basic financial statements is not affected by this missing information.

The combining non-major fund financial statements on pages 35 and 36 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the combining non-major fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated February 19, 2020, on my consideration of the City of Dunsmuir, California's internal control over financial reporting and on my 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 my 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 City of Dunsmuir, California's internal control over financial reporting and compliance.



Charles W. Pillon, CPA
Anderson, California

February 19, 2020

BASIC FINANCIAL STATEMENTS

**City of Dunsmuir
Statement of Net Position
June 30, 2019**

	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Current assets:			
Cash and investments	\$ 528,976	\$ 1,768,839	\$ 2,297,815
Receivables (net of allowances for bad debts, where applicable):			
Trade accounts	-	10,958	10,958
Loans	1,143,608	-	1,143,608
Intergovernmental	143,567	188,282	331,849
Internal balances	81,909	(81,909)	-
Other assets	1,652	-	1,652
Total current assets	1,899,712	1,886,170	3,785,882
Restricted assets:			
Cash and investments	-	197,902	197,902
Capital assets:			
Non-depreciable	1,151,800	3,601,752	4,753,552
Depreciable, net	2,425,588	13,199,743	15,625,331
Total capital assets	3,577,388	16,801,495	20,378,883
Total assets	5,477,100	18,885,567	24,362,667
<u>DEFERRED OUTFLOWS</u>			
Pension related deferred outflows	185,818	156,911	342,729
<u>LIABILITIES</u>			
Accounts payable	173,820	185,359	359,179
Unearned revenue	6,036	14,445	20,481
Deposits and other liabilities	25,707	87,426	113,133
Total current liabilities	205,563	287,230	492,793
Noncurrent liabilities:			
Due within one year	30,179	153,252	183,431
Due in more than one year	99,655	2,732,879	2,832,534
Net pension liability	652,705	557,682	1,210,387
Total long-term liabilities	782,539	3,443,813	4,226,352
Total liabilities	988,102	3,731,043	4,719,145
<u>DEFERRED INFLOWS</u>			
Pension related deferred inflows	67,536	66,188	133,724
<u>NET POSITION</u>			
Net investment in capital assets	3,496,388	14,013,182	17,509,570
Restricted	119,568	197,902	317,470
Unrestricted	991,324	1,034,163	2,025,487
Total net position	\$ 4,607,280	\$ 15,245,247	\$19,852,527

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

**City of Dunsmuir
Balance Sheet
Reconciliation of Governmental Fund Balance to the Statement of Net Position - Governmental Activities
Governmental Funds
June 30, 2019**

	General Fund	Community Development Project Income Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and investments	\$ 399,132	\$ 14,896	\$ 114,948	\$ 528,976
Receivables, net of allowance				
Loans	-	829,498	314,110	1,143,608
Intergovernmental	133,227	-	10,340	143,567
Due from other funds	88,440	-	-	88,440
Prepaid expenses	1,652	-	-	1,652
	<u>1,652</u>	<u>-</u>	<u>-</u>	<u>1,652</u>
Total assets	<u>\$ 622,451</u>	<u>\$ 844,394</u>	<u>\$ 439,398</u>	<u>\$ 1,906,243</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 170,746	\$ -	\$ 3,074	\$ 173,820
Due to other funds	-	-	6,531	6,531
Unearned revenue	6,036	-	-	6,036
Other	24,883	-	824	25,707
	<u>24,883</u>	<u>-</u>	<u>824</u>	<u>25,707</u>
Total liabilities	<u>201,665</u>	<u>-</u>	<u>10,429</u>	<u>212,094</u>
Fund balances:				
Nonspendable:				
Prepaid expenses	1,652	-	-	1,652
Noncurrent receivables	-	829,498	314,110	1,143,608
	<u>1,652</u>	<u>829,498</u>	<u>314,110</u>	<u>1,145,260</u>
Restricted for:				
Streets and roads	-	-	7,547	7,547
Public safety	-	-	65,108	65,108
Community and economic development	-	-	46,913	46,913
	<u>-</u>	<u>-</u>	<u>119,568</u>	<u>119,568</u>
Unassigned balance (deficit)	419,134	14,896	(4,709)	429,321
Total fund balance	<u>420,786</u>	<u>844,394</u>	<u>428,969</u>	<u>1,694,149</u>
Total liabilities and fund balance	<u>\$ 622,451</u>	<u>\$ 844,394</u>	<u>\$ 439,398</u>	<u>\$ 1,906,243</u>

Total governmental fund balance, as above \$ 1,694,149

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore not reported in the funds	3,577,388
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds	(81,000)
Pension liabilities are not due and payable in the current period and therefore are not reported on the balance sheet	(652,705)
Compensated absences in governmental activities are not due and payable in the current period and therefore are not reported in the balance sheet	(48,834)
Deferred outflows and inflows are not receivable or due and payable in the current period and therefore are not reported on the balance sheet	<u>118,282</u>
Net position of governmental activities	<u>\$ 4,607,280</u>

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

City of Dunsmuir
Statement of Revenues, Expenditures and Changes in Fund Balance
For The Year Ended June 30, 2019

	General Fund	Community Development Project Income Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Property taxes	\$ 298,069	\$ -	\$ -	\$ 298,069
Sales and use taxes	272,158	-	-	272,158
Transient occupancy taxes	166,684	-	-	166,684
Franchise and other licenses	56,100	-	-	56,100
Assessments	-	-	26,903	26,903
Licenses and permits	14,989	-	-	14,989
Intergovernmental revenues	340,804	-	197,775	538,579
Charges for services	163,989	-	-	163,989
Fines, forfeitures and penalties	2,002	-	-	2,002
Use of money and property	37,634	2,639	10,641	50,914
Other	86,031	-	-	86,031
Total revenues	1,438,460	2,639	235,319	1,676,418
EXPENDITURES				
Current:				
City council	4,707	-	-	4,707
City administrator	19,398	-	-	19,398
City clerk	38,292	-	-	38,292
City attorney	39,125	-	-	39,125
Planning	43,954	-	-	43,954
Finance and administration	117,821	-	-	117,821
Building inspection	18,590	-	-	18,590
Police protection	440,738	-	-	440,738
Fire protection	315,790	-	2,292	318,082
Streets and roads	144,394	-	82,295	226,689
Transit assistance	-	-	42,326	42,326
Buildings and grounds	86,577	-	-	86,577
Community and economic development	83,833	816	660	85,309
Capital outlay	-	-	81,642	81,642
Debt service:				
Principal	-	-	5,000	5,000
Interest	-	-	5,010	5,010
Total expenditures	1,353,219	816	219,225	1,573,260
Excess of revenues over (under) expenditures	85,241	1,823	16,094	103,158
OTHER FINANCING SOURCES (USES)				
Operating transfers in (out)	(44,989)	7,500	37,489	-
Total other financing sources (uses)	(44,989)	7,500	37,489	-
Excess of revenues and other sources over (under) expenditures and other uses	40,252	9,323	53,583	103,158
FUND BALANCE				
Beginning of the year	380,534	835,071	375,386	1,590,991
End of the year	\$ 420,786	\$ 844,394	\$ 428,969	\$ 1,694,149

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

City of Dunsmuir
Reconciliation of the Statement of Revenues, Expenditures and
Governmental Funds
For The Year Ended June 30, 2019

Change in fund balance, governmental funds	\$ 103,158
Amounts reported for governmental activities in the statement of activities is different because:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:	
Capital outlay:	81,642
Depreciation expense:	(301,069)
Government funds report repayment of long-term debt as an expenditure, but the repayment reduces long-term liabilities in the Statement of Net Assets and does not affect the Statement of Activities.	
	5,000
Government funds do not report the change in compensated absences as revenue or (expenditure), but it is reported in the Statement of Activities	
	22,949
Government funds do not report the decrease of unfunded pension obligations revenue or (expenditure), but it is reported in the Statement of Activities	
	<u>12,747</u>
Change in net position of governmental activities	<u><u>\$ (75,573)</u></u>

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

City of Dunsmuir
Statement of Net Position
June 30, 2019

	Sewer Fund	Solid Waste Fund	Water Fund	Airport Fund	Total
ASSETS					
Current assets:					
Cash and investments	\$ 311,975	\$ 213,052	\$1,243,812	\$ -	\$ 1,768,839
Receivables (net of allowances for bad debts, where applicable):					
Trade accounts	8,268	4,559	(1,869)	-	10,958
Intergovernmental	98,062	-	73,100	17,120	188,282
Due from other funds	6,123	-	-	-	6,123
Total current assets	<u>424,428</u>	<u>217,611</u>	<u>1,315,043</u>	<u>17,120</u>	<u>1,974,202</u>
Restricted assets:					
Cash and investments	<u>139,397</u>	<u>-</u>	<u>58,505</u>	<u>-</u>	<u>197,902</u>
Capital assets:					
Non-depreciable	931,804	-	1,031,051	1,638,897	3,601,752
Depreciable, net	8,035,583	-	4,602,987	561,173	13,199,743
Total capital assets, net	<u>8,967,387</u>	<u>-</u>	<u>5,634,038</u>	<u>2,200,070</u>	<u>16,801,495</u>
Total assets	<u>9,531,212</u>	<u>217,611</u>	<u>7,007,586</u>	<u>2,217,190</u>	<u>18,973,599</u>
DEFERRED OUTFLOWS					
Pension related deferred outflows	<u>80,499</u>	<u>26,466</u>	<u>48,305</u>	<u>1,641</u>	<u>156,911</u>
LIABILITIES					
Current liabilities:					
Accounts payable	78,284	17,389	89,307	379	185,359
Unearned revenue	2,175	-	-	12,270	14,445
Deposits and other liabilities	36,892	2,024	47,663	847	87,426
Due to other funds	-	-	5,000	83,032	88,032
Total current liabilities	<u>117,351</u>	<u>19,413</u>	<u>141,970</u>	<u>96,528</u>	<u>375,262</u>
Noncurrent liabilities:					
Due within one year	119,040	1,878	29,773	2,561	153,252
Due in more than one year	2,304,210	4,219	394,531	29,919	2,732,879
Net pension liability	286,106	94,062	171,683	5,831	557,682
Total long-term liabilities	<u>2,709,356</u>	<u>100,159</u>	<u>595,987</u>	<u>38,311</u>	<u>3,443,813</u>
Total liabilities	<u>2,826,707</u>	<u>119,572</u>	<u>737,957</u>	<u>134,839</u>	<u>3,819,075</u>
DEFERRED INFLOWS					
Pension related deferred inflows	<u>33,956</u>	<u>11,164</u>	<u>20,376</u>	<u>692</u>	<u>66,188</u>
NET POSITION					
Invested in capital assets, net of related debt	6,566,210	-	5,246,903	2,200,070	14,013,182
Restricted for debt service	139,397	-	58,505	-	197,902
Unrestricted	<u>45,441</u>	<u>113,341</u>	<u>992,150</u>	<u>(116,770)</u>	<u>1,034,163</u>
Total net position	<u>\$6,751,048</u>	<u>\$ 113,341</u>	<u>\$6,297,558</u>	<u>\$2,083,300</u>	<u>\$15,245,247</u>

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

City of Dunsmuir
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For The Year Ended June 30, 2019

	Sewer Fund	Solid Waste Fund	Water Fund	Airport Fund	Total
REVENUES					
User fees and charges	\$ 749,804	\$ 288,863	\$ 799,875	\$ 8,300	\$ 1,846,842
Facilities rent	-	-	-	25,188	25,188
Total operating revenues	<u>749,804</u>	<u>288,863</u>	<u>799,875</u>	<u>33,488</u>	<u>1,872,030</u>
OPERATING EXPENSES					
Personnel and related expenses	284,902	68,628	287,406	15,410	656,346
Contract services	137,868	248,814	20,815	23,228	430,725
General and administrative services	216,566	32,267	99,816	6,646	355,295
Repairs and maintenance	16,312	31,539	22,515	1,237	71,603
Materials and supplies	24,783	7,793	37,140	-	69,716
Insurance and permits	28,164	1,678	35,643	5,304	70,789
Depreciation and amortization	296,793	12,362	163,905	98,319	571,379
Total operating expenses	<u>1,005,388</u>	<u>403,081</u>	<u>667,240</u>	<u>150,144</u>	<u>2,225,853</u>
Operating income (loss)	<u>(255,584)</u>	<u>(114,218)</u>	<u>132,635</u>	<u>(116,656)</u>	<u>(353,823)</u>
OTHER REVENUES (EXPENSES)					
Intergovernmental revenues	286,835	10,000	160,131	241,289	698,255
Interest earned	5,667	5,433	20,638	-	31,738
Interest expense	(69,983)	-	(18,834)	(758)	(89,575)
Total other revenues (expenses)	<u>222,519</u>	<u>15,433</u>	<u>161,935</u>	<u>240,531</u>	<u>640,418</u>
Change in net position	(33,065)	(98,785)	294,570	123,875	286,595
NET POSITION					
Beginning of the year	<u>6,784,113</u>	<u>212,126</u>	<u>6,002,988</u>	<u>1,959,425</u>	<u>14,958,652</u>
End of the year	<u>\$6,751,048</u>	<u>\$ 113,341</u>	<u>\$6,297,558</u>	<u>\$2,083,300</u>	<u>\$15,245,247</u>

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

**City of Dunsmuir
Statement of Cash Flows
Proprietary Funds
For The Year Ended June 30, 2019**

	Sewer Fund	Solid Waste Fund	Water Fund	Airport Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$ 765,802	\$ 289,143	\$ 821,947	\$ 28,694	\$ 1,905,586
Payments to suppliers	(470,171)	(331,200)	(181,909)	(44,678)	(1,027,958)
Payments to employees	(306,162)	(70,794)	(306,601)	(16,874)	(700,431)
Net cash provided (used) by operating activities	<u>(10,531)</u>	<u>(112,851)</u>	<u>333,437</u>	<u>(32,858)</u>	<u>177,197</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES					
Receipt of intergovernmental revenue	-	10,000	-	41,005	51,005
Principal payments on debt	-	-	-	(1,700)	(1,700)
Interest payments on debt	-	-	-	(758)	(758)
Interfund transfers and repayments	(1,187)	-	-	11,591	10,404
Net cash provided (used) by non-capital financing activities	<u>(1,187)</u>	<u>10,000</u>	<u>-</u>	<u>50,138</u>	<u>58,951</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING					
Receipt of intergovernmental revenues used for capital asset purchases	373,160	-	286,511	199,940	859,611
Purchase of capital assets	(286,918)	-	(261,562)	(217,220)	(765,700)
Principal payments on debt	(103,354)	-	(18,790)	-	(122,144)
Interest payments on debt	(69,983)	-	(18,834)	-	(88,817)
Net cash (used) by investing activities	<u>(87,095)</u>	<u>-</u>	<u>(12,675)</u>	<u>(17,280)</u>	<u>(117,050)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest income received	5,667	5,433	20,638	-	31,738
Net increase (decrease) in cash	(93,146)	(97,418)	341,400	-	150,836
CASH					
Beginning of the year	\$ 544,518	\$ 310,470	\$ 960,917	\$ -	1,815,905
End of the year	<u>\$ 451,372</u>	<u>\$ 213,052</u>	<u>\$1,302,317</u>	<u>\$ -</u>	<u>\$ 1,966,741</u>
Comprised of:					
Cash and investments	\$ 311,975	\$ 213,052	\$1,243,812	\$ -	\$ 1,768,839
Restricted cash and investments	139,397	-	58,505	-	197,902
Total cash and cash investments	<u>\$ 451,372</u>	<u>\$ 213,052</u>	<u>\$1,302,317</u>	<u>\$ -</u>	<u>\$ 1,966,741</u>
Reconciliation of operating income (loss) to cash provided (used) by operating activities:					
Operating income (loss)	\$ (255,584)	\$ (114,218)	\$ 132,635	\$ (116,656)	\$ (353,823)
Adjustments to reconcile operating income (loss) to cash provided (used) by operating activities:					
Depreciation and amortization	296,793	12,362	163,905	98,319	571,379
(Increase) decrease in accounts receivable	15,998	280	4,805	-	21,083
Decrease in deferred outflows of resources related to pensions	9,815	3,226	5,889	200	19,130
Increase (decrease) in accounts payable	(46,478)	(9,109)	34,020	(8,263)	(29,830)
Increase (decrease) in compensated absences	(22,362)	(2,263)	(15,680)	(1,792)	(42,097)
Increase in deposits and other liabilities	6,958	2,024	17,267	447	26,696
(Decrease) in unearned revenue	-	-	-	(4,794)	(4,794)
(Decrease) in net pension liability	(3,650)	(1,201)	(2,191)	(74)	(7,116)
(Decrease) in deferred inflows of resources related to pensions	(12,021)	(3,952)	(7,213)	(245)	(23,431)
Net cash provided (used) by operating activities	<u>\$ (10,531)</u>	<u>\$ (112,851)</u>	<u>\$ 333,437</u>	<u>\$ (32,858)</u>	<u>\$ 177,197</u>

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

City of Dunsmuir
Notes to the Basic Financial Statements
June 30, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Dunsmuir, California (hereafter “the City”) operates under a City Council – City Manager form of government and provides the following services: public safety, streets and roads, water and sewer, culture and recreation, public improvements, planning and zoning, and general administrative services.

The accounting policies of the City conform to accounting principles generally accepted in the United States of America as applicable to governmental entities. The following is a summary of the more significant policies.

The City’s financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the City are discussed below.

The financial statements of the City include all of the financial activities of the City. In evaluating how to define the City, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic - but not the only - criterion for including a potential component unit within the reporting entity is the governing body’s ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the City is able to exercise oversight responsibilities. Based upon the application of these criteria, the City does not have any component units.

B. Basis of Presentation

Government-wide Financial Statements:

The statement of net position and statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. Governmental activities are reported separately from business-type activities (such as sewer, solid waste, water, and airport).

The statement of activities presents a comparison between direct expenses and program revenues for each different identifiable activity of the City’s business-type activities and for each function of the City’s governmental activities. Direct expenses are those that are specifically associated with a program or function and therefore are clearly identifiable to a particular function. Program revenues include charges paid by recipients of goods and services offered by the program, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented instead as general revenues.

When both restricted and unrestricted net position are available, restricted resources are depleted first before the unrestricted resources are used.

City of Dunsmuir
Notes to the Basic Financial Statements
June 30, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Financial Statements:

Fund financial statements of the City are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

Total assets, liabilities, revenues or expenditure/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category type; and

Total assets, liabilities, revenues, or expenditures/expenses for the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the City are described below:

Major Governmental Funds:

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

The Community Development Project Income Fund accounts for the financing of home rehabilitation, as financed by monies passed through the State by the federal government.

Major Proprietary Funds:

The Enterprise Funds are used to account for operations that are financed and operated in a manner similar to a private business enterprise where the intent of the governing body is that the costs (expenses) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The Sewer Fund was established to account for the operations of the City's sewer utility, a self-supporting activity which renders a service on a user charge basis to residents and businesses within the City.

The Solid Waste Fund was established to account refuse collection, a self-supporting activity which renders a service on a user charge basis to residents and businesses within the City.

The Water Fund was established to account for the operations of the City's water utility, a self-supporting activity which renders a service on a user charge basis to residents and businesses within the City.

The Airport Fund was established to account for the operations of Mott Field.

Additionally, the City reports the following non-major governmental funds:

Local Transportation Fund: Established to account for the construction and maintenance of the streets and roads of the City, as well as to provide mass transit, as financed from "Transportation Development Act" monies passed through the County of Siskiyou by the State.

City of Dunsmuir
Notes to the Basic Financial Statements
June 30, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Gas Tax Funds (2103, 2106, 2107, 2107.5, 2107SR) and SB1 RMRA Fund: Established to account for the construction and maintenance of the streets and roads of the City as financed by gas taxes received from the State.

Fire Assessment Fund: Established to provide for fire apparatus and equipment and replacement thereof as needed by the Dunsmuir Fire Department. The Dunsmuir Fire Department is volunteer department with the exception of Fire Chief. The assessment district was not established to pay for volunteer costs which are none.

Economic Development Block Grant (EDBG) Fund: Accounts for the financing of businesses, as financed by monies passed through the State by the federal government.

South Dunsmuir Sewer Assessment Fund: Established to account for assessments levied against certain property owners for the purpose of payment of long-term bonds issued for improvements of the sewer system.

C. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus:

In the government-wide statements, both governmental and business-type activities are presented using the economic resources measurement focus as defined below.

In the fund financial statements, the current financial resources measurement focus or the economic resources measurement focus is used as appropriate.

All governmental funds utilize a current financial resources measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present resources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the year.

All proprietary (enterprise) funds utilize an economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as a net asset.

Fiduciary (agency) funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

City of Dunsmuir
Notes to the Basic Financial Statements
June 30, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Accounting:

In the government-wide statements, both governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental and agency funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when measurable and available. Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within 60 days after year end. Expenditures (including capital outlays) are recorded when the related fund liability is incurred.

All proprietary funds utilize the accrual basis of accounting, as described above.

D. Assets, Liabilities, Net Position or Fund Equity

Cash and Cash Equivalents:

For purposes of the statement of cash flows, the City considers as cash equivalents all highly liquid investments with a maturity at the date of purchase of three months or less.

Investments:

The City participates in the California Local Agency Investment Fund ("LAIF"). LAIF is an external investment pool through which local governments may pool investments. Investments in LAIF are highly liquid, as deposits can be converted to cash within 24 hours without the loss of interest. The fair value of the City's portion of LAIF is the same as its value of the pool shares. The regulatory oversight of LAIF rests with the Local Agency Investment Board.

Receivables:

In the fund financial statements, material receivables in governmental funds are the same as those in the government-wide statements, since they are both measurable and available. Interest earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. Proprietary fund material receivables consist of all revenues earned at year-end but not yet received. Allowances for uncollectible accounts receivable are based on historical trends, periodic aging of accounts receivable, and management's detailed analysis of the composition of accounts receivable.

Property Taxes:

The County of Siskiyou assesses, bills, and collects property taxes for the City. Assessed values are determined annually by the Siskiyou County Assessor as of January 1, and become a lien on such property January 1. Taxes are due November 1 and February 1 (secured), and July 1 (unsecured) and are delinquent if not paid by December 10 and April 10 (secured), and August 31 (unsecured). The County is permitted by the State Constitution (Article XIII A) to levy taxes at 1% of the full market value of the property (at the time of purchase) and can increase a property's assessed valuation by reappraisal due to new construction, change in ownership, or by increase in fair market value not to exceed a 2% each year. Property taxes collected by the County on behalf of the City but not remitted to the City by June 30 are accrued in revenue and included in other accounts receivable.

City of Dunsmuir
Notes to the Basic Financial Statements
June 30, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Interfund Receivables and Payables:

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. These may include amounts relating to goods and services type transactions, and interfund loans.

Restricted Assets:

Certain resources set aside for the repayment of the City's sewer and water funds long-term debt are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable debt covenants.

Capital Assets:

The accounting treatment for property, plant, equipment and infrastructure assets (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

In the government-wide financial statements, property, plant, equipment and infrastructure assets with a cost, as defined below, of \$5,000 or more are accounted for as capital assets. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available, except donated capital assets are recorded at their estimated fair market value at the date of donation. Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Utility plant	40 years
Buildings	20 to 40 years
Improvements not buildings	10 to 40 years
Machinery and equipment	5 to 40 years
Infrastructure	40 years

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

Donated Assets:

Donated assets are recorded at fair market value at the time of donation.

Compensated Absences:

Vacation pay and compensated time off is vested to the employees as it accrues and is payable upon separation of service and therefore, have been accrued in the accompanying financial statements. Sick pay is vested to the employee as it accrued and is payable only upon retiring from employment with the City and all hours are payable except for the first one hundred and fifty (150) hours of the accrual which are returned to the City.

City of Dunsmuir
Notes to the Basic Financial Statements
June 30, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 Local Government of Example's California Public Employees' Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by 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.

Unearned Revenue:

Unearned revenue represents monies received that has not yet been expended by the City and is not earned (as revenue) until it is properly expended.

Fund Balance Classification:

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. Noncurrent receivables and prepaid expenses are classified as nonspendable fund balance.
- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The City has externally imposed restrictions for police, fire assessment funds, streets and roads, public transportation, and community development.
- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council. These amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The City did not have any committed resources as of June 30, 2019.
- Assigned: This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the City Council or through the City Council delegating this responsibility to the City Manager through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund. The City did not have any assigned resources as of June 30, 2019.
- Unassigned: This classification includes the residual fund balance for the General Fund. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

City of Dunsmuir
Notes to the Basic Financial Statements
June 30, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The City would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

E. Revenues, Expenditures and Expenses

Operating Revenues and Expenses:

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenues and expenses not related to capital and related financing, noncapital financing, or investing activities.

Expenditures/Expenses:

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures are classified by character (current, debt service or capital outlay) for governmental funds, and by operating or non-operating classifications for proprietary funds.

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

F. Estimates

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

G. Budgets

The City adopts an annual budget for the fiscal year commencing the following July 1. Budgets are adopted on a basis consistent with generally accepted accounting principles. The level of control, the level at which expenditures may not exceed budget, is the fund. Unused appropriations lapse at the end of the fiscal year. The City does not use encumbrance accounting.

NOTE 2 CASH AND INVESTMENTS

The City follows the practice of pooling cash of all funds, unless the funds are required by law, debt covenant or other instrument to be held in a separate account. Interest income on pooled cash invested is allocated monthly to the various funds based on the same proportion that such funds bear to the total monies invested.

City of Dunsmuir
Notes to the Basic Financial Statements
June 30, 2019

NOTE 2 CASH AND INVESTMENTS (continued)

Cash and investments as of June 30, 2019 are classified in the accompanying financial statements as follows:

Statement of net position:	
Current cash and investments	\$ 2,297,815
Restricted cash and investments	<u>197,902</u>
Total cash and investments	<u><u>\$ 2,495,717</u></u>

Consisting of the following:	
Cash on hand	\$ 350
Deposits with financial institutions	673,922
Investments in LAIF	<u>1,821,444</u>
	<u><u>\$ 2,495,716</u></u>

Investments Authorized:

The City manages its pooled idle cash investments under the guidelines of the State of California Government Code Section 53601 which specifically authorizes investments in the following instruments: treasury bills, treasury notes, federal agency securities, bankers' acceptances, nonnegotiable certificates of deposit, commercial paper, negotiable certificates of deposit, and repurchase agreements. All investments activities are conducted with financial institutions approved by the City Council.

Disclosure Relating to Interest Rate Risk:

Interest rate risk is the risk that changes in market rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value in market interest rates. As of year-end, the weighted average maturity, as well as the estimated fair value of each investment, are shown in the table below.

Disclosure Relating to 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. LAIF does not have such a rating.

Concentration of Credit Risk:

The investment policy of the City contains no limitation on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. There are no investments in any one issuer that represent 5 percent or more of total City investments. There are no investments in any one issuer that represent 5 percent or more of total investments by reporting unit.

Custodial Credit Risk:

Custodial credit risk of deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party.

City of Dunsmuir
Notes to the Basic Financial Statements
June 30, 2019

NOTE 2 CASH AND INVESTMENTS (continued)

The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provisions for deposits: the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits.

The City's balance in banks was \$737,515, all of which was covered by federal depository insurance, or the collateral requirements discussed in the preceding paragraph. The bank balance differs from the book balance of \$673,922 because of deposits in transit and outstanding checks.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct

investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

Investment in State Investment Pool (LAIF):

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on accounting records maintained by LAIF, which are recorded on an amortized cost basis.

NOTE 3 LOANS RECEIVABLE

The following is the composition of loans receivable at June 30, 2019:

	Community Development Project Income Fund	EDBG Fund	Total
	<u> </u>	<u> </u>	<u> </u>
Mortgage loans	\$ 950,268	\$ 383,207	\$ 1,333,475
Less: allowance for bad debt	<u>(120,770)</u>	<u>(69,097)</u>	<u>(189,867)</u>
Total	<u>\$ 829,498</u>	<u>\$ 314,110</u>	<u>\$ 1,143,608</u>
Related party loans	<u>\$ 156,162</u>	<u>\$ -</u>	<u>\$ 156,162</u>

Related party loans are not material to the financial statements and are not from key employees.

City of Dunsmuir
Notes to the Basic Financial Statements
June 30, 2019

NOTE 4 DUE TO / DUE FROM OTHER FUNDS, ADVANCES TO / FROM OTHER FUNDS, AND OPERATING TRANSFERS IN/OUT

The following is a summary of the inter-fund receivables and payables at June 30, 2019:

Due from:	Due to:		Total
	General Fund	Sewer Fund	
Airport Fund	\$ 83,032	\$ -	\$ 83,032
Water Fund	5,000	-	5,000
Non-major governmental funds	408	6,123	6,531
Total	\$ 88,440	\$ 6,123	\$ 94,563

The above amounts are to cover negative cash balances in the respective funds' pooled cash accounts, and will be repaid by transferring monies from other cash accounts or from future revenues.

The following is a summary of operating transfers in/out:

Transfer In To:	Transfer Out From:		Total Transfers In
	General Fund	Non-major governmental funds	
Community Development Project Income Fund	\$ -	\$ 7,500	\$ 7,500
Non-major governmental funds	\$ 44,989	-	\$ 44,989
Total Transfers Out	\$ 44,989	\$ 7,500	\$ 52,489

The operating transfer to non-major governmental funds was for operating expenditures.

NOTE 5 CAPITAL ASSETS

Depreciation expense was charged to functions/programs for the year ended June 30, 2019, as follows:

Governmental activities:	
General government	\$ 48,594
Public safety	96,902
Streets and roads	155,573
Total depreciation and amortization expense - governmental activities	\$ 301,069
Business-type activities:	
Sewer	\$ 296,793
Solid Waste	12,362
Water	163,906
Airport	98,319
Total depreciation and amortization expense - business-type activities	\$ 571,380

City of Dunsmuir
Notes to the Basic Financial Statements
June 30, 2019

NOTE 5 CAPITAL ASSETS (Continued)

Changes in capital assets for the year ended June 30, 2019, are as follows:

	June 30, 2018	Additions and Transfers	Retirements and Transfers	June 30, 2019
<u>Governmental activities:</u>				
Capital assets not being depreciated:				
Land	\$ 1,151,800	\$ -	\$ -	\$ 1,151,800
Construction in progress	14,774	-	(14,774)	-
Total capital assets not being depreciated:	<u>1,166,574</u>	<u>-</u>	<u>(14,774)</u>	<u>1,151,800</u>
Capital assets being depreciated:				
Buildings	2,115,720	-	-	2,115,720
Machinery and equipment	2,360,281	-	-	2,360,281
Infrastructure	3,169,809	81,642	14,774	3,266,225
Total capital assets being depreciated	<u>7,645,810</u>	<u>81,642</u>	<u>14,774</u>	<u>7,742,226</u>
Less accumulated depreciation for:				
Buildings	1,482,566	38,915	-	1,521,481
Machinery and equipment	1,460,088	105,137	-	1,565,225
Infrastructure	2,072,915	157,017	-	2,229,932
Total accumulated depreciation	<u>5,015,569</u>	<u>301,069</u>	<u>-</u>	<u>5,316,638</u>
Total capital assets being depreciated, net	<u>2,630,241</u>	<u>(219,427)</u>	<u>14,774</u>	<u>2,425,588</u>
Subtotal, governmental activities	<u>3,796,815</u>	<u>(219,427)</u>	<u>-</u>	<u>3,577,388</u>
<u>Business-type activities:</u>				
Capital assets not being depreciated:				
Land	1,741,070	-	-	1,741,070
Construction in progress	1,094,982	765,700	-	1,860,682
Total capital assets not being depreciated	<u>2,836,052</u>	<u>765,700</u>	<u>-</u>	<u>3,601,752</u>
Capital assets being depreciated:				
Utility plant	17,110,970	-	-	17,110,970
Buildings	240,866	-	-	240,866
Improvements not buildings	2,896,158	-	-	2,896,158
Machinery and equipment	1,218,535	-	-	1,218,535
Total capital assets being depreciated	<u>21,466,529</u>	<u>-</u>	<u>-</u>	<u>21,466,529</u>
Less accumulated depreciation for:				
Utility plant	4,516,475	419,923	-	4,936,398
Buildings	151,010	7,945	-	158,955
Improvements not buildings	2,036,317	107,350	-	2,143,667
Machinery and equipment	991,604	36,162	-	1,027,766
Total accumulated depreciation	<u>7,695,406</u>	<u>571,380</u>	<u>-</u>	<u>8,266,786</u>
Total capital assets being depreciated, net	<u>13,771,123</u>	<u>(571,380)</u>	<u>-</u>	<u>13,199,743</u>
Subtotal, business-type activities	<u>16,607,175</u>	<u>194,320</u>	<u>-</u>	<u>16,801,495</u>
Total, government-wide	<u>\$20,403,990</u>	<u>\$ (25,107)</u>	<u>\$ -</u>	<u>\$20,378,883</u>

City of Dunsmuir
Notes to the Basic Financial Statements
June 30, 2019

NOTE 6 LONG TERM DEBT

Changes in long-term obligations for the year ended June 30, 2019, are as follows:

	June 30, 2018	Additions	Reductions	June 30, 2019	Current Portion
Governmental activities:					
South Dunsmuir Sewer Special Assessment District Debt	\$ 86,000	\$ -	\$ 5,000	\$ 81,000	\$ 5,000
Business-type activities:					
Notes from direct borrowings	\$ 2,942,976	\$ -	\$ 123,843	\$ 2,819,133	\$ 126,275

The City's outstanding debt from the special assessment district for the South Dunsmuir Sewer system related to governmental activities of \$81,000 has annual principal payments and semi-annual interest payable at 6% maturing September 2, 2030. The debt contains a provision that in the event of default, outstanding amounts become immediately due if the City is unable to make payment. There was no collateral pledged as security for this special assessment debt.

The City's outstanding notes from direct borrowings related to business-type activities of \$2,819,133 are comprised of the following direct borrowings and contain the following provisions:

1994 USDA Sewer Improvement Certificates of Participation: Annual principal payments and semi-annual interest payable at 4.5% maturing May 1, 2035. The City agrees to provide for the accumulation of the necessary reserves (the "Reserve Fund") to assure that the funds available to make the semiannual payments when due. At a minimum, the reserve, accumulated annually, shall be equal to 125% of average annual debt service on the obligation or \$26,879. At June 30, 2019, the City has accumulated a reserve of \$34,378 in a separate reserve account and shows this as part of restricted cash in the Sewer Fund. The City pledges to repay the entire principal amount of the loan from the sewer user fees and service charges of its Sewer Enterprise Fund and has pledged said sewer user fees and services charges as collateral to secure the repayment of the loan. There are no default provisions for this debt.

2007 USDA Sewer Loan: Annual principal payments and semi-annual interest payable at 4.25% maturing May 1, 2046. The loan contains a provision that in the event of default by the City of any material provision of this agreement, outstanding amounts become immediately due if the City is unable to make payment. There was no collateral pledged as security for this direct borrowing.

2012 State Water Resources Control Board: Annual principal payments with interest payable at 1.8% maturing August 31, 2034. The City agrees to pledge annual "Net Revenues", defined as net operating income, excluding depreciation, up to a minimum equal to 1.2 times the highest year's debt service or \$125,711. This obligation is secured by a lien on this pledge of Net Revenues. At June 30, 2019, the City has accumulated \$105,019 of this pledge in a separate reserve account and shows this as part of restricted cash in the Sewer Fund. The loan contains a provision that in the event of default by the City of any material provision of this agreement, outstanding amounts become immediately due if the City is unable to make payment.

1994 USDA Water Improvement Certificates of Participation: Annual principal payments and semi-annual interest payable at 5.125% maturing May 1, 2035. The City agrees to provide for the accumulation of the necessary reserves (the "Reserve Fund") to assure that the funds available to make the semiannual payments when due. At a minimum, the reserve, accumulated annually, shall be equal to 125% of average annual debt service on the obligation or \$32,724. At June 30, 2019, the City has accumulated a reserve of \$30,601 in a separate reserve account and shows this as part of restricted cash in the Water Fund.

City of Dunsmuir
Notes to the Basic Financial Statements
June 30, 2019

NOTE 6 LONG TERM DEBT (continued)

The City pledges to repay the entire principal amount of the loan from the water user fees and service charges of its Water Enterprise Fund and has pledged said water user fees and services charges as collateral to secure the repayment of the loan. There are no default provisions for this debt.

2005 California Department of Water Resources Van Fossen and Mason Water System Loan: Semi-annual principal payments at 0% interest maturing July 1, 2026. The City agrees to provide for the accumulation of the necessary reserves (the "Reserve Fund") to assure that the funds available to make the semiannual payments when due. At a minimum, a reserve of two (2) semiannual payments (\$2,790) shall be accumulated during the first ten (10) years of the loan repayment term (beginning January 1, 2007) and thereafter be maintained at that level. At June 30, 2019, the City has accumulated a reserve of \$27,904 in a separate reserve account and shows this as part of restricted cash in the Water Fund. The City pledges to repay the entire principal amount of the loan from the water user fees and service charges of its Water Enterprise Fund and has pledged said water user fees and services charges as collateral to secure the repayment of the loan. The loan contains a provision that in the event of default, outstanding amounts become immediately due if the City is unable to make payment.

2017 California Department of Transportation Airport Pavement Maintenance Management and Airport Layout Plan Loan: Annual principal payments with interest payable at 2.33% maturing February 22, 2034. The debt contains a provision that in the event of default, outstanding amounts become immediately due if the City is unable to make payment. There was no collateral pledged as security for this direct borrowing.

Debt service requirements on long-term debt at June 30, 2019, are as follows:

<u>Year Ended June 30,</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>So. Dunsmuir Sewer Special Assessment</u>		<u>Notes from Direct Borrowings</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 5,000	\$ 4,710	\$ 126,275	\$ 86,311
2021	5,000	4,410	130,734	82,891
2022	5,000	4,110	134,218	79,307
2023	6,000	3,780	137,730	75,600
2024	6,000	3,420	141,268	71,774
2025-2029	37,000	10,830	760,652	296,554
2030-2034	17,000	990	875,350	177,989
2035-2039	-	-	275,906	71,374
2040-2044	-	-	162,000	37,145
2045-2049	-	-	75,000	4,803
	<u>\$ 81,000</u>	<u>\$ 32,250</u>	<u>\$ 2,819,133</u>	<u>\$ 983,748</u>

City of Dunsmuir
Notes to the Basic Financial Statements
June 30, 2019

NOTE 7 COMPENSATED ABSENCES

Included in non-current liabilities, changes in compensated absence payable for the year ended June 30, 2019, is as follows:

	June 30, 2018	Additions	Reductions	June 30, 2019	Current Portion
Governmental activities:					
General fund	\$ 71,783	\$ -	\$ 22,949	\$ 48,834	\$ 25,179
Business-type activities:					
Sewer fund	44,435	-	22,362	22,073	13,295
Solid Waste fund	8,359	-	2,262	6,097	1,878
Water fund	52,849	-	15,680	37,169	10,983
Airport fund	3,451	-	1,792	1,659	821
Total business-type activities	109,094	-	42,096	66,998	26,977
Total compensated absences	<u>\$ 180,877</u>	<u>\$ -</u>	<u>\$ 65,045</u>	<u>\$ 115,832</u>	<u>\$ 52,156</u>

NOTE 8 PENSION PLAN

General Information about the Pension Plan

Plan Description, Benefits Provided, and Employees Covered

The “**Plan**” is a cost-sharing multiple-employer defined-benefit pension plan administered by CalPERS. The June 30, 2018, GASB 68 actuarial valuation report for the combined **Miscellaneous** and **Safety (police and fire) Risk Pools** lists a full description of the assumptions for funding purposes, but not accounting purposes, and membership information. The benefits provided from Appendix B of the June 30, 2018, actuarial valuation report for the CalPERS **Miscellaneous** and **Safety Risk Pools** are available on the CalPERS’ website under “Forms and Publications.”

Contribution Description

Section 20814(c) of the California Public Employees’ Retirement Law (PERL) requires that an actuary determine the employer contribution rates for all public employers on an annual basis, and that the rates shall be effective on the July 1 following notice of a change in the rate. The CalPERS’ annual actuarial valuation process determines the total plan contributions. For public-agency cost-sharing plans covered by either the **Plan**, the basis of the **Plan**’s actuarially determined rate is the estimated amount necessary to pay the **Plan**’s allocated share of the risk pool’s costs of benefits earned by employees during the year, and any unfunded accrued liability. PERL requires the employer to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2018 (the measurement date), the basis for the contribution rates is actual contributions made, and not the actuarially determined contribution. The employees and the employer had the following contribution rates, shown as a percentage of the annual payroll:

Miscellaneous		
Contribution Type	Classic	PEPRA
Employee (Charged)	7.000%	6.250%
Employee (Effective)	6.896%	6.250%
Employer	8.418%	6.842%
Safety		
Employee (Charged)	0.000%	9.500%
Employee (Effective)	0.000%	9.500%
Employer	0.000%	10.020%

City of Dunsmuir
Notes to the Basic Financial Statements
June 30, 2019

NOTE 8 PENSION PLAN (continued)

The charged employee contribution rate is the percentage that **Plan** charges the employees, while the effective employee contribution rate is the amount that the **Plan** expects to collect.

Employer contribution rates may change if the **Plan** amends its contracts. It is the responsibility of the employer to make necessary accounting adjustments to reflect the impact due to any employer-paid member contributions, or situations where members pay a portion of the employer contribution.

Actuarial Methods and Assumptions Used to Determine Plan Contributions

CalPERS derived the actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2016–2017 from the June 30, 2017, funding valuation report.

Actuarial Cost Method	Entry-Age Normal
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	Varies by entry age and service
Mortality Rate Table ¹	Derived using CalPERS' membership data for all funds

All other actuarial assumptions used in the June 30, 2017, valuation use the results of CalPERS Experience Study and Review of Actuarial Assumptions — December 2017, including updates to salary increases, mortality, and retirement rates, as a basis. The experience study report is available on the CalPERS website under Forms and Publications.

¹ CalPERS developed the mortality table used based on CalPERS' specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale MP–2016. For more details on this table, please refer to the 2017 experience study report.

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected rate of return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

City of Dunsmuir
Notes to the Basic Financial Statements
June 30, 2019

NOTE 8 PENSION PLAN (continued)

The expected real rates of return by asset class are as follows:

Asset Class	Assumed asset allocation	Real return years 1-10 (2)	Real return years 11+ (3)
Global equity	50.00 %	4.80 %	5.96 %
Fixed income	28.00	1.00	2.62
Inflation assets	-	0.77	1.81
Private equity	8.00	6.30	7.23
Real assets	13.00	3.75	4.93
Liquidity	1.00	-	(0.92)

(1) In the System's CAFR, Fixed income is included in Global Debt Securities; Liquidity is included in Short-term investments; Inflation assets are included in both Global Equity securities and Global Debt Securities

(2) An expected inflation of 2.00% used for this period.

(3) An expected inflation of 2.92% used for this period.

Discount Rate

The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, as actuarially determined. Based on those assumptions, the **Plan's** fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Amortization of Deferred Outflows and Deferred Inflows of Resources

Description of the Amortization Methodology

Under GASB 68, agencies recognize actuarial gains and losses related to changes in total pension liability and fiduciary net position in the pension expense systematically over time.

Agencies recognize the first amortized amount of a gain or loss in the pension expense for the year the gain or loss occurs. Agencies categorize the remaining amounts as deferred outflows and deferred inflows of resources related to pensions that are to be recognized in future pension expense.

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

Difference between projected and actual earnings	Five-year straight-line amortization
All other amounts	Straight-line amortization over the expected average remaining service lifetime (EARSL) of all members provided with pensions (active, inactive and retired), as of the beginning of the measurement period.

City of Dunsmuir
Notes to the Basic Financial Statements
June 30, 2019

NOTE 8 PENSION PLAN (continued)

The report amortizes the Net Difference between the Projected and Actual Investment Earnings on Pension Plan Investments over a five-year period on a straight-line basis. The report recognizes one-fifth of the total in the Pension Expense during the measurement period and amortizes the remaining Net Difference between Projected and Actual Investment Earning on Pension Plan Investments at the measurement date over the remaining four-year period. The Net Difference between Projected and Actual Investment Earnings on Pension Plan Investments in the Schedule of Collective Pension Amounts represents the unamortized balance relating to the current measurement period and the prior measurement period on a net basis.

The employer should amortize deferred outflows and deferred inflows of resources relating to Differences between Expected and Actual Experience, Changes of Assumptions, and employer-specific amounts over the EARSL of members provided with pensions through the **Plan**. The EARSL for PERF C for the June 30, 2018, measurement date is 3.8 years.

CalPERS derived the EARSL by dividing the total service years of 516,147 (the sum of remaining service lifetimes of all active employees) by 135,474 (the total number of participants: active, inactive, and retired) in PERF C. Inactive employees and retirees have remaining service lifetimes equal to zero. The basis of total future service is the members' probability of decrementing due to an event other than receiving a cash refund.

The Schedule of Collective Pension Amounts does not reflect employer-specific amounts such as changes in the employer proportion, differences between actual employer contributions and employers' proportionate shares of contributions, and employer contributions to PERF C subsequent to the measurement date, as defined in GASB 68 paragraphs 54, 55, and 57. Appropriate treatment of such amounts is the responsibility of the employers.

CalPERS' website provides CalPERS' Comprehensive Annual Financial Report for the fiscal year ended June 30, 2018 and the CalPERS' GASB 68 Accounting Valuation Reports for the public agency miscellaneous and Safety Risk Pools, which together provide additional financial and actuarial information required for GASB 68 disclosures.

Allocation of Net Pension Liability and Pension Expense to Individual Plans

A key aspect of GASB 68 pertaining to cost-sharing employers is the establishment of an approach to allocate the net pension liability and pension expense to the individual employers within the risk pool. Paragraph 49 of GASB 68 indicates that for pools with contribution rates within the pool based on separate relationships, the proportional allocation should reflect those relationships. The allocation method utilized by CalPERS determines the employer's share by reflecting these relationships through the plans they sponsor within the risk pool. The valuation uses plan liability and asset-related information where available, and proportional allocations of individual plan amounts as of the valuation date where not available.

Please refer to the CalPERS "Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan Schedules of Employer Allocations and Collective Pension Amounts" report for the **Miscellaneous** and **Safety Risk Pools**, available from the CalPERS' website under the GASB 68 section.

City of Dunsmuir
Notes to the Basic Financial Statements
June 30, 2019

NOTE 8 PENSION PLAN (continued)

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

As of June 30, 2019, the City reported net pension liabilities for its proportionate shares of the net pension liability of each **Plan** as follows:

	Proportionate Share of Net Pension Liability
Miscellaneous	\$955,918
Safety	254,469
Total Net Pension Liability	\$1,210,387

The City's net pension liability for each **Plan** is measured as the proportionate share of the net pension liability. The net pension liability of each **Plan** is measured as of June 30, 2018, 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, 2017 rolled forward to June 30, 2018 using standard update procedures. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension **Plan** relative to the projected contributions of all participating employers, actuarially determined. The City's proportionate share of the net pension liability for each **Plan** as of the June 30, 2018 measurement date was as follows:

	Miscellaneous	Safety	Total
Proportion - June 30, 2017	0.02456%	0.00420%	0.01229%
Proportion - June 30, 2018	0.02536%	0.00434%	0.01256%
Change - Increase/(Decrease)	0.00081%	0.00013%	0.00027%

The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the year ended June 30, 2019, the contributions recognized as part of pension expense for each **Plan** were as follows:

	Miscellaneous		Safety
	\$ 71,799	\$	26,536

For the year ended June 30, 2019, the City recognized pension expense of \$100,174 which includes an adjustment to the prior year in the amount of \$1,697 due to a difference between the actual contributions per CalPERS and the amount used for calculating the prior year pension expense.

City of Dunsmuir
Notes to the Basic Financial Statements
June 30, 2019

NOTE 8 PENSION PLAN (continued)

At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>For the Measurement Year Ended June 30, 2018</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Change in assumptions	\$ 133,945	\$ 30,077
Differences between actual and expected experience	42,145	12,502
Difference between projected and actual earnings on pension plan investments	6,449	-
Differences between the employer's proportionate share of contributions	9,711	67,783
Change in employer's proportion	26,283	23,362
Pension contributions made subsequent to the measurement date	124,196	-
Total	<u>\$ 342,729</u>	<u>\$ 133,724</u>

The \$124,196 reported as deferred outflows of resources related to contributions made 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 outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year Ended June 30,</u>	
2019	\$ 87,760
2020	46,528
2021	(39,118)
2022	(10,361)
2023	-
Remaining	-
Total	<u>\$ 84,809</u>

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

The following presents the City's proportionate share of the net pension liability for each **Plan**, calculated using the discount rate for each **Plan**, as well as what the City'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:

	Discount Rate -1% 6.15%	Current Discount Rate 7.15%	Discount Rate +1% 8.15%
Plan's Net Pension Liability			
Miscellaneous	\$1,511,603	\$955,918	\$497,210
Safety	343,548	254,469	181,484
Total	\$1,855,151	\$1,210,387	\$678,694

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS' financial report (CAFR), available at the CalPERS' website.

Payable to the Pension Plan

The City did not have any current amounts payable to the pension plan at June 30, 2019.

City of Dunsmuir
Notes to the Basic Financial Statements
June 30, 2019

NOTE 9 SELF-INSURANCE

The City is a member of the Small Cities Organized Risk Effort (SCORE), a JPA providing shared risk pool for general liability and workers compensation claims and purchase of insurances in excess of shared losses, primary insurance or reinsurance for other risks incurred in City operations. The City is responsible to pay the first \$25,000 of each claim, but has coverage through the pool of up to \$45,000,000 per claim.

NOTE 10 RESTRICTED NET POSITION

Restricted net position is equity whose use is subject to constraints that are either; (1) externally imposed by creditors (such as debt covenants), grantors, or laws or regulations of governments, or (2) imposed by law through constitutional provisions or enabling legislation. Restricted net position at June 30, 2019 for governmental activities were restricted for the specific fund purpose and business-type activities were restricted for debt service.

NOTE 11 FUND BALANCE

As discussed in Note 1, restricted funds are used first as appropriate. Assigned Funds are reduced to the extent that expenditure authority has been budgeted by Council or the Assignment has been changed by the Mayor. Decreases to fund balance first reduce Unassigned Fund balance; in the event that Unassigned Fund Balance becomes zero, then Assigned and Committed Fund Balances are used in that order.

General Fund

The General Fund has Non-spendable Fund Balance of \$1,652 consisting of prepaid expenses and an Unassigned Fund Balance of \$419,134 at June 30, 2019.

Other Major Fund

The Community Development Project Income Fund has Non-spendable Fund Balance of \$829,498 consisting of noncurrent receivables and an Unassigned Fund Balance of \$14,896 at June 30, 2019.

Other Funds

Other governmental (non-major) funds have Non-spendable Fund Balance of \$314,110, consisting of noncurrent receivables, Restricted Fund Balance of \$119,568 restricted for fund purposes of public safety, streets and roads improvements, and community development, and an Unassigned Fund Balance (Deficit) of \$(4,709) at June 30, 2019.

NOTE 12 CONTINGENCIES

The City participates in several Federal and State assisted grant programs that are subject to audit by the grantors. Although the ultimate outcome of such audits cannot be determined at this time, the City believes that such audits will not have a material adverse effect on the City.

The City is also a party to several legal actions. Should the outcome be unfavorable to the City, it does not expect the financial effects will be material to the financial position of the City.

REQUIRED SUPPLEMENTARY INFORMATION

**City of Dunsmuir
Budgetary Comparison Schedule
General Fund
For The Year Ended June 30, 2019**

	Original Budget	Final Budget	Actual Amounts	Favorable (Unfavorable) Variance With Final Budget
<u>REVENUES</u>				
Property taxes	\$ 294,400	\$ 294,400	\$ 298,069	\$ 3,669
Sales and use taxes	258,000	258,000	272,158	14,158
Transient occupancy taxes	155,000	155,000	166,684	11,684
Franchise and other licenses	61,401	61,401	56,100	(5,301)
Licenses and permits	15,150	15,150	14,989	(161)
Intergovernmental revenues	310,744	334,491	340,804	6,313
Charges for services	94,600	94,600	163,989	69,389
Fines, forfeitures and penalties	3,000	3,000	2,002	(998)
Use of money and property	36,454	36,454	37,634	1,180
Other	287,465	228,689	86,031	(142,658)
Total revenues	1,516,214	1,481,185	1,438,460	(42,725)
<u>EXPENDITURES</u>				
Current:				
City council	13,750	13,750	4,707	9,043
City administrator	65,680	67,180	19,398	47,782
City clerk	45,764	45,764	38,292	7,472
City attorney	32,000	32,000	39,125	(7,125)
Planning	46,432	46,432	43,954	2,478
Finance and administration	206,635	206,635	117,821	88,814
Building inspection	20,100	20,100	18,590	1,510
Police protection	473,379	473,379	440,738	32,641
Fire protection	249,558	249,558	315,790	(66,232)
Streets and roads	170,132	170,132	144,394	25,738
Buildings and grounds	86,118	106,118	86,577	19,541
Community and economic development	89,747	89,747	83,833	5,914
Total expenditures	1,499,295	1,520,795	1,353,219	167,576
Excess of revenues over (under) expenditures	16,919	(39,610)	85,241	124,851
<u>OTHER FINANCING SOURCES (USES)</u>				
Operating transfers in (out)	(15,000)	(15,000)	(44,989)	(29,989)
Total other financing sources (uses)	(15,000)	(15,000)	(44,989)	(29,989)
Excess of revenues and other sources over (under) expenditures and other uses	\$ 1,919	\$ (54,610)	\$ 40,252	\$ 94,862

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

City of Dunsmuir
Budgetary Comparison Schedule
Community Development Project Income Fund
For The Year Ended June 30, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Favorable (Unfavorable) Variance With Final Budget</u>
<u>REVENUES</u>				
Use of money and property	\$ -	\$ -	\$ 2,639	\$ 2,639
Total revenues	<u>-</u>	<u>-</u>	<u>2,639</u>	<u>2,639</u>
<u>EXPENDITURES</u>				
Current:				
Community and economic development	-	-	816	(816)
Total expenditures	<u>-</u>	<u>-</u>	<u>816</u>	<u>(816)</u>
Excess of revenues (under) expenditures	<u>-</u>	<u>-</u>	<u>1,823</u>	<u>1,823</u>
<u>OTHER FINANCING (USES)</u>				
Operating transfers in (out)	-	-	7,500	7,500
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>7,500</u>	<u>7,500</u>
Excess of revenues (under) expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,323</u>	<u>\$ 9,323</u>

The City did not prepare a budget for this major fund.

City of Dunsmuir
Cost-Sharing Multiple-Employer Defined Benefit Pension Plan
As of June 30, 2019
Last 10 Years

SCHEDULE OF THE LOCAL GOVERNMENT'S
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
COMBINED PLANS

Measurement Year Ending June 30: ¹	2014	2015	2016	2017	2018
Plan's proportion of the net pension liability	0.01178%	0.01159%	0.01217%	0.01229%	0.01256%
Plan's proportionate share of the net pension liability	\$732,939	\$795,680	\$1,053,116	\$1,219,219	\$1,210,387
Plan's covered-employee payroll ²	\$466,885	\$437,788	\$502,299	\$590,235	\$597,588
Plan's proportionate share of the net pension liability as percentage of its covered-employee payroll	156.98%	181.75%	209.66%	206.57%	202.55%
Plan's proportionate share of the fiduciary net position as a percentage of the plan's total pension liability	16.72%	17.83%	23.81%	26.11%	25.46%
Plan's proportionate share of aggregate employer contributions ^{3,4}	\$99,580	\$126,521	\$123,954	\$129,202	\$136,588

¹ GASB 68 requires historical information only for measurement periods for which GASB 68 is applicable.

² Covered Employee Payroll presented above uses pensionable earnings provided by the employer as its basis. However, GASB 68 defines covered employee payroll as the total payroll of employees with pensions from the pension plan. Accordingly, if pensionable earnings are different from total earnings for covered employees, the employer should display in the disclosure footnotes the payroll based on total earnings for the covered group and recalculate the required payroll ratios.

³ The plan's proportionate share of aggregate contributions may not match the actual contributions made by the employer during the measurement period. The plan's proportionate share of aggregate contributions uses the plan's proportion of fiduciary net position multiplied by the total employer contribution amount as its basis, as well as any additional side fund (or unfunded liability) contributions made by the employer during the measurement period.

⁴ GASB 68 does not require that we display this data for employers participating in cost-sharing plans, but we show it here because we use it in the calculation of the

City of Dunsmuir
Cost-Sharing Multiple-Employer Defined Benefit Pension Plan
As of June 30, 2019
Last 10 Years

SCHEDULE OF PLANS CONTRIBUTIONS
COMBINED PLANS

Measurement Year Ending June 30: ¹	2014	2015	2016	2017	2018
Actuarially determined contribution ²	\$ 47,001	\$ 42,711	\$ 63,629	\$ 80,031	\$ 97,158
Contributions in relation to the actuarially determined contribution ³	47,001	42,711	63,660	80,035	97,158
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (31)</u>	<u>\$ (4)</u>	<u>\$ -</u>
Covered employee payroll ⁴	\$466,885	\$437,788	\$502,299	\$590,235	\$597,588
Contributions as a percentage of covered-employee payroll ⁵	10.07%	9.76%	12.67%	13.56%	16.26%

¹ GASB 68 requires historical information only for measurement periods for which GASB 68 is applicable.

² GASB 68 assumes that employers contribute an amount equal to the actuarially determined contribution. However, some employers may choose to make additional contributions towards their side fund or their unfunded liability. Employer contributions for such plans exceed the actuarially determined contribution. CalPERS determined that employer obligations referred to as "side funds" do not conform to the circumstances described in the paragraph 120 of GASB 68, therefore CalPERS does not consider them separately financed specific liabilities.

³ Ibid.

⁴ Covered Employee Payroll presented above uses pensionable earnings provided by the employer as its basis. However, GASB 68 defines covered employee payroll as the total payroll of employees with pensions from the pension plan. Accordingly, if pensionable earnings are different from total earnings for covered employees, the employer should display in the disclosure footnotes the payroll based on total earnings for the covered group and recalculate the required payroll ratios.

⁵ Ibid.

Notes to Schedule:

Change in Benefit Terms: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2014 as they have minimal cost impact.

Change in Assumptions: None

SUPPLEMENTARY INFORMATION

**City of Dunsmuir
Combining Balance Sheet
June 30, 2019**

	Special Revenue						Total
	Local Transportation Fund	Gas Tax Fund	SB1 RMRA Fund	Fire Assessment Fund	EDBG Fund	South Dunsmuir Sewer Assessment Fund	
ASSETS							
Cash	\$ 5,078	\$ 3,626	\$ -	\$ 59,331	\$ 46,913	\$ -	\$ 114,948
Receivables (net of allowance for doubtful accounts, where applicable):							
Loans	-	-	-	-	314,110	-	314,110
Intergovernmental and other	2,571	-	-	5,777	-	1,992	10,340
Due from other funds	-	-	-	-	-	-	-
Total assets	<u>\$ 7,649</u>	<u>\$ 3,626</u>	<u>\$ -</u>	<u>\$ 65,108</u>	<u>\$ 361,023</u>	<u>\$ 1,992</u>	<u>\$ 439,398</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 43	\$ 3,031	\$ -	\$ -	\$ -	\$ -	\$ 3,074
Due to other funds	-	408	-	-	-	6,123	6,531
Other	59	765	-	-	-	-	824
Total liabilities	<u>102</u>	<u>4,204</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,123</u>	<u>10,429</u>
Fund balances (deficits):							
Nonspendable:							
Noncurrent receivables	-	-	-	-	314,110	-	314,110
Restricted for:							
Streets and roads	7,547	-	-	-	-	-	7,547
Public safety	-	-	-	65,108	-	-	65,108
Community and economic development	-	-	-	-	46,913	-	46,913
Total	<u>7,547</u>	<u>-</u>	<u>-</u>	<u>65,108</u>	<u>46,913</u>	<u>-</u>	<u>119,568</u>
Unassigned (deficit)	-	(578)	-	-	-	(4,131)	(4,709)
Total fund balance (deficit)	<u>7,547</u>	<u>(578)</u>	<u>-</u>	<u>65,108</u>	<u>361,023</u>	<u>(4,131)</u>	<u>428,969</u>
Total liabilities and fund balance	<u>\$ 7,649</u>	<u>\$ 3,626</u>	<u>\$ -</u>	<u>\$ 65,108</u>	<u>\$ 361,023</u>	<u>\$ 1,992</u>	<u>\$ 439,398</u>

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

City of Dunsmuir
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For The Year Ended June 30, 2019

	Special Revenue						Total
	Local Transportation Fund	Gas Tax Fund	SB1 RMRA Fund	Fire Assessment Fund	EDBG Fund	South Dunsmuir Sewer Assessment Fund	
REVENUES							
Assessments	\$ -	\$ -	\$ -	\$ 26,903	\$ -	\$ -	\$ 26,903
Intergovernmental revenues	108,350	54,241	26,320	-	-	8,864	197,775
Use of money and property	-	-	-	978	9,663	-	10,641
Total revenues	<u>108,350</u>	<u>54,241</u>	<u>26,320</u>	<u>27,881</u>	<u>9,663</u>	<u>8,864</u>	<u>235,319</u>
EXPENDITURES							
Current:							
Fire protection	-	-	-	2,292	-	-	2,292
Streets and roads	7,040	75,255	-	-	-	-	82,295
Transit assistance	42,326	-	-	-	-	-	42,326
Community and economic development	-	-	-	-	660	-	660
Capital outlay	55,321	-	26,321	-	-	-	81,642
Debt service:							
Principal	-	-	-	-	-	5,000	5,000
Interest	-	-	-	-	-	5,010	5,010
Total expenditures	<u>104,687</u>	<u>75,255</u>	<u>26,321</u>	<u>2,292</u>	<u>660</u>	<u>10,010</u>	<u>219,225</u>
Excess of revenues over (under) expenditures	<u>3,663</u>	<u>(21,014)</u>	<u>(1)</u>	<u>25,589</u>	<u>9,003</u>	<u>(1,146)</u>	<u>16,094</u>
OTHER FINANCING SOURCES (USES)							
Operating transfers in (out)	-	44,989	-	-	(7,500)	-	37,489
Total other financing sources (uses)	<u>-</u>	<u>44,989</u>	<u>-</u>	<u>-</u>	<u>(7,500)</u>	<u>-</u>	<u>37,489</u>
Excess of revenues and other sources over (under) expenditures and other uses	3,663	23,975	(1)	25,589	1,503	(1,146)	53,583
FUND BALANCE							
Beginning of the year	<u>3,884</u>	<u>(24,553)</u>	<u>1</u>	<u>39,519</u>	<u>359,520</u>	<u>(2,985)</u>	<u>375,386</u>
End of the year	<u>\$ 7,547</u>	<u>\$ (578)</u>	<u>\$ -</u>	<u>\$ 65,108</u>	<u>\$ 361,023</u>	<u>\$ (4,131)</u>	<u>\$ 428,969</u>

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

OTHER SCHEDULES AND REPORTS

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

To the City Council and
Those Charged with Governance
City of Dunsmuir, California

I 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, the business-type activities, each major fund, and the aggregate remaining fund information of City of Dunsmuir as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City of Dunsmuir, California's basic financial statements, and have issued my report thereon dated February 19, 2020.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered City of Dunsmuir, California's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Dunsmuir, California's internal control. Accordingly, I do not express an opinion on the effectiveness of the City of Dunsmuir, California's internal control.

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

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. I did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as **Finding 2019-001 and 2019-002**, that I consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Dunsmuir, California's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Dunsmuir, California's Response to Findings

City of Dunsmuir, California's response to the findings identified in my audit is described in the accompanying schedule of findings and questioned costs. City of Dunsmuir, California's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

Purpose of this Report

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

A handwritten signature in blue ink, appearing to read "Charles W. Pilon, CPA". The signature is stylized and includes the letters "CPA" at the end.

Charles W. Pilon, CPA
Anderson, California

February 19, 2020

City of Dunsmuir
Schedule of Findings and Questioned Costs
June 30, 2019

Findings - Financial Statement Audit

2019-001 Material Errors in the Financial Statements

Condition: Material audit adjustments were proposed. The items consisted of adjustments to properly record revenues and expenses, capitalize capital asset purchases, and record annual depreciation.

Criteria: The City must present its financial statements in accordance with generally accepted accounting principles.

Cause: The City's monthly and annual "financial statement close and reporting" process is not being completed according to Governmental and Enterprise Fund Accounting.

Effect: Material errors existed in the City's financial statements at fiscal year end and could affect financial statements distributed to management throughout the fiscal year.

Recommendation: The City's Finance Director would benefit from increased knowledge and expertise in the area of "financial statement close and reporting". The City should ensure that the Finance Director receives additional training and ample time and resources to adequately perform the financial close and reporting process to make sure the City's financial statements are not materially misstated.

Views of Responsible Officials and Planned Corrective Action: The City agrees with this finding. The City will direct the Finance Director to receive training to ensure compliance.

2019-002 Subsidiary Schedules

Condition: I noted during the financial statement audit that the subsidiary ledgers for Accounts Receivable, Accounts Payable and Loans Receivable have not been reconciled to the general ledger and accordingly, do not match the general ledger.

Criteria: All subsidiary ledgers should be reconciled on a timely basis to ensure that all transactions have been recorded properly.

Cause: The subsidiary ledgers balances did not match the general ledger, but the exact reason that the City's UB Billing System and Fund Balance program did not match the general ledger is unknown.

Effect: Accounts Receivable, Accounts Payable and Loans Receivable, as well as the related revenue and expense activity, may be reported and recorded incorrectly, possibly material, due to simple data entry errors or other irregularities.

Recommendation: Reconcile all subsidiary ledgers to the general ledger to ensure that the monthly ending balances match each other.

Views of Responsible Officials and Planned Corrective Action: The City agrees with this finding. The Finance Director is aware of this finding and plans to begin the work needed to reconcile the subsidiary schedules for fiscal year 19-20.

Summary of Prior Audit Findings

Finding 2019-001 and 2019-002 are repeat findings from the prior year.